

- Fostering of businesses producing merchandise of which the market has been lost due to competition with second-hand clothes so that they can regain the capability to fairly compete for the long-term growth of Zimbabwe
- Registration of merchants handling second-hand clothes
- Appropriate import tariff and system regarding second-hand clothes

Efforts should be made to complete to implementation of the recommended Programmes 1 - 3 above for the textile (sewing) industry in 1 - 3 years.

#### **5.8.4 Recommendations for Furniture Manufacturing Industry**

##### **(1) Profile of Wood Furniture Industry**

##### **1) Current Conditions of the Industry**

The wood furniture industry (including garden furniture) in Zimbabwe has some 150 factories of various sizes with almost a total of 5,000 employees. The largest enterprise has 450 employees and some 10 enterprises have approximately 200 employees each.

The product range is fairly diverse, including such household furniture as cabinets, chairs, coffee tables and kitchen dressers, school desks, benches, office furniture and hotel furniture.

Even though there are gaps between large enterprises and SMEs, it is certain that the industry as a whole has sufficient equipment and the technological capability as well as design capability to develop new products.

The production statistics for the wood furniture industry in Zimbabwe (Fig. 5-16) show almost steady growth of the production value. However, it is reported that the production in 1995 substantially dropped below the normal production level.

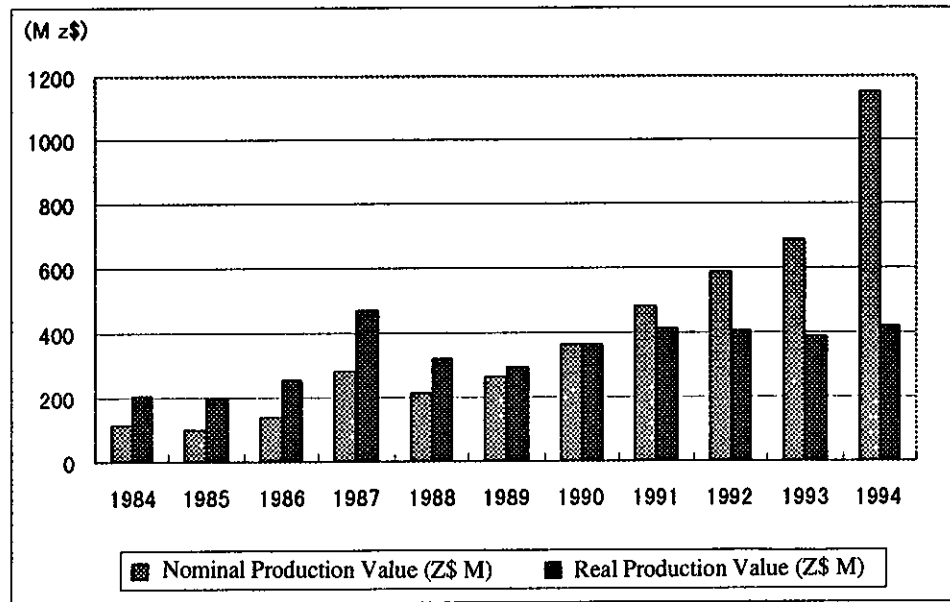


Fig. 5-16 Changes of Annual Production Value of Wood Furniture

## 2) Domestic Market and Product Prices

Spending on furniture is generally in proportion to the household income level. Table 5-11 shows the income distribution in Zimbabwe.

Table 5-11 Income Distribution (Monthly) in Zimbabwe

Income Bracket (Z\$)	Ratio of Corresponding Households (%)
- 1,000	50
1,001 - 2,000	25
2,001 - 3,000	10
3,001 - 5,000	7
5,001 - 10,000	5
10,000 or more	3

Source: This table was prepared by a Zimbabwe economist.

Table 5-12 shows the results of the comparison between the product price range and income levels of consumers using wardrobes as an example.

Table 5-12 Product Price and Target Product Class by Income Level

Product Class	Wardrobe Price Range (Z\$)	Monthly Income Level (Z\$)
High Class	1,700 - 2,000	5,000 and above
Middle Class	900 - 1,600	2,000 - 5,000
Low Class	600 - 800	1,200 - 2,000

Although the exact picture varies from one income class to another, the empirical yardstick for the purchase price appears to be within the range of a month's income.

### 3) Domestic Shipment Vis-a-Vis Exports

In the domestic market, most manufactured items are directly shipped to furniture stores. Because of the absence of wholesalers (middlemen), the factory gate price is said to be some 60 - 65% of the retail price. (In Japan, the factory gate price is said to be approximately one-third of the retail price.) Some large manufacturers have their own sales outlets for direct marketing.

SMEs which do not have their own sales outlets still enjoy the advantage of omitting the middleman's mark-up but their sales are unsteady because of the sales handicap. Accordingly, some SMEs have opted for more reliable exports even though the gate price is some 20% lower than that of domestic shipment. SMEs are sometimes required to join an industrial association or similar body as a condition for the export of their products and some SMEs focus their sales exclusively on the domestic market because of the complexity involved in exporting activities.

Generally speaking, however, many SMEs are interested in exporting their products. The general idea appears to be some 20% of products should be exported as an additional source of income while 80% should be marketed domestically to act as a safety net for business continuity.

### 4) Quality

The workers of both large enterprises and SMEs appear to be enthusiastic and honest. Their technical ability is at least reasonable. At some SMEs producing inexpensive products, processing is not carefully conducted, ignoring product quality and the importance of technical expertise.

The general observation results suggest that consumers are partly to blame for the low quality of domestically marketed products as they knowingly purchase less durable products. They appear to accept poor quality, probably because they have no alternative price-wise.

There are open-air furniture workshops producing low class, low price furniture in every city. In an open area, each person is involved in the manufacture of one piece of furniture. After rough assembly and enamel colour painting, a wardrobe (Z\$ 350), kitchen dresser (Z\$ 450) and three-piece set of a table and two chairs (Z\$ 450), etc. are cheaply sold (at approximately half or one-third of the price of inexpensive furniture sold in a store) on the site (see Photo 5-9). Both the design and quality of these products are poor and they barely serve their functions. SMEs cannot possibly compete with these open-air workshops if they try to sell furniture with the same functions as cheaper versions. It is, therefore, necessary for SMEs to have a strong will to resist the temptation to produce low quality, low price products. They should not accept “cheap and bad” as the norm but should strive to have the managerial and technical strength to maintain the minimum quality even for cheap products.



Photo 5-9 Scene of an Open-Air Furniture Workshop

## 5) Machinery

Higher quality products can only be guaranteed by good raw materials, machinery and processing technologies. Good machinery is also essential to maintain stable quality. Apart from very small enterprises (in terms of size) employing 10 - 15 workers, SMEs have a sufficient number of general-purpose wood processing machines although some may be old.

It is judged that SMEs in general have a satisfactory base to manufacture products developed to meet the market demand even though the targets of individual enterprises differ, ranging from increased exports to mass production. The question is whether or not they can improve their technical capability to fully utilise their machinery to achieve their targets.

Unlike large enterprises, SMEs do not have sections in charge of machine maintenance and the grinding of edged tools, etc. They also lag behind large enterprises in terms of introducing specialist processing machinery suitable for production items and suffer a major handicap in terms of the processing accuracy and production efficiency. While it is possible for them to introduce specialist machinery by limiting the product range, SMEs appear to be producing a wide range of products compared to their business size, illustrating their difficulty of narrowing the product range.

## 6) Raw Materials

One important factor to ensure good quality is the selection of raw materials. The supply system for timber and particle boards, etc. is sufficient to meet the demand.

The supply of pine timber, which is the main raw material, is dominated by the Forestry Commission and large timber manufacturers and SMEs manufacturing furniture face some problems in obtaining this timber in terms of price, etc.

It is said that particle boards of any grade can be produced to meet user requirements. As what are required by most SMEs are inexpensive boards, it is necessary to specially order high class boards. Given this situation, large furniture manufacturers opt for imported boards from South Africa and other countries based on the judgement that imported high class boards are cheaper than specially ordered domestically manufactured high class boards.

The fact that large furniture manufacturers opt for the import of high class materials has prevented the qualitative development of domestically manufactured particle boards and

other raw materials and the development of new products, resulting in a major handicap on the part of SMEs in terms of the qualitative improvement of their products due to their inability to rely on imported raw materials. Moreover, in the case of hardwood, the selection of only high quality wood is difficult. Consequently, hardwood is seldom used as a solid material at mass production factories except for thin boards.

The strict selection of excellent hardwood materials increases the material cost, necessitating the development and manufacture of high value-added products to compensate for the high material cost. Few products using high quality hardwood are observed in the market, presumably because of the small market for expensive furniture and also the small production advantage. One hardwood sawing mill which was surveyed has a sufficient stock and appears to be capable of meeting the likely demand of the furniture industry.

#### 7) Raw Materials, Design and Quality

SMEs generally have a wide choice in terms of the original species of timber and types, quality and grade of wood materials, including particle boards (secondary materials), and, therefore, their product shapes, finishing colours and other design aspects are rather uniform (especially in the case of wardrobes). In addition, such domestically available furniture fittings as handles and hinges are limited in terms of design and quality, failing to achieve the manufacture of attractive furniture.

In contrast, large furniture manufacturers import high quality raw materials and metal fittings, etc. and have the technological strength capable of processing high quality materials. Some even produce self-developed metal fittings and high quality accessories in-house and their strength lies in their planning and development capability to create products with high added-value.

To promote SMEs in the furniture industry, it appears necessary to encourage the improvement and development of high quality products with the cooperation of large manufacturers and related industries instead of importing materials and accessories with excellent design and quality.

#### 8) Middle Management Staff

Most SMEs face a shortage of staff capable of creating a marketing strategy based on the ideas and management policies of the owners and implementing it in an effective manner. The ability to analyse management inputs, including information on the market, raw materials and machinery, etc., and to apply the analysis results to

production and marketing is required to materialise management policies. The presence of middle management staff to control actual business activities is a key point for the future development of SMEs.

However, unless the business size is of a certain level, the introduction of middle management staff is difficult because of the personnel cost. The positive use of such staff is also difficult unless owners understand the mechanism whereby the use of such staff can produce higher profits even if their wages are high.

It may well be the case that the lack of sufficient profits makes it difficult for SMEs to employ middle management staff. This leads to the vicious circle where the absence of effective production control by middle management prevents business development.

#### 9) Division of Work and Subcontracting

There are examples in Japan of furniture manufacturers successfully reducing the unit cost by the division of work to gain a cost advantage in the market where the price competition is harsh. The division of work originates from an industrial situation in which wholesalers are the dominant force but where the concentrated processing of a limited number of items, leading to higher skill, the use of limited members and a high equipment operation rate is allowed. While agreement between parties in terms of the component price and delivery terms are important for the division of work or subcontracting, mutual trust is crucial. Such trust cannot be established over-night and it may be necessary to wait for the spontaneous emergence of trust. Nevertheless, it is essential that all concerned recognise the importance of the division of work and subcontracting for qualitative improvement and efficient production. It is hoped that the government will establish a system to support as well as encourage such a relationship.

### (2) Action Plan

#### 1) Preconditions for Action Plan

The survey on the current conditions of small and medium furniture manufacturers in Zimbabwe found that while some SMEs export their products, both the quality and grade of the products are generally medium or low class and that these products are inferior to the high quality and more expensive products of large manufacturers which are capable of exporting their products in terms of design and production technologies, etc.

Nevertheless, it is possible for SMEs to narrow the gap and to grow as enterprises with export capability, making export a realistic option as in the case of large manufacturers. The promotion of furniture exports should alleviate the excessive competition in the domestic market and, therefore, should greatly contribute to the development of the furniture industry. SMEs generally lag behind large manufacturers in the following aspects.

- a) Insufficient product knowledge and information which are necessary for the selection of good raw materials
- b) Lack of designs corresponding to market trends (particularly the large export market) (copying stage)
- c) Inferior product quality (partly attributable to machinery)
- d) Inferior status in the procurement of foreign materials and metal fittings, etc. due to insufficient creditability (cash payment demanded)
- e) Inferior planning and control capability (delivery terms and quality, etc.)

The target for the promotion of small and medium furniture manufacturers is the “development of enterprises with the necessary technical level (including design) to enter the export market” and the following action programmes have been formulated under the action plan to achieve this target, taking the above shortcomings into consideration.

Programme 1 : Production improvement measures

Programme 2 : Trial design of export-oriented factory

Programme 3 : Furniture design development and market development measures

## 2) Development of Suitable Business Environment for Action Plan

Given the capability of existing SMEs, it is almost impossible for them to independently achieve all of the items contained in the three programmes. Accordingly, it is desirable for the government and public organizations to lead the efforts to establish a cooperation system between enterprises or the grouping of enterprises for implementation of the action plan.



<Programme 1: Production improvement measures >

Regardless of manual or machine work, improvement of the skills of all shopfloor workers and engineers is essential. The improvement of quality in particular requires advanced skills to operate machinery and to correctly assess the quality of materials in addition to the introduction of machinery. The fostering of middle management staff is the most important requirement to bridge the gap between owners and shopfloor workers. From the above viewpoints, the following measures should be introduced to improve production through manpower development.

- a) Consolidation of Skill Training Institutes
  - The training and education related to furniture manufacture and wood processing techniques at vocational training centres and technical colleges should be consolidated.
- b) Preparation of Textbooks for Technician Training
  - Each trainee should have an appropriate technical textbook which can be kept after training for reference purposes.
- c) In-House Training
  - In-house training should be provided for the early re-education of basic issues related to production technologies/techniques.
- d) Travelling Guidance by Technical Instructors and Fostering of In-House Training Instructors
- e) Fostering of Technical Middle Management Staff as Shop Supervisors
  - A new body to train middle management staff/supervisors should be established to provide suitable training courses independently from vocational training courses.
- g) Introduction of R & D Organization for Development of Stable Furniture Materials and Applied Research
  - Research with various themes, guidance for the industry through seminars and travelling guidance, quality inspection and the provision of technical information
- h) Introduction of Quality Inspection Body and Establishment of Internationally Acceptable Inspection Standards and Testing Methods

i) **Gathering and Provision of Information on Technologies, Machinery and Materials**

**<Programme 2: Trial design of export-oriented factory>**

The minimum level of machinery is required to maintain and improve quality and to improve productivity. For the effective use of machinery, the presence of capable technicians is essential together with maintenance work to keep machinery in the optimum condition. Furthermore, it is necessary for engineers to plan the stable procurement of materials, to manufacture jigs and tools and to manufacture the prototypes of new products.

The coordination of people and machinery is an essential condition for improved productivity and manuals must be prepared to ensure such coordination. From these viewpoints, the following should be introduced.

- a) Examination of the minimum machinery to be installed to ensure stable quality (trial design of a model factory)
- b) Numerical guidelines for work volume, productivity and worker assignment by production line and process for a factory equipped with the minimum machinery
- c) Preparation of control manuals based on the numerisation of production processes using the results of the above analysis (preparation of various control charts)
- d) Preparation of work manuals stating standard work procedures and necessary jigs and tools, etc.

The above-mentioned control charts and manuals will play the role of a guidebook for SMEs owners to modernise their factories.

**<Programme 3: Furniture Design Development and Market Development Measures>**

The development of design is an issue which is equally important as quality for export promotion. The existence of unique Zimbabwe furniture products is an advantage for export but, if such unique products do not exist, the development of products suitable for the export market is important. Here, the first target is the development of new product design, the scope of which should consider knock-down production. From these viewpoints, the following should be introduced.

- a) Introduction of Design Centre
  - This design centre should be responsible for design development, the trial manufacture and display of new products, support or trade fairs and exhibitions at home and abroad and the provision of both design and market information.
- b) Strengthening of New Product Development Using Appropriate Designers
- c) Promotion of New Product Development (Including New Designs and New Technologies) and Extension of Development Efforts Through Prototypes
- d) Consumer Education, Focusing on the Theme "Life with Furniture"
  - Active proposals for pleasant rooms with suitable furniture to improve the standard of living
- e) Gathering and Provision of Furniture Market Information and Active Guidance on Market Development
- f) Fostering of Export Experts and On-Site Guidance by Such Experts

For the implementation of the three above-mentioned programmes, the invitation of furniture manufacture experts from advanced countries for advice purposes is desirable. Fig. 5-17 shows the draft implementation schedule for the recommended action plan and subject issues.

Planning Item	Year 1	Year 2	Year 3
<p>&lt;Improvement of Production Technologies&gt;</p> <ul style="list-style-type: none"> <li>- Consolidation and active use of skill training facilities</li> <li>- Preparation of textbooks for technician training</li> <li>- Implementation of in-house training</li> <li>- Travelling guidance by technical instructor; training of on-site instructor; training of key engineer as shop supervisor</li> <li>- Examination of certification (qualification) system for shop technicians</li> <li>- Creation of new furniture college</li> </ul>	<p>Assistance</p> <p>Preparation</p> <p>Overseas Instructor Training</p> <p>Overseas Instructor Training</p> <p>Introduction of Certification Body</p> <p>Examination and Preparation of System</p> <p>Examination as Long-Term Plan</p>	<p>Review</p> <p>Overseas Instructor Training</p>	
<p>&lt;Research on New Technologies and Materials and Guidance for Enterprises&gt;</p> <ul style="list-style-type: none"> <li>- Establishment of a research institution for development of reliable furniture materials and applied research <ul style="list-style-type: none"> <li>• Training of researchers and instructors</li> <li>• Research on use of new processing machinery</li> <li>• Research on painting and bonding techniques</li> <li>• Research on stable dimensions of furniture materials</li> <li>• Acceptance of research students</li> </ul> </li> <li>- Establishment of quality inspection body and inspection standards and testing methods, both of which are internationally acceptable</li> <li>- Gathering and provision of information on technologies, machinery and materials</li> </ul>	<p>Preparations for Establishment</p> <p>Overseas Training</p>		<p>R &amp; D</p> <p>R &amp; D</p> <p>R &amp; D</p> <p>Training of Key Engineer</p> <p>Examination of Inspection Methods</p> <p>Commencement of Information Service</p>
<p>&lt;Improvement of Production Control Techniques&gt;</p> <ul style="list-style-type: none"> <li>- Examination of minimum machinery to ensure stable quality</li> <li>- Examination led by key engineer of appropriate factory size</li> <li>- Establishment of numerical production control method regarding each process of furniture manufacture</li> <li>- Establishment of numerical production control method regarding number of components, unit cost and number of work processes</li> <li>- Establishment of production and quality control methods</li> <li>- On-site guidance by consultant</li> <li>- Examination of division of work regarding production of parts, etc.</li> </ul>	<p>Examination of minimum machinery suitable for business size and production range</p> <p>Examination</p> <p>Examination</p> <p>Examination</p> <p>Examination</p> <p>Registration</p> <p>Examination</p>		<p>Guidance by Consultant</p>
<p>&lt;Design Development&gt;</p> <ul style="list-style-type: none"> <li>- Establishment of design centre</li> <li>- Active development of new products by designers</li> <li>- Promotion of new product development (including new designs and new technologies) and diffusion of such products using prototypes</li> <li>- Public relations activities with theme of "life with furniture" aimed at general consumers</li> </ul>	<p>Preparation</p>	<p>Research Work</p> <p>Research Work</p> <p>Research Work</p>	

Fig. 5-17 Draft Implementation Schedule for the Action Plan



## **CHAPTER 6**

# **PROJECTS TO IMPLEMENT RECOMMENDATIONS**



## **CHAPTER 6**

### **PROJECTS TO IMPLEMENT RECOMMENDATIONS**

Recommendations are made in Chapter 5 to promote SMEs from the administrative and technical aspects. In the implementation of these recommendations, it is desirable to determine their priority order for successive implementation, taking the feasibility of creating the necessary conditions, cost-benefit aspect and difficulty of implementing each recommendation into consideration.

The Study Team proposes the following projects to ensure partial achievement, at least, of the recommendations as soon as possible, taking into account the facts established by the field surveys and subsequent analysis.

Project 1 : Training and guidance to improve local ability to plan promotion policies/measures

Project 2 : Establishment of a “Small and Medium Enterprises Technology Support Centre” which is aimed at solving technological issues of SMEs

Project 3 : Introduction of prototype product design and production centre to facilitate local production of hitherto imported machinery and spare parts

Project 4 : Introduction of pilot food processing plant (using the multi-purpose, vacuum freeze-drying method)

Project 5 : Market Development Assistance Project (Textile and Apparel Products)

Project 6 : Opening of Wood Furniture Technical Guidance Centre

The concept of scale of these projects are described below.

<Project 1: Training and Guidance to Improve Local Ability to Plan Promotion Policies/Measures>

The systematisation of SMEs promotion policies is urgently required for the successful implementation of the ZIMPREST 1996 - 2000. For this purpose, recommendations regarding the framework (grand design) of the master plan for promotion policies are made. A new policy coordination department should be established at the MOIC to implement the master plan. Needless to say, this department will require a number of capable staff members to plan policies, to coordinate with other departments, to formulate laws and regulations and to implement policies.



The provision of guidance by an expert for these staff members is desirable so that they can learn from the experience of an industrial country where carefully planned SMEs promotion policies are in place and develop their planning ability. The project proposed here is designed to meet these requirements.

- Expert : Invitation of one foreign expert with rich experience in SMEs promotion policies
- Objectives : Advice on policies and the development of an administration system
- Activities :
  - Advice and guidance for the formulation of a policy framework (grand design)
  - Implementation of policies based on the experience of the expert's country and transfer of know-how
  - Guidance for counterparts to improve their planning ability
  - Transfer of wide-ranging knowledge through overseas training
- Subject persons : Staff of the MOIC and other related organizations

Table 6-1 shows the project implementation schedule (draft).

Table 6-1 Project 1 Implementation Schedule (Draft)

Year	1	2	3
(1) Grand Design of Framework	←→	←→	
(2) Overseas Training (more than one each time)	1st	2nd	
(3) Guidance and Training on Different Policies - Fund Raising - Improved Creditability - Business Coordination - Smooth Trade		←→	
(4) Evaluation	1st ○	2nd ○	3rd ○

<Project 2: Establishment of “Small and Medium Enterprises Technology Support Centre”  
Which is Aimed at Solving Technological Issues of SMEs >

During four field surveys in Zimbabwe, the Study Team visited a total of 84 SMEs and found that the production activities at many SMEs principally rely on the experience of the owner or director and that a technical approach to quality improvement, productivity increase and cost reduction, etc. is lacking.

