Post Independence Land Reform In Zimbabwe

CONTROVERSIES AND IMPACT ON THE ECONOMY

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POST-INDEPENDENCE LAND REFORM IN ZIMBABWE:

Controversies and Impact on the Economy

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Economic Structural Adjustment Programme (ESAP): Precursor to the Fast Track Resettlement?

Godfrey Kanyenze

Introduction

In 1991, the Government of Zimbabwe abandoned its highly interventionist economic strategy and adopted a market driven Economic Structural Adjustment Programme (ESAP). A major objective of ESAP was the reorientation of the economy from the production of non-tradable to the production of tradable goods.[19] Through a sustained depreciation of the exchange rate, the prices of tradable goods rise relative to those of non-tradable goods, thereby shifting the domestic terms of trade in favour of tradable goods relative to non-tradable goods. All other things remaining equal, the tradable goods sector becomes more profitable relative to the non-tradable goods sector. Following this shift in relative prices, producers are expected to shift from the production of non-tradable to the production of tradable goods, with output and employment growth expected to be faster in the tradable, relative to the non-tradable goods sector.

This chapter explores the impact of ESAP on the quality of life for small - scale farmers and the rural population. Small-scale farmers emerged out of attempts by colonial rulers to decongest the communal areas by promoting a class of successful (master) farmers, who were then allocated larger pieces of land (30-300 acres) in the newly created African Purchase Areas (APAs). This class of 'large' peasants became known as the small-scale commercial farmers. It is the welfare of these, and that of communal farmers during the period of ESAP that this chapter is about.[20]

The chapter is organised as follows. While the first section provides an introduction, the second examines the post-independence, pre-ESAP period (1980-90). The analysis suggests that some gains were made through the rapid resettlement

[19]Tradable goods are those goods that have the potential to be traded, while non-tradables are goods whose prices are determined on the basis of domestic supply and demand (mainly services).
[20] For a more detailed discussion of these, see Moyo (1987).

programme of the early 1980s. However, due to non-marginal declines in credit lines, provision of extension and other services by government, reduction in the number of collection points for grain from the communal areas, the gains were substantially reversed. It also emerged that only a small section of the small and communal farmers benefited from the expansion in agriculture during the period 1980-1987.

The discussion shows that the redistributive policy of the 1980s had its own unintended effects. It resulted in the widening of the gap between government expenditures and revenues, resulting in the process being unsustainable, especially in the context of rising inflation, stagnating growth, depressed state of investment and growing unemployment. Under pressure from the International Financial Institutions (World Bank and IMF) among others, government abandoned its highly interventionist approach to economic management and adopted a market-driven economic policy.

The second section concerns itself with the impact of ESAP on the well being of small scale and communal farmers. The analysis suggests that the observed decline in the role of the small and communal farmers was exacerbated by ESAP, with growing poverty and further marginalisation of the sector. Lines of credit to the sector, provision of extension and other services, reduction in the number of collection depots in the communal and smallholder sector, and the removal of subsidies and general recourse to markets disadvantaged this sector. As a result, this sector was largely left out from the growth that accrued mainly to the large-scale sector. Government policy shifted markedly during the mid-1990s from assisting the small and communal farmers to focus on the de-racialization of the large scale farming community. Owing to their increased poverty and marginalisation under ESAP, disadvantaged groups started mobilising and fighting for recognition in the second half of the 1990s. This effectively brought back to the centre of national politics the land issue.

The third section provides some concluding remarks on the issue. It argues that without access to factors of production, the small scale and communal farmers did not benefit from ESAP. ESAP benefited the large-scale commercial farmers and the small-scale farmers that had access to means of production. In other words, those that had been historically advantaged were the main beneficiaries of ESAP, effectively relegating the black majority into further poverty. The chapter concludes by arguing the case for a new development approach (human development) that puts people first.

The Pre-ESAP Period: 1980-90

At independence in 1980, Zimbabwe inherited an economy that can best be described as dual (uneven, separate development) and enclave (isolated). A relatively well-developed and sophisticated formal economy co-existed with a relatively underdeveloped and backward rural communal economy, yielding a highly dualistic economy. The ownership of resources, and especially land, during the colonial period was skewed in favour of the white minority. Access to employment and levels of pay were determined along racial lines. Through the Land Apportionment Act (1930) and the Land Tenure Act (1969), a pattern of land

distribution whereby 18 million hectares were allocated to blacks (the former Tribal Trust Lands, now Communal Areas), an equal share was given to whites, with the remaining 2 million hectares being game reserves and government land. The land use pattern that evolved through the colonial policy of white supremacy is shown in Table 1. Box 1 explains the characteristics of the natural regions of Zimbabwe

Table1: Land Classification By Natural Region, %

Natural Region	Large Scale Commercial Land	Communal Areas	Small Scale Commercial Land	Other Land	Total
I	63	18	1	18	100
II	74	21	4	1	100
III	44	39	7	10	100
IV	27	49	4	20	100
V	35	46	1	18	100
Total	**40**	**42**	**4**	**15**	**100**

Source: GoZ, 1982: Transitional National Development Plan, Table 11.2: 67.

Box 1: The Natural Regions of Zimbabwe

There are 5 natural regions in Zimbabwe, which are distinguished by rainfall pattern and productive potential of the soils.

Region 1 is characterised by specialised and diversified intensive farming. It receives in excess of 1000 mm of rainfall per annum. The main activities include forestry, fruit production and intensive livestock rearing. The region covers 7000 square kilometres of land (less than 2% of the total area).

Region 2 is characterised by intensive farming, receiving between 750-1000 mm of rainfall per annum. Its main activities are crop farming and intensive livestock breeding. The region covers 58,600 square kilometres (15% of the total area).

Region 3 is characterised by semi-intensive farming and receives between 650-800 mm of rain per annum. It specialises in livestock breeding, fodder and cash crops, with marginal production of maize, tobacco and cotton. The region covers 72,900 square kilometres (19% of the total area).

Region 4 is characterised by extensive farming, receiving 450-650 mm of rainfall per annum. It specialises in extensive livestock breeding and drought resistant crops. The region covers 147,800 square kilometres (38% of the total area).

Region 5 is characterised by semi-extensive farming, receiving very low and erratic rainfall for even drought resistant crops. It specialises in extensive cattle and game ranching. The region covers 104,400 square kilometres (27% of the total area). (Summarised from CSO, 1998: 8).

From Table 1, it is clear that large-scale commercial farms, which are predominantly white owned, are located in the prime agro-ecological regions I and II, with communal areas mainly located in the poorer natural regions IV and V. The small-scale commercial farmers were an offshoot from the Land Apportionment Act (1930),

which created African Purchase Areas where land could be bought by blacks. It represented a twentieth of an average large-scale farm, covering 4% of the country and holding only 2.5% of the population.

Apart from its concentration in the poor soil and rainfall agro-ecological regions, the communal areas were overcrowded and overgrazed such that by 1980, they were already carrying 700,000 families, against a carrying capacity of 275,000 families (Riddell, 1979; Moyo, 1987). This situation was in sharp contrast to that prevailing in white farming areas (large scale commercial sector) where an estimated 60% of the land was either unused or under-utilised (Jackson and Collier, 1988; Stoneman, 1988; Riddell, *op.cit*). Moyo (op.cit.) quotes the level of land utilisation on large-scale farms at an average of only 34% in the prime arable land around the three Mashonaland Provinces. This area accounts for 75% of the total area cropped by the large-scale commercial farmers in the country. On the basis of such facts, analysts have questioned the efficiency of large-scale commercial farming (Moyo, ***op. cit.***; Mhone, 1993) and the sustainability of the inherited land distribution pattern.

The average large-scale commercial farm is about 2,200 hectares, compared to an average size of about 125 hectares in the small scale farming areas and 4.5 hectares in communal areas. During the colonial period, 6 hectares were officially recognised as the minimum requirement for an average communal sector household of six people, implying communal areas are overpopulated (Mhone, ***ibid***). At independence in 1980, the large scale farming community accounted for 75% of gross output, 95% of marketed surplus, almost 100% of agricultural export earnings and 33% of formal wage employment (Mumbengegwi, 1987).

The Water Act effectively gave the large-scale commercial sector monopoly over water rights, such that 85% of irrigation schemes are in this sector. In 1980, the peasantry had access to only 2.5% of the controlled irrigation infrastructure, with 23% owned by large company estates. This pattern has not changed much over time.

In terms of representation, the large-scale farmers have a formidable voice, the Commercial Farmers Union (CFU). Its forerunner, the Rhodesian National Farmers Union (RNFU) was formed in 1942. As the then government was enlisting farmers' support to increase food production during the second world war, the RNFU leveraged the government to pass the Licensing Act through which all farmers had to buy a farming license from the union. This implied a closed shop that allowed the union access to abundant resources for research, staffing and lobbying. This has given the CFU an unrivalled ability to represent its members' interests. On the other hand, the National Farmers Association of Zimbabwe (NFAZ) represented the peasant sector. At the time of independence, it was only present in Masvingo Province and was generally weak. The Zimbabwe National Farmers Union (ZNFU) represented small-scale commercial farmers, and its interests were more inclined to those of the CFU. It was in practise, a poor imitation of the CFU.

As was the case with the social sector, post-independence government policy focused on redressing the inherited inequalities in the allocation of land. The major focus of agricultural policy was to achieve equity and efficiency gains through the reallocation of land to small-scale producers, development of marketing

infrastructure and marketing services for smallholder producers, and the re-orientation of research and extension services towards the smallholder sector.

