



**STRATEGIC PROVINCIAL RESOURCE
ALLOCATION AND QUICK
TURNAROUND ACTIVITIES BASED ON
THE CONCEPT OF COMPARATIVE
ADVANTAGE**

**SUPPLEMENT 3 OF 4 TO THE 2005
1ST QUARTER MONETARY POLICY
STATEMENT**

DELIVERED BY THE GOVERNOR

DR G.GONO

MAY 2005

1. BACKGROUND

- 1.1 Government has instituted an economic turnaround program designed to arrest economic decline and set the economy on the path to sustained recovery and growth. From December 2003, the Monetary Authorities and Government have implemented turnaround strategies that have reduced inflation, increased foreign exchange availability and enhanced capacity utilization.
- 1.2 Sector specific interventions through the Concessional Productive Sector Facility have also ameliorated cashflow difficulties, allowing companies to increase production and maintain employment.
- 1.3 The second phase of the turnaround program, seeks to consolidate the gains achieved during the first phase, to entrench macroeconomic stability and recovery.
- 1.4 Recognizing market imperfections, typically characteristic of developing economies, a major feature of the second phase is the adoption of targeted intervention programs. These interventions are based on

stylized production information, based on the Pareto principle – deploying resources where there is greatest positive impact on the economy, according to natural resource endowment.

1.5 It is against this background that **a comparative analysis is critical in formulating development strategies at both provincial and national levels.**

1.6 This exercise considers both the natural resources of each province and the resources that have been developed over the years, in the exploitation of such resources to achieve the best results for the whole nation.

2. COMPARATIVE ADVANTAGE

2.1. The pursuit of corporate or national objectives always translates into a strategy – an executable program of action designed to guide the vision to its ultimate objective. Focused strategic implementation guides the operations and resource deployment of an organization and the nation.

- 2.2. The Turnaround program seeks to achieve macroeconomic stability necessary for economic growth. Further, the economic growth attained must translate to national development, poverty reduction and rising standards of living.
- 2.3. The Turnaround strategy is uniquely guided by comparative advantage, particularly to reflect the need to concentrate resources where there is greatest impact and quick supply response.
- 2.4. The principle of comparative advantage has guided economic development of nations over hundreds of years.
- 2.5. Comparative advantage relates to the activity which a country or region can produce at the lowest comparative cost, relative to other nations. Relatedly, regional and international trade facilitates the exchange of goods and services between the various geographical locations.
- 2.6. This comparative advantage can arise from natural resource endowments, as in minerals or oil production. The advantage can also arise from a special skill resident

within a community which confers a particular advantage to that community or country.

- 2.7. Kuwait or Saudi Arabia, are examples of comparative advantage based on vast oil resources while Japan's global dominance of the automobiles sector, reflects comparative advantage established around a specialist skill honed over many decades of sustained improvements.
- 2.8. Zimbabwe is blessed with natural resources of a wide and diverse variety, spread across its ten administrative provinces. These resources, including mineral wealth, arable land, a heritage of tourist sites, rivers, factories and plantations confer the country with a special competitive advantage, regionally and internationally.
- 2.9. This competitive advantage can, however, be maximized only when the country takes full stock of its resource endowments, province by province.
- 2.10. The province by province approach allows for greater focus on specific activities of maximum output at relatively low costs. **Resource deployment in each**

province is, thus, guided by the need to target particular activities which yield maximum impact.

2.11. As resources are finite, wholesale resource dispersal will not deliver desired results. Accordingly, Monetary Policy interventions will be targeted at critical points along the production cycle. These interventions will include the following:

- a) Irrigation rehabilitation and development;
- b) Skills development;
- c) Extension services (AREX);
- d) Group mechanization;
- e) Tobacco barns rehabilitation;
- f) Horticulture infrastructure rehabilitation and
- g) Beef and dairy livestock.

2.12 Table 1, below shows activities of greatest potential on a province by province basis. The activities marked with a tick highlight the comparative advantage for each province based on resource endowment.

