Economic Policy Reforms and Meso-Scale Rural Market Changes in Zimbabwe

The Case of Shamva District

Edited by
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Chapter 8

THE INSTITUTIONAL AND ECONOMIC INTERFACE BETWEEN SMALL TOWNS AND RURAL ECONOMY

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1.0 INTRODUCTION

The relationship between small towns and rural areas has been the subject of research studies since the 1960s. This followed the dismal failure of the two sector development models of the 1950s to uplift the standard of living of the rural population (Conyers, 1983). The tenets of this model were that with the expansion of the urban industrial economies surplus labour in the rural economy would be absorbed into the economy. In turn effective demand in the rural areas is increased through a trickle down of urban sector generated incomes.

However, reviews of this approach in the late 1960s and early 1970s acknowledged that in actual fact poverty in urban centres had increased and no development had been recorded in the rural economy where surplus labour continued to increase (Waterston, 1982; Conyers, 1983). A new generation of literature emerged in the 1970s emphasising on the "Growth Centre", Growth 'Point' policies or what is generally referred to as the "bright lights" theory. These were discussed within the context of decentralised development strategies. Recent studies, regrettably reveal that very little in terms of rural development has come out of these strategies. Small towns or Growth points were transformed into administrative centres for resource extraction and control rather than service centres for rural development (Pedersen, 1990).

1.1 STATEMENT OF THE PROBLEM

The above notwithstanding, development of small rural towns has been on the heart of rural development policy in Zimbabwe since 1980. Although the approach suggested in Zimbabwe had its focus on developing local initiatives and mobilise local resources for development, practical experience reveals that the thrust remained predominantly that of generating growth in the hinterland by allocating investments to infrastructure projects at designated Growth centres.

From the above perspective the urban system is viewed as a way of organising economic activity in space. What seems to be missing is the causal relationship between rural economic activities and the organisation of an urban system. The assumption that the organisation of an urban system is a function of the structure and size of its economic base seems to have taken a back seat right from the policy formulation stage. Pedersen (1990) and Belsky and Karaska (1986; 1987)

identified some important economic flows that define the nature of the causal relationship between the small towns and their rural economy as follows:
— local distribution of local production;
— collecting and processing of local (agricultural) products for export out of the region;
— distribution of products produced outside the region, both consumer goods and inputs and investment goods to the local population;
— local processing of non-local inputs for a non-local market (often called enclave industries).

The predominant school of thought is that during ESAP a conducive environment would be created for the private sector to exploit opportunities along the lines of the above economic activities, particularly the first three through the liberalisation of the markets and the reforms to public enterprises. The central assumption is that the rural economy would benefit from new technologies, access to information and inputs resulting in improved rural economic activities. What is not explained by both the economic relations identified above and the assumptions that follow is the way in which the spatial arrangements of a regional market system and the institutional arrangements that organise the market system relate to each other. These two dependent variables are defined in section three. Three contextual variables of (i) market organisation, (ii) income and (iii) local government capacity will be analysed in section four to provide a sound contextual framework to the dependent variables above. Section five covers data analysis and section six presents the findings. Conclusion and recommendations are in section seven. A brief background is presented in section two.

1.2 AIMS AND OBJECTIVES

This study focuses on the economic and institutional relationship between small towns and rural areas in Zimbabwe in the light of ESAP and the changes that it brings to rural economic development in general. The opportunity and potential for the development of strong linkages between small towns and rural economy will be analysed in the context of a retreating state and an apparent realisation that the private sector would fill the gap and is most suited to enhance rural economic development. Information on the changes (or lack of) that occur to the economic flows between a small town and the rural economy and the institutional arrangements that shape the rural market will be made available.

1.2.1 Specific Objectives of the Study

This study will attempt to assess the economic benefits that accrue to small towns and the rural economy and the institutional arrangements that take shape between them and other external actors in the District of Shamva by:

i. Critically evaluating the nature of economic opportunities created at the District level through Central government, Local Government and NGOs intervention before and after the implementation of ESAP.
ii. Identifying (and investigating the importance of) the different local actors, mediators and other local initiatives that exploited the opportunities during these two time periods.
iii. Assessing the nature of linkages (both vertical and horizontal) that developed as a result of the reaction of local actors to economic opportunities.
iv. Exploring and articulating institutional networks that serviced these relations both before and after ESAP.
v. Making available information on the emerging rural markets, organisation networks and linkages between small towns and rural economy.

1.3 HYPOTHESIS

The study shall be underpinned by the following hypotheses:

a. A centralised and vertically integrated state system constitutes a bottleneck to the development of small towns and their hinterlands.
b. Small towns play an important role in shaping rural households perceptions on available goods, services and investment opportunities.
c. The development of institutional networks is directly related to the state of both forward and backward linkages existing between the local actors.
d. The impact of demand on farmers on a network of small towns (one small town) in any locality is proportional to each town's size and inversely proportionate to the difficulty of reaching it.
e. Access to market facilities and services is an outcome of economic opportunities or their absence and not the cause.
f. As the environment changes in line with ESAP the relative importance of subsistence farmers — who have little use for a town — will diminish and that of commercial operations will became more significant.

1.4 METHODOLOGY

Shamva District which is about 86 km north east of Harare has been chosen as a case study area on the strength of its natural resource endowment, mixed land tenure system, cash and food crop production and its network of small towns and service centres.

Theoretically an Actor Process Matrix approach has been used. This approach involves identifying all the actors involved within a defined spatial unit, in this case Shamva district. The processes that are generated by each of these actors are also recorded. An assessment of the compatibility or non compatibility of the processes originated by the different actors constitute the third stage followed by the analysis of the outcome.

The implementation of the above approach commenced with the carrying out of a census of all the agencies involved in the development of the case study area. Central Government agencies, Non Governmental Organisations, Local government, Farmers organisations, civil society organisations, business organisations, etc. were identified with the intention of having a comprehensive inventory and diversity of these actors involved in different development activities within the district.

An in-depth survey of the activities of each of these actors followed the first stage as explained above. Here structured and unstructured interviews with the relevant personalities within each of the organisations was carried out. Structured questions were administered to all the identified actors in order to capture their activities before and after the introduction of ESAP. It was important at this stage to observe whether these activities were directed at community development or at creating economic opportunities in rural areas. Unstructured interviews were carried out as a follow-up to the structured interviews. This assisted in filling the gaps that were identified as information from structured interviews was decoded and analysed. A focused group discussion (workshop) was also organised with the target groups.

The third stage involved the identification of each actor and the process (activities) that each organisation was involved with in the district. The activities were related to each other in an attempt to establish how they actually contribute to the same course or how they indeed work against each other and their impact on the objective of rural economic development. The fundamental objective was to establish the type of interaction that exists between these actors and their activities within the district, and also observe whether the type of interaction at play led to creating economic opportunities and therefore economic linkages, especially between the smallholder farmer and the small-scale entrepreneurs at the growth points and service centres. The (non) emergence of new social networks and new rural market structures was explored at this stage. Use was also made of data from the main questionnaire which had a sample of 468 households (see Wekwete, this volume). The last stage was that of synthesising the whole exercise by relating the observed outcomes to the hypothesis of the study.

ORGANISATIONS INTERVIEWED DURING SURVEY

1. Government:	i)	Ministry of National Affairs and Cooperatives
	ii)	Ministry of National Housing and Local Government
2. Parastatals:	i)	Grain Marketing Board
	ii)	Cotton Marketing Board
	iii)	Agriculture Finance Corporation

		iv)	Forestry Commission
3. Govt. Departments:		i)	Physical Planning
		ii)	District Administrator's Office
		iii)	Natural Resources Board
		iv)	Agritex
4. Farmers' Organisations		i)	Zimbabwe Farmers Union
		ii)	Commercial Farmer's Union
		iii)	Indigenous Large Scale Commercial Farmers Organisation
5. Women's Groups:	14 groups	—	Soap Making
		—	Bakery groups
		—	Pig and Chicken groups
6. Indigenous Entrepreneurs:		—	See SMEs Questionnaire with a Sample of 115 Small and Medium Scale Enterprises (SMEs)
7. Household:		—	See Main questionnaire with 468 households
8. Private Corporations		—	Chibuku Breweries
		—	Cargill
		—	Crop-Link
		—	Milling Companies
9. Irrigation Schemes		—	Principe Irrigation Scheme
10. NGOs		—	DAPP
11. Local Authorities		—	Chaminuka Rural District Council

2.0 BACKGROUND

2.1 HISTORICAL BACKGROUND — 1890–1980

In Zimbabwe, like in other developing countries, the development of rural areas and indeed the relationship between small towns and their hinterlands is a function of the policies and development thrust of the government of the day. Over the 90 years to 1980, racial policies, reinforced by Legislative Acts and administrative, marketing and finance and extension structures created a dual economy that also reproduced itself over the period and probably beyond (see Arrighi, 1973; Dunlop, 1973; Clarke, 1974; Riddell, 1979; Mashanda-Shopo, 1986; Phimister, 1988; Masuko, 1995).