During the period 1980-84, 35,000 households were settled by government on approximately 2 million hectares of land (CSO, 1998: 9). As a result of these redistributive policies, real agricultural output grew at around 4% per annum up to 1987, with much of that growth emanating from the small-scale producers. The share (in value terms) of crop sales through marketing authorities from communal areas increased from 5.9% in 1980 to 22% in 1988. Rukuni and Eicher (1994) suggest that the development of infrastructure in small-scale farming areas also helped, observing that until 1984, about 22,000 kilometres of communal area roads had either been constructed or reconstructed. Moyo (***op.cit.***) marshalled evidence, which suggests an increased role of the small scale and communal sector in marketed grain. In the case of maize, for instance, deliveries to the Grain Marketing Board (GMB) from the communal areas rose from 3.6% in 1979/80 to 36.5% by 1984/85, while those from the small scale-farming sector rose from 2.7% to 5.8% during the respective periods. A panel survey of resettled farmers initiated in 1983 suggests that the well being of resettled households improved dramatically over the years (Kinsey, 1999). The success of Zimbabwe's agricultural policies was widely celebrated, to the extent where the whole question of land redistribution was being diluted (Moyo, ***op.cit.***). This 'success' was built on achieving a balance between support for the white commercial farmers who were still responsible for producing the bulk of agricultural output, and nurturing the peasant farmers.

However, during the late 1980s, growth in agriculture stagnated, resulting in some analysts wondering whether the expansion of much of the 1980s was a one-off development achieved by transferring technologies and services to previously marginalised areas (see for instance Eicher, 1995). It has been argued that most of the land where the new settlers were settled had either been previously put to little agricultural use or had been abandoned through the hostilities of the 1970s and early 1980s.

The provision of credit and extension services to the new farmers played a role in the agricultural expansion of the early 1980s. From its inception, the resettlement programme made provision for accessing credit, for both seasonal purchases of crop inputs and the build up of cattle for draught power and commercial sale. A Resettlement Loan Fund was set up in 1981 under the Agricultural Finance Corporation (AFC). This scheme was replaced a year later by the Resettlement Credit Scheme (RCS) under which the settlers had an automatic right to loans from their second year to the fifth year of resettlement, irrespective of their repayment record. As a result, in 1983/84, 60% of settlers had accessed loans.

The number of small-scale farmers receiving AFC lending increased from 21,000 in 1981 to almost 94,000 by 1987 and the real value of loans increased six-fold. By 1987, smallholder farmers accounted for nearly half of the total lending by the AFC, a marked change from the prevailing situation at independence, when virtually all loans went to the large-scale commercial sector. Most of the loans to the small-scale sector were short-term to enable the farmers to purchase improved seed, fertiliser, agro-chemicals and other inputs. Medium term loans were also provided to enable

the farmers to buy cattle, and on a limited basis, to acquire tractors and farm machinery.

However, following three years of consecutive drought (1982-84), loan repayments became poor, such that by the mid-1980s, the average indebtedness of resettlement farmers was estimated at 40-55% of average net farm income. The AFC responded by tightening its lending policy to the resettled farmers, beginning in 1987, only extending credit to farmers who did not have outstanding debts. As a result, AFC lending to small farmers plummeted to a clientele of less than 25,000.

A similar trend emerges with respect to the provision of public sector agricultural marketing services, particularly those provided by the Grain Marketing Board (GMB). At the time of independence, GMB had only 3 depots in the communal areas, implying farmers in these areas incurred substantial transportation costs to access GMB depots. Following independence, additional depots were established, even where they were not cost effective. During the bumper harvest of 1985/86, new collection points were created. The importance of these collection points is underscored by the fact that over 60% of deliveries were through these points (Moyo, ***op.cit.***). The number of depots in communal areas continued to increase until 1989. Thereafter, they remained stagnant. The number of collection points, which were temporary in nature, declined sharply after 1986, and became very small in the early 1990s. The number of collection points declined from 135 in 1985 to 42 in 1989 and only 9 by 1991. In the absence of an increase in private sector marketing channels, this has constrained access to markets by smallholder farmers.

Some analysts have argued that the slow-down in resettlement also reflects the changing political economy, with influential lobbies pushing government to put more emphasis on the de-racialisation of the large-scale sector (World Bank, 2000). Moyo (***op.cit.***) argues that by the mid-1980s, there was growing international consensus, and its local acceptance that there may really not be a 'land question' in Zimbabwe considering the country's success story with agricultural production. This notion of success was buttressed by Zimbabwe's ability to generate and export surplus grain and meat during normal years, and to maintain food self-sufficiency during the three consecutive years of drought (1982-84).

Moyo (***op.cit.***) contends that this issue of 'success' was effectively used to wish the land question away. Mumbengegwi (***op.cit.***) also argues that the interpretation that the 'success' story emanated from continuity with the colonial policy created the impression that to sustain the 'success,' government should not tamper too much with the existing structure of agriculture. Thus, Mumbengegwi observed that ".... where equity issues are pitted against efficiency arguments, it is the former that usually suffer; and this is what appears to have happened," (***op.cit.*** 210). This problematic of on the one hand trying to maintain the status quo, while at the same time realising the need for some radical change characterises the treatment of the agricultural sector in the national plans adopted by government. Herbst (1990) argues that the interests of the white farmer where already covered by the Lancaster House Constitution, which spelt out that the land issue be resolved on a 'willing seller – willing buyer' basis. According to Herbst "The White farmers were surprised to find the ship of state going in the general direction that they favoured, and were then faced only with the task of constructing informational buoys so that the government

did not go – in their view – off course," (***ibid,*** 57). These information buoys involved drumming up the importance of the large scale farming sector and the importance of keeping it intact. For Moyo, "...for the time being, ... the social forces that initially fuelled the overt struggle around the 'land question' are themselves temporarily dissipated," (***op.cit***: 198).

Herbst (op.cit.) further argues that the realisation by the bureaucracy of the challenges involved with resettlement, building infrastructure, roads, clinics, schools, the involvement of several Ministries and government departments all made for a slow resettlement process. For instance, the provision of water services was crucial, given that 91% of the resettlements were in areas without adequate water. He contends that it was this realisation that resettlement was no quick-fix that resulted in the focus on redeveloping the communal areas themselves by focusing on changing the land-use patterns in these areas, an issue also raised by Moyo (***op.cit.***). Herbst (***op.cit.***) observes that newspaper coverage of the land question tapered off after 1982, at a period the resettlement programme was slowing down substantially during the drought period. Co-operating partners were also leaning towards this focus on the communal areas themselves.

Another issue that allowed the 'land question' to take backstage was the absence of countervailing pressure. As stated before, the National Farmers Association of Zimbabwe (NFAZ), which represented peasants, was weak. The other farmers' organisation, the Zimbabwe National Farmers Union (ZNFU), represented small-scale commercial farmers, and its interests were more inclined to those of the Commercial Farmers Union (CFU), the voice of the large-scale commercial farmers. Towards the end of the 1980s, it criticised the resettlement programme, arguing that it was targeting the wrong people. It argued for the resettlement of master farmers and graduates of agricultural institutions who had proven or potential ability. Thus, when the land debate resurfaced in 1989, it was the political leaders who spearheaded it (see Herbst, ***op.cit***).

In addition, some studies have suggested that the improved sales from communal areas hides a highly skewed situation. Chipika & Amin (1994) found that the three high rainfall provinces of Mashonaland West, East and Central accounted for about 70% of maize in surplus years and up to 90% in drought years. Even in these areas, a high level of differentiation exists, with 75-90% of households with incomes below their rural poverty datum lines. According to Moyo (***op.cit.***), less than 20% of the peasantry benefited from the 'success.' These were from areas with quality land, namely the three provinces of Mashonaland. Moyo (***op.cit***) and Mumbengegwi (***op.cit.***) concur that this regional differentiation sharpened the contradictions within the agrarian structure. It is important to keep in mind that the communal farmers made inroads in labour-intensive, low skill crops (mainly staple food) such as maize, cotton and sorghum. Export crops like tobacco, tea, coffee and sugar remained under the control of large-scale farmers.

Following the onset of a drought and recession, government abandoned its expansionary policies of the first three years of independence and adopted a stabilisation programme in 1983, which effectively took the country on a more conservative economic policy. According to Herbst (***op.cit.***), by 1988, government had only resettled 42,000 families on approximately 2,6 million hectares. By the mid-

1990s, an additional 20,000 households had been resettled, to make the total number of resettled families at 55,000. Government policy was informed by the desire for gradualism, arguing "...While the inherited economy, with its institutions and infrastructure, has in the past served a minority, it would be simplistic and, indeed, naïve to suggest that it should, therefore, be destroyed in order to make a fresh start. The challenge lies in building upon and developing on what was inherited, modifying, expanding and, where necessary, radically changing structures and institutions in order to maximise benefits from economic growth and development to Zimbabweans as a whole," (GoZ, 1982: 1). Thus, 64% of the households that had been resettled by the mid-1990s were resettled during the first 5 years of independence. The original plan of government was to resettle 162,000 families during the period of the Transitional National Development Plan (1982/83-84/85). The First Five Year National Development Plan (1986-90) intended to settle 15,000 families annually, and a total of 75,000 families between 1986 and 1990.

In fact, following the adoption of the stabilisation programme, government phased out consumer subsidies. Table 2 traces the trends in the allocation of consumer subsidies during the period 1979/80-84/85.

Table 2: Consumer Subsidy Payments, 1979/80-84/85 ($ million)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Subsidy	**6.3**	**33.6**	**57.4**	**51.1**	**28.0**	**14.4**
Flour	3.1	6.7	5.7	1.9	-	-
Maize meal	1.9	20.1	41.4	49.2	28.0	14.4
Sugar	1.3	-	-	-	-	-
Edible oil	-	5.8	4.8	-	-	-
Opaque beer	-	1.0	0.5	-	-	-

Source: GoZ, 1986: Socio-Economic Review: 1980-85," Ministry of Finance, Economic Planning and Development, Table 7.4: 88.

The amount allocated to consumer subsidies was increased from as low as $6.3m in fiscal year 1979/80 to $57.4m by 1981/82. In addition, the range of subsidised items was extended in fiscal period 1980/81 to include edible oils and opaque beer (largely consumed by the lower income group) and for those items already subsidised, the levels were increased. The most significant increase in subsidy went to maize meal, which was raised from only $1.9m in 1979/80 to $41.4m by 1981/82 (2,079% increase).