Table 1: Comparative Advantage by Province

PROVINCES	Mining	Agric.	Tourism	Man.	Hort.	Plantations	Animals
Mashonaland West	✓	✓	✓	✓	✓	-	✓
Mashonaland Central	✓	✓	-	-	✓	-	✓
Mashonaland East	✓	✓	-	-	✓	-	✓
Manicaland	✓	✓	✓	✓	✓	✓	-
Masvingo	-	✓	✓	-	-	 ✓	-
Midlands	✓	-	-	✓	-	-	✓
Matebeleland South	✓	-	✓	-	-	-	✓
Matebeleland North	✓	-	✓	-	-	✓	✓
Harare Metro	-	-	✓	✓	✓	-	-
Bulawayo Metro	-	-	✓	✓	-	-	-

KEY

- Agric. : Agriculture
 Man. : Manufacturing
 Hort. : Horticulture

2.13 The ecological variation in the regions of the country confers certain distinct advantages on a province by province basis. The high veld regions of Mashonaland West, Central, East and Manicaland have higher than

average rainfall. They are also the heart of the economy's agriculture based economic activity.

2.14 These regions, also following the geological Great Dyke, have huge mineral deposits and hence account for a significant proportion of mining activity.

2.15 The South and Western provinces of Masvingo, Midlands and Matabeleland South and North provinces have comparatively less rainfall than national average. The key economic activities in these provinces are tourism and animal husbandry (ranching) and mining

3 AGRICULTURAL RESOURCE ENDOWMENTS

3.1 Region 1 (Specialized and Diversified Farming Region)

3.1.1 This region receives high rainfall, with areas at high altitudes getting more than 1000 mm per annum. Afforestation, fruit and intensive livestock production are enabled by the low temperatures, coupled with high rainfall.

3.1.2 Crops such as tea, coffee and macadamia are grown in frost-free areas.

3.1.3 Parts of Manicaland are in region I.

3.2 Region IIa and IIb (Intensive Farming Region)

3.2.1 This is a moderately high rainfall region, ranging from 750 to 1000 mm. This intensive farming region consists of two sub-regions, namely Sub-region IIa & Sub-region IIb. Sub-region IIa rarely experiences severe dry spells in summer and normally enjoys reliable rainfall.

3.2.2 Crops grown in this Sub-region include cereals (wheat and maize), soya beans, tobacco, sugar beans, ground nuts and sunflowers. Dairy farming is also practiced.

3.2.3 In Sub-region 11b, more severe dry spells are experienced during the rainy season. The rainy season can be relatively short. The intensive farming of wheat, maize, tobacco and soya beans can still be practiced in this region, despite the comparatively lower rainfall.

3.2.4 The provinces in regions IIa and IIb include parts of Manicaland, Mashonaland East, West and Central.

3.3 Region III (Semi-Intensive Farming Region)

3.3.1 The effectiveness of the moderate rainfall (650-800mm), received in this region, is reduced by the generally high temperatures and the infrequency of heavy falls.

3.3.2 Fairly severe mid-season dry spells are experienced, rendering it marginal for maize, tobacco and cotton production.

3.3.3 The farming systems, of this region which covers Midlands and Masvingo provinces are based on both livestock production and cash crops such as sugar cane and cotton. Fodder crops are grown for supplementary feeding of livestock. Monetary Policy intervention will therefore be structured to enhance the core farming activities such as livestock rearing and support for the sugar cane sub-sector.

3.3.4 In region III are Midlands, parts of Mashonaland West and parts of Masvingo and small areas of Mashonaland East and Manicaland.

3.4 Region IV (Semi-Extensive Farming Region)

3.4.1 Provinces under this region include Matabeleland South, Matabeleland North, Bulawayo Metropolitan and some parts of Masvingo, Midlands and Manicaland. The region receives total rainfall ranging from 450 to 650mm.

3.4.2 Periodic seasonal droughts and severe dry spells are experienced during the rainy season. Farming in this region is limited to drought-resistant crops such as cotton, sorghum and rapoko and livestock production.

3.5 Region V (Extensive Farming Region)

3.5.1 This region receives extremely low rainfall which makes it unsuitable for the production of even drought-resistant fodder and grain crops. The only sound farming system in this region is extensive cattle or game ranching.

3.5.2 Some parts of Matabeleland South, Matabeleland North and Mashonaland West, Manicaland and Masvingo fall under this region which receives below 600mm of rainfall per annum.