Land designated for European use accounted for 50% of total arable land. This was in disregard of the population differential of 96% African and 4% European (Wekwete, 1990). Worse still the inequality to access land was coupled with growing overpopulation, landlessness, land deterioration and increasing poverty in the African designated areas (Riddell, 1980). Gross under-utilisation of land was also observed and documented (Moyo, 1995). Agricultural policies during the colonial period focused on acquiring as much land as possible for settling European settlers on large farms, supported by a number of key strategies to develop large-scale agriculture. Public sector investment into physical infrastructure, roads, dams, electricity, etc, gave priority to these areas. Between the 1930s and 1950s a number of parastatal institutions and organisations were created in support of research, extension, finance and marketing for large-scale farmers. As a result production, marketing and incomes of large-scale farmers increased considerably from the 1950s. These same policies discriminated against Africans condemned as they were to ever decreasing pieces of land due to population expansion relative to land holding per family (Government of Zimbabwe, 1996).

The urban system closely followed(s) the railway line. The railway line serviced many of Zimbabwe's agricultural, industrial and mining centres. The urban system and indeed the railway infrastructure was inaccessible to 46% of the country and 80% of the population (Mishi, 1986). Primarily the system facilitated the shipment of primary resources (mainly minerals and agricultural products) to export markets and channelling of import value added products to meet the demand of the growing European population, and other economic activities.

2.2 INDEPENDENCE DECADE — 1980–1990

At 1980 government realised the potential of land redistribution as a crucial mechanism for bringing the majority of the disadvantaged African into mainstream economics. This would take the form of numerical expansion and restructuring of smallholder agriculture. Agricultural policy shifted to incorporate smallholder farmers, initially providing them with access to markets and credit. Supply response by the smallholder farmers was dramatic, becoming the largest suppliers of maize and cotton to formal markets within the first five years of independence (see Moyo, 1995; Government of Zimbabwe, 1996). Government instituted a land resettlement programme and instructed all key public sector institutions to give high priority to small-holder farmers.

Albeit negligible, progress in the numerical expansion of smallholder agriculture due to a derailed resettlement programme and indeed of the internal (rural) market, the restructuring of smallholder agriculture and upliftment of the welfare of the rural people has been impressive (see Moyo, 1985; 1995; Rukuni, 1995). However, inequalities among the smallholder farmers still remain and these emanate from poor land, lack of access to credit and know-how and resource endowment of the different households (*Ibid.*).

The period between 1980 and 1990 is crucial to this study. A brief and concise explanation of the strategies that were used by government to promote rural development therefore becomes necessary. First, government directly intervened into marketing of agricultural produce through the centralised Marketing Boards (buy agriculture output from and supply inputs to farmers); and through agriculture price policy; provision of loans through Agricultural Finance Corporation (AFC) and extension service through Agritex etc and; of course the delivery of services by line ministries (education, health, water and sanitation). Infrastructural development was assigned to the District Development Fund (DDF). There was not much change in the way that the post-independence state intervened in the rural economy and in the instruments used from those inherited from colonial regimes. Government's socialist thrust, with its emphasis on controls and the need to establish a strong patron-client relationship between government and the rural community, fitted squarely into the colonial government's development framework. The only difference was the target group of beneficiaries, with more emphasis being placed on smallholder farmers, but without change in the source of supply.

In the second strategy, the thrust was that of development from below or participatory approach. To facilitate people's participation, 55 districts and hierarchical development structures (DDC, WARDCO, VIDCOS) were created through the Prime Minister's Directive (1984). Local government reform process culminated in the 1993 amalgamation exercise that brought together the Rural Councils (European) and District Councils (African) (see Rural District Council Act, 1988). In the process Rural District Councils (RDC) were created. Representation of rural constituencies by race, a legacy of the colonial days, was eliminated and a single administrative structure for a district was established. However, the fact that structural changes or decentralisation have/has not been accompanied by actual participation from below has raised feelings that the whole exercise is basically a move by the ruling party to consolidate its position and control of the rural areas.

Growth points or Small towns approach to rural development featured prominently in the whole rural reorganisation exercise. Each district is served by a designated growth point or a small town as its capital. District level services and facilities were developed at these centres and the administration of the district's activities are coordinated from here. These have in most cases remained at tangent with the rest of the rural economy.

The third approach involved Non-Governmental Organisations (NGOs). NGOs either used line ministries, public enterprises, local government or community-based organisations as conduits to reach their target groups. NGOs over this period placed their emphasis on the improvement of the quality of life of the rural communities in such areas as water and sanitation, health, infrastructural development and the protection of the environment. Although such interventions by NGOs encouraged local participation, very little economic benefit accrued to the local communities.

Incremental benefits in infrastructural development, smallholder agricultural output and social development and environmental awareness were derived from the above centralised and vertically integrated approach to rural development. Nonetheless, the development of small towns and therefore the linkages between local private entrepreneurs and the rural economic activities was negated in the process (Wekwete, 1990; Pedersen, 1990; 1994; Rasmussen, 1990). Instead, a tendency towards extraction of local resources to large cities persisted. Conversely value added products from the large cities found their way into local level small markets dominated by civil servants. One would then be tempted to ask what was it that is missing from the above strategies.

3.0 THEORETICAL OVERVIEW

3.1 SPATIAL ANALYSIS OF REGIONAL MARKET SYSTEMS

Economic relations and institutional arrangements between rural economy and small towns is discussed in this study within the spatial analysis framework. Observations that a systematic and predictable relationship exists between the spatial arrangements of the regional market system, patterns of land use and land tenure system within the region, and by implication, the institutional arrangements that organise production and marketing within the region were made in the path-breaking works of Losch (1954) and Christaller (1966). Since then spatial analysis has drawn the attention of international development agencies, government planners and academics in their quest to explain the problem of rural development.

The existence of a relationship between the spatial arrangement of a region and the institutional arrangements that comprise it suggests the possibility of improving economic opportunities by modifying the location of features such as transport services, bulking facilities, and market centres in order to provide more people with greater access to them (Painter, 1987). However, the mere existence of these relationships did not in itself explain the causative relationship between the two. Painter (*Ibid.*) observed that taken as it is the approach is bureaucratically seductive as it offers a tangible product at the end, and would appear to be of obvious benefit to all concerned.

Two approaches within the framework noted above have been experimented with from the late 1970s and early 1980s. The first, known as the "integrated rural development" (IRD) approach was topical in Zimbabwe among the non-governmental organisations in the mid-1980s. Once the problem to be solved and a region within which to solve it were identified, the IRD approach emphasised on the interrelatedness of all the components of a programme into a complex plan where they are assumed to interact in a systematic manner. It is this all encompassing characteristic that made this approach appealing to both policy makers and academics. But as noted by Painter (1987) these complex project designs fell victim to logistical problems, and difficulties were encountered in coordinating the activities of participating institutions which were in the majority of cases diverse in terms of their technical capacities, development objectives and bureaucratic interests.

Second, the Urban Functions in Rural Development (UFRD) approach can be looked at as a modification of the integrated Rural Development approach, but in fact they assumed currency during the same time. UFRD attempts to identify services and facilities that are essential for a region to develop in a particular direction, and these services and facilities should have multiplier effects throughout the region when they are introduced or improved. The location of the facilities was usually at the small urban centres for obvious reasons. Urban centres are seen as the providers of these critical services, because they represent concentration of people and services relative to the hinterlands that surround them. Therefore, to achieve rural development it was necessary to have a programme of planned growth points and small towns that will promote growth in the surrounding rural areas (Rondinelli, 1982; 1983). In Zimbabwe, this approach was adapted in the late 1970s and the independent government emphasised the centrality of this approach to developing rural areas (see Mishi, 1986; Masuko, 1992).

The UFRD strategy facilitated the identification of key infrastructural requirements and their provision in a more systematic way. However, while the programme was on regional development, it depended exclusively on government resources and those from the NGOs, but did not elicit participation from many of the rural farmers who constituted a major part of the beneficiaries. Although it was a regional project it was implemented from the centre, creating doubts on its sustainability and potential to forge linkages between these centres and the rural economy.