However, following the introduction of the stabilisation programme, consumer subsidies were reduced from fiscal year 1982/83 such that by 1984/85, the only surviving consumer subsidy was that which applied to maize meal. Even this one was substantially slashed from $49.2m in 1982/83 to only $14.4m by 1984/85. This subsidy was later removed in 1986.

The impact of the removal of the subsidy can be traced by examining the trends in inflation. Whereas the higher income group experienced a higher rate of inflation

compared with the lower income group during the period 1980-82, the rate of inflation for the lower income group was higher thereafter (except for 1985). This is so because the lower income group spent 54.9% of its income on foodstuffs, compared to only 20.5% for the higher income group.

The redistributive policies of the 1980s had an adverse impact on government finances, with the gap between expenditures and revenues widening throughout that period. As a result of the growing budget deficit, the economic growth slowed down during the late 1980s. As a result of depressed investment, exacerbated by the growing budget deficit, growing unemployment and high inflation, government was increasingly under pressure to abandon its highly interventionist approach of the 1980s.

The ESAP Period (1991-96) and the Reform Programme

Following pressure especially from the IMF, World Bank and organised business, government abandoned its highly interventionist approach and embraced a more market-driven economic policy in 1991. At the heart of ESAP was the desire to restructure output from the production of non-tradable goods towards the production of tradable goods. This is achieved by changing the domestic terms of trade in favour of tradable, relative to non-tradable goods. Thus, the World Bank extols the efficacy of exchange rate depreciation, arguing that, "...devaluation is a powerful tool for restructuring relative prices and incentives ... Devaluation, combined with tariff reduction or relaxation of import restrictions, enables the full effect of the exchange rate change to be concentrated on exports," (1981: 30). For this strategy to work, its proponents insist that, "Open trade systems need to be a part of a comprehensive set of liberal, market-oriented, structural and other economic reforms that will result in high-quality, sustained growth," (Sharer, 1998: 4).

In simpler terms, when one devalues or depreciates the exchange rate, the price of domestic exports become cheaper to foreigners, while export receipts are higher for local exporters. Import prices are higher for locals, who are expected to cut back on them, thereby improving the trade balance (exports-imports).

Thus, in accordance with this prescription, government set out on its new economic reform programme. Specifically with respect to the agricultural sector, the reforms aimed at:

- Eliminating subsidies to parastatals;
- Transforming parastatals into commercial entities;
- Removing restrictions on domestic and foreign marketing of agricultural commodities (except white maize); and
- Removing import restrictions and liberalising agricultural input markets.

Competition enhancing policy reforms, which can be further divided according to whether they affect the external or domestic regimes, were an important component of ESAP. Those policies that focus primarily on the external trade regime include trade liberalisation, exchange rate policy and full convertibility, reducing barriers to foreign ownership and investment. The range of policies focusing on the domestic regime encompass the removal of investment sanctions, commercialising marketing boards, financial sector reforms sector reforms, labour market reforms and

deregulation of controls (including price controls).

On the trade and exchange regime, much progress was achieved in liberalising these markets.[21] The Export Retention Scheme (ERS), which was introduced in October 1990, was expanded by raising the original retention rate from 5% for mining and agriculture and 7.5% for the other sectors such that from April 1 1993, the retention rate was 50% for all sectors.[22] Originally, the retained earnings were to be utilised to import raw materials and capital goods for the exporter's operations. However, this was modified to enable exporters to use ERS entitlements to import almost any goods and key services. In addition, these entitlements could be freely traded through local commercial banks and authorised dealers.

At the beginning of the reform process in October 1990, a restricted OGIL system was introduced to enable the cement, packaging, textiles, and mining industries source imported inputs. In February and July 1991, the list was subsequently expanded to the extent that since July 1991, an unrestricted OGIL system was introduced and expanded in December 1992 to cover close to 20% of imports. The implications of this unrestricted OGIL system is that no imports licence is required to import goods on the OGIL list.

Furthermore, the Export Revolving Fund (ERF), which was established in 1983 to assist exporters with procuring imported inputs in order to enable them to meet verified orders was replaced by the Export Support Facility (ESF). This ESF was established to provide foreign exchange for importing raw materials required by exporters who did not have enough ERS resources. Additional measures included the introduction of foreign currency - denominated accounts (FCDAs) in June 1993 allowing the individual to freely participate in the market for foreign exchange at market determined rates. This effectively liberalised the current account transactions for individuals.

This facility (FCDAs) was extended to the corporate sector in January 1994. This was accompanied by the introduction of a transitional two-tier exchange rate system involving an official rate quoted by the Reserve Bank as well as one determined through the inter-bank market (the market rate). The private sector transactions were conducted at the market rate, while fuel, government and PTA imports were done at the official rate.[23] The performance of the foreign exchange market was indeed satisfactory, as reflected by the existence of excess supply of foreign exchange. With the subsequent appreciation of the nominal market exchange rate the gap between the official and market rates narrowed from the initial 5% in January 1994 to less than 1% by the end of June of that year. This allowed for the unification of the two rates, which was effected in July 1994, with exporters being allowed to retain 100% of export earnings.

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[21]Since the devaluation of December 1982, government adopted a managed exchange rate policy whereby the Z$ was allowed to depreciate against a basket of undisclosed currencies.

[22]The ERS was designed to allow exporters to retain a percentage of their export earnings.

[23]During the same period, the trade sector was further liberalised with the liberalisation of OGIL, ERF and ESF.

In view of liberalised current accounts, Zimbabwe accepted to abide by Article VIII, sections 2, 3 and 4 obligations of IMF's Article of Agreement on 2 January 1995. Through this acceptance, Zimbabwe committed itself to maintaining a liberalised current account. By so doing, Zimbabwe joined a select group of other members of the IMF that have fully committed themselves to these obligations.

Exchange control regulations were substantially modified to allow for large increases in business and holiday travel allowances, for education and health care among others. The establishment of foreign exchange bureaus was allowed and the private sector was permitted to borrow up to US$5 million from abroad without having to seek the approval of the External Loans Co-ordinating Committee. Restrictions on remittance of new dividends by foreign companies were abolished in January 1995 with past dividends to be unblocked over a period of 3 years. To facilitate timeous implementation of investment projects, domestic borrowing limits for foreign investors were removed.

It is important to note that at the Donors' Conference held in Paris in March 1995, the donors were happy with the progress made with respect to the exchange and trade regimes. Foreign exchange controls have been removed.

The domestic marketing of agricultural projects was liberalised such that the three main agricultural parastatals, Dairy Marketing Board (DMB), Cotton Marketing Board (CMB) and Grain Marketing Board (GMB) were, as at end of 1994, converted into companies wholly owned by government. In January 1995, government took the decision to take over the accumulated debts of these marketing boards to enable them to start on a clean slate and to facilitate their own borrowing from banks. Since April 1995, GMB was given autonomy to set producer and selling prices of white maize on the basis of supply and demand. The GMB acts as a residual buyer and seller, defending a floor price while retaining its monopoly over the export of maize. Government funds the maintenance of the Strategic Grain Reserve, which draws its seed money from the drought levy (5% of tax) effective since 1 April 1995 for individuals and companies.[24] Exports of maize are subject to approval by the Ministry of Agriculture, which issues export licences.

As for cotton, producer prices have been market-based since 1993/94, with CMB negotiating prices with producers. Beginning in the 1994/95 season, regulations restricting entry of others in the domestic marketing and processing of cotton and cotton products has been relaxed (except for health, safety and environmental reasons), effectively eliminating the monopoly of CMB. Effective from 1994/95 sunflowers are no longer controlled crops, together with soybeans and groundnuts. This therefore implies private traders are now allowed to participate, while GMB continues to be a buyer of last resort, setting its own prices. With effect from the 1994/95 marketing season, the pricing and marketing of beef has been liberalised). Subject to conforming to stipulated hygiene and public health standards, private traders are now allowed to market beef and the slaughter quotas at all abattoirs have been removed. Similar measures have been adopted in the dairy industry. Since

[24] The drought levy was later changed to a development levy. Following protests from labour, a tripartite negotiating forum was convened on 2 September which agreed among other things to scrap off the development levy on 4 September 1998.

1994/95, the responsibilities for the licensing of dairy enterprises has shifted from DMB to the Ministry of Lands, Agriculture and Water Development. New entrants are now permitted in the processing, marketing and exporting of dairy products.

The financial sector reforms included the liberalisation of interest rates and relaxation of regulations governing entry into the sector. Interest rate liberalisation entailed a shift towards market - determined rates that reflect the real cost of funds. The liberalising interest rate was needed for development. Other things remaining equal, interest rate liberalisation was designed to achieve positive real deposit rates, which were expected to attract savings. Furthermore, by increasing domestic interest rates relative for foreign ones, it was expected that this would attract capital inflows, which would augment domestic savings, thereby raising the pool of loanable resources. This increase in savings is expected, all other things remaining equal, to lead to increased investment. In addition, the liberalisation of interest rates is expected to favour more labour-intensive techniques. This arises as a result of the fact that interest rates raise the cost of capital relative to labour, thus encouraging firms to switch production techniques in favour of the more abundant and relatively cheaper factor, labour. Overall, by raising interest rates, it is hoped that this raises the average efficiency of investment. In this regard, investment improves qualitatively.

Regulations governing entry of new players were relaxed as part of the financial sector reforms. As a result, more new commercial banks have been allowed to operate (there are at least 8), the number of Merchant Banks has risen from four to at least ten, no less than four new Discount Houses have set-up, a fourth building society is operational and a number of unit trusts have started operations. At least six stock broking firms have been established following the liberalisation of some rules governing the Zimbabwe Stock Exchange. In addition, foreigners are now allowed to buy shares on the Zimbabwe Stock Exchange. However, the shares foreigners can buy are limited to 25% of an issue, with a single foreign investor limited to only 5%. Such liberalisation of the financial sector is expected to broaden the range of financial products and services. The segmentation of functions in the financial sector has been removed. Competition is expected to result in dynamic efficiency as financial intermediaries are forced to undertake innovations that benefit the consumer.