3.5.3 There is extensive irrigation infrastructure in the low veld of Masvingo province and in particular in the Chiredzi - Hippo Valley-Triangle area. Sugar is the main crop grown in this area and sugar mills were established there.

3.6 Maize and Wheat Intake

3.6.1 The Crop intake by the Grain Marketing Board (GMB) for the 2004/2005 season shows that over 80% and 70% of total maize and wheat output, respectively, was from the Mashonaland and Manicaland provinces. These provinces, which are in natural regions IIa and IIb are best suited for maize and wheat, in addition to tobacco and soya beans.

4 ANIMAL HUSBANDRY

4.1 Beef cattle

4.1.1 The drier parts of the country, that is, Midlands, Masvingo, Matabeleland North and South provide more than 60% of the total beef cattle in the country, according to the livestock census of 2003.

4.1.2 These provinces have large tracts of land and extensive ranches, which are conducive for beef cattle.

4.2 Dairy cattle

4.2.1 Dairy farming is ideal where there is high rainfall, and in areas near urban centres – where milk products are marketable.

4.2.2 The provinces with the above resources are Mashonaland East, Manicaland and Mashonaland Central which provide over 95% of the country's milk production.

4.3 Sheep and goat

4.3.1 Sheep and goat rearing is ideal in the drier areas, with short grasses, that is, southern parts of, Manicaland, Masvingo, Matabeleland North and South and Midlands provinces. These provinces provide over 67% of the country's sheep and goats.

4.4 Pigs

4.4.1 Pigs do well in areas which are ideal for food crop farming, since they depend mainly on pen feeding.

4.4.2 Mashonaland West, which also grows maize and wheat, produces over 70% of the country's pig population.

5 THE MANUFACTURING SECTOR

5.1 The Manufacturing sector is mostly concentrated in the metropolitan centres of Harare and Bulawayo because of the following attractions:

- a) access to transport and communication,
- b) raw materials, and

c) abundant source of labour.

5.2 The manufacturing sector covers broad categories, including food stuffs; drinks, tobacco and beverages; textiles; clothing and footwear; wood and furniture; paper and printing; media and publishing houses; chemicals and petroleum products; metals and metal products; non-metallic mineral products; transport equipment; and plastics.

5.3 A greater proportion of the manufacturing sector activities in Harare Metropolitan are spread in the following categories: food stuffs; textiles; clothing and footwear; media and publishing houses; plastics; chemicals; metals and metal products; and transport.

5.4 The manufacturing sector in Bulawayo covers food stuffs; drink and beverages; textiles; clothing and footwear; wood and furniture; metals and metal products; non-metallic mineral products.

5.5 The rest of the provinces have fairly limited manufacturing sector activities. The most notable sub-sectors are David Whitehead Textiles in Mashonaland

West, Boarder Timbers and Zimboard products in Manicaland, Bata Shoe Company and Sable Chemicals in Midlands.

- 5.6 Sable Chemicals has particular intricacies and linkages with agriculture as it supplies inputs for the manufacture of fertilizers.

6. THE MINING SECTOR

- 6.1 Mineral resources are mainly along the Great Dyke that is Kadoma and Gweru Mining Districts, which are in Mashonaland West and Midlands provinces, respectively, in addition to the other mines scattered throughout the country.
- 6.2 Mashonaland West and Central mainly have gold, silver, chrome, iron pyrites, limestone, nickel and silica.
- 6.3 The Midlands province has gold, asbestos, platinum, emerald, diamonds, silver, copper, iron ore, chrome, limestone, magnesite and silica.

6.4 Matabeleland South and North are endowed with gold, silver, coal, chrome, limestone, mica and nickel.

6.5 In Masvingo gold is mined at Renco Mine.

6.6 **Other Major Minerals**

6.6.1 Platinum is mined at Makwiro, Mimosa and Unki Mines, in Mashonaland West and Midlands provinces.

7. PLANTATIONS

7.1 Plantations throughout the country include those that produce coffee, tea and timber.

7.2 Coffee

7.2.1 Coffee is mostly grown in the Eastern Highlands, with the Zimbabwe Coffee Mill in Mutare processing all the coffee produced in the country.