Belsky and Karaska (1986, 1987) in Painter (1987) agree that there is a self-limiting aspect built within the UFRD approach. The principal shortcoming is that it focuses on investments in towns and cities and then assumes that the benefits from these will trickle down to the hinterland. The difference between the early two sector models and the UFRD is that of hierarchy. The former departs from the centre while the latter focuses on decentralised small towns. After observing the above Belsky and Karaska (*Ibid.*) proposed to shift analysis from rural-urban dynamics and focus directly on rural economic development. Emphasis was put on the flows that commodities assumed between small towns and rural areas. While this innovative approach provided an initial attempt to derive an institutional conception of the relationship between producers and traders, they fell short of examining the way in which the relationship between the spatial arrangements of a regional market system and the institutional arrangements that actually organise that system have been applied to the design and implementation of development projects. By failing to escape this relatively obvious dilemma IRD and UFRD approaches, like the two sector models before them and indeed Belsky and Karaska, have frequently treated the spatial arrangements of services and facilities in region as a cause of underdevelopment rather than a product of it.

3.2 CAUSAL RELATIONS BETWEEN SPATIAL AND INSTITUTIONAL ARRANGEMENTS

The causal relationship that was not explained by the earlier approaches and writers as discussed in the previous section was conceptualised by Painter (1987) from a spatial analysis point of view and by institutional economists (see Maki, 1996; Picciotto, 1995; de Alessi, 1988; Ostrom, 1988). Painter (1987) noted that the options that are available to the participants in a market system are a function of the social relations between the exchanging parties. The aspects of these social relations relevant for shaping economic opportunities include difference in the scale of operation, or socially determined need for goods controlled by each, or the ability of one party to outwit or out-exchange the other. These relations are, in turn a function of distribution of the means of production necessary to produce the commodities being exchanged in the market (Painter, 1987). In the institutional economics literature this has been referred to as "initial conditions" (Picciotto, 1995).

Taking from the two schools of thought it is the prior distribution of productive resources that shapes the prices of the commodities that are being exchanged in a particular market system. It then follows that while commodity prices may feed back into the costs of productive resources, over the long term, commodity prices are more reflective of the distribution of resources than they are causal of that distribution. The likely result is that those who enter into unfavourable market relations are rarely able to improve their position simply by being more productive. The smaller resource base of the disadvantaged party is depleted, while the party with greater access to productive resources accumulates more wealth. These social relations which are associated with different patterns of market organisation, have their analogues in the spatial arrangements of market systems.

Institutional arrangements explain in a creative way the interaction of the different actors within the context of a set of social relations discussed by Painter. Institutional economics literature in turn contends that the fundamental economic problem within any market system, is to evolve — whether by design or by accident or a combination of both — a set of rules for channelling competition and resolving conflict (de Alessi, 1988). These rules embedded in a framework of formal and informal institutions (laws and customs, regulations, routine and procedures), sanction the range of permissible behaviour by specifying the nature of the rights that individuals may hold to the use of resources, to income that the resource generates, and to the transferability of the resources to others. The resulting system of property rights (like in the initial resource endowment argument in spatial analysis) determine how the prices whether implicit or explicit are set and thus how the benefits and the harms from the decision are allocated between the ones making the decisions and others (Alchin, 1965; 1967; in de Alessi, 1988). Such rules are self-policed or are policed by an external authority.

It is important therefore that just as reorienting the role of the state in Zimbabwe in economic management is a recurring feature of macro-economic adjustment, the judicious assignment of responsibilities to the public, private and voluntary sectors is critical to the design of institutional arrangements (Picciotto, 1995) at the regional market level. The potentials and limitations of government, private and voluntary sectors have been thoroughly discussed by institutional economists. For this study therefore it is important to have a clear understanding of their respective roles in enhancing development performance. It is no longer an issue of intense debate that the market needs the state just as the state needs the market (see Picciotto, 1995; Klitgaard, 1992; World Bank, 1995). This cohabitation is not trouble free as Picciotto pointed out. Overzealous reliance on one automatically undermines the other, for example through bureaucratic constraints associated with the state or the rent-seeking behaviour associated with the private sector.

In order to put the different actors in the market in their proper situations, it is important to understand the intricate institutional arrangements that knit together different aspects that comprise the organisation of the market. Institutional economics seem to look beyond the failed interventionist doctrine and the state minimalist precept in its attempt to diagnose the institutional aspects of market organisation. Like standard economics, institutional economics focuses on the choices people make in their lives. But it enriches the simple rational choice model by allowing for the pervasiveness of information, human limitations on processing of information, the evolution of norms and the willingness of people to form bonds of trust (Clague, 1995).

Three points of departure to understanding the above are explained below. First, there is need to abandon the narrow maximising rationality in favour of rationality in a true sense. The important fact to notice at the onset is that any attempt to theorise institutions is dependent on rejecting the extreme form of the rationality assumption which includes the idea of perfect knowledge on the part of economic actors (Maki, 1993). The concept of bounded rationality must be introduced in order to capture the true sense of rationality. According to Maki, bounded rationality is behaviour which is intendedly rational, but only limitedly so. There are two noticeable implications of the two attributes of this definition. First, the element of intentionality or conscious social mindedness precludes unintentional habits, customs, and routines from the scope of bounded rational behaviour. Second, the element of being limited or bounded has often been interpreted as a matter of limited cognitive and computational competence.

Since the agents are unable to gather and process the information required for attaining the maximum outcome, they will be satisfied with less. The realisation of asymmetry of information by the different agents brings into light the organisational institutions and their role in information gathering, processing and dissemination. Maki (*ibid.*) succinctly observed this weakness and suggested that it is only because individual human beings are limited in knowledge, foresight, skill and time that organisations are useful investments for the achievement of human purpose.

Secondly, economic explanation should be dynamic or revolutionary. As a rule, there is need to explain economic phenomena as unintended consequences of individual action. The focus will be on outcome rationally where each particular choice situation is assessed as unique and likely to give the highest payoff. The market is used to solve the economic problem through the free interaction of demand and supply on market prices. Prices transmit information cheaply and quickly while simultaneously providing users and owners of resources with the incentive to respond.

Thirdly, besides market prices, economic activity is coordinated by several other institutions which should also be highlighted. The idea is that of a combination of what Maki distinguished as the organic institutions i.e. the unintended consequences of individual actions and interactions and the pragmatic institutions i.e. the results of intentional design.

4.0 CONTEXTUAL ISSUES: MARKET ORGANISATION, INCOME LEVEL AND LOCAL GOVERNMENT CAPACITY

To put the theoretical discussion in section three above into a proper context it is important to discuss the contextual variables that have been researched on during the course of the study. These are market organisation, income levels and local government capacity.

4.1 MARKET ORGANISATION

The fruitful application of spatial analysis to the inquiry into regional market systems is based upon a clear knowledge of the market organisation — market place relationships (Smith, 1977). The former can be defined as the way in which supply and demand interact in space and time to price commodities and the means of their production. Market place on the other hand refers to how the physical channels of market exchange are organised on the ground. Within the spatial analysis literature market place organisation varies as market organisation varies.

Smith (1977) defined four types of regional market systems for western Guatemala. She argued that these had organisational features in common with market systems with similar spatial arrangements in other areas of the world. These types were based on the amount of hierarchy and differentiation among centres, and described them in terms of social relations characteristic of each type based upon the spatial arrangement obtaining in each region.

The first type was an interlocking market system. This is characterised by a well developed hierarchy of market centres, which contains three levels relating to one another in a 1.3.12 ratio. The features of market organisation accompanying this spatial arrangement include a lack of political control over the rural economy, so that the interaction of supply and demand was the primary mechanism for establishing commodity prices, and the lack of concentration and monopoly in both the production and distribution of commodities.

The second system was a dendritic market system, characterised by only two levels of differentiation among market centres, with a high proportion of small centres in relation to the larger ones. Because the smaller centres had only weak links to one another, the prices for commodities not in demand by the larger centres were priced according to local conditions only. Only commodities which were imported to the region through the larger centres or those local commodities which they collected and redistributed were priced on a regional level. The system was characterised by monopoly control of market centres and transport facilities by traders from outside the region, with the result that smallholder participation in commerce was low. Most of the products that left the local areas where they were produced were transported out of the region altogether, and local areas were heavily dependent on commodities imported from outside the region. While the dendritic system was efficient from the point of view of exporting goods from the region or distribution of imported goods to the region from elsewhere, it offered few opportunities for greater local participation in commerce for regional economic growth and development.

The third type of spatial arrangements was the primate market system, where there is a single major centre with no intermediate centres and many small ones. In the primate system, local trade was monopolised by urban merchants and outsiders to the exclusion of rural smallholder farmers and most productive resources are held by enterprises with interests outside the regional economy. As a result of this control of commerce and productive resources by outside interests, the primate system depended upon less developed regions for food and labour and upon distinct, more developed economies for markets.

The fourth type is the top-heavy market system, characterised by a proliferation of higher level market centres and the domination of commerce by rural traders. Rural producers depended upon nearby, less developed market systems to provide many of the commodities they purchased. Production occurred in the context of declining demand of the goods and services produced in the system. This, in turn fostered intense competition among producers and traders to the exclusion of small competitors, and led to concentration and monopoly of commercialisation facilities and productive resources.