The Impact of ESAP on Small Scale and Communal farmers

The task of analysing the impact of a programme is fraught with methodological problems. This is particularly so given that it is not only one factor that impacts on variables, there are a host of factors that apply at the same time. Extricating the impact of one is particularly difficult. Add to that the impact of external factors such as drought, which complicate the analysis. Here, the before and after analysis, examines the situation prevailing before the introduction of reforms, and the situation during the reforms is used because of its simplicity.

In the case of Zimbabwe, the time period for ESAP or World Bank / IMF induced reforms is debatable. The initial period of ESAP covered the period 1991-95. However, thereafter, government continued with the reform programme in various forms. The World Bank sees the period since mid 1997 as the departure point, arguing, "The unexpected and rapid deterioration of the economy since mid 1997

forced Bank assistance to Zimbabwe to be flexible and responsive, and has consequently differed from what was envisaged in the Country Assistance Strategy (CAS) dated May 1, 1997," (2000: 2). Therefore, for the purposes of analysis, the discussion distinguishes the ESAP period 1991-95, with the period thereafter.[25]

Table 3 traces the movement in the exchange rate during the reform period 1991-98.

Table 3: Trends in Nominal and Real Exchange Rates During the Reform Period, 1991-98

	1991	1992	1993	1994	1995	1996	1997	1998
Z$/US$ (end of period)	5.1	5.5	6.4	8.4	9.3	10.8	18.6	37.4
Z$/US$ (average)	3.7	5.1	6.5	8.1	8.7	10.0	12.2	23.5
Real Effective Exchange Rate (1990=100)	83.3	83.4	85.6	75.5	79.2	84.3	60.5	44.8

Source: The Reserve Bank of Zimbabwe (Unpublished Data).

With the exception of 1993, 1995 and 1996, real exchange rate depreciation was achieved. Indications from the Reserve Bank were that by 1998, the Z$ was undervalued, estimating that the 'correct' value should be around Z$25 to the US$. Given that a real depreciation of the exchange rate was generally achieved, theory suggests that the relative prices of tradable goods are expected to rise relative to those for non-tradables, effectively shifting the domestic terms of trade in favour of the former.

Table 4 traces the trends in the prices of tradable and non-tradable goods for the period before economic reforms (1986-90) and the reform period (1991-97). The implied GDP deflators were used to trace movements of prices.[26]

[25] In April 1998, government belatedly launched its Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), 1996-2000, which was not followed. In an attempt to go it alone, government launched its Millennium Economic Recovery Programme (MERP) early in 2000. It too has largely been abandoned.

[26] It is called an implied deflator because although no price index was used in calculating real and nominal GDP, an index can be inferred by comparing these two values. This implicit / implied deflator is obtained by dividing GDP at current prices by GDP at base-period prices and multiplying the result by 100.

Table 4: Trends in Prices of Tradable Relative To Non-Tradable Goods, 1986-97 (annual average rates of % change)

Sector	1986-90	1991-97	Differential [(1991-97)-1986-90)]
Tradables: ***of which***	18.7	22.0	3.3
Agriculture	11.2	29.9	18.7
Mining	27.9	13.6	-14.3
Manufacturing	17.1	22.6	5.4
Non-Tradables: ***of which***	14.5	22.5	8.0
Electricity & Water	19.8	31.2	11.5
Construction	12.8	21.5	8.7
Finance	10.8	23.4	12.6
Real Estate	14.5	15.7	1.2
Distribution	11.1	22.9	11.8
Transport	18.2	20.1	2.0

Source: Calculated From National Accounts: 1985-97, CSO, July 1998.
Notes: Only sectors driven by the profit motive are included. For the GDP deflators, 1990=100.

Following the period of economic reform (1991-97), prices rose much faster than during the pre-reform era. Agricultural prices rose the fastest (18.7 percentage points) following the introduction of economic reforms, and hence in accordance with theoretical expectations, this sector should benefit the most from the new outward-oriented economic strategy.

Impact of ESAP on Crop Production

Table 5 shows the share of the commercial and communal sectors in the total value of crop production for the period 1983-99.

Table 5: Share of Commercial and Communal Sectors in Total Value of Crop Production, 1983-99 (%)

	Commercial Sector	Communal Sector
1983-90 (pre-ESAP)	79.5	20.5
1991-95 (ESAP period)	82.8	17.2
1996-99 (beyond ESAP)	89.1	10.9

Source: Calculated from GoZ, 2001: The Agricultural Sector of Zimbabwe: Statistical Bulletin, Ministry of Lands, Agriculture and Rural Resettlement, page 19.

Clearly, the share of the commercial sector of total value of crop production increased from 80% during the pre-ESAP period 1983-90 to 83% during the ESAP period and 89% during the period beyond ESAP, 1996-99. The share of the communal sector declined from 21% to 17% and 11% during the respective periods. For the purposes of the analysis in this chapter, it would have been useful if the data for the commercial sector were disaggregated into large scale and small-scale sectors. Following Herbst (***op.cit.***), it can be argued that subtracting the contribution of the small-scale commercial farming sector will not significantly affect the contribution of large scale commercial farms.

Table 6 captures the share of crop area planted by land use for the period 1988-94.[27]

Table 6: Share of Large Scale, Small Scale Commercial and Resettlement Areas in Crop Area Planted, 1988-94 (%)

	1988-90	1991-94
Large Scale Sector	69.9 (86.8)	68.1 (86.4)
Small Scale Sector	10.6 (13.2)	10.5 (13.6)
Resettlement Area	19.5	21.4

Source: As in Table 5, page 6.
Notes: Figures in parenthesis are based on calculations excluding the resettlement areas. The data for the ESAP period covers 1991-95.

The share of crop area planted by land use declined marginally in large and small-scale sectors, while some gain was made in the resettlement areas. When the data for resettlement areas are excluded, the share of total crop area planted on large and small farms remains almost constant during the periods before and during ESAP. Table 7 reflects the share of total employment by land use (large, small scale and resettlement sectors) for the period 1988097.

Table 7: Share of Total Employment By Land Use (Large, Small Scale and Resettlement Areas, 1988-97 (%)

	1988-91	1991-95	1996-97
Large Scale Sector	87 7	91.2	90.2
Small Scale Sector	9.8	6.4	6.4
Resettlement Areas	2.5	2.5	3.5

Source: As in Table 6.

While the share of employment on large scale farms increased from 88% during the pre-ESAP period 1988-91 to 91% during the ESAP period 1991-95, the share of employees on small farms declined from 9.8% to 6.4% during the respective periods. The share of employees in resettlement areas remained stagnant over the respective periods. Table 8 reports the percentage distribution of sales of agricultural products for the period 1980-96.

[27] Although information on area planted on large scale and small-scale sectors is available up to 1997 that for resettlement areas was only available up to 1994.

Table 8: Distribution of Sales (value) of Agricultural Products, 1980-96 (%)

	1980-85	1986-90	1991-96
Tobacco	22.5	28.8	49.2
Cattle Slaughtered	16.2	11.6	8.7
Cotton	13.0	13.4	9.3
Sugar	11.2	12.2	15.3
Maize	20.2	10.4	4.3
Dairy Produce	6.3	7.0	4.8
Wheat	4.5	7.0	3.3
Coffee	1.8	3.4	1.5
Others	5.0	7.4	9.5

Source: As in Table 5, page 12.
Notes: Cattle slaughtering excludes at butcheries, others include soybeans, groundnuts, sorghum and slaughterings of pigs, sheep and goats.

The periods 1980-85 and 1986-90 represent the periods before the reform and are contrasted with the period of reform (1991-96).[28] Clearly, export commodities benefited the most from the introduction of economic reforms. The biggest winner was of course tobacco, with its share of sales of agricultural products rising from 23% during 1980-85 and 28% during 1986-90 to 49% during the ESAP period 1991-96. Sugar also benefited from ESAP. However, cattle slaughtered, cotton, maize, dairy produce, wheat and coffee had their shares reduced following the introduction of ESAP. Maize was the biggest loser, from a share of 20% in 1980-86 to 4% during 1991-96. It would appear that those commodities that are indeed tradables benefited most, while staple food crops suffered the most. This is in line with the predictions of theory that the greater the degree of tradability, the greater the extent of benefiting from outward orientation.

The commodities that appear to have lost following the implementation of ESAP are the very commodities where the communal and small-scale commercial farmers had made some inroads during the 1980s. However, even then, it has been shown that even in these areas, reversals were recorded, especially after 1987. Table 9 shows the distribution of crop production by value for the commercial sector over the period 1988-99.

[28] The data were available up to 1996, and hence 1996 was included under the ESAP period. Given that the World Bank considers 1996 as a period Zimbabwe was on track with the economic reforms, including that year in this case should not distort the analysis.

Table 9: Distribution of Crop Production By Value in the Commercial Sector, 1988-99 (%)

Product	1988-90	1991-95	1996-99
Grain Crops	17.8	14.8	12.4
Maize	9.4	9.7	6.5
Sorghum	0.2	0.2	0.2
Wheat	7.4	4.5	4.6
Barley	0.8	0.5	0.0
Other	0.0	0.0	1.0
Industrial Crops	37.4	37.9	38.7
Tobacco	42.7	55.3	43.5
Coffee	3.1	1.3	1.4
Tea	4.5	1.9	1.9
Groundnuts	0.7	0.3	0.2
Soybeans	3.5	2.1	2.2
Cotton	8.1	3.9	5.1
Sugar	11.7	10.4	22.8
Sunflower	0.2	0.1	0.0
Sugar By-products	0.3	0.2	0.2
Dry beans etc.	3.1	4.3	5.9
Seed	2.9	3.6	2.7
Fruit	1.5	1.6	1.5
Total	100.0	100.0	100.0

Source: As in Table 5, page 20.
Notes: Dry beans etc. includes potatoes, vegetables and garden plants.
Seed includes maize, potatoes & other seeds.

