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ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

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Digitized: June 28, 2013

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ZIMBABWE

ZIMBABWE

1. 10/2/80  
Annual  
Meeting

Enos Nkala, Minister of Finance  
Desmond C. Krogh, Governor of Reserve Bank  
David Young, Secretary of Finance  
Mudziri Nziramasanga, Ministry of Economic  
Planning & Development  
Mr. Abdulai, ED



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OFFICE MEMORANDUM

TO: Files *DM*  
FROM: David G. Reese, Division Chief, EA1DB  
SUBJECT: ZIMBABWE - Meeting of Delegation with Mr. McNamara

DATE: October 10, 1980

1. Messrs. Enos Nkala, Zimbabwean Minister of Finance; Desmond C. Krogh, Governor of the Reserve Bank; David Young, Secretary of Finance; and Mudziri Nziramasanga, Ministry of Economic Planning and Development, met briefly with Mr. McNamara on October 2, 1980. Messrs. Abdulai, Stern, Wapenhans, Kraske and Reese of the Bank also attended.
2. Mr. Krogh outlined Zimbabwe's present economic and financial plight, characterizing it a "special" situation. Following settlement of the war, the country suffers a serious budget problem -- exacerbated by continuing large military expenditures -- and bottlenecks. During the war the nation's infrastructure, including housing, was neglected and in many rural areas was damaged or destroyed. With the war's end, pressures on Zimbabwe's balance of payments also have intensified (due in part to lifting some of the controls on imports). The Government was anxious to restore foreign trade, and the prospects for expanding exports were good. However, because of Zimbabwe's unfavorable balance of payments, the country could not undertake many projects requiring imports, and borrowing on the international market was prohibitively expensive. Hence, the Government was anxious to obtain effective Bank Group assistance in the shortest period of time.
3. The Finance Minister elaborated further on Zimbabwe's need, in adjusting its economy from war to peace, for large amounts of development loans. The Government was running a very big deficit due to its trying to meet the country's requirements, which Zimbabwe could not finance fully from its own resources. In response to Mr. McNamara's query regarding particular imported goods needed, the Minister and Mr. Nziramasanga mentioned replacements for obsolete machinery; rolling stock, locomotives and wagons for the railways; road construction and maintenance equipment for the Central Mechanical and Electrical Department; and machinery and materials for the private sector (e.g., textile equipment). Mr. Wapenhans added spare parts, fuels and other raw materials. Because of shortages of imported items, the manufacturing sector's output was below capacity, so that if additional "free" foreign exchange were available, production and exports could increase rapidly.
4. Mr. McNamara pointed out that the World Bank now was basically a development rather than a reconstruction institution. Nevertheless, recognizing Zimbabwe's special situation and needs, the Bank Group would do everything it could to help the country, including mobilizing financing

from other sources (such as BADEA, which already had expressed interest in cofinancing quick disbursing assistance to Zimbabwe). Bank staff would lay out, in collaboration with the Government, the next steps in working out arrangements for such assistance.

Cleared w/ and cc: Mr. Kraske, EA1DR

cc: Mr. McNamara's office (2)  
Mr. Stern

Messrs. Wapenhans  
Adler, EAPDR  
Bronfman, EAPDR  
Hendry, EAPDR  
Bickers, EAPPR  
McCleary, EA1DB  
Myers, EA1DB  
Nkojo, EA1DB  
Madinga, ED  
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