In terms of the development of new products, while simple imitations and unique products developed after trial and error based on the ideas of managing directors or others can be found, they cannot be said to be creative products developed on the basis of advanced technical examination.

Some of the visited SMEs do not have a qualified engineer and there are many cases where the managing director deals with technical issues as part of business management. Even when there is a qualified engineer, testing and measuring equipment which is essential to ensure stable product quality and product development is not sufficiently available in many cases. Hardly any of the visited SMEs request the SAZ or similar external organization to conduct testing and/or measuring to confirm product quality unless such confirmation is required for export purposes. In addition, the testing cost charged by the SAZ appears to be rather prohibitive for SMEs.

In general, the maintenance condition of the production equipment is poor, further suggesting that it is difficult to ensure product quality and productivity.

Strengthening of the technological ability is essential for SMEs in Zimbabwe to improve their export competitiveness and to substitute imported products with their own products of comparative quality.

Even in Japan, the management basis of SMEs is generally inferior to that of large enterprises and SMEs find it difficult to allocate their limited resources to improvement of the technological ability. Public testing laboratories are established in each prefecture to provide official assistance to compensate for the technical handicap of SMEs. These public testing laboratories have a variety of testing and trial manufacture equipment which SMEs find difficult to own themselves and conduct the property testing of materials/products and R & D activities in response to requests made by individual SMEs. They also dispatch staff members to factories to provide technical consultations and advice.

In Zimbabwe, the SIRDC and SAZ, etc. are public institutions responsible for the extension and development of scientific knowledge and technologies and are engaged in various activities to solve the technological problems faced by domestic industries as described earlier in Chapter 4. Although these institutions are useful to solve the technological problems faced by SMEs, they cannot concentrate on assisting SMEs because of other commitments.

Given the present situation in Zimbabwe outlined above, a project to establish “a SME Technology Support Centre” is proposed here to specialise in the provision of technological support for SMEs.

In order to avoid the duplication of equipment and manpower, this SME Technology Support Centre should be established within an existing science and technology institution (for example, the SIRDC) to facilitate the mutual use of equipment and the exchange of personnel. The Centre is outlined below.

(1) Subject Industrial Sectors

The following four sectors will receive support from the Centre to start with and the scope of support will be expanded in the future in accordance with the demand.

- Metal processing
- Textiles and clothing
- Food processing
- Wood furniture

(2) Experts

In the initial five year period after its establishment, the Centre will receive five experts (an expert on general coordination and administration of technologies and one expert in each subject sector).

(3) Facilities

The range of facilities required to fulfill the stated objectives of the Centre is listed in Table 6-2. It is assumed in this table that facilities will be concurrently built up in Stage 1 through Stage 3 for each sector but that the timing may differ from one sector to another depending on the actual situation.

(4) Business Activities of SME Technology Support Centre

1) Research

- Sharing or assisting research which is difficult for SMEs to independently conduct
- Entrusted research by SMEs

2) Consultations and Guidance on Technologies

- Provision of consultations and guidance to solve the technological problems faced by SMEs and assistance for the development of technologies and products by SMEs
- Provision of on-site guidance for SMEs

3) Tests on Request

- Testing, analysis and/or measurement of materials and products at the request of SMEs
- Design of products at the request of SMEs

4) Manpower Development

- Acceptance of researchers and engineers from SMEs to upgrade their technical expertise through joint research

5) Technology Exchange

- Supporting of study groups on technologies and technology exchange between different types of businesses
- Provision of a place for technology exchange

(5) Work Assignments of Dispatched Experts

1) General Coordination and Administration of Technology

- Coordination of the activities of experts as the head of the expert group
- Provision of advice on the management of the SME Technology Support Centre

2) Travelling Guidance for Factories

- Proposal of measures to solve the problems faced by the factories of SMEs
- Provision of guidance on manufacturing technologies, quality control, production control, productivity improvement and cost reduction, etc.

- 3) **Technical Consultations**
  - Provision of technical consultations to solve the problems faced by SMEs
  - Provision of consultations on various issues, including manufacturing technologies, facility improvement, anti-pollution measures and information processing
- 4) **Training of Instructors**
  - Transfer of guidance techniques to counterparts who accompany the travelling guidance for factories and technical consultations
  - Transfer of general guidance techniques to improve factory operation
- 5) **Hosting of Seminars**
  - Hosting of seminars on fields of expertise
- 6) **Assistance for Establishment of Training Courses**
  - Assessment of existing training courses with a view to assisting the establishment of new courses if necessary
  - Assistance for the management of new courses

**Table 6-2 Facilities of SME Technology Support Centre and Stages of Installation**

Sector	Stage	Facilities
Metal Processing	Stage 1	Analysis equipment for physical and chemical properties of metal and metal products
	Stage 2	Laboratories for melting, casting, heat treatment and welding
	Stage 3	Laboratories for plating, machining and fabricating
Food Processing	Stage 1	Analysis equipment for physical and chemical properties of materials and products
	Stage 2	Laboratories for secondary processing of flour and drying
	Stage 3	Laboratories for retort-packing and packing materials
Textiles	Stage 1	Analysis equipment for physical and chemical properties of materials and products
	Stage 2	Laboratories for design, cutting, sewing and dressing
	Stage 3	Laboratories for dyeing, printing, embossing and laminating
Wooden Furniture	Stage 1	Analysis equipment for physical and chemical properties of materials and products
	Stage 2	Laboratory with constant temperature and constant humidity, laboratories for design, wood machining and fabricating
	Stage 3	Laboratory for painting

**(6) Project Implementation Schedule (Draft)**

The draft time schedule to establish the operation of the Centre is shown in Table 6-3.

Table 6-3 Schedule for Establishment of "Small and Medium Enterprises Technology Support Centre"

Year	1	2	3	4	5
Equipment of the Center					
1st Term	Order for Equipment	Set up	Training of Operation	Drawing up of Testing Manual	
2nd Term	Specification	Order	Set up	Training of Operation	Drawing up of Testing Manual
3rd Term	Specification	Order	Set up	Training of Operation	Drawing up of Testing Manual
Travelling Guidance on-site Factory			One-Day Travelling Guidance	Guidance on	Drawing up of Guidance on
Training of Instructors		Participation in Travelling Guidance by an Expert	Planning and Implementation of Total Improvement	Total Improvement	Total Improvement
Hosting of Seminars	Hosting of Seminar	Hosting of Seminar	Hosting of Seminar	Hosting of Seminar	Hosting of Seminar
Development of Training Courses	Evaluation of Existing Training Courses	Establishment of New Training Courses (Assistance)	Running of New Training Courses (Assistance)		

<Project 3: Introduction of Prototype Product Design and Production Centre to Facilitate Local Production of Hitherto Imported Machinery and Spare Parts>

The machining industry is an important industry which comprises the backbone of the manufacturing sector. Because of the virtual absence of a machining industry in Zimbabwe, most agricultural, mining and plant machinery is currently imported.

Imported machinery does not necessarily meet the requirements in Zimbabwe and many old, imported machinery has become idle due to the difficulty to procure spare parts. While it is desirable for Zimbabwe to localise the production of parts for plant and machinery, this is beyond the capability of SMEs. Localised production must be supported by the government and the establishment of a prototype product design and production centre is proposed to facilitate the production of machinery and spare parts which suit the local conditions. Given the diversity of spare parts subject to localisation, the following project has been prepared focusing on casting products.

(1) Project Outline

- a) Title : Prototype Product Design and Production Centre (provisional name)
- b) Staff : Design and production staff  
Experts to act as supervisors (design and production experts in technically advanced countries)
- c) Building : Use of an existing building of the SIRDC or others
- d) Equipment : • Hardware and software for mainly computer-aided design  
• Casting and machining equipment for the production of product prototypes
- e) Objective : Localisation of technologies and Africanisation of machine specifications
- f) Period : Approximately five years
- g) Activities : • Design and production of product prototypes for the Africanisation of machine specifications (establishment of appropriate technologies)  
• Fostering of local technologies through Africanisation  
• Guidance to develop products suitable for production by SMEs

## (2) Scale and Capacity of the Centre

### 1) Preconditions

- Subject machines/spare parts for localisation: small castings, small forged products and small/medium welded structures
- Production method: individual production

### 2) Organizational Structure

Organizational structure is shown in Fig. 6-1.

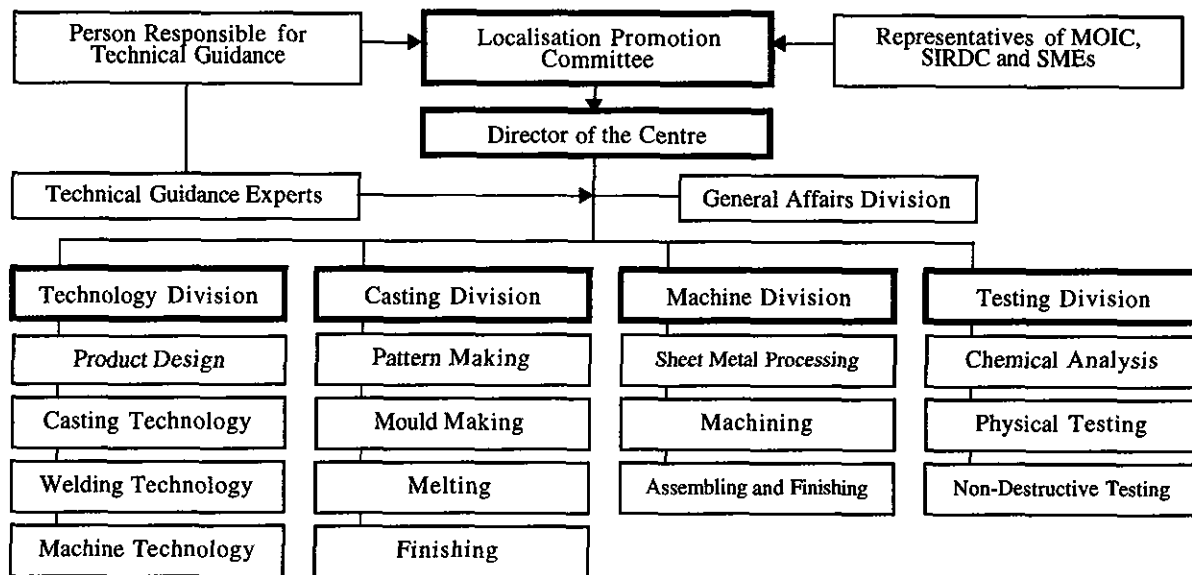


Fig. 6-1 Organizational Structure (draft)

### 3) Main Businesses

- Hosting of the meetings of the Localisation Promotion Committee
- Gathering of production technology information
- Design and trial production of machines and spare parts subject to localisation

### 4) Technical Assistance

- Production technology information service for related industrial associations and enterprises
- Technical assistance service for SMEs (transfer of production technology regarding spare parts for local production)



- Testing and inspection service for SMEs
- Guidance for SMEs on equipment improvement

(3) Prototype Design and Production Processes and Main Equipment

The prototype design and production processes at the Centre are shown in Table 6-3.

Table 6-3 Work Processes and Main Equipment

Process		Main Equipment	
Design	Design/Drawing	CAD	Micro-computer; CAD software; plotter
Casting	Pattern Making	Wooden Pattern	Wood processing equipment and tools
	Mould Making	Metal Mould/Die Sand Preparation, Sand Mould Making	Use of equipment for machining Sand dryer; sand mixer Flask
	Melting/Pouring	Melting/Pouring	Multi-purpose melting furnace (high frequency induction furnace); ladle
	Finishing	Finishing	Gas cutter; grinder; shot blaster
Machining		Line Marking Machining	Marking table; gauge Various machine tools (lathe, milling machine and drilling machine, etc.)
Testing/ Inspection	Metal Materials Testing	Chemical Analysis Physical Testing Historological Testing	Fluorescence X-ray spectrometer Tensile tester; hardness tester Metallurgical microscope; sample grinder
	Material Flaw Testing	Non-Destructive Testing	Magnetic particle test equipment; ultrasonic flaw detector
	Dimensional Inspection	Dimension Measurement	Use of machining and line marking equipment

(4) Outline of Centre Establishment Plan

Although this plan should be formulated by the Zimbabwe side, the necessary contents and likely schedule are outlined here for reference purposes.

1) Division of Work for the Project (Draft)

a) Zimbabwe Side

- Recruitment of staff members
- Refurbishment of a SIRDC building
- Procurement of necessary equipment

b) Technical Advanced Country Side

- Dispatch of a study team for the project
- Selection of a long-term expert(s)
- Selection of a short-term expert(s)
- Training of counterparts in technical advanced country
- Procurement of necessary equipment

2) Schedule

Table 6-4 shows the draft schedule for project implementation.

Table 6-4 Project Implementation Schedule (for Reference)

Phase	Preparation and Establishment of Centre			Transfer of Technology	
	1999	2000	2001	2002	2003
<Zimbabwe Side>				Centre	Operation
1. Project Planning	→				
2. Request for Technical Cooperation	→				
3. Recruitment of Staff		→			
4. Refurbishment of SIRDC Building		→	→		
5. Procurement of Equipment		→	→		
<Technical Advanced Country Side>					
1. Dispatch of Study Team	→				
2. Selection and Dispatch of Project Supervisor	→				→
3. Selection and Dispatch of Technical Experts			→		→
4. Training of Counterparts in technical advanced country			→		
5. Procurement of Equipment		→	→		

<Project 4: Introduction of Food Processing Pilot Plant (Multi-Purpose Vacuum Freeze-Drying Method)>

The northeastern part of Zimbabwe has vast production areas of vegetables and fruit, particularly in Mashonaland (C & E) and Manicaland. Because of the relatively difficult transport access to these areas, those products which are not supplied to large food processing factories tend to be wasted as surplus products except for those produced in areas near large cities (Harare and Mutare).

As factory-scale food processing requires a stable supply of raw materials in both the qualitative and quantitative aspects, the production of vegetables and fruit for supply to food processing factories tend to be dominated by white commercial farmers. As a result, indigenous small farmers find it difficult to dispose of their surplus products for cash.

In order to rectify this situation, such foreign aid organizations as the UNIDO and USAID have formulated projects under which small farmers are organized to ensure a certain production volume together with a qualitative improvement of their products with technical guidance and intend to commence the implementation of these products soon. These projects intend the creation of linkage between small farmers and large food processing factories or fresh harvest exporters.

The project proposed here focuses on communal land where small farmers, mainly indigenous people, live and intends the effective utilisation of resources through the processing of the surplus products in these areas for preservation and, by doing so, the creation of a new source of cash income for small farmers.

Given the geographical restrictions of the subject areas (which are mainly remote areas) and the difficulty of introducing intensive farming, the proposed food processing plant should be a mobile plant to travel to the growth points of communal land to conduct processing.

The vacuum freeze-drying method should be used as the food processing method and the plant should be a multi-purpose processing plant handling many types of vegetables and fruit to produce dry foods.

(1) Project Outline

1) Title : Freeze-Drying Food Plant (FDFP) (multi-purpose food processing plant using the vacuum freeze-drying method)

2) Equipment

a) Pretreatment Container (I)

Preparatory stage to process raw materials and equipped with a sink, table and disposer, etc.

b) Pre-treatment Container (II)

Processing stage equipped with a peeler, cutting, steaming can and boiler, etc.

c) Freeze-Drying Container

Drying process equipped with a cooler (air blower), freezer (tray) and freeze-drying machine, etc.

3) Containers

Each container will be the semi-open type (8 x 8 x 20 feet or 8 x 8.5 x 20 feet). The ceiling, one side wall and the floor will be fixed while the other sides will consist of removable panels which can also be used as floor boards between the containers.

4) Layout

The containers will be set up in an IT shape and the space in the middle will be used as a workshop and office with a canvas tent above it. The ceiling beams, pillars and canvas, etc. will be stored in pre-treatment container (I).

5) Travelling

A container van or trailer will be used.

6) Technical Assistance : Food processing expert and operation/maintenance supervisor (one each)

7) Duration : Approximately five years (after completion of the feasibility study)

8) Production Size : The volume of the raw materials and products will be decided by the feasibility study

Table 6-5 shows the project implementation schedule (draft).

Table 6-5 Project 4 Implementation Schedule (Draft)

Year	1	2	3	4	5
- Feasibility Study	↔				
- Plant Design, Manufacture and Transportation	↔	↔			
- Trial Operation		↔			
- Commercial Operation			↔ Site A	↔ Site B	↔ Site C
- Training of Counterparts		↔ 1st		↔ 2nd	

## (2) Project Management

In view of its size and character, the proposed plant should be managed as a pilot plant and the SIRDC should be responsible for plant management.

Based on the characteristics of the production areas, the target products will be dried or powdered fruit in the fruit production area (Mutare) and dried vegetables in the vegetable production area (Mutoko). Through the introduction of new food processing technologies, a future image of communal land will be presented.

The plant should operate for at least one year at each site and the actual state of plant operation through the year will be analysed to obtain basic data for the running of similar plants (fixed) in the future. For this purpose, it will be necessary to invite a food processing expert and a machine maintenance supervisor from the equipment supply country.

If this project is implemented with the successful localisation of the technologies involved, it should have wide-ranging positive effects, including increased cash income opportunities for small farmers and the vitalisation of growth points.

### <Project 5: Export Promotion Centre Project>

At present, almost all SMEs in the textile and sewing related industries of this country aim at niche markets in the domestic market, such as school uniforms, protecting clothing, uniforms of various companies and occasions, children wears and so on.

But this market is too small compare with the capacity of the industry so that the growth of domestic market in the future is not bright.

Therefore, it is indispensable conditions for this industry to develop overseas markets aggressively. However, the most of SMEs in this sector do not have enough ability to develop the market in the following ways:

1. To access to the markets.
2. To realize the markets' needs and to reflect the needs to the products.
3. To adjust the quality of products to the markets' needs.
4. To control the production.
5. To develop and propose the new samples.

To acquire above mentioned ability by each SMEs seems too hard and would not be economical.

From this aspect, we wish to propose setting up of the “Export Promotion Center” which will provide necessary services to develop new products and markets by utilizing its information network, machinery and human resources.

Project Outline:

- a) Title : Export promotion centre project
- b) Staff : 1. Field of specialists:  
market research and development, import and export, product designing, quality control, production control, raw and sub-material development and etc.  
2. Supervising staff
- c) Building : Zim Trade, SIRDC or others
- d) Equipment and facility :
  - 1. For information : use of Zim Trade database
  - 2. For communication : personal computer, telephone, facsimile, etc. (Internet homepage, email)
  - 3. For presentation : Rooms for presentation (Movie, TV, Video, Projector, Picture, etc.)  
Rooms for samples (Garments, Raw materials, Sub-materials, etc.)
- e) Objective : Build up market development capacity
- f) Activities : 1. To assist clothing manufacturers to up grade necessary techniques and management skills.  
2. To coordinate the buyers with clothing manufacturers who wish export products.  
3. To collect samples and information of raw and sub-materials including the information of suppliers and makers.  
4. To collect the information of the related fields of production such as spinning, weaving, knitting, dyeing, printing, finishing, embroidering, brushing, etc.

5. To collect the information of clothing manufacturers, exporters, traders, etc.
6. To collect the information of buyers
7. To collect the fashion related information
8. To collect the market related information

- g) Foreign assistance : ● Supply of necessary machinery and equipment.  
 ● Training of staff by experts seconded from abroad.

h) Project implementation schedule (draft)

Year	1	2	3	4	5
1. Feasibility study	→				
2. Supply and installation of machines etc.	→				
3. Overseas training of staff	↔				
4. Dispatch of Experts					→
5. Transfer of Technology		- - - - -	- - - - -	- - - - -	- - - - -

<Project 6: Introduction of Technical Guidance Centre for Wooden Furniture>

The wooden furniture industry is few industries which can export their products in Southern Africa region. However quality of products by SMEs seems not reached up to international standard and its design is also stale one which sometimes does not meet market demands of foreign countries.

To improve design and quality of SMEs' product are not easy task by themselves due to lack of capable industrial designer and / or expert for production engineering.

The project proposed here is aiming to assist SMEs' upgrading efforts by rendering technical guidance support to enable SMEs to enter into export market.

Project Outline:

- a) Title : Technical Guidance Centre for Wooden Furniture  
 b) Staff : • Research staff (include industrial design)

- Supervising staff (include painting specialist)
- c) **Building** : Use of existing building of SIRDC or others.
- d) **Equipment** : • Hardware and software for CAD.  
 • Machineries and equipment such as:  
 - Various type of wood processing machineries  
 - Testing equipment  
 - Painting laboratory
- e) **Objective** : Upgrading of design and production technology.
- f) **Activities** : • Improvement of industrial design for wooden furniture.  
 • Training of SMEs staff in production skill.  
 • Technical service to solve any difficulties encountered by day to day operations of factory.
- g) **Foreign assistance** : ● Supply of necessary machineries and equipment.  
 ● Training of staff by expert(s) seconded from abroad.
- h) **Project implementation schedule (draft).**

Year	1	2	3	4	5
1. Feasibility study	→				
2. Supply and installation of machines etc.	→				
3. Overseas training of staff	↔				
4. Dispatch of Experts		←————→			
5. Transfer of Technology		← OJT ————→			





**CHAPTER 7**

**CONCLUSIONS**



## **CHAPTER 7 CONCLUSIONS**

The Master Plan Study on the Promotion of Small and Medium Scale Enterprises which commenced in March, 1998 was completed with the Fourth Field Survey conducted in October.

Based on the findings of four field surveys, SME promotion policies in Zimbabwe were reviewed (see Chapter 2), the present state of the four priority industries subject to the Study was investigated (see Chapter 3) and the current problems of organizations involved in such promotion policies and the institutional arrangements were analysed (see Chapter 4). The analysis results are summarised below to present an overview of the subject industries.

- (1) The rapid shift to a market economy under the ESAP introduced in 1991 has led to negative growth of the manufacturing industry as not only SMEs which are weak in terms of their business strength but also large enterprises have faced the worst case scenario of reduced production or even bankruptcy due to their inability to cope with the impacts of rapid changes. While the advance study of the possible impacts of any change of basic economic policies is essential with a view to the preparation of suitable measures to prevent adverse effects, there is no evidence that any integrated industrial policy has been formulated in Zimbabwe. The absence of a government department in charge of policy planning for SMEs in particular appears to be responsible for the lack of appropriate measures to deal with the profound change of the official economic policy.
- (2) SMEs are said to suffer from discrimination by the commercial capital market because of their inferior management strength as well as immature management resources vis-a-vis large enterprises. They are also exposed to high inflation, rising interest rates and decline of the Zimbabwe dollar in the foreign exchange market, all of which are the result of the recent deterioration of the macroeconomy, and find it extremely difficult to raise funds. Despite these apparent disadvantages of SMEs, no basic policy or supporting measure to solve the problems of SMEs has so far been introduced.
- (3) SMEs are currently facing harsh competition from the huge number of very small businesses, i.e. those in the so-called informal sector. In order to survive the competition, there is a tendency for them to be content with low quality, low price products while ignoring technical improvement. There is also a distinct technological gap between SMEs and large enterprises.