Clearly, following the introduction of ESAP, grain crops generally lost out, with their share of commercial crop production (by value) declining from an average of 17.8% in 1988-91 to 14.8% during the ESAP period 1991-95, and to 12.4% during the period beyond ESAP, 1996-99. The share of maize improved slightly following ESAP, but however declined thereafter. This trend is generally in line with theoretical predictions that following a sustained depreciation of the exchange rate, terms of trade in agriculture shift in favour of cash crops, disadvantaging food crops.

The share of the industrial (cash) crops in the value of crop production in the commercial sector improved slightly following the introduction of ESAP. Tobacco is by far the biggest winner, with its share of crop production (by value) rising from an average of 42.7% during the pre-ESAP period 1988-90 to 55.3% during ESAP (1991-95). Whereas there were on average 1,264 growers of the high value flue-cured tobacco during 1980-85 and 1,474 during 1986-90 (the periods before ESAP), the number of growers increased markedly to 2,462 during the ESAP period, 1991-95 and 6,417 thereafter (1996-2000). The only other industrial crop that appears to have benefited from the adoption of ESAP is sugar. Dry beans, potatoes, vegetables and garden plants; seed and fruit (horticulture), as expected, improved their share of crop production following the advent of ESAP.

To explain these developments, it is useful to trace the pricing system and whether it generated incentives for the production of these commodities. Table 10 traces the

movement in real average producer prices for the period 1980-2000.

Table 10: Real Average Producer Price Index, 1980-2000 (1980=100).

Commodity	1980-85	1986-90	1991-95	1996-2000
Maize	83.3	58.0	68.4	86.8
Seed Cotton	94.0	67.8	9.4	9.4
Soybeans	102.2	90.0	86.4	107.6
Sunflower	102.2	92.4	88.2	58.5*
Groundnuts	85.7	102.8	95.2	92.4
Sorghum	85.8	66.2	56.8	74.5*
Wheat	105.2	93.6	102.0	127.4
Milk	103.3	74.4	50.0	67.6
Beef	105.8	102.4	49.6	16.4

Source: As in Table 5 page 78
Notes: Asterisks * denotes 1996-97 only.

Those that lost out since the advent of ESAP, maize, beef, cotton, dairy products, coffee amongst others experienced declining real producer prices during the period of ESAP. The decline in real producer prices is particularly acute for seed cotton, sunflower, milk and beef. Producers are influenced by the producer price to switch between products. The fall in the real producer index for most products, especially grain (food) crops that are mainly produced by communal and small-scale farmers spells doom for these producers, an issue discussed below.

Under the theoretical presumptions of orthodox theory, the shift from the production of food crops towards the production of cash crops should not present any policy problems. The neo-liberal argument is that countries faced with shortfalls in food production have to import cheaper imports from more efficient producers. However, the reality on the ground is much more complicated. To import grain under conditions of sustained exchange rate depreciation is prohibitively expensive. Table 11 presents the trends in the production of maize, the staple food for Zimbabweans, over the period 1986-2001.

During the second half of the 1990s, maize production has declined from 2.6 million metric tonnes in 1996 to an estimated 1.5 million metric tones in 1999 and 2001. Zimbabwe's maize requirements amount to 2.5 million metric tonnes per year, implying as in 1998, the country has had to import maize. While during the 1980s, government only imported maize in 1984/85, during the 1990s; it has had to import the staple crop in all years except for 1990/91, 1994/95 and 1997/98. Considering that 1990/91 was before the advent of ESAP, it can be deduced that the 1990s, and especially the ESAP period, were a period of food deficit. This was not only because of drought (1992), but was the case even in normal years. Per capita maize consumption has declined from 0.29 in 1986 to 0.11 metric tonnes by 2001 (with some annual variations). Ironically, Zimbabwe imported maize, at a time the Grain Marketing Board was exporting maize. Under ESAP, GMB was encouraged to operate commercially, and hence to be viable, it resorted to exporting maize. The price controls imposed by government on maize meal following the food riots of January 1998 further tilted the agricultural terms of trade in favour of cash, as opposed to food crops, thereby threatening food security. The Strategic Grain Reserves have been at their lowest level, during the 1990s, implying food insecurity.

Table 11: Trends in Maize Production in Zimbabwe, 1986-01

Harvest Year	Production (mt)	Area (ha)	Yield (Kg/ha)	Maize Per Person	Communal Production (mt)	Share of Communal (%)	Share of LSC (%)
1986	2,412,000	1,314,000	1,836	0.29	1,348,000	55.9	44.1
1987	1,093,700	1,211,100	903	0.13	627,700	57.4	42.6
1988	2,253,100	1,299,500	1,734	0.25	1,609,300	71.4	28.6
1989	1,931,200	1,198,300	1,612	0.21	1,188,200	61.5	38.5
1990	1,993,800	1,149,800	1,734	0.21	1,262,300	63.3	36.7
1991	1,585,800	1,101,200	1,440	0.16	1,019,300	64.3	35.7
1992	361,000	881,000	410	0.04	115,200	31.9	68.1
1993	2,011,850	1,238,000	1,625	0.2	1,133,600	56.3	43.7
1994	2,326,200	1,401,200	1,660	0.22	1,313,800	56.5	43.5
1995	839,600	1,397,900	601	0.08	399,400	47.6	52.4
1996	2,609,000	1,535,000	1,700	0.23	1,687,000	64.7	35.3
1997	2,192,170	1,641,000	1,336	0.19	1,453,800	66.3	33.7
1998	1,418,030	1,223,800	1,159	0.12	727,550	51.3	48.7
1999	1,519,560	1,446,400	1,051	0.12	845,300	55.6	44.4
2000	2,148,110	1,416,700	1,516	0.16	1,240,000	57.7	42.3
2001*	1,476,240	1,223,100	1,207	0.11	993,940	67.3	32.7

Source: As in Table 5 page 22

Notes: Asterisks * denotes estimate, resettlement areas are included in communal areas and LSC denotes large-scale commercial sector.

A new arrangement had been reached in 1996, whereby the farmers, GMB and other players would negotiate a producer price. However, following the massive depreciation of the Z$ during the second half of 1997, this was abandoned as farmers sought government intervention in 1998. This experience illustrates the limit of the market. With the massive depreciation of the Z$ of 1997, input costs soared, thereby undermining the viability of producers, who in turn demanded that the producer price of maize be raised. On the other hand, millers hiked prices by 24% in January 1998 following increased input costs. The increase in the price of maize-meal triggered nation-wide riots during the last week of January 1998. Government immediately intervened by introducing price controls on all basic commodities. The challenge of, on the one hand ensuring producer viability, while at the same time making sure consumers can afford basic foodstuffs is a world-wide issue and one of the most controversial under the World Trade Organisation (WTO).

Whereas developed countries apply subsidies to maintain a balance between viability and affordability, these are not permissible for developing countries under WTO rules (see Tandon, 1999). Under Structural Adjustment Programmes (SAPs), developing countries have been forced to remove these subsidies.

The share of communal areas in total maize produced declined from an average of 61.9% during 1986-90 to 51.3% during 1991-95, before increasing to 60.5% during 1996-2001. The share of the commercial sector initially increased from 38.1% to

48.7% before declining to 39.5% during the respective periods.

Table 12 reports purchases of maize by GMB over the period 1982-99.

Table 12: GMB Maize Purchases, Average Percentage Share from Large Scale Commercial Farming Areas, Small Scale & Communal Sectors, 1982-99

	1982-85	1986-90	1991-95	1996-99
LSC	68.0	50.9	34.2	25.5
SSC & C	26.0	49.1	40.9	39.3
Imports	6.0	0.0	24.9	35.2
Total	100.0	100.0	100.0	100.0

Source: As in Table 5 page 25
Notes: LSC denotes Large Scale Commercial Farming Sector, SSC, small-scale commercial sector and C, communal areas.

Of the marketed maize, the share from the large-scale sector declined from 68% during 1982-85 and 50.9% during 1986-90 to 34.2% during the ESAP period and 25.5% thereafter (1996-99. The corresponding share of marketed maize from the communal areas initially increased from an average of 26% during 1982-85 to 49.1% during 1986-90, before declining to 40.9% during the ESAP period (1991-95) and to 39.3% thereafter (1996-99). The communal sector therefore failed to maintain its growing share of marketed maize in the 1990s. The difference, which rises over time, represents imports, whose share of GMB purchases increases from 6% in 1982-86 (no imports during 1986-90) to 24.9% during the ESAP period 1991-95 and 35.2% during 1996-99. This suggests growing food deficits during the 1990s.

Impact of ESAP on Livestock Production

Table 13 traces the trends in livestock ownership in commercial, and communal and resettlement areas during the period 1980-99.

Table 13: Trends in Livestock Ownership for the Commercial, and Communal & Resettlement Areas, 1980-99 ('000)

	Commercial Sector					Communal & Resettlement Areas			
	Cattle								
	Beef	Dairy	Sheep	Pigs	Goats	Cattle	Sheep	Pigs	Goats
1980-85	2207	107	160	94	54	3143	282	78	1172
1986-90	1872	121	123	101	68	3962	446	156	2207
1991-95	1504	115	100	106	33	3803	368	161	2464
1996-99	1292	92	71	119	28	3524	272	158	4569

Source: As in Table 4.5, page 56.

In the commercial sector, cattle for beef declined from an average of 2.2 million head during 1980-85 to an average of 1.9 million head during 1986-90, further declining to 1.5 million head during the period of ESAP, 1991-95 and 1.3 million head during 1996-99. While dairy cattle initially increased from an average of 107,000 during 1980-85 to 121,000 during 1986-90, the head declined to an average of 115,000 during the ESAP period and 92,000 during 1996-99. The number of sheep declined

throughout the period, from an average of 160,000 in 1980-85 to 71,000 during 1996-99, while the number of goats initially increased from an average of 54,000 during 1980-85 to 68,000 during 1986-90, before declining to 33,000 during the ESAP period and 28,000 thereafter (1996-99).