7.2.2 The Honde Valley, also in the east of the country, is home to most of the small-scale producers. Coffee is

also grown commercially in the northern parts of Zimbabwe.

Table 2: Coffee Plantations

Commodity	Name	Location	Province
Coffee	Honde Valley-Small & Large scale growers	Eastern Highlands	Manicaland
Coffee	Small & Large scale growers	Karoi, Mhangura	Mashonaland West
Coffee-Tanganda	- New Year's Gift, Petrunella and Chinyika	Near Chpinge	Manicaland

7.3 Tea

7.3.1 The tea industry in Zimbabwe is dominated by four major producers namely, Tanganda Tea Company, ARDA Katiyo, Southdown Holdings and Aberfoyle. There are also outgrowers who include both commercial and smallholder farmers.

Table 3: Distribution of Tea Production

Commodity	Name	Location	Province
Tea	Tanganda-Ratelshoek Zona Jersey Avontuur	Eastern highlands, around Chipinge	Manicaland
Tea	Southdown Holdings	Eastern Highlands	Manicaland
Tea	ARDA-Katiyo	Nyanga	Manicaland
Tea	Aberfoyle	Nyanga	Manicaland

7.3.2 Tanganda is the largest producer, packer and distributor of tea products in Zimbabwe.

7.4 Timber

Table 4: Geographical distribution of major timber by type

Timber	Province
Pine/Wattle	Manicaland
Teak hardwood	Matabeleland North
Mopane	Matabeleland South

7.4.1 Forests (both natural and plantations) and woodlands in Zimbabwe cover about 66% of the total land area of the country (39 million ha). About 40% of the indigenous

woodlands are situated in communal areas where they are traditionally exploited for fuel wood and pole supply.

8 TOURISM

8.1 Tourism has been developed in areas where there are natural tourist attractions, for example, the Victoria Falls, Chimanimani Hot Springs and the Chinhoyi Caves; and also man-made tourist attractions, for instance, Great Zimbabwe and Lake Kariba.

8.2 The Provinces which have the greatest tourist endowments include, Mashonaland West, Manicaland, Masvingo, Matabeleland North and South, Harare and Bulawayo Metropolitan areas.

8.3 Tourism by Province

8.3.1 Mashonaland West

8.3.1.1 In Mashonaland West, the major tourist attractions include, Lake Kariba and the Chinhoyi Caves.

8.3.1.2 Kariba Dam, which is 290 km long and 32 km at its widest point, does not only provide Zimbabwe with hydroelectric power, but is also a source of countless pleasures, including fishing, water skiing and sailing.

8.3.2 Manicaland Province

8.3.2.1 Manicaland Province has the potential to be the leader in tourism.

8.3.2.2 The landscape in Manicaland particularly, Nyanga, Vumba and Chimanimani areas are mountainous and differ greatly from the rest of the country by offering beautiful scenery.

8.3.2.3 Mount Nyangani, at 2592 metres high, is the highest mountain in Zimbabwe.

8.3.3 Masvingo Province

8.3.3.1 Masvingo Province has potential to be one of the major tourist attraction centres. The Province is home to the Great Zimbabwe.

8.3.3.2 The largest and most significant ancient monument south of the Sahara, the Great Zimbabwe is second in size and importance to the Egyptian pyramids in Africa.

8.3.3.3 Lake Mutirikwi, the third largest dam in Zimbabwe, has an incredibly beautiful, rugged and rocky shoreline and the Mutirikwi National Parks offers beautiful flora and fauna, coupled with a thriving population of white rhino.

8.3.3.4 Other attractions include the Gonarezhou National Park, Malilangwe Conservancy, Save Valley Conservancy and Dengezi and Chamavara Rock Paintings.

8.3.4 Matabeleland North

8.3.4.1 The Victoria Falls is undoubtedly Zimbabwe's best-known tourist attraction, where millions of gallons of water plunge over a 1.7 km-wide cliff into the narrow gorge below.

8.3.4.2 Close to the Falls lies the Zambezi National Park, where a variety of game, including elephant, lion, zebra, giraffe and various antelope can be seen.