4.2 INCOME LEVELS

The second contextual variable is the income levels of the farmers and other groups within a region. The reason for looking at the income level variable is that incomes are seen as a pre-requisite for a dynamic and healthy rural-urban economy (see Southall, 1978). By over looking this variable the IRD and UFRD approaches missed the key to transforming societies characterised by income inequalities. Suffice it to say that the rural households are not homogeneous and indeed their capacity to respond to opportunities is different.

Rural families that are able to provide for most of their subsistence needs through agriculture and produce a small surplus for sale on the market are able to utilise the resources made available through projects that seek to improve access to technical inputs, agricultural credits and markets and other infrastructural facilities. This kind of support enables them to save, invest and accumulate more resources. In case of those facilities that sought to improve the availability of public services such as potable water, health care facilities and schools have had their greatest impact upon that portion of rural populations whose resource base is inadequate to provide a living in the absence of off-farm wage labour (off-farm activities).

Recent studies on the impact of rural income on the structure of market places indicate that it is a prerequisite that the incomes generated are spread fairly evenly. Where land ownership is very concentrated, incomes tend to leak out of the local area to non-local landowners or to market centres outside the local area. Thus small towns seem to grow especially where agricultural reforms have taken place, because only here will growing incomes lead to growing local demand (Hardly and Satterhwaite, 1986a).

Consequently in this section the following issues are going to be looked into, in order to assess whether incomes generated in the district of Shamva lead to growing local demand: first, the differentiation of the smallholder in terms of (i) assets ownership; (ii) income levels from farming activities; (iii) incomes from off-farm activities; (iv) disbursements from outside the region; (v) access to credits/loans for farming activities and for housing. Uses to which the income is allocated and the source of services and goods etc have to be identified.

As land tenure system is important in determining the level of local demand, it is useful to look at the land tenure structure in terms of land surface covered by each category of farmers. Assessment should also be done of the indicators outlined above with respect to LSCF.

4.3 LOCAL GOVERNMENT CAPACITY

The development of small towns also presupposes the existence of a strong, effective, representative and resourceful local government, with investment and revenue raising capabilities (Hardy and Satterthwaite, 1988; Paither, 1987). It is suggested that effective decentralisation allows decisions and priorities to be set at the local level with high probability that these will be in the best interest of the development of rural as well as urban economies under their jurisdiction (Mutizwa-Mangiza, 1986; Wekwete, 1990; Masuko, 1995). Such local authorities would make and/or encourage selective investment in small market towns as a way to influence the pattern of urbanisation and the rate of growth of agricultural production (Rondinelli, 1983).

5.0 ANALYSIS OF RESULTS

5.1 MARKET ORGANISATION IN SHAMVA DISTRICT

Shamva District which is under the auspices of the Chaminuka Rural District Council lies in the North Eastern Region of Zimbabwe. It is part of the Mashonaland Central Province and is 86 Km North East of the capital, Harare, and 28 Km East of the Provincial Capital Bindura. The development of Shamva town and its hinterland are directly influenced by these two towns. Even Mt. Darwin, a fast growing Growth Point has both economic and social claim on the district (for a map of the District see Matanda and Jeche — this volume).

Indeed in terms of market hierarchy the system under review fits very well into what Smith (1977) described as the interlocking market system. This is characterised by a well developed hierarchy of market centres, which contains three levels relating to one another in the form of Harare-Bindura-Shamva. However, the features of the market organisation that accompanied this market hierarchy before reforms are very different to those described by both Smith (1977) and Christaller (1966). While the interlocking market system described by the authors above was characterised by free market institutional arrangements the Shamva market organisation before reforms was characterised by a strong political control and dominated by both public and private monopolies. However, the market organisation that developed after reforms clearly resembles that described by Smith for the interlocking market system.

5.1.1 Market Organisation Before Reforms

It would be useful therefore to look at these two periods separately in order to identify changes and continuities. The period before reforms was characterised by a distinct political control of the rural economy through the setting of prices for rural produce, from grains to oils seeds, beef, milk, etc. Marketing Boards covering the whole spectrum of rural production purchased all the outputs and had the sole responsibility to market the grain to both local and external markets. Local towns were mainly turned into collection and storage points. Although farmers, particularly the smallholder farmers benefitted in terms of reduced transaction costs they indirectly lost as the prices rarely reflected marginal productivity or market value of their produce. Prices were deliberately set by politicians as a way of guaranteeing cheap reproduction of wage labour. However, a reduction in marketed output of grain and oil seed crops particularly from the large scale farming sector was the evident long term result of this marketing set up (see Moyo, 1995). Cash crops such as tobacco and horticulture whose prices are determined by the export market were allocated increasing hacterage. While production was characterised by both smallholder farmers and large scale commercial farmers with very little interaction between them, marketing of output was monopolised by marketing boards. Fertilizers, seeds and pesticides on the other hand, remained a preserve of a handful of private sector monopolies. As a rule the price for both marketed output and inputs was determined outside the market. While the price of agricultural outputs increase arithmetically, that of inputs increased geometrically, leaving the farmer (in particular the smallholder farmer) who depends on non-tradeables worse-off.

The market organisation features described by Smith (1977) for the dendritic market system were characteristic of the Shamva area before reforms. Shamva region like many others in Zimbabwe, was characterised by monopoly control of marketed output and inputs by traders from outside the region with the result that small trader participation in commerce was low. Most commodities which left Shamva were transported out of the region altogether, either to Harare or Bindura for processing. Shamva in turn was heavily dependent upon commodities imported from outside the region. While these market organisation features that characterised Shamva region were "efficient" from the point of view of exporting goods from the region or distribution of goods imported to the region from elsewhere, it offered no opportunities for greater local participation in commerce for the economic growth and development of Shamva District and Town.

5.1.2 Market Organisation After Reforms

The advent of reforms brought with it very important changes in the way in which supply and demand interact with commodity prices and the means of their production. It becomes important therefore to understand how the organisational features have also changed as a result of reforms. Two important changes are evidently clear in Shamva District. These are the changes that took place within the two centrally placed public corporations, the Grain Marketing Board and the Cotton Marketing Board. The operations of these two public enterprises have been adjusted in line with the liberalisation of the marketing of agricultural commodities and the deregulation of commodity prices that came into effect in 1992.

The elimination of the monopoly on crop marketing has brought with it new actors into the market in Shamva, and new relationships have/are being forged between the new actors and the producers, both large and small. New varieties of crops have also found their way into the district. As a rule social relations that shape economic opportunities, which include differences in the scale of operation or wealth between exchanging parties, differences in the relative scarcity or socially determined need for goods controlled by each, or the ability of each party to outwait or out-exchange the other become very pertinent. To add to the above this study acknowledges that initial resources endowments shape the prices of the commodities that are being exchanged in a market at any level. These relationships need to be explored in the context of the Shamva District market system.

The distinctive feature of the current market organisation in Shamva is the absence of political control over the setting of prices for goods traded within the district. Many players are now involved in the marketing of grain. These range from private industrial concerns like National Foods, Chibuku Breweries, Local Small Scale Milling companies, Large-Scale Commercial Farmers (LSCFs), and individual small traders and of course the GMB. In the cotton sector only two participants have been observed. The nature of the industry is such that not many actors can participate in it. Regardless of the number of participants competition has been very stiff between them. These are the Cotton Company of Zimbabwe (Cottco) and Cargill (a new entrant).

The horticulture sector is another sector that is gaining ground in Shamva. The proliferation of indigenous Large Scale Commercial Farmers (LSCFs), and the introduction of smallholder farmers to irrigation schemes changed the face of the horticulture sector that has been dominated by LSCFs. Indeed the market system that emerged after reforms is similar to Smith's interlocking system. To have an appreciation of the above the following sections discuss how the different actors interacted in the marketing of grain, cotton and horticulture products.

5.1.2.1 Maize Marketing

Liberalisation of the agricultural commodities has seen the monopoly exercised by GMB removed overnight. Other changes to the operations of and approach to marketing by GMB are worth noting, mainly because of their influence on the organisation of the market. The notable changes include: first, emphasis by GMB on maintaining high quality maize. This has a bearing on the quantity of maize that the GMB will receive as the strict controls on the moisture content of the grain are exercised. LSCFs, agents of large private sector milling companies and small individual traders and Chibuku Breweries are not very particular about the moisture content at the point of sale.

Second, GMB has become market oriented. Depot managers, with the support of their branch managers, scout for markets to sell their grain. The odd aspect is that the former customers of the GMB are now their competitors in the purchasing of grain. The advantage of the GMB would then be in the purchasing price, but in 1995/96 this advantage was not exploited to the full because of efficiency problems that bedevilled the corporation's payment systems during the two seasons to the 1995/96 season. While the GMB took anything from two weeks to four months, its competitors were paying cash on delivery. There is inevitably underutilisation of storage capacity at the Shamva depot resulting from the effects of these changes.