The reasons for such a decline in commercial livestock can be found in the decline in real producer prices, as illustrated in Table 10. The collapse in real producer prices removed any incentive for livestock rearing. The only outlying result applies to pigs, where the average number of animals increased during the period under review.

In communal and resettlement areas, the head of cattle initially increased from an average of 3.1 million during 1980-86 to 4 million during 1986-90, before falling to 3.8 million during the ESAP period 1991-95 and 3.5 million during 1996-99. The trend in the number of sheep is similar to the one described above for cattle. Pig rearing in communal and resettlement areas improved during the period 1980-96, but declined during the period 1996-99. The trend for goat rearing is upward throughout the whole period under review. However, livestock in communal and resettlement areas are mainly for domestic use, with a small proportion for the market. Table 14 reports the volume of livestock slaughter and dairy products for the period 1980-98.

Table 14: Volume of Livestock Slaughterings and Dairy Products, 1980-98 ('000)

	Cattle	Goats	Sheep	Pig	Milk -tons	Butterfat - tons
1980-85	488.0	-	45.3	172.6	174862.3	44.2
1986-90	403.3	66.2	44.0	190.3	244051.4	7.2
1991-95	416.0	37.9	36.3	195.1	216372.4	0
1996-98	352.1	40.3	31.1	227.1	175253.3	0

Source: As in Table 5 page 57

The cattle slaughtered increased during the period of ESAP from an average of 403,000 during 1986-90 to 416,000 during 1991-95, before declining to 352,000 during 1996-98. The number of goats slaughtered declined markedly during the period of ESAP, only to improve thereafter (1996-98). As for sheep slaughtered, the trend is evidently downward for the period 1980-98. Pig slaughtered increased throughout the period under review. However, milk production, which had improved during 1986-90 compared to 1980-85, declined during the period of ESAP and thereafter. As for butterfat, its production virtually collapsed over the years.

Table 15: Structure of Zimbabwe's Exports By Sector of Origin and Commodity Type, 1984, 1995-98 (%)

Exports	1984	1995	1996	1997	1998*
Agriculture	**41.0**	**34.5**	**40.9**	**42.6**	**46.4**
Tobacco	20.1	21.6	28.1	25.1	25.9
Cotton	8.2	2.1	3.8	6.0	6.9
Sugar	3.9	3.2	2.7	3.3	3.0
Horticulture	-	2.1	2.1	2.7	3.9
Others	8.8	5.6	4.1	5.4	6.7
Mining	**26.9**	**23.5**	**20.6**	**19.1**	**20.7**
Gold	11.2	13.7	11.9	11.1	11.3
Asbestos	5.2	3.1	2.5	2.0	2.3
Nickel	4.4	4.0	3.0	2.9	2.8
Other	6.1	2.7	3.1	3.1	4.3
Industry	**32.1**	**35.3**	**30.1**	**31.1**	**26.6**
Ferro-alloys	10.8	10.8	8.1	7.1	6.9
Clothing & textiles	3.5	5.2	4.0	4.1	3.4
Chemicals	1.8	1.1	1.6	1.7	1.5
Other	16.0	18.3	16.3	18.2	14.9
Re-exports etc	-	6.7	8.4	7.3	6.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: 1984 data are from the First Five Year National Development Plan, 1986-90,Vol. 1: 8. Data for 1995-98 are reworked from Reserve Bank Weekly Economic Highlights, May 21, 1999.
Notes: Whereas cotton lint is often included under manufacturing, here it is included under agriculture. Where asterisks * denotes estimates.

Table 16 shows the trend in the share of principal agricultural exports in total agricultural exports for the period 1981-98.

ESAP and Agricultural Exports

The introduction of ESAP was deliberately designed to benefit the export at the expense of the domestic sector. Table 15 shows the structure of Zimbabwe's exports by major commodity and sector for the period 1984, 1995-98.

Agriculture is the single largest contributor to export earnings, accounting for in excess of 40% of total export receipts. The share of agriculture in total exports improved from 34.5% in 1995 to 46.4% by 1998. Horticultural exports grew rapidly, from 14,475 metric tonnes (US$24.7 million) in 1989 to a projected 93,369 metric tonnes (US$149 million) by 2002. This is a sector that has emerged as a response to the shift in the domestic terms of trade in favour of cash crops (tradables). At the commodity level, tobacco is the single largest export earner, accounting for 26% of total export earnings in 1998. The contribution of industry to exports has declined from 35.3% in 1995 to 26.6% by 1998.

Table 16: Share of Principal Agricultural Exports in Total Agricultural Exports, 1981-98 (%)

	1981-85	1986-90	1991-95	1996-98
Sugar	11.4	8.0	5.6	8.5
Tobacco	49.9	47.4	62.9	59.2
Maize	6.4	10.6	4.0	4.0
Cotton	17.0	13.7	6.2	9.2

Source: As in Table 4.5 page 66

Clearly, the share of tobacco in overall agricultural exports increased following the introduction of ESAP, while that of maize, sugar and cotton declined. Table 17 captures the sectoral contribution to GDP and employment for the period 1980-97.

Table 17: Sectoral Contribution to GDP and Employment, 1980-97 (%)

Sector	% of GDP				% of Employment			
	1980	1985	1990	1997	1980	1985	1990	1997
Agriculture	14.0	16.2	12.1	16.9	32.4	26.3	24.3	27.2
Mining	8.8	7.6	7.1	4.0	6.0	5.3	4.8	4.7
Manufacturing	24.9	23.7	24.9	18.2	14.7	16.0	16.7	14.4
Electricity	2.2	2.1	3.5	2.1	0.7	0.7	0.8	1.0
Construction	2.8	1.7	1.3	2.7	4.1	4.4	5.7	6.1
Finance	6.3	6.1	6.4	8.4	1.2	1.5	1.5	1.7
Distribution	14.0	10.2	11.4	18.9	6.9	7.7	7.9	8.0
Transport	6.6	6.2	5.9	7.9	4.4	4.8	4.4	3.9
Public Administration	9.0	9.8	9.6	3.8	7.5	8.6	8.0	5.6
Education	5.2	9.4	9.7	7.0	3.4	8.1	8.9	10.0
Health	2.2	2.6	2.6	1.8	1.5	1.9	2.0	2.1
Domestic Service	2.0	1.6	1.4	1.5	11.2	9.5	8.8	8.0
Other Services	5.4	6.2	6.7	4.7	4.3	5.3	6.1	7.3

Source: Calculated From Quarterly Digest of Statistics, CSO (various issues).

Clearly, the share of agriculture increased following the advent of ESAP in 1991, with its contribution to GDP rising from 12% in 199o to 17% by 1997. Its share of formal sector employment also increased from 24% to 27% during the respective periods.

Anatomy of the Winners and Losers

The earlier analysis suggested that the communal and small scale farming sectors benefited initially from guaranteed producer prices, subsidised fertiliser and other inputs, access to markets and extension services by government support in the early to mid-1980s. However, the benefits tapered off during the mid-1980s. The share (in value terms) of crop sales through marketing authorities from communal areas increased from 5.9% in 1980 to 22% in 1988. Marketed crops from the communal areas declined during the reform period, averaging 13.6% during the period 1991-98 (see Bhalla ***et.al,*** 1999, Table 3: 15). It was also pointed out that even during that period when communal and small scale farmers appeared to have made inroads, it was a small group that benefited, implying the success was limited (Chipika and Amin, ***op.cit***; Jackson and Collier, ***op.cit***; Moyo, ***op.cit;***).

Most studies have found that it was the large-scale commercial farmers that benefited from ESAP [ZCTU, 1996; Masuko (ed.), 1998; Chipika, 1998; Makamure ***et.al.*** 2001 among others]. Matanda and Jeche (1998) argue that the large-scale agricultural sector even participated in global commodity and futures markets such as the Chicago Commodity Market and was able to hire experts to advise on developments in these markets. The sector was historically well organised, with well developed marketing agencies such as the Horticultural Promotion Council.

The small scale-farming sector managed a limited response to these changes, with only 7.8% involved in the lucrative horticultural sector. It was only those with access to irrigation that ventured into horticultural production. Even these were largely out-growers to the large-scale commercial farmers. Mwanza (1999) found that the capacity to produce food was reduced during the period 1993-98. The reduced capacity to produce food meant communities experienced food deficits, especially in the rural areas. Several reasons have been identified for the failure of the small and communal farmers to take advantage of ESAP.

a) **Liberalisation of Agricultural Markets**

The decline in the share of marketed crops from the communal areas during the 1990s can partly be traced to the liberalisation of marketing arrangements, which saw the closure of GMB outlets in non-viable areas (mainly communal areas). It has already been shown that by the advent of ESAP in 1991, the collection points in rural areas had been reduced from 135 in 1985 to only 9 by 1991. The marketing arrangements that emerged after the liberalisation of the agricultural markets were 'unfair' and inaccessible to the communal and small-scale farmers.

In the cotton sector for instance, the emergence of the Cotton Company of Zimbabwe (COTTCO), Cotpro and Cargill created an oligopolistic market environment. In fact, COTTCO eventually took over Cotpro, creating a new monopoly situation. Competition in the sector had in some ways benefited farmers. In the face of competition, COTTCO expanded its loan group to smallholder producers, despite low repayment rates.[29] Cargill in turn offered grain bags on loan to farmers. In an effort to encourage smallholder farmers to grow red sorghum, Chibuku Breweries offered pre-planting prices above those offered by GMB for white maize. Fertiliser, chemical and seed companies also offered discounts plus free transport to small holder farmers that were willing to buy as a group (Arnaiz, 1998).

In a participatory review of ESAP involving two workshops in every province covering communal, resettlement, communal farming areas, mining and urban settlements, Nyathi and Makoni (2000) found that cotton marketers were buying cotton from these areas at unjustifiably low prices. Under the system, their cotton was given a low grading. The producers from communal and small scale farming communities complained that "...We know that no cotton exceeds the quality of handpicked cotton, but ours is graded as C or even D while the cotton from large-scale commercial farms, which is picked by machines, is graded as A," (***ibid***: 13).