- (4) Zimbabwe has a population of 12 million, of which 62% fall below the consumption poverty line (annual income of approximately US\$ 250 in 1995). This makes the domestic market extremely small. With the inflow of foreign products to this market due to liberalisation of the economy, the products of SMEs generally faced severe competition posed by products of both large and very small companies as well as foreign products.

Recommendations to solve the problems described above must be made within the scope of the guidelines set forth by the ZIMPREST which is currently being implemented by the government. As such recommendations will constitute part of the master plan to promote SMEs in Zimbabwe, the actual recommendations (see Chapter 5) are made from the long-term perspective. The recommendations are compiled in relation to policies regarding five aspects, i.e. institutional arrangements, organization, finance, management/marketing and technological as well as manpower development. Action plans are also presented for the promotion of the four priority industries.

Firstly, in regard to the institutional aspect, the main recommendation is the establishment of a department responsible for policy planning and implementation at the Ministry of Industry and Commerce based on the understanding that the presence of an administrative department to promote SMEs development at the Ministry is essential for policy implementation. As the Government of Zimbabwe agrees with the necessity for the establishment of such a department, a resolution for its establishment has been passed by the Steering Committee. As the same time, a project has been proposed to train the staff members of this new department by foreign experts with a view to improving the policy planning ability of these staff members to make the department function properly (see Chapter 6, Project 1).

The recommendations in regard to the institutional and organizational aspects include (i) the development of a legal framework, including the Basic SMEs Law (see Section 5.2), (ii) the creation of a financing organization together with a credit supplementation system for SMEs (see Section 5.3) and (iii) the introduction of general rules governing the systematic policy framework, including consolidation of the management basis (rectification of disadvantages) as well as the structural reform of SMEs (see Section 5.4), taking the desirable future state of SMEs into consideration.

Meanwhile, the recommendations compiled to deal with the problems faced by the four priority industries typified by (2), (3) and (4) above from the policy aspect include those for the development of management information and export promotion to expand the market in terms of management and marketing (see Section 5.5) and those for improvement of the vocational and

management ability, improvement of the technical standard and the localisation of technologies in terms of technological as well as manpower development (see Section 5.6).

In regard to the financial aspect, the establishment of a financing organization as well as a credit supplementation system for SMEs is recommended as a future initiative. The background of this initiative is the judgement that, in view of the present state of the financial sector in Zimbabwe, an independent as well as cooperative financial system featuring SMEs is required to facilitate the development of SMEs. Given the economic size and current state of the macroeconomy in Zimbabwe, the establishment of a credit supplementation system for SMEs recommended here could prove controversial. Consequently, the consolidation and improvement of the existing system in which the CGC plays a central role is believed to be an urgent issue, resulting in recommendations to expand the loan facilities, to improve the lending system and to extend the guarantee function (see Section 5.7).

Action plans to promote the four priority industries are compiled with the highest priority given to improvement of the technical standard as the low technical standard of SMEs is recognised as a common problem in all industries. A project to establish a SMEs technical assistance centre is proposed for the implementation of these action plans (see Chapter 6, Project 2). The action plans also address the problem of excessive competition due to the small market size by means of developing an export market for the textile and wood furniture industries, promoting the local production of machinery and components for import substitution for the metal processing industry and promoting the processing of raw materials at their places of production for the food processing industry. Moreover, one project for each industry is proposed to verify the suitability of the action plans (see Chapter 6, Projects 3, 4, 5 and 6).

The main issues taken into consideration in the preparation of the present final report are explained above. Finally, all members of the Study Team would like to express their utmost gratitude to the officials of the JICA and Zimbabwe Ministry of Industry and Commerce and other organizations related to the Study for their kind assistance for the implementation of the Study.

Table 7-1 Recommendations and Draft Execution Measures for Promotion of SMEs

Classification	Recommendations	Priority Ranking	Draft Execution Measures	
Institutions	<ol style="list-style-type: none"> <li>1. Recommendations concerning establishment of a department for planning and formulating policies</li> <li>2. Strengthening of overall policy coordination (including assistance coordination; See Section 5.7, Recommendation 4) functions centering around the MOF</li> <li>3. Recommendations for legislative measures (for example, establishment of a basic law and modernization promotion law for SMEs)</li> <li>4. Recommendations concerning systemization of policies</li> </ol>	A A B C	First establish the department described in 1, then bolster the functions given in 2, and finally implement the measures given in 3 and 4. To execute this, accept advice and guidance from foreign experts (see Project 1).	
Mechanism	<ol style="list-style-type: none"> <li>1. New establishment of a credit guarantee company</li> <li>2. Credit and insurance bank for SMEs</li> <li>3. Revision of the government mechanism concerning supervision of cooperative associations</li> <li>4. Development finance company for cooperative associations</li> <li>5. Strengthening of SEDCO functions</li> <li>6. Consultant association</li> </ol>	C C B C A B	Prioritize and implement in order of importance through receiving advice and guidance from foreign experts.	
Finance	<ol style="list-style-type: none"> <li>1. Promotion of expansion of the lending fund frame (utilization of BP support funds)</li> <li>2. Strengthening of group lending</li> <li>3. Expansion of credit guarantee functions (CGC)</li> </ol>	B A A	Speedy preparation of improvement measures with the provision of advice by the expert to be dispatched for Project 1	
Business Management and Marketing	<ol style="list-style-type: none"> <li>1. Improvement in business management capacity and access to information</li> <li>2. Examination of linkage</li> <li>3. Examination of varied forms of export (OEM, etc.)</li> <li>4. Revision of the EPZ system</li> <li>5. Expansion of the bond system</li> <li>6. Improvement of trade-related administrative capacity</li> <li>7. Organization and higher level development of SMEs</li> </ol>	B A A A A B C	Specific recommendation of execution measures such as preferential tax measures for bolstering exports by SMEs, revision of the EPZ system, and so on.	
Human Resources and Technology	<ol style="list-style-type: none"> <li>1. Improvement of vocational capability</li> <li>2. Development of management capacity</li> <li>3. Support of technical improvement</li> </ol>	A A B	A new section responsible for technical assistance for SMEs will be established at an existing R&D organization. This section must be provided with appropriate equipment and manpower and the assistance of a foreign expert will be sought to consolidate its functions.	
Action Plans for the Four Priority Sectors	Metal Processing	<ol style="list-style-type: none"> <li>1. Improvement of production management technology (production, quality, equipment maintenance, etc.)</li> <li>2. Improvement of design technology and machine working technology</li> <li>3. Promotion of linkage with other enterprises</li> </ol>	A A B	<ol style="list-style-type: none"> <li>1. Since improvement of production management technology is a common issue to three sectors, guidance and technical transfer by foreign experts shall be implemented (see Project 2).</li> <li>2. The localisation of technology will be promoted for the metal processing industry (see Project 3).</li> <li>3. Businesses using local products will be promoted for the food processing industry (see Project 4).</li> <li>4. Export promotion measures will be introduced for the sawing industry.</li> <li>5. A technical guidance centre will be established for the furniture industry (see Project 6).</li> </ol>
	Food Processing	<ol style="list-style-type: none"> <li>1. Promotion of producing area-located food processing</li> <li>2. New product development and specialist technology</li> <li>3. Improvement of peripheral technology</li> </ol>	A C B	
	Textile Processing	<ol style="list-style-type: none"> <li>1. Improvement of production management technology</li> <li>2. Improvement of cutting, sewing and finishing techniques</li> <li>3. Market development (for textile products)</li> </ol>	A A A	
	Wooden Furniture	<ol style="list-style-type: none"> <li>1. Measures for improving production (including training and patrol guidance, etc.)</li> <li>2. Improvement of production management technology</li> <li>3. Furniture design development and market pioneering</li> </ol>	A A A	

Note Priority Ranking: A : immediate implementation recommended  
 B : to be implemented as soon as the conditions are ripe  
 C : long-term targets but with the relevant policies formulated in advance

(Note) See Table 7-1 for the contents of recommendation numbers

SMEs Measures Framework		Classification	Mechanism						Finance			Business Management and Marketing							Human Resources and Technology			Four Priority Sectors											
			Recommendation No.						1	2	3	1	2	3	1	2	3	4	5	6	7	1	2	3	Metal Processing			Food Processing			Textile Processing		
			1	2	3	4	5	6	1	2	3	1	2	3	4	5	6	7	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
Bolstering of the Business Base (Correction of Drawbacks)	Financial measures	Lending				●	●		●	●																							
		Credit supplementing	●	●				●	●																								
		Capital enhancement				●	●				●																						
	Tax system measures	General measures											●																				
		Measures based on individual laws											●																				
	Organization measures	Cooperative association system			●																												
		Cooperative association subsidization system																															
Coordination activities																																	
Business management guidance measures	Diagnosis guidance																																
	Human resources development																	●															
	Bankruptcy prevention																																
Measures for normalization of subcontractor dealings	Normalization of subcontractor dealings																																
	Promotion of subcontracting Smells																																
Measures for coordination of business fields				●																													
Measures for securing demand from government offices																																	
Support of Structural Reform	New establishment support measures	Overall support through legislation																															
		Technical support																															
		Business management support																															
		Financial support				●	●																										
	Support of entry into new fields, etc.																																
	Modernization and higher level development measures	Modernization of SMEs																															
		Higher level development of Smells																															
	Labor measures	Securing of labor																															
		Employment stability and job capacity development, etc.																															
		Labor welfare																															
Measures for improving technical capacity	Training, guidance and exchange																																
	Technical development																																
Distribution rationalization measures	Improvement of physical distribution efficiency																																
	Promotion of wholesaling																																
	Promotion of retailing and commerce																																
	Promotion of the service industry																																
Information orientation measures	Internet																																
	Support of information orientation																																
Environmental and safety measures, etc.	Information provision and diagnostic guidance																																
	Technical development and equipment improvement																																
Internationalization measures	Smoother implementation of overseas development																																
	Smoother implementation of trade																																
	International exchange, etc.																																
Local SMEs measures	Vitalization of SMEs integration																																
	Promotion of local industries																																

Fig. 7-1 Correlation Chart of the Framework and Recommendations for SMEs Measures





# **APPENDIX**

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## **Appendix 1**

### **Study Team for Study on Promotion of SMEs in Zimbabwe**



Appendix 1 Study Team for Study on Promotion of SMEs in Zimbabwe

(1) Member List and Responsibility

The member list and responsibility for the study team is as follows:

Member List of Study Team

Assignment	Group	Name	Responsibility	Career
Team Leader	Policy	Abe Mchifumi	Team Leader	Sokeizai
Member	Policy	Shigematsu Yasuhide	Management (Marketing)	Syes
Member	Policy	Aragane Ren	Technology (Labor)	Sokeizai
Member	Policy	Miura Tatewaki	Financial policy	Sokeizai
Member	Policy	Hirano Niro	Metal process technology	Sokeizai
Member	Technical	Aoyagi Akikazu	Food processing	Syes
Member	Technical	Hasegawa Yasuo	Fiber / Fiber products	Sokeizai
Member	Technical	Ugawa Noboru	Furniture manufacture (wooden)	Syes
Administration	Technical	Tsujino Masami	Administration	Sokeizai



## **Appendix 2**

- 1. List of Organizations Visit by Polic Survey Term**
- 2. Summary of Survey Results**





Appendix 2-1 List of Organizations Visited by Policy Survey Team  
(Through 2nd & 3rd Field Study)

	<b>Name of Organization</b>
<b>Government Agencies</b>	<b>AGRITEX</b> : Department of Agricultural Technical & Extension Service Ministry of Land and Agriculture, Bulawayo/Mutare
	<b>CSO</b> : Central Statistic Office
	<b>MOE</b> : Ministry of Education, Sport and Culture
	<b>MOF</b> : Ministry of Finance
	<b>MOHE</b> : Ministry of Higher Education and Technology
	<b>MOIC</b> : Ministry of Industry and Commerce, Harare/Burawayo/Masvingo/Gweru Mutare
	<b>MOLG</b> : Ministry of Local Government and National Housing, Harare/Bulawayo
	<b>MONEC</b> : Ministry of National Affairs, Employment Creation and Co-operation
	<b>MOPLS</b> : Ministry of Public Service Labor and Social Welfare
	<b>NEPC</b> : National Economic Planning Commission (Office of President & Cabinet)
	<b>SEID</b> : State Enterprise and Indigenazation Dept. Office of the President and Cabinet
<b>Financial Institutions</b>	Barclays Bank of Zimbabwe
	<b>CBZ</b> : Commercial Bank of Zimbabwe
	<b>CGC</b> : Credit Guarantee Company
	<b>RBZ</b> : Reserve Bank of Zimbabwe
	<b>CSFS</b> : Collective Self Finance Scheme
	<b>OCCZIM</b> : Organization of Collection Cooperative in Zimbabwe
	Standard Chartered Bank
	<b>VCCZ</b> : Venture Capital Company of Zimbabwe
	<b>ZDB</b> : Zimbabwe Development Bank
<b>Public Bodies</b>	<b>ZIC</b> : Zimbabwe Investment Center
	<b>BESA</b> : Business Extension & Advisory service
	<b>CZI</b> : Confederation of Zimbabwe Industries
	<b>EPZ(or EPZA)</b> : Export Processing Zone Authority
	<b>IBDC</b> : Indigenous Business Development Center
	Empretec
	<b>IDC</b> : Industrial Development Corporation

**List of Organizations Visited by Policy Survey Team  
(Through 2nd & 3rd Field Study)**

	<b>Name of Organization</b>
<b>Public Bodies</b>	LBDC : Local Business Service Center
	SEDCO : Small Enterprises Development Corporation
	ZIMTRADE
	ZNCC : Zimbabwe National Chamber of Commerce
	ZESA : Zimbabwe Electric Supply Authority
<b>Educational Establishments</b>	ITC(H) : Harare Institute of Technology
	PLT(B) : Polytechnic – Bulawayo
	SAZ : Standard Association of Zimbabwe
	SIRDC : Scientific and Industrial Research and Development Center
	UOZ : University of Zimbabwe
	VTC : Vocational Training Center, Masasa, Harare
<b>Foreign Organizations</b>	DFID : Department for International Development
	FAO : Foods and Agriculture Organization
	IMF : International Monetary Fund
	SIDA : Swedish International Development Agency
	UNDP : United Nations Development Programme
	UNIDO : United Nation Industrial Development Organization
	WB : World Bank in Zimbabwe
<b>NGOs</b>	DANHIKO : Danhiko Project (Registered Welfare Association)
	HPC : Horticultural Promotion Council
	JETRO(SA) : Japan External Trade Organization, Johannesburg, SA
	JETRO(Z) : Japan External Trade Organization, Harare, Zimbabwe
	ORAP : Organization of Rural Association for Progress
	TPF : Timber Processors' Federation
	ZBCA : Zimbabwe Building Contractors Association

**Note:** The table above is a list of organizations visited during the second and third field surveys. The survey results summarized in the following pages represent only those organizations that are involved in the promotion of SMEs. Therefore, not all of the organizations visited are included.

## Appendix 2-2 Summary of Survey Results

Date	Organization	Person and Title	Structure	Major Point
7.24.(Fri)	AGRITEX, Ministry of Land and Agriculture	Mr. S. Kahwa, Chief AEO	Government Organization	<ul style="list-style-type: none"> <li>● Irrigation scheme are undertaken by AGRITEX, and five projects are completed. (average 25 ha)</li> <li>● This area (Matabeland) is rather dry land and irrigation is relied on deep well rather than river water.</li> <li>● If water supply is enough, harvest can be made twice a year for vegetables.</li> </ul>
8.6.(Thu)	AGRITEX, Ministry of land and Agriculture	Mr. Mutimutema Elias, CAEO	Government Organization	<ul style="list-style-type: none"> <li>● Manicaland is province for horticultural crop production.</li> <li>● About 3,000 ha land are irrigated (each size unit is 300 to 700 ha).</li> <li>● Raw materials used for food processing are supplied by commercial farmers.</li> <li>● Communal land farmers are very small (2 ha average), and not capable to supply there crop to food process industry. However, if collection system is well organized, even communal land farmers would be able to play a role as raw material suppliers for food processing industry.</li> </ul>
6.05 (Fri) 10:00	Barclays Bank of ZIMBABWE	Mr. Never N. Muzavazi Small Business Development Manager	Private Bank	<ul style="list-style-type: none"> <li>● Barclays Bank in London owns 70% of this bank's capital, and remaining 30% is by local owners.</li> <li>● As official rate of RBZ is 31% high, we must comply with this and average rate of overdraft is from 35% to 42%. Generally speaking, SMEs are very risky business. So that, we request collateral when we extend loans.</li> <li>● Default ratio of micro lending is about 2% high but this is not so high than our estimation beforehand.</li> <li>● For SMEs, package loan, which consists of funding, general training, management training and business information services etc. are recommended to provide as one package scheme.</li> <li>● Many donors are operating micro lending through our banking channel. Their lending schemes are a little different respectively. Some sorts of adjustment may be recommendable for more effective proceeding.</li> </ul>
7.24. (Fri)	Eulawayo Polytechnic Tel: 263(09)77853 Fax: 263(09)71165	Mr. A.I.C. Mwandiwa, Principal Mr. F. C. Moyo, Adult & Continuing Education Dept.	Government Organization (MOHE)	<ul style="list-style-type: none"> <li>● Bulawayo Polytechnic consists of nine departments or divisions.</li> <li>● There are three categories regarding to the activities of Polytechnic... (1) Training for formal sectors, (2) Training for informal sectors, (3) Training for people who left school but are not employed.</li> <li>● Full time courses which belong to the category (1) are national training courses focusing to get certificates issued by HEXACO (Higher Education Examination Council). Time required to finish the course varies from one year to four with certificate to acquire.</li> <li>● Adult and Continuing Education Department covers the category (2). Entrepreneurs, people who want to get new technology, etc. study at night course or weekend course for 16 to 80 hours.</li> <li>● Tour of facilities</li> </ul>
5.22 (Fri) 8:30-9:45	Business Extension and Advisory Service (BESA), Harare Tel: 263 4 750527, 750655, 757452 Fax 750653	Doris T. Mugawa	Est. May 22 1991 Capital Staff	<ul style="list-style-type: none"> <li>● Established as technical division of Indigenous Business Development Center (IBDC). Operated with no government subsidy but with grants from NORAD, ODA from UK, Irish Aid, etc and private companies such as Anglo American</li> <li>● BESA activity covers following area to assist SMEs and Entrepreneurs:               <ol style="list-style-type: none"> <li>(1) Business Plan Preparation and Review</li> <li>(2) Training and Seminars such as How to Start and Run your Own Business, Cash Flow Management and Marketing</li> <li>(3) Entrepreneurship Preparation Programme</li> </ol> </li> </ul>

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August 5 Morning	CGC	General Manager Mr. Claude Z Mhishi	Semi -Public (50% of total shares owned by RBZ)	<ul style="list-style-type: none"> <li>• Mrs. Mugwara leaves BESA but will continue as a member of Steering Committee for the Project.</li> <li>• Discussed about ideas of reform and expansion of CGC. He promised to send his idea by paper within this week.</li> </ul>
7.30 (Thu) 9.30-10.50	Collective Self- Finance Scheme (CSFS) Tel: 263 4 726416 263 4 726 403 Fax: 263 4 726402	Mr. Jestias Chibodo Rushways, General Manager (ex MOF Japan Desk)	Formed in 1988 and started operation in Jan 1989 Registered private organization (NGO) Staff 10	<ul style="list-style-type: none"> <li>• The organization has been established initially by 8 cooperatives to finance for the members. The membership shall be 60% cooperatives and 40% other than cooperatives such as company and unincorporated associations even informal sectors</li> <li>• Presently, there are 50 cooperative members from various sectors including food processing, services such as transport, computer software and printing business, manufacturing like computer hardware, telephone and fencing.</li> <li>• For example, Fencing Services Cooperative Society is a member cooperative who has continuously received CSFS loans with the loan balance now amounting to Z\$300,000.</li> <li>• The activities by the CSFS are getting more and more extensive. At present, They are doing 6 kinds financing and related services.</li> </ul> <p>(1) Guarantee Fund</p> <ul style="list-style-type: none"> <li>• CSFS will guarantee the lending Bank for the SME borrower's repayment at max. 50% of the loan amount with Guarantee Fund from Switzerland. The other 50% are a risk of the lending Bank (risk sharing).</li> <li>• CSFS will earn 3% on the loan amount as management fee as guarantor.</li> <li>• The loan balance of the scheme is Z\$4mil. at present.</li> </ul> <p>(2) Capital Leasing Fund</p> <ul style="list-style-type: none"> <li>• CSFS will own capital equipment as lessor and lease it to the SME lessee during 4-5 years. At the maturity of the leasing period ownership of the capital equipment will be transferred to the SME lessee. Thus, this scheme work as asset backs finance.</li> <li>• The balance of the lease amount is Z\$10 mil. at present.</li> </ul> <p>(3) Bridge Loan</p> <ul style="list-style-type: none"> <li>• At present money situation, it is common for SMEs to take several months till Bank's commitment and disbursement. CSFS will extend bridge loan as per the SME request.</li> <li>• Interest rate: 33% pa effective July 1 1998</li> <li>• Present Loan balance: Z\$400,000</li> </ul> <p>(4) Micro Financing</p> <ul style="list-style-type: none"> <li>• Average loan amount: Z\$10,000</li> <li>• Borrower: General including informal sector people. For example, reseller of imported secondhand clothing</li> </ul> <p>(5) Training</p> <ul style="list-style-type: none"> <li>• Short term training: book keeping etc. before making a loan</li> <li>• Long term: management course etc. for following up the borrower's management. Training fee will be shared by the Borrower 50% at the end of course, of which the CSFS fund comes from a donor.</li> </ul>