8.3.4.3 Hwange National Park, the largest National Park in Zimbabwe, covers an area of more than 14 000 square kilometers, and is home to about 90 species of animals, 413 species of birds and approximately a 1 000 species of trees and shrubs.

8.3.5 Matabeleland South

8.3.5.1 The Province has one major tourist attraction facilities and this is the Matopo Hills.

8.3.5.2 The Matopos Hills area incorporates Matopo National Park, Recreational Park and the Matobo Estate which lies 40 km from the city centre, Bulawayo.

8.3.6 Harare Metropolitan

8.3.6.1 Harare, Zimbabwe's capital and home to around 2 million people, is a cosmopolitan blend of modern architecture and colonial buildings, interspersed with public parks.

8.3.6.2 The city is home to several luxury hotels of international standards, private lodges, smaller hotels, and back-packer facilities.

8.3.7 Bulawayo Metropolitan

8.3.7.1 Bulawayo, the second largest city, has broad tree-lined streets, an attractive mixture of architecture and parks, gardens and hotels.

9 CONCLUSION

9.1 The province by province comparative analysis **highlights the key economic activities that guide resource deployment in each province.**

9.2 Each province has a comparative advantage in certain activities. The matrix also serves to highlight the importance of provincial interdependence.

9.3 There is no province that has complete self sufficiency, **hence the need to promote mutually beneficial interdependence.** As an example, Mashonaland provinces

- are expected to provide grain, in particular, maize to drier parts of the country such as Midlands, Masvingo and Matabeleland North and South.
- 9.4 In return, coal produced in Hwange in Matabeleland North, is used to fire boilers for ZiscoSteel in the Midlands and also for tobacco curing in Mashonaland provinces.
- 9.5 The segmentation is therefore for purposes of guiding resource allocation for optimal production and quick supply response. The emphasis is on the national synergies for growth and development, derived from provincial interdependence and cohesion.
- 9.6 Having exploited the natural resources, and already developed infrastructure in the various provinces, the next stage in the strategic development cycle is to enhance the resources in those provinces which benefit from these new investments.
- 9.7 The development of the Zambezi Water pipeline and Gwayi Shangani dam will bring the much needed water supply for

metropolitan Bulawayo and rural Matabeleland North and South.

9.8 This development will make the dry Matabeleland region a green belt. The second phase of the development strategy will focus on developing crop farming through irrigation in this region.

9.9 Another example of the strategic exploitation of natural resources is the coal bed methane gas in the Lupane area of Matabeleland North which will bring about a gas industry likely to transform the Zimbabwe energy sector.

9.10 In this regard, the large metropolitan cities and the other provinces will benefit from the development of the gas industry for both domestic and industrial use.

9.11 Intervention Strategy

9.11.1 The assessment based on differing resource endowments shows different capabilities for each province. Importantly, though it is Government's desire to

ensure full utilization of land for agricultural purpose to ensure food security and sufficiency.

9.11.2 The intervention strategy unfolds in two phases, **firstly taking advantage of the comparative advantage and opportunities resident in each province and developing technology related infrastructure.**

9.11.3 The second phase of the Turnaround program, after the quick supply response will be focused on **turning the entire country into a green belt**, with advancing agriculture mechanization.

9.11.3 It is against this background that the Reserve Bank has made unequivocal commitment to support the Matabeleland Zambezi Water Project, which would turn large tracts of underutilized land into a green zone. Concurrently efforts would be intensified to complete the setting up of irrigation infrastructure in areas surrounding dams already completed, including the following:

- | | |
|----------------|--------------------|
| a) Osborne Dam | Manicaland |
| b) Zhove Dam | Matabeleland South |

- | | |
|-------------------|--------------------|
| c) Mtshabezi Dam | Matabeleland South |
| d) Mazvikadei Dam | Mashonaland West |
| e) Muzhwi Dam | Masvingo |

9.11.5 The following dams, currently under construction, would be completed and made ready for irrigation:

- | | |
|---------------------|----------------------|
| a) Tokwe Mukosi Dam | Masvingo |
| b) Gwenhoro Dam | Midlands |
| c) Mutange | Manicaland |
| d) Gwayi Shangani | Matabeleland North |
| e) Wenimbi | Mashonaland East |
| f) Dande | Mashonaland Central. |

9.11.6 It is also known that Zimbabwe is endowed with extensive mineral resources, a vast potential remains untapped underground. The Reserve Bank will support targeted exploration in the mining sector.