[29] Its input scheme was established in 1992/93.

Most rural farmers were forced to sell to middlemen who offered low prices on a take-or-leave it basis. Because most of these farmers are vulnerable, they could not negotiate good prices on the market. Commercial farmers wield tremendous market power. For instance, when prices were not favourable, as was the case with tobacco in 1999, they withheld their products until better prices were negotiated. It has been observed that large-scale farmers wait until October / November to sell their maize, when shortages appear and the prices are as a result firmer. Communal and small-scale farmers cannot manipulate the markets; neither can they wait for lack of bridging resources. In addition, information about the new markets (such as ZIMACE) and intermediaries was not always available to the small scale and communal areas. Large-scale farmers could easily obtain market intelligence through their various specialised organisations.

b) **Diminished Access to Credit**

Another reason for the inability of the small and communal farmers to take advantage of new incentives emanating from ESAP is the lack of access to credit. It has been shown that credit to this sector shot up during the period 1980-87. Thereafter, AFC cleaned up its smallholder loan portfolio, denying loans to those with outstanding arrears. This approach was also taken in view of reduced budgetary allocations. In 1993/94, less than 10% of settlers got loans from the AFC and their real value was only one-fourth of the level of 1983/84.

When AFC commercialised and became Agribank, it had to operate along commercial lines. Moyo (2001) observes that when AFC became Agribank, the portfolio for smallholder and communal farmers was transferred to a new institution, the Agricultural Development Assistance Fund (ADF), which was undercapitalised. Agribank began to demand substantial property as collateral security. The survey by Nyathi and Makoni (***op.cit.***) found that the small scale and communal farmers distasted having to fill in cumbersome forms written in a technical language they did not understand. The interest charged proved prohibitive. In that survey, Agribank was accused of attaching people's properties such as scotch carts, window frames and asbestos sheets to recover debts owed. As one participant in the survey observed, "Today the loan givers no longer care whether there was a drought or not. What they want is their money and they are ready to apply ruthless measures to get it back," (***ibid,*** 12). According to a study by the Intermediate Development Technology Group – Zimbabwe (ITDG-Z) (1998),[30] less than 1.5% of farmers in Guruve, Gutu, Chivi and Matobo reported to have accessed credit from the formal sector. About 25% of the farmers received credit from informal sources.

The cut back in lending to the smallholder sector was not only confined to AFC. The Cold Storage Commission (CSC) operated a cattle finance scheme through which farmers committed themselves to selling their animals to the CSC. This facility was only made available to the small-scale sector in 1987. However, while the value of such loans increased over time, the real value of these loans started to decline in 1990 to levels below those of 1987. Even government's approach during ESAP shifted to a market-bias. For example, after the 1994/95 drought, it introduced a repayable grain loan programme.

[30] Quoted in Makamure ***et.al***, 2000.

Women were in a worse off position. Because they lack collateral security, they were considered risky. According to the Women and Land Lobby Group, women receive less than 10% of the credit to smallholder farmers. Married women are particularly disadvantaged in that the land rights are vested in their husbands.

c) **Liberalisation of Inputs**

The liberalisation of input markets was a draw back to the development of small scale and communal agriculture, and agriculture in general. Since the end of 1993, import and trade in agricultural machinery was freed. Since 1996, farmers were allowed to buy tractors without having to pay duty and taxes. In 1993 government lifted price controls for all except two fertilisers, ammonia nitrate and compound D (recommended for maize). These are important for communal farmers. However, all price controls were removed with effect from mid-1995.

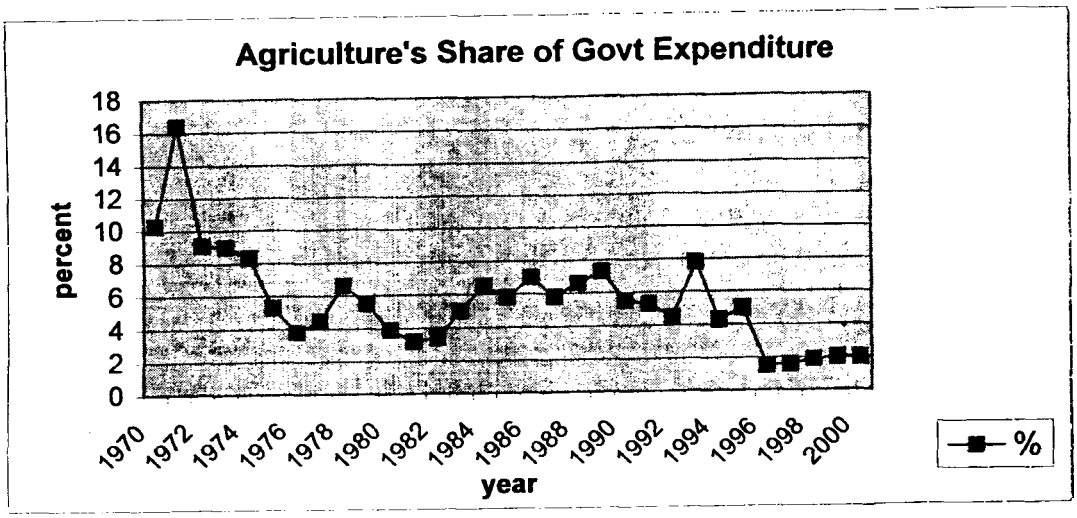
A noticeable impact of the liberalisation of the input market is the increase in the import of tractors from an average of 1,300 during 1988-93 to more than 3,000 during 1994-96 (Gisselquist & Rusike, 1998). These developments benefited large-scale farmers. Annual imports of compound fertilisers also increased sharply from less than 500 tons (average) during 1990-93 to 12,000 tons in 1994, 14,000 tons in 1995 and 48,000 tons in 1996. Most of these imports are high analysis fertilisers used by large-scale farmers, 20% of fertiliser used by large-scale farmers (***ibid***).

Following liberalisation, prices of inputs increased substantially, creating a major constraint on production (see for instance, Masuko (ed. – ***op.cit.***). Gisselquist & Rusike (***ibid***) observed that in late 1995, urea sold in Zimbabwe at almost US$300, compared to an international FOB price of nearly US$200. They also observed that despite low cost local phosphate rock, the prices for phosphate fertilisers was high. Such high input costs created serious viability problems. For instance, the price dispute at the beginning of the 1999/2000 season emanated from the fact that while cotton prices had gone up from Z$8.50 in 1998 to Z$11,30 in 1999, the cost of production had gone up by 130% per hectare (Makamure ***et. al.,op.cit.***). As a result of rising input costs, small-scale farmers cut back on use these inputs, resulting in lower yields. Arnaiz (op.cit.) and Sibanda (1998) observed that ESAP had a negative impact on institutions that had been created by the small-scale producers. Of the 15 producer co-operatives registered in the Shamva district, they found that only 2 were operational. Low repayment rates and mismanagement made the other 13 unviable. They also noted that the number of savings' clubs in the district declined since the small-scale framers no longer had surpluses to re-invest.

Gisselquist & Rusike (op.cit.) make the point that because the liberalisation of inputs was in some cases still incomplete, there had not yet been ample response to reduce prices of inputs. The same can be said about the liberalisation process, in that while new entrants may have entered the market, the old players continued to play the role of market leader, creating in the process an imperfect market scenario. In the case of cotton, the former Cotton Marketing Board, COTTCO, eventually took over its main rival, Cargill, effectively re-establishing a monopoly situation. Under such conditions, there is no pressure to exert the prices downward.

d) **Reduced Role of Government and Its Provision of Services**

It has been shown that government played a crucial role in the agricultural expansion of the 1980s, by deliberately promoting the small scale, communal and resettlement areas. However, that support waned after 1987. Chart 1 shows the share of government allocation to the Ministry of Agriculture during the period 1980/81-99/2000.



The allocation to the Ministry of Agriculture declined from a peak of 16.4% in 1970/71 to 3.2% in 1980/81, before rising to a post-independence peak of 7.8% in 1992/93 (drought year). Thereafter, the allocations, on average, have a downward trend, falling to a level of 2% by 1999/2000. This adversely affected availability of credit through AFC, provision of extension, and research and development services. Apart from dwindling resources, extension, and research and development services suffered in that 70% of the budgetary allocations went to pay salaries, leaving very little for field operations.

Large-scale farmers were less dependent on government, given the services provided by the Agricultural Research Trust, various crop and livestock associations, commercial banks, private transport and marketing companies. They were therefore better placed to exploit the new opportunities under ESAP.

e) **Lack of Knowledge About ESAP**

When ESAP was introduced, there was no consultation with stakeholders. Thus, because of their weak institutional capacity, smallholder and communal farmers did not understand what ESAP was all about, nor did they have information on the new market arrangements.

Thus, it is not surprising therefore that Chipika (1994) found 60% of her sample households from communal areas were 'strongly risk-averse' and these were in the main the poor and lower middle group of households.[31] Her study observed that 25%

[31] Quoted in Chipika (1998: 12).

were 'strongly risk-taking' and these were in the main the top-better-off and few upper-middle group of households. The remaining 15% were 'risk-neutral' and they were mainly from the upper-middle households. She concluded that the majority of the poor peasants are risk-averse and that this behaviour increased with wealth and security. These risk-averse households consider participating in the cash economy as risky. It is the risk-taking 25% that is expected to respond to new incentives.

f) **Inadequate Land**

Earlier analysis suggested that by the mid-1980s, the resettlement exercise had lost its steam. During the 1990s, the two farmers' unions representing small scale (ZNFU) and communal farmers (NFAZ) merged to form the Zimbabwe Farmers' Union (ZFU). The smallholder farmers, effectively subduing the interests of peasants, dominated ZFU. It has already been shown that by the late 1980s and early 1990s, the ZNFU, was already critical of the resettlement programme, arguing instead for the resettlement of master farmers and graduates of agricultural institutes.