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				<p>(6) Takeover of the management under judicial proceeding</p> <ul style="list-style-type: none"> <li>In case, if the borrower should enter judicial proceeding or liquidation, CSFS will takeover the firm to make restructuring sending appropriate staffs.</li> <li>The fund comes from various sources such as: <ul style="list-style-type: none"> <li>European Union (Grant 50%)</li> <li>Nobib = Dutch NGO (Grant 20%)</li> <li>FOS= Belgium NGO (Grant &amp; Loan 30%)</li> </ul> </li> </ul> <p>In addition, Z\$10 mil. a part of World Bank loan of the GoZ was allocated to CSFS with the interest rate of 13% pa for the repayment of 40 years. CSFS loans to the borrower at 20% interest pa. CSFS applied additional Z\$15 mil. for the fund for next 2-3 years.</p> <ul style="list-style-type: none"> <li>CSFS is planning to change itself from NGO to a registered private company for finance to SMEs and cooperatives within few months.</li> <li>In the future, the company will be listed at the stock exchange to expand the activity and sourcing funds, Mr Rushways hopes.</li> </ul>
5.21 (Thu)	Confederation of Industries (CZI) Harare Tel: 772763-7 Fax: 750953 Email: czi@Primenetzw.com	Mr. Malvern Rusike, Manager- Secretariat & Industrial Associations	Est. Voluntary Assoc. 4 Chambers, 7 Standing committees	<ul style="list-style-type: none"> <li>Nation wide organization based on manufacturing enterprises.</li> <li>Industrial Associations of various sectors affiliate with CZI.</li> <li>Representation of industry, information and publicity work, economic analysis, advisory services, etc.</li> <li>Specific projects with specific targets in limited duration</li> <li>Project on business linkage between big industries and SMEs started in 1996, mainly focusing on cleaning and catering.</li> <li>When CZI feels needs of training for entrepreneurs, it relies on "Empretec".</li> </ul>
5.28 (Thu) Afternoon	Credit Guarantee Company (CGO)	Mr. K. Gumbo, General Manager	Credit Guarantee facilities  Share Holders: RBZ 50% Other Banks 50% (Standard Chartered, Barclays, ZDB ZimBank, CEBZ)	<ul style="list-style-type: none"> <li>This is a Credit Guarantee Company, which provides guarantees to customers of shareholder-banks. Upper limit of their guarantees is 50% of loan amounts. In case if the guaranteed debt is defaulted, that is finally covered by RBZ (Central Bank). Interest rate of debts is ordinal market rate, which are now 37%.</li> <li>World Bank and Sida once provided fund to this company to strengthen their guarantee capacity. However, as their lending schemes implemented under lower interest rate and other soft conditions, that lending resulted to distort market mechanism. They will become more careful to continue same lending under same condition or scheme.</li> </ul>
7.30. (Thu)	DANHIKO Project Tel: 263-4-492087 Fax: 263 4 492362 E-mail: danhiko@mango.zw @wn.spc.org.	Ms. Kgogo Mudege, Director Mr. John Dewah, Head Master Mr. Chawonza Stanford, Head of Carpentry Department	Non-Governmental Organization.	<ul style="list-style-type: none"> <li>"Danhiko" is a Shona word which means steps. Danhiko's concept is to offer a stepping stone or ladder to people with disabilities, the disadvantaged or anyone else in order to climb from the ground to meet the summit of their aspirations and ability.</li> <li>It promotes the principles of education with production strengthened with entrepreneurial skills during the three year training.</li> <li>Carpentry Department consists of two Divisions... Production and Training.</li> <li>When students finish their first year training, they can get National Foundation Certificate (NFC). After finished the second year they can get National Certificate (NC). At the end of the third year they get Skilled Worker Certificate Class 1 to 4 according to their attained skill.</li> <li>Curriculum for training is prescribed by the Ministry of Higher Education.</li> </ul>

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5. 22 (Fri) 11:30~13:30	Department of International Development, Harare	Mr Boulter, Private Sector Advisor	Est. Capital Staff	<ul style="list-style-type: none"> <li>● Text books are also recommended in the syllabus, but they are too expensive for each student to obtain. Only few books are stored in the library.</li> <li>● Tour of facilities</li> <li>● Micro lending to assist entrepreneurs who are short of daily operation and its amount per lending is US\$250.</li> <li>● Lending is made through CBZ, and the staff those who handle this finance are trained by DFID to upgrade management skill of micro lending.</li> <li>● Training of staff to improve management skill for borrowers under micro lending is carried out by DFID</li> <li>● More than 2,000 loans have been already arranged since 1995</li> </ul>
5. 27 (Wed) 8.30~11.00	Export Processing Zone Authority (EPZA), Harare Tel: 263 4 736565 Fax: 263 4 736484	Mr W. K. Chidakwa, General Manager Mr P. T. Sibanda, Investment Executive	Est. 1996 under Export Processing Act Capital: n.a. Staff: 12  Board member (6) represented by MOIC, Customs and private sectors	<ul style="list-style-type: none"> <li>● Assist new company wishing to start new export business</li> <li>● Various incentives as follows will be given, provided if, (1) 80% of the production at EPZ is exported (2) Eligible company must be newly established and registered under the Company Act (3) It must be located either in Export Processing Zone of industrial park or stand alone type: duty free import of capital goods and materials; corporate tax holiday during 5 years; low flat tax 15% thereafter; ownership by foreign investors up to 100%; up to 100% repatriation of profits and dividends; repatriation of proceeds at the time of disinvestment(refer ZIC).</li> <li>● 32 projects are under operations out of 73 approved projects</li> <li>● 7 EPZ industrial park projects are approved, but none of the projects are actually developed yet.</li> </ul>
8.04 (Tue) 9:00-11:00	Export Processing Zones Authority, Harare Tel: 263 4 736565/9, 736558, 736570 Fax: 736484	Mr Walter K. Chidakwa General manager Mr Patridge T. Sibanda, Investment Executive, Special Projects	Government Agency  (Follow up visit to ask application of sliding system of export incentives at EPZA)	<ul style="list-style-type: none"> <li>● EPZ incentives: We explained that the present EPZ incentive scheme of 80% export of the total sales is not fair enough and give too much risk esp. to SMEs whose management resources are insufficient</li> <li>● EPZ incentives covers following exemption beside mentioned the record of first meeting on 5.27             <ul style="list-style-type: none"> <li>• Withholding tax</li> <li>• Capital gain tax</li> <li>• Income tax on fringe benefit</li> <li>• Sales tax (15% general, 25% motor vehicle)</li> </ul> </li> <li>● EPZ charges US\$10,000 for registration as an eligible export industry up front and US\$250 for each application of the incentives.</li> <li>● Mr Chidakwa personally has no entire objection to introduce sliding system rather than sticking to the present threshold of 80%. He suggested two adverse elements in sliding systems and discussed solution as follows. The details to be studied carefully reflecting exporters including SMEs and the associations of the industries, ZIMTRADE, ZNCC and ZIC, etc.</li> </ul> <p>(1) Complexity in assessing the actual figures and application of incentives: If the sliding system has many steps such as 30%, 40, 50, 60, 70 and 80%, it may be difficult. But, for example, 50,60, and 80% might be good. One suggestion is ratio of export is declared half yearly by exporter and incentives are given on that basis. Adjustment between declaration and result is made at half year..</p> <p>(2) Tax and duty applicable: This also to be studied with tax authorities as technical matter of tax collection. But exporter's declaration and adjustment is suggested.</p> <ul style="list-style-type: none"> <li>● In fact, there is an opinion in the industry to apply various incentives with sliding system for the exporters other than EPZ.</li> </ul>

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7.31 (Fri) 10:00-12:00	FUJITSU LIMITED, Harare Tel:723175, 732627, 706488 Fax: 732628	Mr Minoru Iwaki, General Manager Harare Office	Private company	<ul style="list-style-type: none"> <li>● Bonded system: In general, apart from EPZA, bonded import system is not generally taken for production and Duty Draw Back System is not functioning because of delay of refund for 9 months or more. He suggested the Bonded Import System should be studied with two problems: use of imported inputs for domestic purpose and counting consumables. This might be solved by exporter's report with keeping clear record and inspection by officers.</li> <li>● EPZA is currently engaging the plan for building facilities for food processing at production area. The plan has been brought to the President through the Minister of Rural Development. This aims to introduce resources producers in communal areas to commercial activity. Joint venture with international companies and farmers are proposed for operation, in which farmers do in kind contribution such as labor and products are turned into equity. Consultants has been called for the tender to survey for collection of various background information such as availability of irrigation and crop harvest and proximity to the growth points for the project (see separate papers).</li> <li>● Since 1991, Fujitsu has a technical license arrangement with Supersonic, the largest manufacturer of audio equipment having an employee of about 200 reduced from more than 1000 before. The company is owned by Apex Corporation of Zimbabwe Limited, a conglomerate having about 30 companies of various manufacturing sectors (see Apex brochure for Apex group and Supersonic).</li> <li>● The license covers Electronic Exchange Systems. Supersonic has supplied PC board with manual mounting to tips as a unit. Mainframes are supplied by Fujitsu Japan. Manufacturing and wiring of wire harness and busbar (cable connecting with power source) and metal fabrication of unit frame are done by Supersonic.</li> <li>● Fujitsu has a share of 70-80% of electronic exchange systems ordered exclusively by Post &amp; Telecoms here repeatedly. During 1991 and 1998, Supersonic has engaged in factory production for about 3.5 years (equal to 50% of 7 years) to digest a volume of the orders.</li> <li>● There is no numeric preference for local content in the tender and adjudication is made equally with tender using supplies from overseas. So, it does not mean that Fujitsu will continue to use Supersonic in the future. There are questions in reliability and price competitiveness and use of Japanese tooling of local supplier. But, repair work is a merit for tie up with a local supplier</li> <li>● There was confusion in awarding recent tender by The Telecom at the customer side.</li> </ul>
8.06 (Thu)	Harare Institute of Technology (Ministry of Higher Education and Technology)	Mr. Nezandouge	Curriculum Department, Harare Institute of Technology	<ul style="list-style-type: none"> <li>● Received list of the certifications at polytechnics and technical colleges</li> <li>● There are fifteen kinds of departments in Polytechnics and Technical Colleges throughout the country. They are: (1) Air Craft Engineering (NC, ND), (2) Applied Arts and Crafts (NFC, NC, ND, HND), (3) Automotive Engineering (NFC, NC, ND, PCC), (4) Building Construction and Allied Trades (NFC, NC), (5) Business Studies (NFC, NC, ND, HND), (6) Civil Engineering (NC, ND), (7) Computer Studies (NFC, NC, PCC, ND, HND), (8) Electrical Engineering (NFC, NC, ND, HND), (9) Hotel Catering and Tourism Studies (NFC, NC, ND, HND), (10) Management Studies (NC, ND, HND), (11) Mechanical Engineering (NFC, NC, ND, HND), (12) Mining (ND), (13) Pedagogics (ND), (14) Science Technology</li> </ul>



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5. 26 (Tue) 14:30~16:30	IDC (Industrial Development Corporation of Zimbabwe Ltd.) Harare Tel: 263 4 706971 Fax: 263 4 796028 Email: idczim@africaonline.co.zw	Mr. M. N. Ndudzo, General Manager Dr. C. T. Chitsora (Project Manager)	Est. 1963, 100 owned by the Government, under the Industrial Development Corporation Act	<ul style="list-style-type: none"> <li>• (NFC, NC, ND, HND), (15) Secretarial Studies (NFC, NC, ND, HND)</li> <li>• Departments and courses are established according to the needs of industries.</li> <li>• The roll of IDC is to promote investment and economic cooperation across boarders.</li> <li>• IDC had brought up many enterprises putting together knowledge, investment and methodologies, supporting partnership, local environment, etc.</li> <li>• IDC brought up many subsidiary and assorted companies, including motor industry, chemical industry, mineral industry, non-ferrous metal fabrication, wood processing, closing and textiles, etc.</li> <li>• IDC earns profit selling its productive subsidiary companies.</li> <li>• IDC is planning a 1600 hectare industrial park near Harare.</li> </ul>
July 29 Afternoon	IMF	Resident representative Robert Franco	Public	<ul style="list-style-type: none"> <li>• Recently IMF conducted first disbursement of stand-by credit amounting 53mUS\$.</li> <li>• External debt reaches now to about 4BU\$ which is almost 60% of GDP.</li> <li>• Salary payment to government officials is now 15% of GDP (Korea 6%, Japan 3%). So IMF is recommending to decrease number of government officials.</li> <li>• IMF mission comes on 4<sup>th</sup> of August to study macro economic situation.</li> </ul>
7.27. (Mon)	MOE (Ministry of Education, Sports and Culture), Schools Div. Tel: 734051/9	Mr. S. M. Ngwenya, Director, Schools Division	Government Organization (MOE)	<ul style="list-style-type: none"> <li>• The number of secondary schools ran up to 800 percent of the one at the Independent, and the number of primary schools doubled.</li> <li>• The spread of education throughout the country owes to the communities. People who did not have money offered their labor in order to build schools.</li> <li>• One of the problems are that there are too many children of school age to provide enough schools.</li> <li>• Too many children leave schools before they reach to "O" level.</li> <li>• In order to reinforce practical education at the secondary school, curriculums are now under reconsideration.</li> </ul>
August 3 Morning	MOF	Fiscal policy Div Mr. Munyanany	Public	<ul style="list-style-type: none"> <li>• National lending institutions for SMEs are not functional in this country.</li> <li>• He proposed to hold meetings by MOF with REZ, SEDCO, MOIC, MOC and</li> </ul>
August 4 Morning	MOF	Banking Registration Div. Mr. F.M. Rwenhamo	Public	<ul style="list-style-type: none"> <li>• Related offices to discuss to find appropriate ways for SMEs financing in this week.</li> <li>• Discussed about regulation &amp; setting-up of criteria of new banking business.</li> <li>• Received banks list in Zimbabwe.</li> <li>• Informed IMF mission's arrival here today and sharp falling down of Z\$.</li> </ul>
August 6 Morning	MOF	Banking Registration Div. Mr. F.M. Rwenhamo	Public	<ul style="list-style-type: none"> <li>• Based on request, gave me criteria document of banking registration.</li> </ul>
August 7 Morning	MOF	Meeting Financial problems of SMEs Chaired by Mr. Mananyanya, MOF	Public	<ul style="list-style-type: none"> <li>• Participants agreed to set up policy making division for SMEs in MOIC.</li> <li>• Main points discussed are as follows <ul style="list-style-type: none"> <li>• Most of SMEs business cannot be categorized as 'business'.</li> <li>• Training for management &amp; technical skill are necessary.</li> <li>• Experiences of technical skills through experimental factory or SMEs industrial parks etc. are respected.</li> </ul> </li> <li>• Regarding finance resources for SMEs, the government cannot allocate fund due to budgetary constraint.</li> </ul>

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				<ul style="list-style-type: none"> <li>• Grant or minimized size of loans from Aid is recommendable.</li> <li>• SEDCO shall be strengthened and vitalized more.</li> <li>• Strengthening of Credit Supplementary System is very important, but points are finance source for that.</li> <li>• Management capacity of commercial banks is rather high. So that if some kinds of two step loan is provided by foreign Aid institutions, financial channel is recommended to use existing banks. At the same time, Apex unit of RBZ must be expanded and all foreign Aid two step loans are expected to extend through this window.</li> <li>• Group lending and mutual guarantee scheme shall be promoted under the strong initiative of MOIC including MOC.</li> <li>• For promotion of management and technical skill, to use experimental facilities are expected to give actual knowledge to them. One idea is to use some parts of Industrial park and experience other SMEs' operation.</li> <li>• SMEs Industrial Parks are effective for grouping and promoting mutual guarantee system to SMEs. Further more, package loans(with training) are also more conveniently provided.</li> <li>• Existing training courses need some kinds of standard.</li> <li>• Existing cooperatives have many problems and many internal conflicts are reported.</li> <li>• Aid Coordination work is very important in this country. However even computerization has not be started. Among others, coordination in domestic line ministries is not so well formulated. We need support from foreign Aid organization as in-house expert for this work.</li> </ul>
July 29 Afternoon	MOF	Deputy Director Aid Coordination Domestic and International Finance Div	Public	
8.06.(Thu)	MOHE (Ministry of Higher Education and Technology)	Mr. C. Chitando, Principal Manpower Training Officer	Government Organi- zation (OHE)	<ul style="list-style-type: none"> <li>• MOHE manages two Vocational Training Centres in Harare and Bulawayo. There are more than 20 official VTCs including under administration of other ministries and local authorities throughout in Zimbabwe.</li> <li>• Secondary school finishing is not required for applicant of VTC. (1)</li> <li>• Certifications attainable at polytechnics and technical colleges are: (1) National Foundation Certificate (NFC), (2) National Certificate (NC), (3) National Diploma (ND) and (4) Higher National Diploma.</li> <li>• Certifications for teachers are: (5) Further Education Teacher's Certificate (FETC) and (6) Further Education Teacher's Diploma (FETD).</li> <li>• Another certificate for business study is: (7) Professional Competency Certificate (PCC).</li> <li>• Trade test is the evaluating process of worker's skill by written examination and practical test. It does not require applicants' school background. Workers who passed the test are classified to Skilled Worker Class I to Class IV.</li> <li>• Vocational Training Loan was established in 1989.</li> <li>• Annual Report of the Secretary for Higher Education and Technology for 1996 and 1997 will be published on next Monday.</li> <li>• Trade Testing was established in 1982 in order to meet the demand of skilled manpower by industry following the exodus of the white skilled personnel to other countries. It also sought to open an alternative route for the progression to semi-skilled workers who had no formal training and could not be indentured as</li> </ul>
8.13.(Thu)	MOHE (Ministry of Higher Education) Tel: 700336	Mr. H. C. Mbewe, Deputy Secretary (Administration and Human Resources) Mr. N. T. Nyakudya, A/Deputy Director (Trade Testing)	Government Organization (MOHE)	

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7.31. (Fri)	MOLG (Ministry of Local Government, Rural and Urban Development)	Mr. A. C. Mpanhanga, Deputy Secretary, Development Planning and Co-ordination, Housing, Chairman- National Action Committee	Government Organization (MOLG)	<ul style="list-style-type: none"> <li>● apprentices.</li> <li>● There are four skills levels of which Class I (journeyman) is the highest and equivalent to a person who has successfully completed apprenticeship. Class IV is the lowest and entry grade equivalent to a trainee who had completed the first year of apprenticeship.</li> <li>● Trade Testing System covers eight sectors...(1) air craft, (2) automotive, (3) construction, (4) electrical, (5) hairdressing, (6) hotel and catering, (7) mechanical and (8) printing.</li> <li>● Test is carried three times per year. Average numbers of successful candidates are about 4,000 per year by four classes.</li> <li>● According to the Collective Bargaining Agreement of the Construction Industry concluded in 1998, minimum hourly rate for Class I skilled worker is \$14.26, for Class II \$12.13, for Class III \$10.77 and for Class IV \$8.13.</li> <li>● Outline of growth point</li> <li>● Outline of plan for supplying of housing</li> </ul> <p>[Details will be reported by Mr. Abe.]</p>
8.04. (Tue)	MSASA Vocational Training Centre Tel. 486491	Mr. Boka, Principal	Government Organization (MOHE)	<ul style="list-style-type: none"> <li>● There are two courses at Msasa Vocational Training Centre...Automotive and Mechanical</li> <li>● There are three categories regarding to the activities of Msasa VTC... Up-Grade Training, Trainers for Apprenticeship and Part-Time.</li> <li>● Up-grading training system is provided for people who have practical skills and need technical knowledge. According to results of Trade Testing they are classified to four classes... unclassified, Class IV, Class III and Class II. After 8 to 24 weeks training sandwiched on-the-job application, they challenge Trade Testing for higher class. The training expenses together with the trainees' wages whilst attending the courses are all paid by Government through the Zimbabwe Manpower Development Fund (ZIMDEF). The fund derives its revenue from the levy imposed upon employers.</li> <li>● Part-Time training system is night course or weekend course for people who need special skill or up-grading their skills. The training fees (Z\$400 to 700 for 60 hours training) are paid by trainees themselves.</li> <li>● Tour of facilities</li> </ul>
5.20 (Wed) 10:00~	Ministry of Finance	Mr. L. Matsvayai, Deputy Director, Aid Coordination Domestic and International Finance, Mr. RP Kanhuru, Japan Desk Officer Mr. Manyanya, Fiscal Economic Department	Central Government Office	<ul style="list-style-type: none"> <li>● TOR of Mr Matsvayai is to make Broad Economic Policy Packages.</li> <li>● "National Programs to Cooperatives" recently presented by the Ministry in charge of Cooperatives will be useful to understand Government policy of SMEs</li> <li>● Recent Policy to promote SMEs came from the reason of necessity for Poverty Alleviation and Job Creation in this country.</li> <li>● At the moment, MOF acknowledges that macro-economic environment is very tough to SMEs because of high inflation and high interest rate.</li> <li>● Banking attitude of loans in this country is very conservative and SMEs complain due to their collateral based loan management.</li> <li>● MOF considers it is necessary to pursue appropriate policies with National Economic Planning Commission under the cooperation of World Bank and USAID</li> </ul>