9.11.7 There are some regions that require focused attention, such as animal husbandry, both, beef and dairy, poultry, piggery and goat rearing. Such regions will be accorded due priority in accordance to their comparative advantage.

This particularly reflects the need to ration and prioritize resource deployment for the maximum benefit of the whole nation.

9.11.8 In every province, the development planning process must ensure that development of the manufacturing sector is organized to beneficiate the primary sector and enhance the industries have to be established as close as possible to the primary producers. In this way, all the provinces will benefit in terms of employment generation and provision of social services.

9.11.9 Accordingly, Authorities are to situate specific choices with regard to policies and actions that deliver on the turnaround.

9.11.10 With regard to dairy farming, the RBZ commits to supporting such programmes including small scale dairy activities.

9.11.11 The RBZ recognizes the significance of SMEs and the informal sector as a key contributor to economic activities and national development. These will be also supported.

9.11.12 The RBZ takes note of the fact that some provinces undertake small scale manufacturing activities. These will receive due recognition and support.

9.11.13 The Parastatals and Local Authority Reorientation Programme currently under way is intended to reorient Public Enterprises and Local Authorities to enable them to actively support provincial and national development initiatives.

9.11.14 The first phase of this program is based on the following Vision 2007 deliverables:

- a) To reduce inflation to low and stable single digit levels;
- b) To stimulate the economy supply response and arrest economic decline;
- c) Generate employment;
- d) To increase the economy's capacity to generate foreign exchange and stabilize the balance of payments;
- e) To stabilize the financial sector;

- f) To restore investor confidence through policy consistency and respect for international investment agreements;
- g) To engage the international community; and
- h) To ensure food self sufficiency;

9.11.15 The above deliverables are aimed at achieving an economy free of distortions and an economy characterized by predictable policies and actions by both Government and business. These objectives are to be achieved in the shortest period possible.

ANNEX 1

REGION	TYPE OF FARMING	PROVINCES	CROPS
REGION 1	Specialised and diversified farming	Manicaland	Coffee, Macadamia Nuts, Tea
REGION IIa	Intensive Farming Region	Mashonaland Central, Mashonaland East	Wheat, Maize, Soya Beans, Tobacco, Sugar Beans, Dairy farming, Groundnuts, Sunflower
REGION	TYPE OF FARMING	PROVINCES	CROPS
REGION III	Semi Intensive Farming	Midlands, Masvingo	Sugar Cane, Maize, Tobacco, Cotton, Livestock, Fodder crops
REGION IV	Semi Extensive Farming	Matabeleland South, Matabeleland North, Masvingo, Midlands, Manicaland	Livestock, Drought resistant fodder crops, Cotton, Rapoko, Sorghum, Groundnuts,
REGION V	Extensive Farming	Matabeleland South, Mashonaland West, Manicaland	Cotton, Rapoko, Sorghum, Wheat (Middle Sabi)

ANNEX II: CROP INPUT BY PROVINCE 2004/2005

PROVINCE	CROP INTAKE (TONNES)						
	MAIZE	WHEAT	SOYA BEANS	SUGAR BEANS	MILLET	GROUND NUTS	SOURGHUM
HARARE*	19,813	16,712	1,902	504	5	1,049	1,840
MASH CENTRAL	115,185	37,401	5,589	480	12	84	1,530
MASH WEST	164,862	48,442	5,486	84	-	51	5,511
MASH EAST	39,058	6,543	179	71	8	100	181
MANICALAND	27,930	16,062	1,450	266	114	188	522
MASVINGO	9,228	2,479	153	43	-	758	907
MIDLANDS	40,418	13,738	159	18	67	74	2,308
BULAWAYO*	4,738	7,052	-	36	-	-	84
MAT SOUTH	634	19	-	-	-	1	-
MAT NORTH	7,594	-	3	-	726	2	522
TOTALS	429,460	148,448	14,921	1,502	932	2,307	13,405

**Grain intake to GMB depots in Harare and Bulawayo*

SOURCE: GRAIN MARKETING BOARD