Irked by the lack of meaningful access to means of production, a strong lobby evolved during the early years of the ESAP period around issues of indigenisation. With this lobby, the pendulum swung effectively away from resettlement towards de-racialisation of the large scale farming areas. About 400 farmers benefited from this scheme, representing around 400,000 hectares (World Bank, 2000). These farmers were expected to operate along commercial lines, paying market rentals and being monitored on good performance. The reality was that most of the rentals were not adjusted for years and some were not paid up. The fact that government officials were also allowed to participate in the scheme resulted in the perception that the scheme was driven by political patronage.

Thus, without adequate land, the small scale and communal farmers could not take advantage of ESAP. Moreover, the poor rainfall areas where they are situated demanded that to be able to take advantage of ESAP, they ought to have access to irrigation. Whereas on average 36.1% of large scale commercial farms were under irrigation during the period 1987-99, only 0.4% of small-scale farm were under irrigation between 1991 and 1997 and 3.8% of resettlement farms were under irrigation between 1991 and 1994 (GoZ, 2001). This therefore implies the small scale and resettlement areas had limited capacity to grow export crops, which in most cases required irrigation.

g) **Overall Situation**

All in all, it was their lack of access to the factors (means) of production that the smallholder and communal farmers could not take advantage of ESAP. By concentrating on price changes, ESAP diverted attention from the much-needed agricultural reforms such as land redistribution. While 'getting prices right' is a step in the right direction, it is an insufficient condition to launch an agricultural revolution. Structural bottlenecks need to be addressed up-front in order to empower the marginalised groups to participate in market-outcomes. Thus, as GoZ observed, "On balance, large – scale farmers are benefiting more from ESAP than smallholders. Large – scale farmers, situated on the best agricultural land, having better access to

finance and markets, and backed by a well organised advisory service are able to seize marketing opportunities both locally and internationally. These major benefits of ESAP have eluded the remotely located, poor smallholders, worsening the position of this group of farmers," (1995: 6-7).

The Poverty Impact

Given that the majority of smallholder and communal farmers were net users of grain, the increase in prices following the removal of price controls, subsidies and general liberalisation worsened their welfare. Table 18 traces the access to sanitation by land use area for the period 1995/96.

Table 18: Access to Sanitation By land Use Area, 1995/96

Type of facility	Land Use (% Households)			
	Communal	Small Scale	Large Scale	Resettlement
Toilet facility				
Flush	1.0	8.2	14.4	0.2
Blair	33.0	44.6	45.3	53.2
Pit latrine	12.5	24.6	14.7	4.6
None	52.8	22.5	22.5	41.9
Other	0.8	0.0	3.0	0.2
Total	100.0	100.0	100.0	100.0
Safe water	59.0	72.1	95.3	76.9

Source: CSO, 1998, page 19.

Almost 53% of communal households have no toilet facility, compared with about 23% on small-scale commercial farms and large scale commercial farms and about 42% in resettlement areas. In terms of access to safe water (piped water inside or outside household, communal tap, or borehole within 1 km of the household), 59% of communal area households have access to safe water, compared with 72% for small-scale sector households, 95% for large-scale commercial farming areas and 77% on resettlement areas. Table 19 reports the incidence of poverty for the period 1995/96.

Table 19: Household Poverty Levels, 1995/96

Land Use Area	Prevalence (%) of	
	Poverty	Extreme Poverty
All Zimbabwe	60.2	30.8
Rural Areas	71.5	42.8
Urban Areas	40.8	10.0
Rural Areas		
Communal Areas	76.4	48.3
Small Scale Commercial Farms	58.7	24.6
Large Scale Commercial Farms	54.0	25.4
Resettlement Areas	82.0	46.3

Source: As in Table 4.18, page 63.

In Zimbabwe, 60% of all households are considered poor, while 31% are extremely

poor. The incidence of poverty is even higher in rural areas, where 72% of households are poor, compared to the 41% for urban areas. The rural areas themselves are differentiated, with the incidence of poverty highest on resettlement areas at 82% of households, followed by communal areas at 76%, then small scale commercial farms at 59% and lastly large scale commercial farms at 54%.

It will be interesting to compare the incidence of poverty on the eve of ESAP (1990/91) and that at the end of ESAP (1995/96). CSO (***ibid***) reports levels of poverty for 1990/91 for Zimbabwe. On the eve of ESAP, 40% of households were in poverty and 17% in extreme poverty, compared to 63% and 36% respectively during 1995/96.[32] Clearly, therefore, the incidence of poverty increased by 23% during the period of ESAP (1991-96), while the incidence of extreme poverty increased by 19% during the same period

The Socio-Political Impact of ESAP

Although government introduced a Social Development Fund to mitigate the adverse impact of ESAP, the programme was only adopted in 1993 and has never been adequately resourced. In the words of the World Bank, "... the SDF appeared to have been tacked on to ESAP more as an afterthought than as an integral part of the overall program." (1995:23). In this context, the social costs of adjustment were not mitigated at all. As the Bank further observed, ESAP "... entailed considerable pain but little visible gain," (***ibid***: 10).

Although the severe drought of 1992 had a contractionary effect on the economy, it is generally agreed that drought alone cannot account for the lacklustre performance of the economy during ESAP (see World Bank, 1996; 1995). The failure to create macroeconomic stability played a major part in holding back growth. The incidence of high inflation, resulting from excessive government borrowing to finance largely recurrent expenditure, delivered prohibitively high interest rates. Such punitive interest rates discouraged borrowing, resulting in economic contraction.

ESAP failed because it was not an inclusive programme. As the World Bank observed, " ... unless the programme is seen to be generating benefits for everybody in Zimbabwe, it might not be possible to follow through with and maintain the momentum of many of the recent policy changes. This will require dealing more effectively with poverty and with the social dimensions of adjustment." (***ibid***: 18).

The World Bank 'performance audit' of ESAP concedes that, "... the concerns, however, go beyond the issues of pace and design: the comprehensiveness of the program seems a fundamental issue, especially given the objective of reducing poverty. Given the highly dualistic nature of Zimbabwe's economy (where the white minority dominates formal sector economic activity and owns two-thirds of high potential land, and the black majority is concentrated in rural, communal areas and the urban informal sector), it would appear that some basic questions were not explicitly addressed at the outset. First, would ESAP, predicted on the formal sector acting as an engine of growth create sufficient jobs, quickly enough, to address the

[32] The figures for 1995/96 are slightly higher than those reported in Table 19 because were not 'normalised' to take account the 1995/96 drought.

serious problems of employment? ... Even realisation of the most optimistic scenarios for formal sector growth will not provide a quick solution to the unemployment problem," (***ibid:*** 11).

More importantly, the failure to consult other social partners hindered progress. In the words of the World Bank, "... the Zimbabwe case demonstrates the importance of popular ownership and participation throughout the process of adjustment. An open, transparent dialogue can help generate realistic expectations, reduce uncertainty, and contribute to a unified sense of national ownership for reforms," (***ibid:*** 1995). Thus, as the World Bank (1996) found, ESAP was highly unpopular in Zimbabwe.

Addressing the Structural Adjustment Participatory Review Initiative (SAPRI) conference, the then World Bank resident representative in Harare, Tom Allen, made it clear that ESAP had failed, contending that:

- growth needs to be inclusive - "Partial deregulation without a restructuring of the dual economy creates social tensions and not enough jobs";
- social sector expenditures need to be protected and targeted measures to deal with poverty should not be seen as 'add ons' but as an integral part of the programme;
- state intervention is necessary - "Getting the prices right and making markets work better are important, but these need to be complemented with measures to ensure that the 'unequal' balance of power of those who can readily engage in the market and those who cannot, does not lead to dangerous levels of social tensions"; and
- national ownership is critical (see paper by Tom Allen, then World Bank resident representative to Zimbabwe on: Way Forward on Structural Adjustment Programme, Presented at the Structural Adjustment Participatory Review Initiative - SAPRI - First Forum, 2-3 September 1999).

It is interesting to note that disadvantaged groups began mobilising against their marginalisation, especially in 1997 when early that year war veterans demonstrated to be included in the development process. That year alone saw the biggest number of strikes (231) since independence. The landless also became restive, demanding a place in the sun.

As a result, government decided to take a more radical stance, announcing its intention to compulsorily acquire 1,471 farms (nearly half the commercial farm land) in November 1997. The announcement created some anxiety, which culminated in the holding of the Donor Conference on Land in September 1998. Thus, as the World Bank wrote, "While the Bank had not envisaged substantial support to land reform in the 1997 CAS, we became intensively involved in the dialogue and financially and technically assisted the Government and the Task Force on Land of the National Economic Consultative Forum (NECF) in preparing a the new policy framework which embodied these principles and which was approved by Cabinet in April, 1999," (2000: 12). Following the rejection of the new Constitution at the February referendum, it became clear government was losing its support base. With Parliamentary elections scheduled for June 2000, the stakes were high, and government resorted to the 'land issue' to win back support. The details regarding

is second phase of the land reform programme are the subject of Chapters that llow.

he Way Forward

his chapter has shown that the small-scale commercial and communal farmers did it benefit from ESAP. Large-scale commercial farmers were able to take advantage their already privileged position to explore the opportunities presented by onomic reforms. The situation was further exacerbated by high inflation, which was accompanied by prohibitively high interest rates. The absence of macroeconomic stability undermined the viability of producers, large and small.

Clearly therefore, getting prices right is not sufficient to ensure that the smallholder and communal sector farmers benefit from reforms. They should be empowered upfront through redistribution of land, provision of credit and other services (such as extension and research), transparent and accessible marketing mechanisms and institutional support. These very measures account for the growth and strength of the large scale-farming sector. Now that ESAP has been abandoned, it is necessary to adopt a stakeholder-driven human development approach that puts people first. By putting people first, such a strategy will have to empower the disadvantaged first, so that they can actively participate in development.

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