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6.03 (Wed) 11.00	Ministry of Finance	Mr. L. Matswayl, Deputy Director(Aid Co-ordination-Domestic and International Finance) Mr. RP Kavhuru (Japan Desk Officer)	Central Government Office	<p>etc.</p> <ul style="list-style-type: none"> <li>MOF is powerful in this country in coordination of domestic macro-economic policies but they are not in a position to coordinate sector level problems.</li> <li>AID coordination is important for LDC countries for effective budget administration by adjusting both AID funds and domestic priority expenditure.</li> <li>At the moment, CoZ may be suggested to make more effort to take an initiative for this purpose, according to some donors.</li> </ul>
6.05 (Fri) 9.00 ~ 15.00	Ministry of Finance	Mr. Manyanya, Fiscal Economic Department	Central Government Office	<ul style="list-style-type: none"> <li>Under the existing serious macro-economic environment, it seems tight money policy will be maintained during ZIMPREST period.</li> <li>In terms of financial credibility, Banking management says, lending to SMEs should be treated carefully in view of the risks involved.</li> <li>In order to pursue effective and efficient development policy, harmonization between foreign AID funding and domestic budgetary funding may be considerable more in future. In this connection, more effective coordination by the oversight ministry might be expected, according to some donors.</li> </ul>
7. 29(Wed)	Ministry of Industry & Commerce (as listed above)	Mr Nyungweta, Coordination & Parastatals	Government Ministry (visit to ask industrial policy specifically about privatization or new establishment of Parastatal)	<ul style="list-style-type: none"> <li>Mr N. explained the Ministry's policy for the future of parastatals based on the draft paper "INDUSTRIAL POLICY AND STRATEGY-FROM 1996 to 2006" (see separate paper). Parastatal bodies that are losing money will be restructured and reorganized in such ways that they either break evens or make profits. Some parastatals will be commercialized and or privatized. Government will only retain a clearly defined interest in parastatals that are important and strategic for national development.</li> <li>Regarding SEDCO, the Ministry targets government stake reduced up to 25% starting from 51% at privatization. The Prospectus to Institutional Investors has not been prepared yet. The copy will be given to us for our review upon completion.</li> <li>Cooperative Finance: Most of cooperatives are at rural area. It may take steps to spin off cooperative finance from SEDCO or making new financial institutions for Cooperatives.</li> </ul>
6.04 (Thu) 9.30	Ministry of Industry and Commerce	Mr. O. M. Tshabangu, Deputy Secretary (Enterprise Development and Consumer affairs) Mrs. M. Nyagweta, Enterprise Development Division	Central Government Office	<ul style="list-style-type: none"> <li>In MOIC, no section has been formed yet to administer the overall policy matters for promotion of SMEs.</li> <li>In addition to the vertical organization, horizontal structure might be effective in realizing the policy to promote SMEs.</li> <li>During the process of the master plan being formulated, clearer principle may be shown to the working level at the ministry.</li> <li>It seems that the reason why 4 industries are taken up while other 2 industries (chemicals and transport) are excluded is not necessarily clear. As long as we need to promote SMEs, is there specific reason to select the industries at this stage?</li> </ul>
7.24.(Fri)	Ministry of Local Government Bulawayo	Mr. Elija Najbe, Chairman	Government Organization	<ul style="list-style-type: none"> <li>Growth point is under administration of Local Government.</li> <li>Administrative structure is: Province --- District --- Ward --- Village</li> <li>Growth point project was commenced in 1993. Nyamandhloyu (North east of Bulawayo), Ntabazinduna (North) are nominated.</li> <li>Core of growth point is township where SMEs are invited to invest.</li> </ul>
5. 28 (Thu) 14:30~16:00	Ministry of National Affairs, Employment	Mr. S. Chatiza (Director of Employment Creation) Mr. Carroll T. Khombe	Est. 1992 Staff: 3,000(described)	<ul style="list-style-type: none"> <li>The role of the Ministry is to promote employment creation through development of micro-scale and small-and-medium-scale enterprises regardless of formal or informal sectors</li> </ul>

## Appendix 2-2 Summary of Survey Results

	<p>Creation and Co-Operatives Harare Tel: 263-4-704264 Fax: 263-4-732709</p>	<p>(Deputy Director- Agriculture and Forestry) Another 5 members</p>	<p>2,000(actual) 200(head office)</p>	<ul style="list-style-type: none"> <li>● The activity of employment creation is focused on unemployed women and youth who have many difficulties on creation of funds and business skills.</li> <li>● There are 500 thousand unrealized business plans because of lack of funds.</li> <li>● National Affairs Department of the Ministry runs training institutions. There are 14 Training Centres, where they train technical and business management skill.</li> <li>● Also the Ministry had established various kinds of training and advising organizations--- Empretec, IDBC, BESA, IBWO (Indigenous Business Women's Organization), etc.</li> <li>● National Consultative Committee on Employment is organized under leadership of this ministry in order to adjust duplicated efforts for creation of employment by Micro Scale Enterprises and SMEs.</li> <li>● Co-operatives are based on Co-operative Act established in 1996. They can be in any sectors--- fishing, catering, agriculture, furniture manufacturing, mining, credit and finance, retail shops, housing, transport, etc.</li> <li>● The Ministry runs Community and Co-operative Development Fund involving grants and loans.</li> <li>● The Ministry tried to set up co-operative bank in 1994, which fell through incompletely.</li> <li>● OMA Capital Project was launched in 1996. The purpose of the project is to fund women's income generating projects</li> </ul>
<p>7. 29(Wed)</p>	<p>Ministry of National Affairs, Employment and Co-Operatives Harare Tel: 263-4-738001-8 Fax: 263-4-732709</p>	<p>Mr Charles Elias Mangoro, Registrar of Cooperative Societies Mr Mike Mavengwa, Principal Administration Officer Mr Abel Dzunga</p>	<p>Government Ministry  (second meeting to ask cooperative issues, esp. whether finance scheme required for cooperatives)</p>	<ul style="list-style-type: none"> <li>● There are strong demands for financial institutions designed specifically for the cooperative members like The Central Cooperative Bank for Commerce and Industry (<i>The Shoko Chukin Bank</i>) in Japan.</li> <li>● But, these gentlemen does not know why previous planning to establish financial institution for cooperatives fallen off. The undersecretary knows the story behind.</li> <li>● Cooperative structure: Primary societies→Union/Secondary→Apexes→Federation</li> <li>● The Ministry will send a representative to Steering Subcommittee on Aug. 3. (But, nobody actually attended the meeting on that day and subsequent meeting.)</li> </ul>
<p>5.21 (Thu)</p>	<p>Ministry of Public Service, Labour, and Social Welfare, Harare Tel: 263 4 790871 Fax:263 4 794568</p>	<p>Mr S. G. Mhishi, Director, Social Development Fund</p>	<p>Central Government Office</p>	<ul style="list-style-type: none"> <li>● In charge of Social Development Fund (SDF) which has been commenced in 1991</li> <li>● The Fund supports start up companies by the unemployed who lost a job through implementation of ESAP.</li> <li>● Eligible borrower shall make a contribution of 20% from own fund in the total fund required for start up of the new business. The balance of 80% shall be supported by SDF.</li> <li>● Maximum amount to be financed will be Z\$120,000.</li> </ul>
<p>7.30 (Thu) 14:30- 16:00</p>	<p>Motec Holding (Pvt) Ltd.  Tel: 263 1 11 605 255 Fax: 263 4 498069  ITOCHU CORPORATION Tel: 739532/4, 739568, 795319</p>	<p>Mr Shuntaro Hasegawa Business Development Executive  Mr Masahiro Osawa, General Manager, Harare Liaison Office</p>	<p>Private company IDC 75% ITOCHU 25% Est. 1989 (visit to ask operation of auto production of Mazda and especially about a possibility of business linkage)</p>	<ul style="list-style-type: none"> <li>● Motec is a holding company which has four subsidiaries, namely Willow Mazda Motor Industries for manufacturing and assembly, Auto Logistic for wholesales of parts and AMTEC, Sales company and Devin, installation of car body (see separate paper).</li> <li>● WMMI assembles 8000 cars yearly in which 30% Passenger Car (Familiar and Capella), 65% Iton Pick up truck and 5% 2.5ton truck (Titan). Mazda shares 50% in new car sales of the country.</li> <li>● Other car assemblers include Ford (Quest), Peugeot (yearly 1500 cars Model 306/405) and Nissan (yearly 1500 pick up)</li> <li>● There is no local content requirement now although it used to be in the country.</li> </ul>

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					between large company and SMEs)	Major local components and supplies are battery (Excide, Chloride), Tyre (Dunlop), Windshield Glass (PG) which are all large companies. But, Seat Spring, Cushion and Pad are manufacture by United Spring Holding who is SME with employment of 30.
July 30 Morning	Fax: 794227 NEPC National Economic Planning Commission (NEPC) Tel: 263 4 796191~4 Fax: 263 4 795987	Director Mr. Chigud	Public	Public		<ul style="list-style-type: none"> <li>Necessity of setting up of policymaking unit in MOIC and strengthening coordination function of MOF is completely agreed.</li> <li>Recently, result of tender of Japanese ODA project opened. As for price, Japanese company was the lowest but by intervention of two cabinet members, the result was upset. Some of government people are worrying.</li> </ul>
5. 28 (Thu) 8:30~9:00	National Economic Planning Commission (NEPC) Tel: 263 4 796191~4 Fax: 263 4 795987	Mr Edgar T. Chigudu, Director	Est.	Est.		<ul style="list-style-type: none"> <li>NEPC, as Presidents Office coordinates various ministries for economic policies.</li> <li>In 1990, the promotion of SMEs has been listed as the most important national policy as SMEs serve to creation of employment and expansion of national economy.</li> <li>SMEs importance has been addressed in ESAP and ZIMPREST.</li> </ul>
7.23 (Thu)	ORAP, Bulawayo (Organization of Rural Association for Progress) Tel. 263-9-31009 Fax. 263-9-31088	Ms. Florence Mafeking, Division Coordinator	NGO ---Cooperative Organization	NGO ---Cooperative Organization		<ul style="list-style-type: none"> <li>ORAP, Bulawayo organizes the people in Matabeland North and South and Midland.</li> <li>Total number of people organized is about 1.5 million.</li> <li>Structure of the organization is : Family Unit ---Groups --- Umbrella ---Association (16).</li> <li>Motto of activity is "Mobilize yourself. Do it yourself. Be self employed. Be self reliance, save- invest or collective saving."</li> <li>Following services are rendered: ----- Environment and water, food security, solar, cattle re-stocking ----- Gender awareness, Home development ----- Zenzele College operation, Education service (Kinder garden inc. ) ----- Saving &amp; Credit</li> <li>Micro lending scheme is available: Z\$3 to 6.000/lending, 12% interest.</li> <li>Training course: Blacksmith, Building, Carpentry, Sewing, Tie &amp; Die, etc.</li> </ul>
7.31 (Fri) 14:30-16:00	Organization of Collective Cooperatives In Zimbabwe (OCCZIM), Harare Tel: 263 4 751193/ 771477 Fax. 771477	Mr Albert Vingwe, Chairman Mr Ronald Gwebu	Upper body of Cooperatives	Upper body of Cooperatives		<ul style="list-style-type: none"> <li>The role of the organization is to represent all registered collectives of cooperatives in the country. It aims to make various services for member cooperatives such as promotion of economic and social interest of its members in accordance with cooperative principles, provide information, training, and technical advice to its members and audit books of accounts of its members through competent persons.</li> <li>The management Committee does lobbying the government on cooperative policy and legislation (see Narrative Report 1977).</li> <li>They complain that cooperatives are not treated as SMEs and support is not given to them enough. If such financial institution like Cooperative Bank is established, it will be most welcome.</li> </ul>
August 4 Afternoon	REZ	Apex Unit Mr. Shadaya	Public	Public		<ul style="list-style-type: none"> <li>Told the idea raised by Mr. Munyanyay MOF to have a meeting for SMEs financial support which coordinated by MOF. He promised support.</li> </ul>
July 31 Morning	REZ Apex unit	Mr. Shadaya	Public	Public		<ul style="list-style-type: none"> <li>Under the existing economic condition, no one guarantee the risk of default of SMEs lending except REZ. Reinsurance is definitely impossible.</li> <li>Most appropriate lending scheme to SMEs finance is through Apex unit of REZ &amp; existing banking channels</li> </ul>

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				<ul style="list-style-type: none"> <li>• Financing to SMEs must be package loan which connected management advising and technical training.</li> <li>• Handed copies of Japanese SMEs funding schemes / Credit unions schemes for their information</li> </ul>	
8.06.(Thu)	Ranche House College Tel: 750613 Fax: 724604	Food Processing as a Small Business Dept.	Non-Governmental Organization	<ul style="list-style-type: none"> <li>• With financial assistance from the Netherlands Government RHC has established a new Food Processing as a Small Business Department which aims to assist aspiring and existing entrepreneurs in the establishment and running of their food processing enterprises through training and counseling in technical, managerial and entrepreneurial aspects in the gender perspectives.</li> <li>• RHC held "Nutritional and Traditional Diets Exhibition" at the campus on 6th August, which showed vegetable drying process, its facility and products in Murewa, Mashonaland East.</li> </ul>	
6.09 (Mon) 10 00	Reserve Bank of Zimbabwe, Research & Policy	Mr. E. Mhiringwani, Economic Research & Policy, Director	Central Bank	<ul style="list-style-type: none"> <li>• We can overcome Budget deficit and Inflation within our ZIMPREST period. APEX has capability to support SMEs through the lending scheme. Through this scheme, as RBZ is neutral, effective lending to SMEs will be achieved.</li> </ul>	
6.09 (Mon) 9:00	Reserve Bank of Zimbabwe, Apex Unit	Mr. M. Shadaya, Manager Ms. S. Chorwira	Central Bank Apex est.: 1983 Number of staff: 13	<ul style="list-style-type: none"> <li>• Apex Unit was created only for supporting SMEs. Apex credit is only for SMEs and there is no sector wall.</li> <li>• At the moment, they think, they don't have the Central Board for SMEs support.</li> <li>• Through their experiences, we believe the package loans consisting of financing, equipment supply, training course and information services etc. are effective for supporting SMEs. If Apex can invite technical advisers together with management advisers may be much better.</li> <li>• World Bank conducts lending through our channel to financial institutions, including banks, SEDCO.</li> </ul>	
July 29 Morning	Reserve Bank of Zimbabwe	Director Mashirngwani	Public	<ul style="list-style-type: none"> <li>• Conditionalities of IMF are as follows:               <ol style="list-style-type: none"> <li>1. Until the end of 1998 fiscal year, budget deficit shall be within 5% of GDP (at present about 12-14%)</li> <li>2. Target of Debt Service Ratio is less than 20%.</li> <li>3. Promoting privatization to save budget expenditure</li> <li>4. Decreasing government staff (from 225,000 to 200,000)</li> <li>5. Maintaining sound level of foreign reserve (now only 1.5 months of import, at the end of the 3<sup>rd</sup> quarter FR is estimated worse to 1.1 month of import).</li> </ol> </li> <li>• Regarding SMEs finance, easy-going way should be avoided. SMEs-finance must be limited only to individual concrete project.</li> </ul>	
7.24. (Fri)	SAZ (Standard Association of Zimbabwe) Bulawayo Branch Tel: (19)71867 Fax: (19)70447	Mr. Albert George Ncube, Senior Divisional Manager Mr. Jephitha Mahove, Chief Technical Officer	Government Organization (MOIC)	<ul style="list-style-type: none"> <li>• About 660 items are standardized as SAZ standards.</li> <li>• SAZ audits quality and environment management systems in accordance with ISO9000s and ISO14000.</li> <li>• On the other hand, there is Product Mark (SAZ Mark) Certification System.</li> <li>• SAZ has its own laboratories in Harare, Bulawayo and Mutare, where they test characteristics of materials and products on the request of industries.</li> <li>• Tour of facilities</li> </ul>	
8.04. (Tue)	SAZ (Standards Association of Zimbabwe), Technical Services	Dr. Oswald S. Chinyamakobvu, Assistant Director General, Technical Service Dept.	Government Organization (MOIC)	<ul style="list-style-type: none"> <li>• The Standards Association of Zimbabwe was formed as Rhodesia and Nyasaland Standards Association. Now it is operated by fund levied from companies. But personal expenses of Technical Service Division is covered by commission of laboratory testing.</li> </ul>	

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	<p>Dept. Tel. 263-4-753800 Fax. 263-4-749181 E-mail: sazlabs@mail.pci.co.zw</p>			<ul style="list-style-type: none"> <li>● There are some thought to move from here to nearby SIRDC, but it does not come to a decision. The laboratory has many customers near the present location, and it has to consider their convenience.</li> <li>● SIRDC carries academic research, but the job of SAZ is closely related to the customers.</li> <li>● SAZ holds a short course for training on quality control, but do not have longer course.</li> <li>● Tour of facilities</li> </ul>
7.28. (Tue)	<p>SIRDC (Scientific &amp; Industrial Research &amp; Development Centre) Tel: 263-4-860321 Fax: 263-4-860351</p>	<p>Mr. Paul T. Bhebe, Head of Technology Management Division Dr. Joseph Gopo, Director of Biotechnology Research Institute Dr. Fortune S. Mhlanga, Director of Informatics and Electronics Institute Mrs. Busisiwe Dube, Public Relations Manager</p>	<p>Parastatal Organization</p>	<ul style="list-style-type: none"> <li>● SIRDC does not focus on academic results. Its activities are limited to practical and useful matters for industries.</li> <li>● Through Norwegian donation and cooperation, SIRDC is planning to perform diagnosis activity for three years duration. SIRDC people are expected to have diagnosis skill by this project.</li> <li>● It is important for Japanese and Zimbabwean Researchers to work together in both countries. It will be effective for Japanese experts to establish a base at SIRDC and to patrol and advise SMEs throughout the country.</li> <li>● Tour of facilities</li> </ul>
5.22 (Fri) Afternoon	<p>SIRDC (Scientific and Industrial Research and Development Centre) Harare Tel: 263-4-860321 Fax: 263-4-860351</p>	<p>Dr. Phanael Munezvenyu, Deputy General Prof. Erik Navara, Director of Production Engineering Ins. Prof. M. M. Elmissiry, Director of Energy Technology Inst. Dr. Joseph Gopo, Director of Biotechnology Research Inst. Dr. Fortune S. Mhlanga, Director of Informatics and Electronics Inst. Mrs. Busisiwe Dube, Public Relations Manager, Public Relations Dept.</p>	<p>Est. 1993 7 Institutes and 1 Div. Staff: 90 +30(studying) Annual operating budget: Z\$170-200 mil.</p>	<ul style="list-style-type: none"> <li>● Central organization of technology in Zimbabwe.</li> <li>● The role of the organization is to assist industries of private sector, to train industrial people and to assist economic development.</li> <li>● The building for administration was built in 1996, but another buildings for institutes are still not completed.</li> <li>● SIRDC is planning consulting and technology assistance service for SMEs utilizing a fund of NORAD.</li> </ul>
5.28 (Thu) 9:00-10:30	<p>STANDARD ASSOCIATION, HARARE Tel: 264 4 885511 Fax: 263 4 882020</p>	<p>Mr S. Kupakuwana, Director General (SAZ)</p>	<p>Est. 1996 Capital: n.a. Staff:100</p>	<ul style="list-style-type: none"> <li>● Fund derived from 0.15% levy on the wage bill of companies</li> <li>● Service: (1) Standardization of Specifications, test methods and codes of products (2) Operation of Registration of Scheme, SAZS, ISO9000-9004 (3) operation of Certification Mark Scheme for those products manufactured under SAZS standards</li> </ul>
5.26 (Tue) Afternoon	<p>Sida (Swedish International Development Agency)</p>	<p>Ms. Barbara Bande, Trade Attaché</p>	<p>Swedish Organization AID</p>	<ul style="list-style-type: none"> <li>● So called Micro-Lending Scheme, which Sida recently implemented is officially called ZWIFT/SIDA Loan Guarantee Scheme and ZWIFT is abbreviation of ZIMBABWE Women's Finance Trust.</li> <li>● It is one of 4 items of Sida programs, which are ;</li> <li>● Micro Lending, to support Small Scale Mining Sector, to answer to financial institution need and to support the equity capital of SMEs.</li> <li>● Sida provides micro-Lending Scheme under the cooperation of Barclays Bank's wide networks in this country.</li> <li>● Another organization, which supports the scheme, is ZWIFT. ZWIFT recommended</li> </ul>



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6.08 (Mon) AM 8 30	Small Enterprise And Indigenization Department	Mr. Nyati , Director Dr. Nyangly , Deputy Director(Ms)		<ul style="list-style-type: none"> <li>● appropriate applicants, who are all women's SMEs, to Sida.</li> <li>● Total amount of this scheme is Z\$1.6M.</li> <li>● This is considered one of grass roots AID.</li> <li>● Sida considers big projects do not necessarily solve unemployment and contribute poverty alleviation, which are key issues in rural areas. So, Sida expect to continue this type of grass-roots type cooperation.</li> </ul>
5. 27 (Wed) 14:45-16:00	Small Enterprises Development Corporation (SEDCO) , Harare Tel: 263 4 792821/5 Fax: 263 4 796228	Mr J.W. Nyamunda, Acting General Manager James H. Mwadira, Assistant General Manager (Project Western Region)	Est. 1983 by the ACT Capital: Z\$180 owned by GoZ Staff: 170 HQ and 7 Branches	<ul style="list-style-type: none"> <li>● SEIDO is one of the central government offices to promote Indigenous SMEs.</li> <li>● They are considering supporting linkage with foreign direct investment.</li> <li>● They asked Japanese side to make arrangement with Matsuda Motors. Japanese side answered our intervention may be not appropriate and make rather negative effect. These matters will be proceeded in their basis.</li> <li>● Privatization program for SEDCO is in progress. It is envisaged that this will be effected by way of private placement. Presently, it is intended that private investors will acquire a 49% stake. Total capital will rise to Z\$500mil. A stock exchange listing will not be sought. Invitations for subscription will be sent to the institutional investors in Zimbabwe and abroad including Japan. A new board consisting 10 members was appointed in March(All from business people and professionals such as accountant and lawyers with none of (ex) government officials.</li> <li>● Financing: (1) Loans granted are for: working capital, equipment and motor vehicles, and for land and buildings (for business purpose only) (2) Repayment: up to long term 10 years) (3) Interest: 30% p.a. notwithstanding repayment periods. Number of loan 634 in 1997 and the amount of Z\$153 mil. Source of the loan fund: World Bank US\$10 mil. 1985, and 1998 Z\$42.5mil. , PTA Bank (OAU organization) 5 mil. UPTA(similar to SDR) etc. GoZ loan. SEDCO considers primarily the viability of a project. Any form of security may be accepted. SEDCO does not lend against security <i>per se</i>. Interest policy is not based on profit maximization because SEDCO is a Development Finance Institution. Bad debts written off are approximately 1-2% of the total loan portfolio. Where a project is in distress but has a fair viability potential SEDCO may consider converting debt to equity to facilitate rehabilitation.</li> <li>● Micro finance: Loans up to Z\$5,000. In 1997, micro finance facility went up to Z\$3mil.</li> <li>● Venture capital: SEDCO is considering setting up a Venture capital window to increase its outreach and share with SME's risks and management of the project.</li> <li>● Common Service Center: Plans are under way to construct a common service center intended to house equipment which will assist SMEs, especially informal sectors to improve the quality of the products through use of appropriate and specialized machinery from the Center.</li> <li>● Extension services: Training in management skills and entrepreneurship, secretarial services, research technical skills upgrading and management consultancy.</li> </ul>
Aug 5 (Wed) 14:30-16:00	Small Enterprises Development Corporation (SEDCO) , Harare Tel: 263 4 792821/5 Fax: 263 4 796228	Mr J.W. Nyamunda, Acting General Manager Mr R. M. Muchada , Operations Manger	Est. 1983 by the ACT Capital: Z\$180 owned by GoZ Staff: 170 HQ and 7 Branches	<ul style="list-style-type: none"> <li>● Privatization process is taking a time. Now, external audit is being carried out before making prospectus for private placement.</li> <li>● Interest rate has now raised to 35% effective on Aug. 1.</li> <li>● Lending policy has not changed, i.e. as developing SMEs. However, commitment is more selective as applications are increasing and the loan fund is limited.</li> <li>● Cooperative finance: Presently, SEDCO finance for cooperatives shares only 3% of</li> </ul>