Third, GMB is required to fully utilise storage capacity at its depot. What the GMB is losing in terms of crop intake volumes it is gaining through the leasing of storage space at its depots. Most of the competitors of GMB do not have storage capacity, with the probable exception of LSCFs. Organisations like Chibuku Breweries, All Commodity (Pvt) Ltd and Crop-Link, Olivine Industries, etc are utilising the facilities and expertise of the GMB to keep their stocks because they do not have their own storage facilities.

The above notwithstanding, the GMB, unlike its competitors, is disadvantaged right from the starting line. They do not offer any incentives (e.g., advance money, inputs, extension service) to the farmers to encourage them to sell to GMB. The only marketing tool they have are the social visits they make to meet farmers during the cropping period. The objectives of such visits are basically to estimate the levels of output. Such factors point to the restricted participation of GMB in grain marketing in Shamva District. Late payments to farmers for grain delivered has worsened the position of GMB as a competitor. Private dealers are paying cash on delivery. However, this situation has created an opportunity for traders to buy cheaply from farmers and sell to GMB at the GMB base price.

The limited role of GMB in purchasing of grain brought into being new social relationships in the market. Two distinct relationships (or rules of the game) can be discussed here. The first notable and of course dominant relationship was the "spot market" type of interaction between the smallholder farmers and the private dealers. The second is the contract cropping between smallholder framers and private companies. LSCFs also enter into these kinds of agreements with private companies.

Smallholder farmers are not new to the market. However, they are used to a regulated market with minimum or no transaction costs to them. The nature of the current market environment involves risk management and transaction costs. It is therefore necessary to understand the composition of this group of farmers and their capacity to manage risk and minimise transaction costs. Studies done on the composition of this group have come to the conclusion that it is not a homogeneous group as previously documented. The poverty assessment study survey data on the Shamva district smallholder farmers support this position. There are well to do farmers (30%) and the poor farmers (70%) (see Table 3 in Appendix). The responsiveness of the two groups to changes are definitely determined by their initial resource endowment (see Tables 1 and 2 in Appendix).

The private dealers on the other hand are comprised of local LSCFs (Shamva

District), locally based private companies (both large and small), large private corporations or their agents, small-scale dealers from outside Shamva District and the individual local traders at the Shamva town market. All but the last category of dealers possess the ability to out-wait and out-exchange the producers in the market. Their strength is in their resource base which included transport, financial resources, storage facilities and information on going market prices. Individual traders come from Murehwa (district east of Shamva) who have been involved in vegetable and tomato trading between Murehwa and Shamva since 1990. When the opportunity to trade in maize arose because of liberalisation of the market, they moved from vegetables and tomatoes to trade in grain. Since 1994 a local maize market was established at Shamva town.

The first relationship is important in that it exposes the kind of social relationships that exist between the exchanging parties and the options that are available to these participants in the market. Observations indicate that the wealthier group of peasants has the ability to hold on to their commodities in anticipation of better rewards than the poor category of peasant. This category is made up of households that have other sources of income other than farming. They are not therefore vulnerable to socially determined needs for cash that the dealers bring with them. Such demands as school fees, purchasing of inputs for next cropping season, household consumption requirements have little bearing on their decision to sell. As a rule return on capital is the major criterion. They also have more secure storage facilities and own all the basic productive means, wading off any need for hired equipment. The same cannot be said of the other group of smallholder farmers (80%) who depend on cash resources from crop sales, or off-farm wage earnings from within the region. This is a group that has the least information or none on the market prices, their capacity to process information is next to zero and in most of the cases are not members of farmers' groups (see Sibanda and Arnaiz, this volume).

Grain trade in Shamva during the 1995-96 cropping season pitted the two groups of smallholders discussed above, on one hand, and the dealers on the other. While initial observations show that the majority of the first category of smallholder farmers sold some of their maize crop, they also retained much of their output in anticipation of higher prices (come drought or come January) when grain will be in short supply. The poor peasants were forced by circumstances to sell their grain at prices below the GMB base price of $1 200 per ton and the Zimace market price which averaged around $1 250 per ton. The price of $840 dominated the transactions entered into between these two parties between May and August. Supplies from the poor peasant categories would have been exhausted between this period. They are therefore excluded from the September to April marketing period when demand for grain is high and so are the prices. The bargaining power of the smallholder farmers during the May to August period, besides being weakened by externalities, is further weakened by the over-supply that followed the bumper harvest. Payment delays and stringent quality control mechanisms by the GMB also contributed to the high transaction costs that were experienced by the smallholder farmers. The price stabilisation role of the GMB was non-existent.

The rent-seeking behaviour of the private sector dealers is quite obvious. This was achieved by out-exchanging the poor smallholder farmers. Some local LSCFs and established politicians bought maize from desperate farmers which they then sold to the GMB or to private companies such as Chibuku Breweries. They took advantage of their access to storage and drying facilities. Chibuku Breweries was in November 1996 already buying grain at between $1 300–$1 400 per ton. Interesting to note is the fact that LSCFs had by April to June 1996 sold their maize crop to the GMB at import parity price. Resource endowment in terms of water and irrigation facilities, and other productive resources enabled the LSCFs to plant early and harvest during a period of high pent-up demand for maize that had been precipitated by the past droughts (1994–95). They were actually the determinants of price levels during this period.

Private companies are storing the grain at GMB depots for onward transmission to their milling or manufacturing plants in Harare. The majority of the upper smallholder farmers have also managed to rip some benefits from the contested market. Transactions were entered into between these farmers and Chibuku Breweries as late as November 1996 at the going market price. What was not observed was whether this group of farmers also purchased maize from their poor smallholder counterparts. However, of the dealers, individual traders purchased small quantities as they do not have the storage facilities. But this does not affect them negatively as their mark-up varied proportionately with the increase in the cost incurred.

Contract cropping is the second way of interacting in the market between producers (smallholder and LSCFs) and dealers followed in Shamva. Contract cropping in maize was not widely observed in Shamva particularly during the 1995-96 season. However, during the drought years major private companies entered into contracts with LSCF farmers. There were virtually no contracts signed with smallholder farmers. The advent of rains during the 1995-96 season would have put the contracted parties in a difficult situation because of the relative oversupply of maize which saw prices tumbling down to $840/ton. However, the grains such as sorghum that are necessary for the production of traditional beer and are never oversupplied were tied to contracts. Smallholder producers featured prominently and so were LSCFs.

Contracts can be verbal (gentlemen's agreement between the seller and the buyer) or they can take the form of a legal document. In order to understand this form of interaction it is important to explain the institutional arrangement that governs the contract system. The level of transaction costs to either parties will also be easy to understand. To minimise the transaction costs to both the seller and the buyer: (1) rules that govern the contractual agreement should be known in advance; (2) the rules should be enforced; (3) a monitoring mechanism of rules should be in place; (4) a conflict resolution instrument should reinforce the above and; (5) if there is any amendment to be done to the rule it must be timely. Were the contractual agreements entered into by sellers and buyers in Shamva carried out within the context outlined above?

The contracts that were signed between Chibuku Breweries and the farmers complied with the above elements essential to the reduction of transaction costs. Prices are set in consultation with the farmers on advise from Agritex. Seeds are sold to the farmers and packaging material provided by Chibuku Breweries, who also provide a guaranteed market to all the farmers' output. Farmers provide their own transport. All these details are contained in the legal document that is signed by the two parties, with the understanding that law enforcement agents will assist in enforcing the agreement and the assistance of the courts of the land would be sought in cases were either party fails to honour the agreement.

Advantages of this type of marketing organisation accrue to both parties. Cash on delivery is guaranteed to the farmers who also find inputs and packaging materials under one roof. Prices are guaranteed before farmers commit themselves. This enables farmers to plan the planting hacterage and know their likely returns. Indeed this is a confidence booster to farmers. Contract agreements were also entered into between sellers and buyers in cotton and horticulture. These will be discussed below.

5.1.2.2 Cotton Marketing

Shamva district is known for cotton growing. Before the liberalisation of agricultural marketing the Cotton Marketing Board was the sole participant in the marketing of cotton. Like in grains prices were determined at the top and away from the market place. The freeing of the market saw two more participants into the cotton industry, Cotpro (an organisation formed by LSCFs) and Cargill (a large multinational corporation). But only two companies, Cottco and Cargill were observed in Shamva district. Commercialisation of Cotton Marketing Board into a 100% government owned private company (Cottco) brought important changes to the company.