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July 31 Morning	UNDP	Program Coordinator Mr. Dennis Nkala, Ms. Caloline Horinda	Public	<p>(Follow up visit)</p> <ul style="list-style-type: none"> <li>the total loans and treat cooperatives just equally as other borrowers. There is no special consideration.</li> <li>He has no objection to create finance scheme for cooperatives in the future. Mr Nyamunda used to be on the Board of CSFS, and so knows them well. He suggested when we propose Cooperative finance schemes, Japanese Cooperative Finance institution should be cited as successful model.</li> <li>In new privatized structure, deposit taking and issue of debenture with interest (like bond) are approved.</li> <li>SMEs people never repay when they find the fund come from government. I heard in SEDCO that repayment is performed only by big business.</li> <li>So the Government should not directly lend fund to SMEs in any scheme.</li> <li>To avoid default &amp; corruption, SMEs lending schemes need to strengthen audit function, expectedly, by international audit groups.</li> </ul>
6.4. (Mon)	UNIDO- UNDP	Mr. K. Jacoby (UNDP) Miss G. Ceglie (UNIDO- Vienna) Mr. S. G. Mhishi (MOF)	Foreign Organization	<ul style="list-style-type: none"> <li>UNIDO is conducting following two projects: <ul style="list-style-type: none"> <li>-----Training of women in food processing</li> <li>-----Cluster and net work</li> </ul> </li> <li>Training of women is aimed to teach new type of food processing in rural area for better usage of crop.</li> <li>Cluster and Network project is just approved by UNDP with budget of US\$700,000.</li> <li>Outline of project is: <ul style="list-style-type: none"> <li>-----To promote small scale food processing in rural area,</li> <li>-----To collect such products in some extent (Network), and</li> <li>-----To link it to large scale enterprise to put the products into distribution system (Cluster).</li> </ul> </li> </ul>
7.31. (Fri)	University of Zimbabwe, Institute of Development Studies Tel: 333341-3 Fax: 263-4-333345 E-mail :Sachikonye @ids1.uz.zw	Mr. Lloyd Mambo Sachikonye, Associate Professor	Government Organization (MOHE)	<ul style="list-style-type: none"> <li>Agriculture of Zimbabwe... location and produce</li> <li>Processing of agricultural production</li> <li>[Details will be reported by Mr. Abe.]</li> </ul>
5. 28 (Thu) Noon	World Bank	Mr. Caesar Chidawanyaika, Acting Director (Senior Program Officer)	Multilateral Organization  AID	<ul style="list-style-type: none"> <li>In this country, to estimate unemployment ratio is very difficult, because especially in Agriculture sector, as most people belong to temporary basis, it is difficult for us to categorize them as formal sector. Actually, we estimate unemployment ratio in this country more than 30%.</li> <li>Development Strategy of the World Bank in ZIMBABWE is as follows;</li> <li>To assist Government to complete Structural Development Policy, to place greater emphasis on rural development, to encourage private sector activities through promotion of SMEs, and to support human capital development in order to contribute poverty alleviation.</li> <li>Promotion of SMEs is one of effective tools to solve unemployment by encouraging self-employment and self-reliance.</li> <li>World Bank considers that to achieve much more effective AID Administration, Coordination of AID Policies among donors may be necessary.</li> <li>World Bank once conducted Micro Lending through private bank. However, as</li> </ul>

## Appendix 2-2 Summary of Survey Results

6.8.(Mon)	ZBCA (Zimbabwe Building Contractors Association)	Mr. M. C. Muzondo	Private Organization	<ul style="list-style-type: none"> <li>Interest rate was 5%, too many applies rushed to us. Moreover, some criticized that this low interest rate distorted market rate. We should become more careful to assist through direct funding scheme.</li> <li>Association is organized in 1990, and its membership is composed by small scale indigenous contractors.</li> <li>At present, 500 members are registered.</li> <li>In 1993, Government instructed big scale contractors (mostly white people) to subcontract about 7.5 to 15 % of tender / contract value with indigenous small contractors.</li> <li>However, this order is not fulfilled yet because technical skill of indigenous contractors does not meet to required standard.</li> <li>Training of members are also conducted under USAID program.</li> <li>Demand of electricity is estimated as 2,000MW per year.</li> <li>Increase rate of demand is about 4 to 5 % per year.</li> <li>At present 45% of electricity is imported from Zambia, South Africa and Mozambique.</li> <li>Plan to build new power station is under way, namely:             <ul style="list-style-type: none"> <li>Hwange coal fired thermal power station 2 x 300MW (1999)</li> <li>Gokwe coal fired thermal power station 2 x 350MW (2000)</li> <li>Gwai River liquified coal gas power station 3 x 50MW (2001)</li> </ul> </li> <li>Local contents clause can be specified to promote local fabricators of steel processed equipment.</li> </ul>
8.3.(Mon)	ZESA Electrical Authority	Mr. David D. Madzikanda, Senior Manager, Corporate Planning	Parastatal Organization	<ul style="list-style-type: none"> <li>ZNCC is organized throughout Zimbabwe, by representatives of commerce, trade, finance, banking, transport and manufacturing organizations. There is no financial support from the government budget. It has 2700 members all together</li> <li>The core organization of SMEs promotion at ZNCC is Enterprise Entrepreneur And SME Support Programmes-National Standing Committee (NSC) The recent activities cover the following services and information dissemination.</li> <li>(1) Business Development Center (former Small business Support unit). This is mostly for paid services and important sources of income for ZNCC. The Center provides Training Courses and Seminars for example, "How to Start and Run a small Business", Cash Management and "Getting Finance for your Business", etc</li> <li>(2) Micro Lending Scheme: ZNCC encourages the start up of small capital institution such as Z\$150 to give community based finance of small amount (Z\$10,000-20,000) and short term to Micro Industries or informal sectors.</li> <li>(3) Entrepreneurship Development at schools: This aims to enlighten entrepreneurship of young generation through pamphlets and newsletter and sending questionnaires. ZNCC have done this at 277 Secondary schools. Many school have commerce class and business/Entrepreneurship clubs.</li> <li>National trade promotion organization. Fund from 0.1% surcharge on most of EX/IMPORT transaction</li> <li>Service: offering extensive information services through Trade Information Center (TIC) for trade, marketing, matching seller/ buyer, data base, training new exporters w/emphasis for SMEs (New Exporters Workshop), trade mission, various trade fair</li> </ul>
5.20 (Wed) 8:45- 10:30	ZIMBABWE NATIONAL CHAMBER OF COMMERCE(ZNCC), Harare Tel:753451/753444 Fax: 753450	Mr. Danny R. Meyer, President Mr. Nhlanhla J. Masuku, Vice President Fidelis Sikalera Phiri, Training Coordinator Mr Wonder Z. Maisiri (greetings only), Chief Executive	Est. 1983, originally in 1894 Voluntary, autonomous, non-profit making and non-political association of business people 2700 members	
5. 29 (Fri) 11:00-13:00	ZIMTRADE, Harare Tel: 263 4 7076772, 731020, 732974-7 Fax: 706930 Email: stupri@zimtrade.co.z	Mr Stephen Hwindingwi, director, SMEs/Export Services Mr Nduriso Mpofo, Manager-New Exporters	Est. 1991 50: 50 JV w/GoZ Capital \$850,000 Staff 200	

## Appendix 2-2 Summary of Survey Results

	W		Public Organization (Follow up visit)	<ul style="list-style-type: none"> <li>70% of data base users are SMEs. Exchange of information with ZNCC, CZI and etc.</li> <li>It is planned that the data base access will be made at ZNCC of 7 nationwide offices</li> <li>Explanation was made by us for the progress of the survey and preparation of Master plan.</li> <li>Requested minutes of Marketing Subcommittee to be submitted to us this week.</li> <li>Reviewed record of previous progress report description on ZIMTRADE on 5.29 with minor changes (see revised)</li> <li>New events re new Exporters Development Plan (NEDP) started (see separate papers)</li> </ul>
8.04 (Tue) 11:00-12:30	ZIMTRADE, Harare Tel: 263 4 7076772, 731020, 732974-7 Fax: 706930 Email: stupri@zimtrade.co.zw	Mr Ndumiso Mpofo, Manager-New Exporters	Public Organization (Follow up visit)	<ul style="list-style-type: none"> <li>GoZ is one of our shareholders, whose share is 52%. Other shareholders are financial institutions.</li> <li>Mr Jacavaz considers that to support SMEs through lending will not be so effective. To strengthen the government financial position may be the top priority. After the government recovered, it can support SMEs through various kinds of policies including financing.</li> <li>In his opinion, AID by hard currency will produce problems in future and Grant AID will become one of causes of spoiling phenomena for SMEs. We need to encourage SMEs by promoting their entrepreneurship and grading up their professional knowledge and skills.</li> </ul>
6.09 (Mon) 14.00	Zimbabwe Development Bank	MD Ridai Jacavaz	Semi-government Bank	<ul style="list-style-type: none"> <li>ZIC is first port of call for possible investors</li> <li>All investment proposal must be submitted to ZIC for the approval except 100 % locally owned project.</li> <li>Functions and activity: (1)consultation, various information and advisory services related to direct private investment (2) Local Antenna for Brussels based Center for Development of Industry (CD) (3) Marketing of investment opportunities into Zimbabwe</li> <li>Major policy for overseas investment:(1) free access to foreign exchange (2) free repatriation of investment capital (3) 100% remittance of profits and dividends for new investment (4) up to 100% foreign equity investment with a few exceptions</li> </ul>
5.26 (Tue) 10:00-12:00	Zimbabwe Investment Center, Harare Tel: 263 4 757931 Fax: 263 4 757937	Mr Richard Mbawi, Assist. Director	Est. 1993 as autonomous institution Capital Staff	<ul style="list-style-type: none"> <li>The concept of "Empretec" originates in "Empresario Technologica" (entrepreneurship Technology) in South America.</li> <li>Empretec Organization is now worldwide supported by UNTAD.</li> <li>The activity of empretec consists of three areas--- training, business advisory service and information centre.</li> <li>As for the training course, empretec trained 700 people during 1992 to 97 by 28 terms of 10 days,</li> <li>The curriculum consists of three clusters--- business behavior, planning and power. It is not type of lecture but of actually experience.</li> <li>Training fee costs Z\$4,500. Z\$1,000 is asked as deposit, rest is balanced in 6 months.</li> <li>Business advisory services involve accounting system, costing and pricing, marketing, customer servicing, etc.</li> <li>Membership of information service is now 100, and the target is 600. The member can visit the library and use computers equipped software of business and linked to internet. Annual fee is Z\$800.</li> </ul>
5.27 (Wed) 8.30-10.30	empretec Zimbabwe Harare Tel. 263 4 759916 Fax: 263 4 756254 Email: empretec@harare.iafrica.com	Mr. Luke Mukubvu?, Assistant Manager	Est. 1992 Harare Office & Bulawayo Branch Technical staff: 3+2(Bulawayo) Annual budget ('98): Z\$3.8mill.	<ul style="list-style-type: none"> <li>Business advisory services involve accounting system, costing and pricing, marketing, customer servicing, etc.</li> <li>Membership of information service is now 100, and the target is 600. The member can visit the library and use computers equipped software of business and linked to internet. Annual fee is Z\$800.</li> </ul>



## **Appendix 3**

**Minutes of Meetings held on 3<sup>rd</sup> and 6<sup>th</sup> August 1998 for  
Following up of the  
Sub-Committee on Institutional Building**



Appendix 3 “Minutes of Meetings Held on 3<sup>rd</sup> and 6<sup>th</sup> August 1998 for Following up of the Sub-Committee on Institutional Building.”

**1. PRESENT**

Mr. Miura — JICA Study Team

Mrs S.M.Nyagweta — Ministry of Industry and Commerce

Mr Chigovanyika — Ministry of Industry and Commerce

Mr Muchada — SEDCO

Mrs Mugwara — Technical Advisor EPP

Mr Mashingaidze — High Education

**2. Objectives for the Sub-Committee Meeting on Institutional Building**

- a) To present to the meeting, Mr Miura's ideas on institutional building which will be incorporated in the Master Plan Study.
- b) To give an opportunity to the sub-committee for the Zimbabwean input towards the Master Plan, as they debate on the presented paper by Mr Miura.  
*For easy of reference, the Presented is attached to these minutes.*

**3. PROCEEDINGS**

- a) The committee unanimously agreed that a decision on the policy making decision of promotion of SME's has to be set up within the Ministry of Industry and Commerce.
- b) The Ministry of Finance should continue to be responsible for the macro economic coordination, fiscal policy and to be the foreign aid institution including IMF. These coordination function should be much more strengthened.
- c) The Reserve Bank in conjunction with Ministry of Finance should coordinate



the monetary policies for SME's.

- d) There should be a lot of transparency and coordination between the Ministries of Finance and Industry and Commerce, especially the SEM's division.
- e) The Ministry of Industry and Commerce would coordinate with the private and public sector, including monetary institutions.
- f) The SME's division would also implement Administration Measures, Financial Measures and Budgetary Measures as shown on the attached diagram.

#### **4. ADMINISTRATION MEASURES**

- a) The meeting agreed with Mr Miura's proposal but suggested that marketing should be left to ZimTrade alone. Other channels of marketing will have to be found.
- b) Under Institutional Building, a lot of capacity building will have to be carried out and sound coordination among the concerned stakeholders will have to be greatly promoted. Coordination between the Ministry and its extension services could not be over emphasized.
- c) In the second column it was recommended that quality standards will have to be introduced and a system will have to be put in place in order to maintain quality standards.

A awareness campaign will have to be vigorously implemented.

- d) Grouping of Organization

The meeting agreed with the idea of grouping, but went on to add that grouping could be looked at in two ways.

(i) Group lending schemes, which SEDCO is already implementing, could be encouraged and this would erase the need for collateral for individuals.

Group lending could also encourage business discussions and sharing of ideas, among the group members.

On the other hand the MOIC would be encouraged to look at the possibility of clustering of SME's. The grouping should be streamlined and structured so that there is no duplication of efforts. Most importantly the organizations should remain focused.

e) Individual Consultations

This concerns the full utilization of extension services such as we already have with organizations like BESA and SEDCO.

f) Group Training

(i) Would involve upgrading of skills through exchange programmes.

(ii) It was recommended that the MOIC should have standards pertaining to the types of training which can be offered to the SME's in order to make them more viable. Enhancement, of attachments to factories and membership programmes should be introduced.

g) Financial and Technical Guidance

(i) For the technical part, it was advised that Foreign Aid Agency including JICA normally dispatches technical experts support as requested. This has to be implemented after the study and as a follow

up to the action plan.

## **5. FINANCIAL MEASURE**

- a) The balance of Payment support which is afforded to Zimbabwe sometimes though JICA could be channelled for the use of promoting SME's using existing banking schemes.
- b) The credit system i.e.CGC. Should be exoanded so that SME's coule be covered adequetly.
- c) SEDCO shoul be beefed up so that they can more.
- d) Group lendeing should be considered as a future idea that can accommodate SME's and cut down on colletral. Guarantees would be raised as groups. Peer pressure in such groups will heip the group to succeed in such endeavours.

## **6. BUDGETARY MEASURE**

- a) The committee agreed with Mr miura but changed Tax exemption to tax incentives.
- b) Under Training the committee recommended the following area:-
  - (i) Management skills
  - (ii) Technical skillss
  - (iii) Entrepreneurship development

## **7. RECOMMENDATIONS**

- a) It was agreede that facilities and equipment at Vocational Training Centers should be upgraded.
- b) It was recommended that SME's Industrial Parks such as SEDCO is involved in, should be built near big companies which would encourage linkaging and subcontracting.
- c) Grouping of SME's in Industrial Park by sectors would be to an advantage as clustering can be encouraged in such places and leasing of machineries.

It was commented that when encouraging linkaging there would be a need to sought ways and means of stabilizing the currency so that contracts are not abolished once there is an uncertainty in the currency market.

The meeting recommended that Legal and regulatory framework should be added to Mr Miura's diagram as the sixth box.

SIGNED

S.M.NYAGWETA(MRS)

SME's WOOD AND FURNITURE SECTION

MINISTRY OF INDUSTRY AND COMMERCE

10 August 1998



## **Appendix 4**

### **Examples of Vocational Training and Management Education**



## Appendix 4 Examples of Vocational Training and Management Education

### 1. Management Education at SME Institute in Japan

The Institute for Small Business Management and Technology which belongs to the Japan Small Business Corporation is responsible for the training of public officials who are in charge of providing guidance for the SMEs in their prefectures, etc. and also provides a variety of short, medium and long-term courses to improve the management skills and technical ability of those running SMEs.

Table 1 outlines the courses provided. The detailed annual schedule is announced at the beginning of each academic year. A poster-type annual schedule can be provided for SMEs if they so wish and these courses are used for the education and training programmes of SMEs.

The Entrepreneur Course in Table 1 is aimed at those entrepreneurs which started their business within the last five years and consists of three consecutive days each month for four months (totalling 12 days).

The themes of this course are shown in Table 2. The course does not just consist of classroom lectures but also includes group discussions and reporting of the discussion results, case studies, the study of specific themes, management strategy and implementation plan preparation for each participant's company and individual tutorials. Because of the interval between the monthly sessions, the participants can incorporate their actual business experience in their learning to improve their understanding of the subject issues.

The Business Successor Course is provided for those with at least three years of actual business experience who are the prospective successors of a business. The course consists of lectures, case studies, seminars and the study of foreign companies, etc. and consists of 200 days of work over 12 months.



**Table 1. Trainees and Course Content of Institute  
for Small Business Management and Technology**

TRAINEE	COURSE CONTENT (Example)
Those in Charge of guidance for SMEs	<b>Management Training</b> – SME Diagnostician Training Program <b>Technical Training</b> – SME Technical Advisor Training Program
Personnel of SME Consultative Organizations	– Management Advisor Training Program – Federation Advisor Training Program
Management of SMEs	<b>Management Training</b> – Business Successor Course – Entrepreneur Course – Business Management Course – Special Course on the Role of the Manager and Development of Ability <b>Technical Training</b> – Automation of Manufacturing Process – Industrial Design

**Table 2. Subjects of “Entrepreneurs’ Course”**

Term	Duration	Subject
First Term	Three Days	Establishment of Management Basis
Second Term	"	Globalization, Multi-Media
Third Term	"	Consumer Satisfaction
Fourth Term	"	Brushing Up of Business Plan

## 2. Practical Business Education at Commercial High Schools in Japan

Unlike technical education, school education on business subjects tends to be abstract. For students with no practical business experience, business education may simply mean the learning of theoretical knowledge without mastering the ability to apply this knowledge in actual situations. This suggests the particular importance of skillful teaching to improve the ability of students to apply their knowledge in real situations.

Table 3 is an example of the curriculum of a commercial high school in Japan. During the final third year, there are weekly, three hour “General Practice” sessions throughout the year. During these sessions, the students simulate trades, assuming various professional roles, ranging from wholesaler and retailer to those working in the banking, transportation, insurance, warehousing, telecommunications and securities businesses, government officials and consumers, all of which play a part in the real economy. In the course of this simulation, specifications, order notes and delivery notes, etc. are issued, the transportation of goods is arranged, payment is made and daily/monthly reports and estimation tables are prepared. At the end of the business term, a statement of accounts and tax return are made.

In short, each student plays a different role in turn and experiences various commercial activities, including the processing of figures and the preparation of documents. During this process, the theoretical knowledge acquired through lectures is put into actual practice.

This type of practical teaching should be incorporated in education for business owners in order to improve the practicality of education.

Table 3 Example of Curriculum of Commercial High School

Course	Subject	First Year	Second Year	Third Year
Japanese		4	3	3
Social Studies	Geography	3		
	World History		3	
	Modern Society			3
Mathematics		3	2	2
Science	Biology	3		
	Chemistry		3	
Health and Physical Education	Physical Education	2	2	3
	Health	1	1	
English			4	
Domestic Science			2	2
Arts	Music/Fine Arts/Calligraphy		2	
Commerce	Market Economy	3		
	Book-Keeping	5	3	
	Information Processing	3		
	Documentation		2	
	Communication			3
	General Practices			4
	Thematic Studies			2
Optional Subjects*				2
Optional Commercial Subjects**			3	6
Special Educational Activities		3	3	3
Total		33	33	33

Note: Figures indicate the number of units each week.

\* Optional Subjects

- Modern Languages	- Domestic Science
- Japanese History	- Information Processing
- Biology	- Practical English
- Physical Education	- International Economy
- Practical Books	- Industrial Book-Keeping
- English	

\*\* Optional Commercial Subjects

Second Year	Third Year
- Information Processing	- Marketing
- Computing	- Commercial Economy
- Industrial Book-Keeping	- Commercial Law
	- Accounting
	- Information Management
	- Cost Calculation

### 3. Vocational Training in Peru

Peru has national land of some three times larger and double the population of Zimbabwe and, therefore, its population density is lower than that of Zimbabwe. The SENATI, the national vocational training institute, has some 40 training colleges through the country (1.3 million km<sup>2</sup>). 25,000 students are enrolled on basic courses which last for two to four years while 100,000 students are enrolled on short courses which last for three to four months.

While the cost of training used to be totally met by a levy imposed on industries, this levy was reduced by half a few years ago. To overcome this situation, the SENATI has cut the number of employees, created new video teaching materials and manuals and opened new fee-paying educational courses with the concerted efforts of the remaining staff members. The educational effects have been improved by the use of the self-developed teaching materials which are easy to teach and to learn.

As the existence of 40 colleges is not necessarily sufficient to cover the entire country, buses and trucks have been remodelled to carry specially designed teaching equipment in view of providing mobile classrooms as far as the Andes on request. Such a positive commitment and this ingenious and innovative educational system have attracted much attention from neighbouring countries and discussions are in progress in regard to transferring some of the teaching courses as packages to neighbouring countries.

There are many lessons to be learned from Peru's experience, including the preparation of down-to-earth teaching materials by staff members who are also involved in many other types of work under severe economic circumstances, efforts to extend vocational training to all corners of the vast country and the development of vocational courses which are so attractive that people are willing to pay to attend them.