One of the objectives that these changes brought is the emphasis on profitability and efficiency. The major steps that were taken by the new company towards achieving that objective was to rationalise its operations, assets and infrastructure. Indeed, closing of non-profitable depots was one of the first measures adopted. The Tafuna depot in Shamva was the first victim of this exercise. Ironically the sole competitor to Cottco in the district, Cargill, is currently leasing the depot.

The two forms of interaction between sellers and buyers discussed in the grain marketing section above also apply to cotton marketing. While Cottco uses both the contract cropping and the "spot sale" strategies, Cargill favours the latter. The insistence by Cargill on the "spot sale" market strategy and the cash on delivery scheme created problems for the Cottco's contract cropping scheme and brought relief to farmers both those contracted to Cottco and individual producers. Farmers had the opportunity of getting rid of their product as soon as they delivered it to Cargill depot. Besides receiving their cash on delivery the cotton was not subjected to rigorous quality checks that are conducted at Cottco.

Cottco's contract cropping scheme was quite popular with the poor peasant farmers in Shamva district. On the scheme farmers are provided with seeds, chemicals, packaging material etc. before the cropping season. All these costs are deducted from the farmers' sales at the end of the season. Signed contracts are then entered into between the two parties stipulating that the produce would be sold to Cottco who will in turn deduct the advance payment to farmers before the remainder is disbursed to them. The scheme has however, been made vulnerable to abuse by the emergence of an alternative market.

Defaulting rate has increased sharply this season as farmers opted to sell their output to Cargill, in defiance of the contract agreement. Between the 1992/93 season and the 1994/95 season the recovery rate averaged 92%. Operating in a competitive environment has reduced this average to 55% during the 1995/96 marketing season. This is a drop of about 37%. In an attempt to recover their advance payment Cottco has moved swiftly to expropriate the farmers of equipment (ploughs, cultivators, scotchcarts etc). These are sold after two weeks if the defaulters do not bother to follow and settle their accounts.

There is no doubt that the arrival of Cargill in the district has brought with it competition in cotton marketing and this will contribute to the expansion of cotton production. It is also quite evident that the availability of an alternative market has adversely affected the contract cropping scheme devised by Cottco to assist the poor smallholder farmers. As a result there is the likelihood that Cottco will stop the scheme or tighten the screening of recipients. Either of the two will definitely have an impact on the production of cotton in the district and probably increase the number of the very poor. The poor peasants, who did not have starting capital of their own, are the major beneficiaries of this Cottco credit scheme.

5.1.2.3 Horticulture Marketing

This is a sector that has been dominated by the LSCFs over the years for a number of reasons. Technology requirements in this sector are high, access to water and irrigation equipment is limited among the smallholder farmers and the markets for these products are mainly outside the country. Gathering and processing of information at this level is not within the reach of smallholder farmers.

However, the increasing number of indigenous LSCFs in Shamva has increased over the years from three in 1988 to 16 today (1996). All of them are venturing into the production of horticultural commodities. An irrigation scheme (Principe Irrigation scheme) has been established in the district, and horticulture has featured prominently on this scheme. The two problems of technology and access to water seem to be falling away as constraining factors. But one of access to markets has stubbornly remained.

It is at this level that local LSCFs and local private manufacturing companies and dealers who all have access to market information become important. From the interviews it was gathered that both LSCFs and fruit and vegetable canning companies have entered into contracts with producers. They in turn either sell the products to export markets or process them in factories in Harare, Mutare etc. Contracts between indigenous LSCF and the established LSCF, private manufacturing companies and dealers are legally signed documents in the majority of cases. The problem observed was one of the more advantaged partners out-exchanging the smallholder irrigation farmers because of the asymmetry of information between the two parties. In one case one exporting company bought cow peas from an indigenous farmer for 15c/kg but fetched $115/kg on the export market. The solution to this problem would lie in by-passing the middlemen and dealing directly with the shipping companies who would provide information directly to indigenous farmers on the total costs involved, market price of the specific product, quality standards expected etc. However, another problem currently make this proposal invalid. They lack the necessary specialised equipment such as cold rooms, driers and grading machines that would help them achieve the required quality standards.

Smallholder farmers on irrigation schemes enter into contracts with private businesses to produce specific crops such as cow peas, soya beans, paprika etc. The contracts have been verbal in most cases. Private buyers would encourage farmers to plant certain varieties with the promise that they would buy all the harvest. Seeds and chemicals are normally provided for before planting. The most contagious aspect of the agreements is the price formation process. Private buyers have not been willing to discuss prices until after the farmers have planted the purportedly contracted crops. Prices are simply announced to farmers who at this time cannot bargain for anything better as there is no other ready market for these products. In other words, private buyers are out-exchanging the smallholder farmers due to their monopoly position in the market, and because the farmers lack the knowledge of the existence of a sound and predictable legal framework governing marketing relations.

5.2 INCOME LEVELS IN SHAMVA DISTRICT

The income variable is considered as one of the important variables that has considerable effect on the level of demand in each region. The prevailing land tenure system is closely related with how the incomes are distributed within the region and the use to which the income is put. The source of satisfaction of the different landholders has a strong bearing on the level of demand within a given region. Indeed this section focuses on the level of income in the Shamva District, the land tenure system and the source of satisfaction for the different landholders.

Only two tenure systems will be addressed in this section. These are the smallholder farmer (communal and resettled farmers) and the LSCFs. Land distribution between these two systems in Shamva after accounting for the land under National Parks is more or less even.

5.2.1 Incomes from the Smallholder farmers

The smallholder farmers, unlike the LSCFs, retain part of their maize crop output for their consumption. However, cotton which is a cash crop is marketed *in toto*. In view of the above only marketed volumes will be used in determining or estimating the revenue that accrues to smallholder farmers. The results of the survey indicated that 97% of the sampled households plant maize and 55% cotton. Although groundnuts is planted by 32% of the households it is mainly for consumption. Only 4.7%, 12.8% and 10% cultivate tobacco, sorghum and sunflower respectively. Whereas these are cash crops their contribution to total revenue is marginal at district level compared to maize and cotton.

Remittances are also a source of revenue for the rural people. About 34.6% of the interviewed households receive cash from their families outside the district. A reverse process was also observed, where 22% answered positively to remitting resources out of the district. Those who have moved into horticulture production (e.g. irrigation farmers) are market-oriented producers and have money all year round. Nonetheless data on remittances and sales information from the irrigation scheme were not readily available. As such only marketed output figures for maize and cotton will be used to estimate the revenue that accrues to the smallholder farmers. The figures that are going to be derived from the resultant computations would therefore constitute the minimum revenue expected.

The total maize output that was marketed during the year 1994/95 was 5 560 tonnes. Total revenue generated from the sale of this tonnage amounted to Z$6 116 000. However, this was during the year when below normal rainfall was registered. If the figures from normal years are used and the price per ton for the 1994/95 cropping year is maintained, as much as Z$14 167 494 would have been realised.

More revenue is realised from cotton. Marketed output averages 2 498 tonnes or 2 498 000 kgs per annum, at an average price of $5.20/kg. This, translated into value terms, amounts to Z$12 490 000. The total minimum revenue from the smallholder farmers for the district from crops and other sources would therefore be Z$26 557 494.

Of particular importance to this study is how the money is used. Most of the money generated within the district is used to buy food and inputs, taking 53% of the total income of smallholder farmers. Clothes, education, repayment of credit and purchasing of assets account for the rest.

The major source of these products (consumables, inputs and assets) are the retail shops. About 67% of the farmers buy their maize seed and clothing from this source. Retail shops account for 35% of all the fertilizer that is bought by farmers in Shamva. Local depots of Cottco are also a major source of cotton seeds. Retail shops are scattered all over the district but what is not clear at this stage is whether they are accessible to the farmers in terms of availability of the required commodities. There is no doubt however, that the shops at Madziwa Growth Point and Shamva town are accessible to the farmers as they are well stocked and have a wide variety of goods. Indeed much of the smallholder farmers' income is used within the district and is likely to have a substantial impact on the structure of demand within Shamva district, if agricultural productivity is increased and if prices respond positively to competition as has been observed in the cotton market.

5.2.2 Income from LSCFs

The predominance of LSCF land ownership would translate into high demand for large quantities of inputs, such as seeds, fertilizers, pesticides and fuel and probably less demand for consumables, food, clothing etc. The large quantities of the inputs would have a determining effect on the possible sources of satisfaction. The little data obtained from LSCFs, confirm the above. Most inputs, which are bought in bulk by individual farmers are sourced from companies whose branches, depots or factories are only found in Harare and Bindura. In this regard demand is shifted from Shamva town to the former two towns. Indeed this could also be possible with the source of household consumables. Incomes from this sector are very high as indicated by the following statistics. Using the estimates for 1995/96 season for hand-picked cotton in the Mazowe Valley and North East Group, farmers had gross margins of anything between $820,60–$5 074,75 per hectare. This means that for an average hacterage of 150, the farmer can expect between $123 094,50 and $761 212,50 per annum from cotton. For maize gross margins fall between $906,67 and $2 356,04. Taking an average of 80 hectares for the region this means each farmer will realise anything within the range of $78 533,60 and $188 483,20 per cropping season. From these two dryland crops an individual commercial farmer can reap anything between $195 628,10 and $949 695,70 per cropping year. If an average of 25 commercial farmers (identified during the survey) is taken into account, a maximum of $23 747 392,50 is realised from these two crops. Tobacco and irrigated crops have not been included.

Taking these figures and the source of satisfaction into consideration, it is very clear that LSCFs contribute very little to the creation of demand in the district of Shamva because much of their business is done outside the district. This points to the fact that land tenure system has to be at the centre of all the policy debates on rural economic development and the creation of economic opportunities in rural areas. The above becomes more relevant to districts like Shamva.

5.3 LOCAL GOVERNMENT CAPACITY

Chaminuka Rural District Council is the institution that exercises delegated authority over the Shamva district. It provides a range of services to its constituency that involves smallholder farmers, irrigation scheme, LSCFs, mining, industrial, commercial and services sectors and the general Shamva community. The services that Chaminuka RDC provide are quite diverse because it has an urban area for which it has some responsibility. However, the capacity of the RDC to provide these services is a function of a number of factors. Among them the following could be mentioned: finances, technical staff and equipment.

Financial insecurity that is experienced by the RDC emanates from their weak income base and the small government grants and the lack of urgency when disbursing the funds already provided on the part of government. Revenue generating capacity has been used in many studies to determine the capacity of local authorities to provide services and necessary infrastructure for the benefit of their constituencies and to lure investment (Masuko, 1995; Hlatshwayo, 1992). Data from a study by Hlatshwayo (1992) indicate that Chaminuka District Council's capacity to raise revenue is very limited. Government grants to the District in 1990 accounted for 60% of total income for the district. From their local revenue they could only support 61% of their administrative expenses with the remainder catered for by government grants. The conclusion that one can make from the above information is that the district was heavily dependent on central government for its operations. Indeed the scope for resourcefulness both in terms of revenue generation and aggressive investment drive was limited.

Technical staff with skills in the specialised areas like engineering, audit and planning are rarely found at the local level of government like Chaminuka RDC. This, together with the lack of equipment, affect the Council when it comes to providing essential services to prospective investors, preparing strategic plans, equipment inventories and processing of vital information on the socio-economic features of the district. To add to this is the lack of chairman's powers at this level which would speed up the implementation of decisions made by Council.

According to the survey, a number of factors need to be put in place before serious investors can consider investing in Shamva. Ranked by their importance the following factors need addressing: surveyed stands, title deeds, availability of skilled manpower, improved infrastructure and water. Council regulation was considered to be promotive of investment, which means that a starting point to creating a conducive environment for investors is there. As a rule and regardless of a well developed infrastructure, Shamva continues to lose investors to nearby Bindura town. The proposed Sugar plant which was initially earmarked for Shamva town is one example of big investments now going to Bindura. Divestment is also taking steam out of Shamva town and most of those divesting have chosen Bindura as their next stop. Cottco and the National Railways of Zimbabwe were the first to move. Chibuku Breweries has finalised all the necessary steps towards phasing out their operations and will shortly move on to Bindura. However, it seems there are other factors associated with the competitive marketing environment beyond the capacity of Council that are also contributing to the movement of investors. However, the capacity of Council remains a major contributory factor as is highlighted below.

The effectiveness of the RDC to provide services to the general community has been questioned. An emerging maize market at the town is doing business in the open for the past two years. The same can be said for the flea (clothing market) and the vegetable markets that do not have shelters from where to conduct their business. Respondents from these markets indicated that they would be able to meet the rentals if Council provided market structures and storage facilities.

One would therefore hope that with the amalgamation of the former Rural and District Councils in 1993, the emerging RDC would be strong, effective and resourceful as the resource base has been widened to include the mining activities and the LSCFs. The injection of specialist manpower and the restructuring of the RDC management structure and indeed the decision-making body, would contribute to effectiveness of Council. This phase of development of Council could not be captured by this study as no information on these issues was readily available.

6.0 RESEARCH FINDINGS

The market place organisation has been defined elsewhere in this study as the arrangement of physical channels of market exchange. The theoretical argument developed in earlier sections is based on the premise that market place organisation varies as market organisation varies. This section therefore will try to identify whether there has been any changes in the organisation of the market place in Shamva as a result of the shifts in institutional arrangements discussed in the above section.

Attention is therefore drawn to the growth of small towns and their relationship with their hinterlands. Small towns are viewed as the most strategic key to problems of rural development in that they provide incentives and innovations necessary to increase rural productivity and incomes (Southall, 1978; Rondinelli, 1983). Easy access to inputs and ready markets for agricultural output and of course transport services etc, place small towns squarely at the heart of rural progress. As a rule, the power relations at the urban-rural interface discussed by Hardly and Satterthwaite (1986, 1988) come to mind. Consideration has been given to economic flows between small towns and the rural economy and how changes in these flows influence the level of diversity of services and therefore accessibility of small towns to their rural hinterlands.

Deprivation of small towns has been observed where deliberate attempts have been made to replace the private sector operating in small towns like Shamva, with highly centralised and vertically integrated parastatals (Cleaver, 1985). Indeed before reform, parastatals dominated the economic activities of the district and had a well established infrastructure at Shamva town. All the functions (supply of inputs, credit, market facilities, monopoly in purchasing of output, setting of prices etc.) were performed by the public monopolies and private monopolies mainly from Harare and Bindura. Networking as a rule followed this same structure and undermined the development of local entrepreneurship and the role that these play in shaping rural household perceptions on available goods, services and investment opportunities.

Change was observed after the liberalisation of the market. First is the "shrinkage" of state monopolies. This reduced the involvement of GMB and CMB in the marketing of agricultural commodities. Second, private firms from manufacturing companies, private dealers, middlemen and individual traders emerged to fill the gap left by the retreating state enterprises. Third, new institutional arrangements developed to organise the interaction of buyers and sellers. These ranged from "spot sales" marketing strategy to legal and verbal contracts and the setting of prices.

What has not changed though is the product flows. Many of those who responded to the opportunities created by the "shrinkage" of the public enterprises were from outside the Shamva district. These are companies such as Olivine Industries, National Foods, Hortco, All Commodities who transferred the purchased commodities to their factories in Harare. Chibuku Breweries and two small milling companies are the only notable companies that processed maize and sorghum for beer-making and mealie-meal respectively. Individual traders (who are only six) have established the only significant local market place for maize grain. LSCFs on the other hand, sell either to the GMB, Chibuku Breweries or to the private companies. Horticultural products are either sent to Harare's Mbare Musika Market or are exported out of the country. A survey of the 35 market places in the district identified a total of 115 enterprise. Only 2.7 percent of the respondents are either in manufacturing, hardware and milling. Although there has been an increase in the number of enterprises established after 1990 the predominance of the services sector and the commercial sector is quite obvious.

In other words the changes in the organisation of the market had little impact on the organisation of the market place. However, changes in the market place can be observed if the changes in the importance of the three towns in the market hierarchy discussed earlier on is taken into account. The interlocking market system remains the most relevant characterisation of the market relationship between Harare, Bindura and Shamva. The second town in the hierarchy is benefiting most from the changes that have taken place in the organisation of the market system in Shamva district.

If the organisation of an urban system depends on the structure and size of its economic base, it would then be a fact that organisational changes observed at Shamva Town are proportionate to the structure and size of its economy. This would further assist to explain why Bindura market is benefiting more from the changes taking place around it. A closer assessment of the structure and size of the economy surrounding the town tend to confirm the above. Shamva Town is located in a farming area dominated by LSCFs. The communal land of Bushu which is to the North of the town also has easy access to Shamva Town. However, the resettlement areas which are further North and the Madziva communal areas to the North West are connected to either Mt. Darwin Growth Point or to the town of Bindura by the Shamva-Mt. Darwin road or Bindura-Madziva-Mt. Darwin road respectively.

An analysis of the income variable indicated that the LSCFs economy that surrounds Shamva Town does not depend on the town for their inputs and consumables. They actually by-pass the town. The issue of accessibility also comes to mind. Although from the point of view of infrastructure (roads, telephones) Shamva Town is accessible to the LSCFs, it is not accessible to LSCFs as a source of supply. It is also not accessible to the rest of the smallholder farmers due to its location which is to the South East of the district.

The proliferation of retail shops at service centres and Madziva growth point provide the necessary inputs to smallholder farmers who normally purchase in small quantities. Of importance to note is the effect that Mt. Darwin and Bindura have on the district of Shamva. These two have a strong claim on the Shamva District, making the size of the economy that Shamva Town can lay claim on, very small.