Fig. Production of Video Teaching Material by Staffs of SENATI in Peru \*)

\*) Brochure published by SENATI, Peru

## **Appendix 5**

### **Resources Study for Food Processing by SMEs (Vegetables and Fruit)**



## Appendix 5 Resources Study for Food Processing by SMEs (Vegetables and Fruit)

This study was entrusted to a local consultant in accordance with a decision made at the third meeting (14th August, 1998) of the Steering Committee and the report is attached here (see next page onwards). The purpose of the study is described below.

The Study Team originally planned to consider the production of vegetables and fruit as an action plan to promote the food processing industry which is one of the four priority industries subject to the Study (see 5.8.2-(2) of the main report for selection reasons, etc.) If the dry processing of foodstuffs (particularly vegetables and fruit) is conducted on a factory scale, a stable supply of raw materials is an essential requirement. Three field surveys, however, did not obtain vital information on the production volumes and locations of vegetables and fruit, making it impossible to assess the feasibility of the dry vegetable and fruit processing factories to be recommended, thus necessitating a study on these subjects.

As a result, it was decided to entrust the said study to a local consultant and the Ministry of Industry and Commerce selected Business Innovations, Ltd. (BIL) from among a number of candidates to prepare the required report.

The survey found that the north eastern areas (Manicaland and Mashionaland) of Zimbabwe are suitable for the development of a local food drying and processing industry and judged that a stable supply of raw materials is feasible through the grouping of small indigenous farming households.

Accordingly, Project 4 - Construction of Food Processing Pilot Plant (using the multi-purpose vacuum freeze-drying method) which is recommenced in Chapter 6 of the main report is highly feasible.



**A STUDY ON FOOD PROCESSING  
BY SMALL AND MEDIUM SCALE**

**ENTERPRISES IN ZIMBABWE**

**BY**

**BUSINESS INNOVATIONS LIMITED (BIL)**

**30 September 1998**

**A STUDY OF FOOD PROCESSING BY SMALL AND MEDIUM SCALE  
ENTERPRISES (SME,s**

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1.0. **EXECUTIVE SUMMARY**

This study seeks to review and identify potential areas by indigenous farmers to meet minimal quantities for food processing. It also explores the major constraints facing SME's in terms of production, marketing and financing of their produce. It also examines broader issues, concerning policy framework, land question and institutional setting. These factors do not only impinge on the operations of SME's but constitute the cornerstone of sustained output and viability by the sector, and a crucial aspect of the industrialisation of the economy.

The statistics on the production and marketing of SME's has been regarded as an informal activity, hence documentation of activities has been scanty, fragmented and isolated to producers, buyers and extension advisers. This has not assisted in identifying gaps, potential and the formulation of a coherent policy framework for the sector, despite Governments pronouncement to assist indigenous people under the blanket, all embracing indigenisation policy. This policy has been too open, general and unspecific as to fail to give guidance on broad sectoral development such as metals, mining and clothing. There has not been a clear demarcation of formal from informal activities by small to enable a clear definition of operations and hence, the nature of constraints to enable targeting of intervention measures. Such an approach would also enable government to stimulate the participation of different stakeholders and the private sector in the context of its economic liberalisation policy.

The study concentrated on irrigation schemes, which demonstrate tangible output levels for most horticultural products. Figure 1 shows the main small scale irrigation schemes in communal lands. The Appendix tables show the detailed irrigation schemes.

Clearly the concentration of these schemes is in Manicaland in the belt numbered 2, 7, 11, 12, 8 and 3. These areas were visited during the study. It is also note worthy mentioning that areas under dryland farming are in Mashonaland East covering the following production cites; Mudzi, Murewa, Mtoko, Mt Darwin and Nyadiri.

The crop with greatest potential and dominant in most schemes is tomato, whose yield and returns are higher and relatively more attractive compared to other crops. Other crops of importance are peas, sweet beans and vegetables.

The significance of spices such as paprika is growing within the SME's as skills in its production is mastered.

Fruits and other indigenous vegetables have not received much attention, but have great potential particularly guavas, mango, oranges, banana, pineapple and apples as well as okra and pumpkin leaf respectively. The growing of crops and fruits are affected by climate, soils and water. Although dryland farming has produced substantial output during favourable seasons, it is regarded as risky and an area that needs underpinning by irrigation to ensure sustained production, particularly if the intention is to identify potential areas for export markets.

A key weakness of small producers, apart from the underlying structural problems as it relates to land, is the absence of an institutional arrangement to address the needs of the producers and the market. It is suggested that strong private sector initiative should play a role in linking producers to markets, procuring inputs, machinery and timely provision of other services. The coming together of specialised agencies will reduce cost to the farmers, encourage higher output for identified markets. Such an arrangement will enable the construction of food processing plants, and motivate farmers to use their land optimally by producing other non traditional crops on demand.

The study shows the potential of establishing processing plants whose success will depend on other crops to enable food processing plants to operate

throughout the year and ensure viability in case of unforeseen vagaries. This is a key risk particularly under dryland farming per se. There are sites which are in a better position to set up such infrastructure, while others will need more time. Such an analysis needs to set the timings and prepare the stage for Government, private sector and other stakeholders to come together for serious discussion.

It is therefore, suggested that a pilot phase using a mobile factory could be established under two project sites, one under irrigation and the other under dryland farming. The following areas are possible areas to start off from: Manicaland - in the areas stretching from Mutambara to Chibwe as highlighted in Figure 1. The estimated number of farmers is 250-500. Under dryland farming, Mashonaland East Province offers a good basis.

The configuration of the area is as follows:

Mashonaland East	Number of Farmers	Area Under Cultivation
a) Mtoko	81	140 ha
b) Murewa	500	4000 ha
c) Nyadiri	107	2877 ha

Harvest Period for key crops is as follows:

<u>Crops</u>	<u>Season</u>	<u>Period</u>
1. Tomatoes		Dec - Feb
2. Onion	Winter	Aug - Nov
3. Paprika April		Feb, March,
4. Peas	Winter	August

- |    |                |                  |
|----|----------------|------------------|
| 5. | Sweet Potatoes | All year round   |
| 6. | Squash         | April, May, June |
| 7. | Mangoes<br>Feb | Oct, Nov, Dec,   |
| 8. | Paw Paw        | All year round   |
| 9. | Pineapple      | Oct-Feb          |

## 2.0 OBJECTIVES OF THE STUDY:

### 2.1 Key Areas of Study

- I. To *review and identify potential* areas by indigenous producers capable of producing minimum quantities of raw material to satisfy the processing of food in the following food crops:-

Vegetables; namely carrots, cabbage, onion, cauliflower, tomatoes;

Spices and herbs; like red pepper, paprika;

Pulses like peas, sweet beans, soya beans;

Sweet potatoes, squash etc

Fruits; like mango, papaya, pineapple;

Indigenous vegetables like okra

- ii. To compile statistical data on production of required crops;
- iii. To identify and analyse constraints in the production, harvesting and marketing of crops;
- iv. To analyse economic and agro- industrial status of potential areas;
- v. Analyse post harvest usage and provide estimate of food sale, own use and wastage;
- vi. To advise way to coordinate or facilitate management of small scale farmers in groups to enable the continued supply of required quantities of raw materials eg savings clubs, cooperatives.

## 2.2 Outputs and Deliverables

The study will result in the following outputs and deliverables:-

- I. Review and select potential locations to fulfil required raw material yield;
- ii. To compile necessary statistic and data such as yield of different crops, its productivity;
- iii. To analyse post harvest usage and estimate food for sale, own use and wastage;
- iv. To furnish information on economic and agro-industrial status of the hinterland of selected potential locations;
- v. To advise the co-ordination and manner of business by SME's to achieve required production thresholds, eg through farming coops, savings clubs; and
- vi. Other useful information to ensure viability and sustainability of SME production.

## 3.0 METHODOLOGY

Review relevant study material on the sector to identify, work already done and new areas that need

further analysis, with respect to selected crops.<sup>1</sup> Given the specific nature of the assignment which requires a review and to identify specific locations for food processing, it required among other things verification and discussion with key stakeholders who include the buyers of the produce, producers, farming organisations, extension staff and local organisations playing intermediary role such as municipal authorities, associations/farming clubs and NGO's.<sup>2</sup>

### 3.1 Limitations

A major difficulty is the lack of official recorded data, on producers, yield levels and returns in the small scale sector whose contribution has been regarded as insignificant. This is an observation which holds true primarily during the colonial era when social, economic and political constraints where a major barrier to economic participation by small producers. Some of the key constraints where related to policy and institutional factors which re-enforced the fact that the only productive sector was the large commercial sector.

The SME's were a non existent sector, if anything, there was no rational in its development. The sector was regarded as most beneficial to its community and the nation as a source of subsistence food. The sector was geared towards subsistence production for the survival of the community whose labour force,

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<sup>1</sup> General studies have been done on SMEs, for instance UNIDO contracted Zimconsult to prepare a study on "Support To Small-Scale Industries And The Enhancement Of Indigenous Ownership In Zimbabwe" in March 1992. Other sectoral studies have been done such as the study on Metal and Metal Products by Business Innovations for ZIC in June 1997.

<sup>2</sup> Field visits were targeted at significant buyers, as well as production areas and respective associations. These included Mutambara and Cashel Valley in Mutare, and Mrewa/ Mtoko and players such as ICFU, CFU, and Agritex. The buyers who were visited include FAVCO, Cairns Foods, National Foods, Victoria Food, Paprika Zimbabwe and Hy-Veld Seed. See Annex 3 for key organisations and people visited and discussed with.



particularly the most productive was to serve on the commercial farms. Its labour force and resources were geared to underpin production in the commercial areas which were regarded as the natural production zones endowed with ample rains, good soil, fertility and good infrastructure. Women inevitably became the backbone of the rural economy serving as a substrate to eke out a living for the family under stressful conditions with the barest or minimal support.

The neo-colonial government has still to unravel most of these biases, particularly as it relates to land, institutional set-up, which is discussed in chapter 6 below, infrastructure and financing arrangements. Statistical data is available from buyers, farming clubs and individual farmers. Production by SMEs is done on dryland as well as under irrigation. For the purposes of this study more concentration was placed on SME's operating under irrigation conditions which offers more sustainable basis for horticulture and can sustain reasonable levels of output for food processing. The potential under dry land farming is there, but does not satisfy the core concern of this study, which is to identify areas which can provide sustained production levels and with minimal guarantee on the quality of produce.

The spatial dispersal of SME's throughout the country did not allow the opportunity for a physical check of the different production sites which have their own peculiarities. Regardless of this, insights from the areas visited provide a basis to start off from. Time and budgetary demands would have to be factored into such a study. It is also on this basis that other equally viable crops such as indigenous crops including fruits could not be adequately covered given their relative importance by farmers.

A very interesting finding is the favourable response by SME's when given the appropriate incentives and the existing potential that has been neglected over years.

Another interesting limitation is the gender perspective. The majority of people living in rural areas are women, who naturally form the backbone of economic activity in these areas. It is therefore not surprising that the majority of people, ranging from 70% to 80% of the producers of the crops in question are women. A deeper analysis of this gender perspective

has not been undertaken as the study concentrated on the primary issue of identifying viable production sites, crop yields, associated constraints and potential for food processing.

#### 4.0 MAIN FINDINGS

A summary of the horticultural products grown by indigenous farmers, yield per tonne and production as at end of season 1997/98 is given below. It is pertinent to point out that tables used for this analysis are derived from Agritex extension staff mainly from irrigation schemes. The input supply is shown in Annex 2. Annex 1 shows the comparative schedule based on the demand by Cairns Foods, a major buyer of produce from the SME's. Annex 2, also gives an indication of the main producers, that is output from the communal and commercial producers.

Table 1 below, shows the average, potential and maximum yield when using hybrid varieties:

Table 1  
Yield Factor Of Selected Crops:

<u>Crop</u>	<u>Ave. t/ha</u>	<u>Potential t/ha</u>	<u>Max. t/ha</u>
Tomato	25-30	50	100
Rape	25	50	70
Onion	5	50	70
Sugar Beans	1.5	2.0	2
Cabbages	25	50	70
<u>Paprika</u>			
- Dryland	1.5	3	3
- Irrigation	2.0	5	5+
Green beans	4	7	15+
Peas	4	7	10
Gem. Squash	25	50	-
Butternut	25	50	-

NB.The yield for citrus and other fruits are not included in the table as the levels of production by small indigenous producers is very insignificant with the exception of a few.

An outline and description of the statistics is provided below to explain the underlying nature of the problem and come up with policy options.

#### 4.1 Vegetables

##### 4.1.1 Tomato

This is the most popular vegetable crop with sizeable output from SME's. Its yield and return per hectare is superior to other comparable crops that are grown. It is an easily adoptable crop to most ecological zones under irrigation as shown in annex 1 and therefore out competes other popular crops such as beans, paprika, cotton, and tobacco. A relatively successful crop is beans whose average yield and return is 1.7 tonnes/ha and \$17 000 compared with tomato which has 30 tonnes/ha and \$34 000. Peas is also a competitive crop to tomato and has appeal to the farmers but also falls behind tomato by the same reasons of return and yield.

The main producing areas of tomatoes are wide spread in the lowveld stretching from Nyanyadzi to Chibuwe. Areas of specific note with critical mass of production include Nyanyadzi, Deure, Mutema, Taona, Middle Sabi and Chibuwe.<sup>3</sup> The following table gives an indication of yield and output of some of these places.

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<sup>3</sup> The list of large tomato growers by SME's are Mutambara, Chakowa, Nyanyadzi, Gudhlanga, Tanhorai, Maunganidze, Deure, Bonda, Taona, Matema, Musikavanhu, Murambinda, Nyamaropa and Nyakomba. All these areas are under irrigation scheme of some sort hence the sustained production levels over the years.

Table 2

Main Tomato Growing Areas

Scheme	Yield /t/ha	Total Production
Mutema	35	4 130*
Musikavanhu	25	1 388*
Murambinda	45	900
Rupike	30	600
Tshongokwe	30	167
Mundotwe	20	95
Deure/Bonda	45	7 200*

NB.\*        The key producers of tomato are in Manicaland. This is partly due to the climate and soil conditions that are suitable for the crop.

In terms of output, the small producers have demonstrated skill and ability to produce tomato which has tended to out strip market demand. It is estimated that of the total crop the SME's produce in excess of 80% with commercial farmers producing the balance. The main purchasers of tomato are located in Mutema, with the biggest tomato processing plant, under Cairns Foods. The market for tomatoes is currently split between Cairns and market dealers who account for 70% and 30% respectively. Although the demand and market for tomatoes is narrow, the yield and return has been sufficiently high to attract many farmers throughout the country to the crop.

The key factors in favour of tomato producers include the contractual obligations with buyers who provide a guaranteed market. The open market buyers who buy on wholesale terms for Mbare market in Harare, the main green market in the country, offers far better prices than Cairns Food. The market dealers are more selective of the crop they buy than Cairns who are contracted to the farmers to buy all their crop.

On the basis of contractual obligations, Cairns offers lower prices based on negotiated price levels stipulated in contracts that are signed before production. These contracts give Cairns the right of first refusal to buy all the produce for those farmers

who are contracted to produce on their behalf and are provided seedlings and extension assistance, only. Farmers have accrued knowledge about tomato growing which has in part been supported by extension staff from Cairns, who liaise with them on most critical stages from planting to harvesting time.

In addition, the association with Cairns has assisted in setting up and expanding savings clubs for ease of administrative purposes in the distribution of seedlings, collection of produce and payment to the farmers. These associations have in turn fostered co-operation and sharing of ideas among producers in improving their welfare and production practices as well as strengthening farmers bargaining positions with buyers and giving them credibility for requests in search of assistance from government, NGO's and other financiers. Despite these positive developments the SME's face a host of problems and constraints in the environment they operate in.

A key area of concern is the rising input costs which are not matched by an equivalent increase in prices. The inputs consist of fertilisers, chemicals and labour whose costs change during the growing season when prices are fixed prior to the planting season<sup>4</sup>. Farmers are vulnerable from two points, firstly the fact that they are contracted to produce expected tonnages on specified hectareage on supplied seed but are not given the necessary input supplies particularly fertilisers and chemicals which they are expected to provide or source from other sources. This is unlike peas, where the seeds and chemical, (dusting sulphur) is provided by the buyer. The other factor is the performance of

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<sup>4</sup> Cairns Holdings claim that the fixing of prices prior to planting is crucial to any farmer and that it is on this basis that they can negotiate with farmers the off-take for any season. On price adjustments, Cairns maintains that this is also considered, although the increments appear to be so marginal and do not cushion the farmers margins. In the last season for instance prices were set at 0.75 cents/kg which was adjusted to 0.85 cents by end of the year. With inflation well over 30% the 12% increase is in the least too small. Cairns also justifies minimal increases to dampen overproduction as more and more farmers turn to a relatively easy and well paying crop.

the seedlings which some farmers claim are inferior to earlier varieties which used to have several harvests.

Cairns claim that they provide seedlings from very reputable companies which include National Tested Seeds, Holland Seed and Prime Seed. Inferior output is attributed to non- scientifically produced and tested seeds which farmers are alleged to propagate. Although this has a semblance of truth, a number of farmers contested strongly that they were receiving inferior seed as testified by declining yields in tomato, peas, rape and onions. These crops either yield one harvest and expired or totally failed to produce desired results in the case of onion, rape and that extension staff in Cairns had also lamented the poor seeds that were currently on the market being supplied to farmers which had been imported. Agritex confirmed that the seeds in question were not controlled or inspected by government, hence there were no restrictions barring private dealers from importing and supplying the market.

A second pressing issue relates to the pricing of produce. Farmers maintain that they get a raw deal, not commensurate with the effort or cost of production. This contention arises firstly from the perceived strong bargaining power of the buyers. If buyers decline to buy the crop the farmer loses. This is particularly so in a fairly monopolistic market.<sup>5</sup> Farmers also maintain that produce is delivered to buyers, which in the case of wholesale buyers make offers. This enables the farmer to bargain and make a reasonable trade off with the buyer, unlike with Cairns Food which determines the price independently of the producer or any observer for that matter. It is also claimed that Cairns Food operate on averages and that there is no objective pricing standard. This is partly true as Cairns claim that they get an inferior product anyway, after market buyers have selected the better crop.

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<sup>5</sup> Cairns claims prices are realistic and related to border prices. In fact there is a fear that Zimbabwe could out-price itself and force buyers to source from South Africa or import substitute products such as paste. A second claim is that if prices offered tomatoes are not good enough farmers are free to switch to other paying crops.

Part of the pricing problem is closely related to the whole question of distance from the market. Buyers have to move the crop from far off places and hence deduct transport and handling charges. Transport charges are bearable if they could be regularly obtained as tomato perishes rapidly if delays are experienced. The tendency has been to collect produce from the nearest points and from areas whose transport infrastructure is well serviced. The production level in Cashel Valley, for instance has suffered a decline of 25 members from the MaRice club, who were advised that due to the condition of their roads, no transport would be available to collect their produce. The farmers in question have been forced to produce maize and abandon tomato and peas which are more lucrative. This problem has been exacerbated by the lack of nearby processing plant which was previously located at Cashel Valley, to which the farmers could easily deliver their produce.

Farmers whose produce is not collected bear the risk, also, if a farmer/s fail to fill a truck they are penalised or charged for a full load regardless, which reduces their income. The lack of depots for storing crops also renders the farmers vulnerable to losses of produce.

Equally, the lack of input suppliers and dealers tends to increase the production costs of the farmers.

Another production constraint relates to irrigation. As there is no charge for water usage, the demand for it is relatively high. Poor maintenance and management of canals has led to infrastructural degradation resulting in siltation and waste of water. These problems are exacerbated by poor and bad management as the community sets up a voluntary administration system that is responsible for managing the water works, particularly ensuring the equitable distribution of water.

#### 4.1.2 Other Vegetables: Onions, Carrots and Cabbages

##### i. Onions

Onions are of a less significance to producers due to lack of market. Cairns for instance only contracts very few producers for onion production due to the collapse of a mixed or cocktail vegetable "SUMU" which failed on

the market. Table 3. shows the key onion producing areas.

It is important to point out that areas that are capable of producing onions have been restricted by two factors; a key being market considerations and a related issue being seed varieties. Farmers visited in Manicaland claimed that they were supplied poor seed varieties that did not yield standard products. A related problem is the difficulty in nursing onion seeds before transplanting, which leads to considerable loss without the requisite skills and know how.

Onion, unlike tomato can be stored and preserved for own consumption. Onion is a popular ingredient that gives flavour to most dishes. The production of onion is closely associated with other vegetable growing such as cabbages, rape and covo, although onion cannot be consumed without the base vegetables.

Table 3

Major Onion Producing Areas.

Irrigation Scheme	Yield/t/ha	Total Yield
Rupike	25	500
Mapanzure	20	200
Tshongokwe	15	116
Marowa	20	100
Rufaro	15	75
Principe	14	65

ii. Cabbages

Of all vegetables, greens are the most common and popular within the smallholder farmers for the simple reason that it is a dietary relish and staple food in most households who take it with meat, chicken and other vegetables. The growing of greens is not complicated and does not demand a lot of chemicals and inputs. Constraints on the growing of greens relate to water, stable markets and processing. Although greens can be preserved in a boiled form and dried, they are most nutritious when fresh. The processing of greens is



a limiting factor in most smallholder communities who are only capable of selling vegetables as a fresh product.<sup>6</sup>

The big greens producing areas in the communal areas are summarised in table 4 below.

Table 4

**Main Green Vegetable Growing Areas**

Scheme	Yield t/ha	Total Output (t)
Principe	20	6 000
Chimwe	20	911
Takainga	30	540
Rupike	30	400
Chimhanda	26	350
Tsakare	25	400
Mutondwe	25	324
Mundotwe	28	225
Tsunda	25	225
Mapunzure	25	150

iii. Carrots

Carrots are grown to a lesser extent than onions. The main producing areas within the vegetable growing areas are Rupike, Shamrock and Chimwe. Demand for carrots is very low which accounts for the low volumes and tonnages per year. Carrots are not a staple diet and perish rapidly.

4.2 Spices and Herbs

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<sup>6</sup> In times of drought green vegetables are dried, boiled and eaten as relish with peanut butter. In this preserved form, they are popularly known as "Mufushwa". Limitations to the processing of vegetables relates to the readily availability of fresh greens , which limits the size of the market.

#### 4.2.1 **Paprika**

This is the most popular spice and herb grown in the country with increasing interest from the small and medium scale producers. Currently, the SME's contribute approximately 30% of the national output.