However, it is also argued that access to market facilities and services is an outcome of economic opportunities or their absence and not the cause. The questions that can be posed are: Which opportunities have reforms created? Are they likely to shift the economic flows in favour of Shamva Town? A number of non-farming activities have been established since 1990 in the district mainly by women. The objective is to supplement their incomes from crop sales. These are still very small projects that their likely impact on the economy for now is insignificant.

The development of an irrigation scheme at Principle has introduced new changes to the economy of Shamva, in terms of technology, input utilisation and crops grown. The main problem affecting increased interaction between this scheme and the town is that most of the crops grown (e.g. cow-peas, paprika, etc.) are not traded at Shamva town but are purchased by companies from outside Shamva for export. Green mealies, vegetables, tomatoes are sold from the scheme to villagers or are transported to Harare's Mbare Market. Little of these find their way to Shamva town. Indeed most of the inputs and technologies are brought to the farmers by the contracting party in most cases the buyer.

However, the competition that has been brought about by Cargill and the strength of Cottco in the cotton industry is likely to increase cotton production in the district. The same cannot be said for the maize sector, where an influx of rent seekers actually left the poor category of peasants poorer. This was because of the weaknesses of the GMB as a competitor which are unlikely to surface again this season. The presence of GMB as a buyer of last resort will probably help to increase the bargaining power of the peasants or simply provide the necessary alternative to those whose ability to access and process information is limited. Increased competition in an environment where information is accessible to all players will definitely increase productivity and therefore income to the peasants. In turn demand will increase in the district. Whether this demand is channelled to the Shamva Town is still debatable given its location *vis-a-vis* Bindura and Mt. Darwin.

A shift in the structure of the economy surrounding Shamva town could create demand for the services that the town provides. A change in the land tenure system would see a corresponding shift in the source of satisfaction from towns like Bindura and Harare to Shamva Town. There are nevertheless a number of factors that need to be looked at before the above can be judged as conclusive. However, what is not in doubt are the economic opportunities that are likely to be created by a change of the tenure system from large scale to smallholder schemes, both for the farmers and the town.

7.0 CONCLUSION AND RECOMMENDATIONS

7.1 CONCLUSION

The findings show that development strategies of the 1980s treated the spatial arrangements of services and facilities in Shamva as a cause of underdevelopment rather than a product of it. Such strategies, although important in terms of infrastructure development, failed to create economic opportunities that would have facilitated the participation of both farmers and rural entrepreneurs.

The introduction of ESAP from 1990 revamped the development strategy from one where the state was a major actor to one where the role of the state was reduced to the minimum. Private entrepreneurs filled in the gap that was left by the state, in response to price signals. Prices, which before 1990 were administered by the state, are currently set by the market. New institutional arrangements compatible with the market economy are also developing apace.

These new developments, it appears from the findings, have attracted more private entrepreneurs from outside the region of Shamva than the local entrepreneurs. Where local entrepreneurs have been involved, like in maize marketing, milling income generating projects, it has been at a very small scale. Maize marketing was dominated by rent seekers, both large and small (mainly from outside Shamva). It seems the rent-seeking behaviour was also encouraged by the marginal role played by the GMB as a buyer of last resort. In the cotton sector where CMB participated actively, a competitive environment developed with the coming in of new participants like Cargill. Unlike the poor prices recorded in the maize market and the negative effect on the smallholder farmers' capacity, price signals to farmers in the cotton sector were encouraging. Indications are that many smallholder farmers would shift to cotton growing.

The town of Shamva remained an administrative centre. A number of factors work against Shamva town. These include:

1. its location which is not central to the economic activities of the district;
2. a number of growth points and business service centres provide the same service and products as Shamva town;
3. the land tenure system that surround Shamva which is basically LSCFs;
4. the size and structure of the economy that Shamva has access to. Changes where observed in Bindura town with some important investments taking shape. One such investment (sugar plant) has the capacity to create different opportunities for Shamva farmers.

Economic flows did not change. However, instead of the usual Shamva-Harare link, Bindura town is slowly developing into an important centre for the region where exchange between farmers and urban traders is taking shape. Questions can still be asked whether Shamva town is indeed supposed to be the hub of economic activities in the district, given the size and structure of the economy around it and the current developments taking shape in Bindura town.

7.2 RECOMMENDATIONS

7.2.1 Competition is healthy for the rural economy. It creates economic opportunities, reduces transaction costs and provides incentives to smallholder farmers to produce for the market. But for these benefits to accrue to smallholder farmers, former parastatals should remain as strong competitors in their respective sectors to avoid rent-seeking behaviour and protect the smallholder farmers who have little in terms of resource endowment and have no access to information.

7.2.2. Rules and regulations provide the institutional framework within which producers and traders interact. These together with the enforcement procedures should be known by both producers and traders to avoid a situation where the more informed traders take advantage of the poor smallholder producers.

7.2.3. Commercialisation of smallholder agriculture leads to the need for services provided by small towns and would increase the size of the economy to which small towns lay claim. Programmes and crop varieties that encourage smallholder farmers to produce for the market should be vigorously pursued.

7.2.4 Land tenure systems have an impact on the structure of the economy surrounding small towns. The accessibility of the town to producers is also a function of the above. Smallholder farming should be encouraged over large-scale farming if small towns are to grow and deepen the small town markets.

7.2.5 Economic flows within the rural economy can be increased if most of the processing of agricultural produce is carried out at the local level. This will also increase trade between small and large towns. Infrastructure, such as industrial parks, shell factories, equipment and incentives should be provided at Growth Points and small towns for small and medium scale indigenous investors.

7.2.6 The current RDC capacity building exercise should also focus on the social capacity of RDC. This involves identifying the mobilisation of the people for development.

7.2.7 Further research is needed to establish beyond doubt whether the size and structure of the economy in the Shamva district is indeed big enough and influential to the level and nature of development that is taking place at Shamva town *vis-a-vis* developments taking shape in Bindura. A comparative study between Shamva and Gokwe South (where there are no large scale farms) would be useful. The results could be very useful for the current debate on the importance and centrality of Growth Points to rural development.

APPENDIX

Table 1: Communal Areas (Shamva)

Asset	Have %	Have Not %	Mean Number
1 Bicycle	26.6	73.4	0.266
2 Car/Lorry	3.0	97.0	0.030
3 Cultivator	44.6	55.4	0.446
4 Harrower	13.2	86.8	0.132
5 Planter	3.0	97.0	0.030
6 Plough	72.3	27.7	0.723
7 Radio	53.5	46.5	0.535
8 Scotchcart	39,8	60.2	0.398
9 Sledge with tyres	1.6	98.4	0.016
10 Sledge without tyres	0	100	0
11 Tractor	0.3	99.7	0.003
12 TV	6.5	93.5	0.65

Whether anyone in the household is involved in off-farm activities?

Response	%
Yes	42.5
No	57.5

Source: Main Questionnaire: Shamva Study

Table 2: Resettlement (Shamva)

Asset	Have %	Have Not %	Mean Number
1 Bicycle	38.0	62.0	0.380
2 Car/Lorry	2.5	97.5	0.05
3 Cultivator	54.4	45.6	0.544
4 Harrower	13.9	86.1	0.139
5 Planter	3.8	96.2	0.038
6 Plough	94,9	5.1	0.949
7 Radio	62.0	38.0	0.620
8 Scotchcart	59.5	40.5	0.595
9 Sledge with tyres	1.3	98.7	0.013
10 Sledge without tyres	0	100	0
11 Tractor	5.1	94.9	0.051
12 TV	7.6	92.4	0.076

Whether anyone in the household is involved in off-farm activities?

Response	%
Yes	44.3
No	55.7

Source: Main Questionnaire: Shamva Study

Table 3: Households Percent Geographical Distribution of Poverty and Sector, Mashonaland Central Province, 1995 Poverty Assessment Study Survey

	Very poor %	Poor %	Non-poor %	Total households number
Total	48	19	32	1 329
Rural	53	20	27	1 091
Urban	27	18	55	238
Administrative Districts				
Bindura	35	19	46	226
Centenary	51	29	19	72
Guruve	51	20	29	140
Mazowe	40	25	35	374
Mount Darwin	60	16	25	253
Rushinga	73	7	21	92
Shamva	49	16	34	172
Sectors				
Communal Lands	67	13	19	558
LSCFs	32	32	36	387
SSF and Resettlement Areas	53	12	34	146
Urban Areas	27	18	55	238
Rural				
Bindura	44	19	36	118
Centenary	51	29	19	72
Guruve	51	21	28	122
Mazowe	45	27	29	294
Mount Darwin	60	16	25	253
Rushinga	73	7	21	92
Shamva	54	16	29	140
Main Urban Areas				
Bindura	26	18	56	108

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