Unlike tomato, paprika has a more competitive market which include the following established buyers whose reliance on small and commercial producers varies from

30% -70% with more seeking markets from the small producers.<sup>7</sup>

The big companies are Hy- Veld Seed, Paprika Zimbabwe, Tanwild Seed, Commodity Trading Enterprise, Lomack Exports and Rambolton Investments. Other players in the form of middle men also play a role in buying produce from the farmers. Most of these companies still rely to a large extent on large scale farmers who produce the crop under irrigation. The Small producers entering the market are also mostly in the irrigation schemes as dryland farming of the crop is not lucrative.

The main producing areas are as follows; Masvingo- namely Chirumanzi, Mhende and Mavaire; followed by Nyamaropa irrigation scheme, Nyakomba and Chibuwe in Rusape, then Middle Sabi, Chisumbanje, Kanhukamwe and Chiweshe and Nyachuru in Mazoe. At least 60% of dryland paprika is grown under dryland conditions in Guruve, both lower and upper. Bindura also produces paprika in the following areas, Shamva, Mufurudzi, Madziwa, Musema. Also Chiendambuya in Headlands, Mahusekwa, Chihota, Chiweshe and Glendale also produce paprika under dry conditions although a significant number of farmers are turning to irrigation systems to sustain their crops. Table 5 gives paprika growing areas under irrigation schemes, hence it is not exhaustive of the actual and potential areas indicated above.

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<sup>7</sup> Reasons for seeking production from the small producers include expanding the production base , but also cheaper sources of the product. As pointed out elsewhere the position of small producers is easier to manipulate to the benefit of the buyer, unlike the well organised commercial producers who could even threaten the middle men by exporting direct their produce.

**TABLE 5**

**Paprika Growing Areas in Some Irrigation Schemes.**

Scheme	Yield t/ha	Output (t)
Mundotwe	3	300
- Green .Pepper	5	175
Chimhanda Green P.*	6	30
Musikavanhu	3	30
Tsakare	2	18
Rukunguhwe	2	10
Shinga Green Pepper	15	7

\* Green P. is Green Pepper, whose yield is ostensibly higher than paprika

The two varieties that are grown in Zimbabwe are R.C that is Red Tzar and Ice Pick a smaller prolific plant with small fruits. The most popular and widely grown type is R.C. Again as with tomato the small producers feel they do not get sufficient return from the sale of paprika. Prices are determined by ASTA<sup>8</sup> levels. Tests are only done for quantities that is in excess of 500 kg which tends to under value the produce of the small producers as prices are determined by inspection. Also grower numbers for paprika determine prices as those registered producers are given more lucrative prices. Only growers with at least 4 tonnes are given numbers.

The key determinants of price also relate to the quality of the crop which is affected by a number of factors. In the production process, it is important to have the correct inputs at the right time. The amount

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<sup>8</sup> ASTA stands for American Spices Traders Association, an internationally recognised system of determining the value of paprika.

of fertilisers needed for paprika include compounds L, C and S and straights AN, MOP, SOP and folio feeds. Failure to provide these fertilisers will compromise crop quality. Related to this is the harvesting aspect which should ensure that the colour of the pods are deep purple. The method of drying is also critical and large scale producers dry their crop in barns under controlled conditions. Paprika should be timeously delivered when ready, as its condition deteriorates when stored, which affects its price.

#### 4.3 Pulses: Peas, Sweet Beans Soya Beans

##### 4.3.1 **Peas**

Peas grow best in cool temperatures and are more resistant to frost than other horticultural crops. Cashel Valley in Manicaland was famous for its canning factory that combined a number of greens grown in the area, although peas was dominant. The area covering Cashel Valley, spanning Mutambara is very suitable for peas, beans, tomatoes and green vegetables. Lack of transport and packaging facilities has forced farmers to either restrict production, switch to other traditional crops or stop producing as a result of poor prices and lack of service to the area. The main pea growing areas and outputs are as shown in table 6, below.

Peas are a relish but not as popular as green vegetables. Small holder farmers lack the facilities for storing peas. This is also a result of lack of electricity and refrigerators. There is very little retention of peas for food. Some of the peas retained are for seed but this is not suitable, so farmers rely on seed supplied by buyers such as Cairns. A major disadvantage was the supply of varieties that are ideal for machine harvesting. Farmers here are used to varieties that produce and are harvested at least six (6) times, unlike the machine variety which is harvested once. The element of continuous harvesting also gives economies of scale to farmers as they reap more over a longer period of time.

Table 6

Pea Growing Areas .

Scheme	Yield t/ha	Output (t)
Nyamaropa	5	75
Rupike	3	60
Shamrock	3	37
Nhakayavakuru	10	30
Mundotwe	1	25
Johannadale 1 & 11	3	19

4.3.2 **Sweet Beans**

Sweet beans is an easy crop to grow, but its yield and return is not as attractive nor comparable to tomatoes. It is not perishable like tomatoes, peas and other vegetables particularly in its dry form. Its nutrition particularly protein content and stable condition when dry has resulted in great demand for the product by a number of big companies, which include National Foods, Victoria Foods, Agrifoods and SEDCO to mention a few.

These companies capitalise on the product as the only value adding activity by the buyers consists of packaging and putting it on the shelf for both local and external markets. The price of sweet beans has rapidly risen from \$6.00 to \$10/kg over a short space of time, spanning less than 2 years, as the number of competing buyers has increased.

Farmers still do not consider the offer price sufficiently lucrative to divert them from other cash crops like tomato, and paprika hence the shortage on the market of sweat beans.<sup>9</sup> Table 7 shows the sweat

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<sup>9</sup> The buyers form a sort of cartel to depress prices to their advantage. New comers have been known to upset the arrangement by offering higher prices. Agritex are said to mediate for farmers when buyers offer below production cost. Due to budgetary constraints on government the role of Agritex is waning. Price arrangements are negotiated at farmers meetings arranged by Agritex, but due to poor attendance, some farmers are not represented,

bean producing areas and yields per hectare.

Table 7

Main Schemes Growing Sweet Beans

Scheme	Yield t/ha	Yield (tonnes)
- Nyamaropa	- 2	-210
Exchange - Green	1	164
Manyuchi	2	70
Mapanzure	10	60
Shamrock* - Green	3	22
-Dry	3	60
Rupike -Green	3	60
-Dry	2	20
Sekwanzi -Dry	2	26
Oatlands	2	25
Marowa	2	23
Biri	2	18

4.4 Sweet Potatoes and Squash

4.4.1 Sweet Potatoes

The production of sweet potatoes on a sizeable scale is dependent on irrigation to a larger extent than other crops. This tends to limit the production of the crop to large commercial schemes. The small farmers who have had the diligence to grow them under wet conditions have been very successful as shown at Mundotwe and

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resulting in the better organised interest groups holding sway.

Shamrock irrigation schemes, whose yields per tonne are well above the average for small producers. Market constraints and favourable returns have tended to minimise the number of participating small farmers.

#### 4.4.2 *Gem Squash*

Gem squash and butternut are not produced in many areas due to limitations of market. Indications show that small producers are able to adequately increase the production of this crop as long as there is demand. The main producer of squash and butternut is Rupike irrigation scheme which produces 150 tonnes a year for gem and butternut separately with a yield factor of 15 tonnes per hectare.

Table 8

#### Production Of Sweet Potatoes

Scheme	Yield t/ha	Output (Tonnes)
Mundotwe	15	1 300
Shamrock	35	705
Nhakayavanhu	30	159
Jonnandale	35	150
Tsakare	12	89

#### 4.5 Fruits

The production of fruits has a lot of potential but has not been fully exploited as shown in table 9 below.

Table 9

Composition Of Fruits Production

Fruit	% By SME	% By Big Commercial
Apples	5	95
Peaches	5	95
Plums	20	80
Apricots	0	100
Guava	60	40
Seville Oranges	15	85
Grapefruit	0	100
Youngberries	50	50
Strawberries	0	100

An indication of fruits in the SME's is shown in table 10. This table is not exhaustive as statistics in this sector have not been well maintained, and yield factors not recorded.

Table 10

Indication of Fruits In Selected Schemes.

Place		Number Of Trees
Manyuchi	Mango	22
	Oranges	11
Chimwe	Mango	81
	Guava	62
	Oranges	124
Biri	Mango	7
	Oranges	24
Lukosi	Mango	11
	Lemon	17
	Nartjies	36
	Oranges	103



## 5.0 ECONOMIC CONSIDERATIONS

### 5.1 Overview

The constraints facing small producers are largely similar and related.

The key constraints relate to scale of production, pricing, marketing, input supply and financing arrangements.

The impact of these limitations can be improved on by addressing institutional and structural problems inherited from the neo-colonial era. The starting point is the recognition by Government and donors alike that SME activities are indeed a viable sector that needs support. In terms of policy framework, the parameters of assisting the sector need concretising rather than leaving it to the current populist and all embracing indigenisation concept.

The concrete factors that need to be addressed should tackle the fundamental arrangements pertaining to the sector, aimed at optimising production, marketing and financing of the farmers. Small and medium producers face critical problems pertaining to raising adequate finance for both capital and operations, are fragmented in their operating systems as reflected by a lack of coordination in input and output supplies which results in relatively high operating costs, which in turn reduces their net returns and gains.

A study of the tomato, pea, beans and fruit production system reflects restrained production and over-production in some instances<sup>10</sup> arising from the lack of a coherent machinery to deal with core operational and institutional issues. There is no production and marketing institution that co-ordinates and negotiates on behalf of farmers. The existence of ICFU and other umbrella organisations are more political and pressure

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<sup>10</sup> It has already been noted that there is artificial suppression of tomato production by restricting membership and low prices for produce to contain outputs, the same applies to paprika. So strategic crops such as carrots, onions and vegetables are simply not grown in large quantities because of lack of markets.

group inclined in their operations.

Other equally competent farming entities have been frustrated and virtually failed to take-off due to similar problems. The institutional set up that has been proposed to deal with multiple disciplines is the setting up of strategic partners in the form of a consortium comprising of local companies.

The primary function of the consortium will, inter-alia to forward contract for the production of specific agricultural products, mainly offshore and to co-ordinate the requirements of the participating farmers with the services available from the consortium itself as well as those that can be obtained elsewhere.

## 5.2 Concept of a Consortium

In essence, a consortium is a partnership. The partners in a consortium undertake to perform certain services which are deliverable to the recipient through the consortium though actually performed by the various specialised partners. The consortium, therefore has certain obligations to its clients and to its creditors. The most useful and notable attribute of the consortium concept is its legal nature and discipline which emphasises performance as measured by output rather than just input.

The formation of a consortium requires a coherent orchestration of its objectives, clear demarcation of functions and activities which will be spelled out in the Heads of Agreement. For its success, it is necessary to involve local partnership with stakeholders in the area of operation who have a keen sense of support and understanding of the local participating communities. External assistance may be necessary at inception to support substantial overhead costs associated with establishment, costs related to initial capital outlay and going over the learning curve. The type and nature of companies that will respond to this challenge are unlikely to be big successful companies because of opportunity costs and other more lucrative gains elsewhere. Also, for sustainability purposes, it is a better strategy to target the local enterprenuer and arm them with the skills and knowledge to stir the communities to prosperity.

The form and nature of such a consortium would require the formation of the following organs, which constitute the foundation of a viable organisational and institutional setup to support and underpin indigenous producers;-

**5.2.1. Estate Management Agency (EMA)**

The primary function of EMA would be to coordinate the performance of contracts between farmers, local authorities and service providers. The EMA would also supervise both farmers, contractors for compliance with contractual obligations. Such obligation will include timely performance of farming operations, provision and maintenance of the estate infrastructure such as roads, irrigation water and fencing as well as accounting services in respect of consortium companies' financial transactions.

**5.2.2. Local Marketing and Contracting Agency (LMCA)**

This will be responsible for administering forward contracts for agricultural products. This agency will also carry the stop-order facility with the local financial institutions appointed for the disbursement of the offshore loan as well as handling and marketing of the agricultural products both locally and coordinating regional and overseas markets.

**5.2.3. International Procurement And Marketing Agency (IPMA).**

A fundamental weakness of the SME's is identifying and negotiating lucrative markets for their produce and sourcing of equipment suitable for their use.

The IPMA's responsibilities will include all offshore transactions of the marketing of local agricultural products and

sourcing of agricultural machinery and equipment as well as offshore loan facilities to benefit the farmer.

**5.2.4. Mechanical Services and Machinery Dealer (MSMD)**

The MSMD will be responsible for carrying out field

operations upon request by participating farmers and acting as dealer for selected tractors and other machinery and equipment marketed by the dealer to farmers nationwide on a private ownership basis. This service will be mostly available for the farmers in the group without capacity to own and operate tractors, combine harvesters and bulk transport vehicles.

#### 5.2.5. ***Inputs Supplier and Warehousing Services (ISWS).***

Its key role is to procure farming inputs at bulk discounts and passing on some of the savings to the farmers. The suppliers will stock the required inputs within the vicinity and will release the inputs when they are requested by the farmers as coordinated by EMA.

The key constraints to farmers are chemicals and fertilisers.

#### 5.3 **Technical Aspects**

Technical aspects include production technology and techniques, procurement and supply of the requisite inputs and implementation of the field and off-field operations. The EMA will coordinate the requirements of the participating farmers with the available services through the consortium, that is Mechanical Services and Input Supply and Warehousing Services. The EMA will also coordinate with the State research and extension services in respect of technical advisory services, where available. Where such advice is not available from the State, it will be sought on a consultancy basis.

The EMA will establish an office within the premises of cooperating farmers that will act as a one stop service centre for farmers and service providers. Farmers will request services to the Agency and the Agency will link with the service providers to ensure that the requested services are made available and that such services are paid for. The payment process will depend on several circumstances, including whether the farmer requesting has a facility through the forward contract to pay for such services and the form of the payment system. EMA will serve as a quality assurance agency for the various partners. Ideally, the Agency will communicate with the various parties and keep them informed of their financial standing.

Mechanical Services will offer tillage and other mechanical services to the forward-contracted farmers. The requests for these services will have come through the EMA who will also inspect and certify the quality of services rendered. In some instances, it may be necessary for the Agency to contract Mechanical Services for such work and, in turn claim from either the authority responsible for that particular aspect of the estate, or from the Consortium.

Input supply and Warehousing Services will negotiate discount deals with various suppliers for warehousing. Upon request from the farmers through the EMA, ISWS will issue specific inputs to the farmers and will expect payment in a certain prescribed manner as in the case of Mechanical Services. This approach is bound to be attractive to the farmer as some of the discount will be passed on to the recipient farmer.

The warehousing service will be available for output products as well, particularly bulk storage of non-perishable and short-term holding of perishables all depending on existing storage facilities.

#### 5.4 Financial Considerations

EMA will administer all financial transactions between service providers and farmers and other recipients of goods and services. EMA will also administer forward contracts within the farming community on behalf of Local Marketing (and Contracting) Agency. The Consortiums accountant will audit EMA's books on a regular basis and will be responsible for internal arbitration on issues of a financial nature.

The Local Marketing and contracting Agency will liaise with both EMA and the International Procurement and Marketing Agency on the agricultural products to be contracted. Besides, LMCA will be actively involved in the activity of marketing of the various farm products locally, regionally and internationally. LMCA will ensure that the quality of the products meets the specified requirements and that the products are properly handled to their respective destinations.

It will be the desire of the Consortium and LMCA in

particular to optimise the value- adding prospects on the agricultural products through primary processing within the country before export. This element will be emphasised in order to

achieve the employment creation targets of this programme.

One of the major activities of LMCA will be to negotiate working arrangements with a local financial institution and ensure that the obligations of the Consortium are met and that, at all times the financial institution is kept informed on progress.

The International Procurement and Marketing Agency (IPMA) will be responsible for procurement of foreign sourced goods as required by the CONSORTIUM and its clients, to negotiate offshore loan facilities with better terms than those locally available and to negotiate offshore loan facilities with better terms than those locally available and to market the agricultural product from participating farmers. (IPMA) will closely cooperate with LMCA in respect to product marketing, processing of letters of credit and ensuring compliance with various import/export regulations.

A suitably identified Local Financial Institution (LFI) will provide the offshore loan facility OFI. The OFI will communicate through IPMA and LFI as well as the Government of Zimbabwe (GOZ) if need arises. GOZ will guarantee the offshore loan facility and ensure that an enabling environment is maintained in terms of currency regulations and use of its land leased (or later sold) to its farmers in the participating areas.

## 5.5 **Element of Risk**

The consortium approach intends to lower the element of risk to the various parties whose resources will be advanced. The possible areas of risk are services, production, marketing and /or politically related.

### 5.5.1 **Guarantee of Services**

It is assumed that all the requirements of the service providers and, in turn those of the farmers can be met within the project framework. This is particularly so since the consortium has the possibility of obtaining

specialised services from elsewhere on a consultancy basis. It is also assumed that the production cultures of the pre-marketed products will be possible locally, Indeed, this will be part of the criteria used to arrive at the agreements on which products to contract, and specialists will be deployed to ensure that the prescribed cultures are followed.

Implementation of services by service providers will be enforced on timeliness of delivery and quality. This will be effecting payment for services.

#### 5.5.2. ***Production Obligations***

The possibility of contracted farmers not performing will be minimised by supervision by either EMA. Such supervision and inspection will be on a regular basis depending on the various cultures of the products. Frequently production is affected by natural disasters such as drought, disease and frost, Again, mitigatory measures will be implemented to avert or minimise the effects if such phenomenon. For instance, the prod

uction sites should be well located and well endowed with irrigation water resources which be properly used.

It can be safely assumed that with the professional management and discipline available the targeted production levels will be achieved.

#### 5.5.3 ***Reliability of Markets***

A majority of the agricultural products will be pre-marketed and produced under forward- contracted conditions which will state a certain guaranteed product price that will be competitive. The contracts will be binding on both parties (Seller and Buyer) thereby reducing the risk of rejection or renegeing on the contract terms by either party.

The marketing contracts will be revealed to the financial institutions, both local and offshore and this will serve as guarantee that the loan disbursements will be serviced.

#### 5.5.4. **Political Stability**

Political stability is a factor of public contentment with availability of means of sustenance and availability of essential goods and services.

The activities of the Consortium are intended to create employment as a means of sustenance and agricultural raw materials as inputs for essential goods. The activities of the Consortium will also result in the availability of such services as financial, educational and health. All of these attributes will collectively contribute towards the contentment of the affected public and hence the achievement of political stability that will ensure a productive environment.

#### 6. **CONCLUSION**

The activities of Small and Medium Enterprises in horticultural production have accelerated in the recent years as a result of the changing socio-economic environment. The potential to increase output are abundant. The major constraints to expanding production can be overcome, provided there is a clear appreciation of constraints and positive steps taken to address them. The factors outlined below are regarded as crucial in this regard.

Firstly, most producers live on marginal land, a historical factor that restricts new comers and impedes greater output by existing farmers. The Government's resettlement programme is targeted at addressing the land question, which should see a marked improvement in the production base of SME's.

Related to this and very crucial is the aspect of technological application for better and efficient utilisation of limited resources. This suggests the need for the efficient utilisation of resources, to achieve greater output from limited and finite resources, particularly in the case of land.

Secondly, the policy framework has been missing to address the sector as part of the industrialisation process of the nation. This is a fundamental take off



point as it will give Government and stakeholders the conceptual framework for intervention. The colonial era did not recognise the sector, and deliberately did not develop it which distorted the economic potential of the nation. It is worth noting that the parent Ministry, namely Industry and Commerce has taken a lead in developing a policy framework for SME's. It is also important for the framework to delineate the role of Government and the private sector in a strategic alliance in the context of economic liberalisation.

If the first two dimensions above are referred to as our economic base or framework for operations, then accompanying this are factors related to the actual production or superstructural issues. A starting point in production is the management and regulation of activities. This is rooted in the institutional set up of SME's. The production of this sector is currently controlled by monopolies who dictate price, marketing and production levels. The small producers lack a machinery to negotiate contracts, production and marketing of their produce which, renders them vulnerable to a host of economic vagaries. The setting up of independent companies whose interest is to ensure production, marketing and financing of the producers will enhance the capacity of SME's.

The output by this sector is fraught by wastage as a result of spoilage, lack of transport and processing capacity. This requires planning and linking production to markets and ensuring adequate returns to the farmers. It is possible through the formation of consortiums that economies of scale can be achieved that will facilitate the establishment of processing plants. Processing plants can be established at locations with critical core mass of output. There is need to put discipline in the production and processing of produce to meet international requirements. This approach will enhance economic growth, stimulate production, reduce input costs and increase the returns to farmers.

## 7. **RECOMMENDATIONS**

Firstly, there is need to establish a tripartite arrangement between small scale producers, local entrepreneurs who are SME's and an external partner. Small Scale Producers would be responsible for supplying local agricultural inputs, while the SME's

will provide management expertise and the external partner will provide market access, facilitate technology transfer, and mobilization of financial resources.

This arrangement is sustainable as the arrangement is based on a joint venture basis and a win-win situation among the participating members. All parties have vested interest. The possibility of exploring and exploiting the export market will guarantee full dividends to all players.

As a pilot project, there is need to initiate the modalities of putting in place an institutional arrangement involving SIRDC, a cluster of small producers and an external partner. However, a technical expert will be needed to weave this arrangement into place.

As a prelude to this, it is suggested a more focussed study on the possible areas under irrigation and dryland farming be looked at in depth, which will assist the technical expert in formalising the modalities of instituting the pilot phase.

ORGANISATIONS VISITED

<u>NAMES</u>	<u>ORGANISATION</u>	<u>DESIGNATION</u>
1. D. Utete	Agritex	Chief of Crop Production Branch
2. N. Moyo	I.C.F.U	Director
3. A. Chatambira	I.C.F.U	Economist
4. M Ndoro	Paprika Zimbabwe	Agronomist
5. Matawu	ARDA	Mash East Veg and Fruit Project
6. J.C Chitsiku	Cairns Foods	Field Officer
7. C. Ncube	Cairns Foods	Field Officer
8. Louis	Commodity Trade	Agronomist
9. D. Mahuta	Favco	Chief Buyer
10. L Mupunga (Ms)	Mutambara Irrigation	Secretary
11. G. Chitinha	"	Chairman
13. Magaisa	Victoria Foods	Manager Mutare
14. T Kamhunga	MaRice Savings Club	Treasurer
15. B Mushongwani	"	Member
16. A Mukutaya	"	"
17. N Nyamhunga	"	"
18. S.Chivhinze	Mandima Coop	Secretary



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