

Volume One, Number Two  
(NEW SERIES)

June, 1979

# THE ZIMBABWE JOURNAL OF ECONOMICS

(Formerly The Rhodesian Journal of Economics)

Editors: A. M. Hawkins, J. A. C. Girdlestone and J. M. Robertson

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## MAJORITY RULE AND ECONOMIC DEVELOPMENT STRATEGY

Dr. Gavin Maasdorp\*

Rhodesia will take the step to majority rule, as Zimbabwe, just over 30 years after the post-World War II rush to independence started, and just over 20 years after that phenomenon hit sub-Saharan Africa.

The attainment of majority rule in Rhodesia will take place under two important and unique planning circumstances. First, the new government will have the lessons of a quarter of a century of Third World economic development to draw upon in framing its development strategy. It should therefore be possible to avoid many of the mistakes which have been made in other countries over this period.

Second, no other African country will have attained majority rule with so diversified and so sophisticated a modern sector in its economy, and especially with such a large industrial base. This factor at the same time provides a considerable advantage in development planning and poses a number of problems with which the planners and politicians will have to grapple.

Economic policy in Rhodesia to date has been dictated by, and directed largely to, the needs of the White minority who have dominated the electorate. The economic welfare of the African majority has been regarded as of secondary importance. Thus the African majority, although it will enjoy political power, will find economic power vested in the White population. It is only realistic to anticipate that the new government will place the interests of the African majority first, and that it will have a different set of economic objectives which will include increasing the share of Africans in the wealth of the country and reducing the White/African income gap.

The aim of this paper is to discuss the changing emphasis in development planning, and the implications of current thinking for development strategy in a changed political climate. As a visitor from south of the border who has no first-hand knowledge of the local economy, I will refer to empirical evidence on Rhodesia only to illustrate particular points.

### THE CHANGING EMPHASIS IN DEVELOPMENT PLANNING

Development economics is a post-World War II discipline. When the International Bank for Reconstruction and Development - more commonly known as the World Bank - was established at Bretton Woods in 1944, it was intended to focus

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on the reconstruction of war-ravaged Europe. When this was more or less complete by about 1950, attention was turned to the under-developed parts of the world where independence movements were gathering force. Thus serious thought was first devoted to the problems of what is now generally called the Third World only from the early 1950's. The first development plan contained a multiplicity of objectives but soon, largely under the influence of writers such as W. Arthur Lewis, the emphasis was placed on economic growth. Later, as experience and empirical evidence accumulated, the emphasis in development planning changed.

We may distinguish four approaches to planning in developing countries. These are the growth-orientated strategy, the employment-orientated strategy, the anti-poverty strategy and the basic needs strategy. It is worth briefly examining each of these in turn.

### Growth-Orientated Strategy

This was the predominant approach until about the end of the 1960s. Emphasis was placed on increasing output by increasing the rate of savings and investment, and hence of capital formation, in the modern sector. It was assumed that the rapid growth of GDP would lead to an increased standard of living by expanding the modern sector and contracting the traditional sector which would supply labour to the modern sector. Investments were concentrated on the provision of infrastructure and on directly productive sectors such as agriculture and industry, although investment in social sectors later received increased attention. But despite the high rates of economic growth attained in many developing countries, it became apparent that the benefits of growth were accruing to only a minority of the population and that the relative (although not necessarily the absolute) position of the majority was deteriorating. The gap between rich and poor was widening and the beneficiaries were those who were fortunate enough to obtain wage employment.

It appears that this experience was true of Rhodesia too. Between 1966-74, real GDP increased at an average rate of 8 percent per annum, but the average non-African/African real earnings gap increased from \$2 248 in 1964 to \$3 358 in 1975, accelerating after 1970. The gap also widened relatively (from 10.2:1 in 1964 to 11:1) in 1975.

The other three strategies are all variations on a theme very different from that of the growth-orientated strategy. With economic growth largely bypassing the masses, an in-depth re-examination of Third World economic problems was undertaken, commencing with the World Employment Programme initiated in 1967 by the International Labour Organisation and undertaken in conjunction with the United Nations Development Programme from 1970 onwards. Thus, from the early 1970s, a new focus was found in national development plans.

### Employment-Orientated Strategy

This was the first strategy to emerge from the World Employment Programme. As Dudley Seers, leader of the first two country missions, put it, the real meaning of development covers a reduction of unemployment, poverty and

inequality. This approach viewed the creation of productive employment opportunities as the vehicle by which the benefits of economic growth would be spread more evenly throughout the population, thereby re-distributing resources to the poor. Economic growth, although important, was regarded as a secondary objective. This approach gave rise to an examination of appropriate technologies since it advocated the use of labour-intensive rather than capital-intensive techniques. The economic growth rate necessary to achieve the desired employment levels was, however, found to be higher than could be attained in most developing countries.

### Anti-poverty Strategy

Since the employment-orientated strategy still did not appear to reach the lowest-income households, attempts were made to define poverty in absolute terms and then to formulate a strategy to raise per capita incomes above a poverty line. In this way, income inequalities would be reduced. This strategy stressed access to productive assets and employment; consumption and investment are redirected to the lowest-income groups and economic growth is again a secondary consideration. However, it has been found that in most developing countries a large proportion of the poor cannot obtain jobs which offer wages above the poverty line. Moreover, the transfer of investible resources from rich to poor may lead to a lower level of private sector activity and of aggregate economic growth which in fact hits the poorest households hardest. Thus the raising of per capita incomes above the poverty line is linked with continued aggregate economic growth.

### The Basic Needs Strategy

Because of the shortcomings of the employment and anti-poverty strategies the ILO has suggested a new approach in development planning which aims at meeting the basic needs of the population by the turn of the century. These needs consist of -

- i) personal requirements (food, clothing, shelter); and
- ii) access to public services (health, sanitation, water, education, transport, etc.).

This strategy seeks to eliminate absolute poverty and to reduce relative poverty. It seeks to quantify the targets wherever possible, e.g. daily intake of calories, area of dwelling space per person, percentage of dwelling units with water-borne sewerage and electricity, etc. Development policy is aimed at increasing the output of basic goods and services, and creating adequately remunerative employment, thereby attaining household consumption targets. Continued economic growth is clearly necessary under such a strategy, but the pattern of growth is redirected to the supply and distribution of essential goods and services.

In each of the three more recent strategies, economic growth is required not for growth's sake but to fulfil distributional objectives. In other words, a different kind of economic growth is envisaged. Given the almost worldwide stress today on greater egalitarianism, it is difficult to envisage any significant deviation from this trend of planning philosophy; it is probably

not a passing fashion, although no doubt these new strategies will be subjected to critical scrutiny as improved data become available. Thinking is not static, and already work is under way on the identification and quantification of indices of development. These indices are then to be used as partial welfare indicators, in addition to per capita income, to determine the extent to which the poor are benefiting from economic growth. But it is important to stress that economic growth has not been thrown out with the bathwater; as Lal emphasizes, "... efficient growth which raises the demand for labour is probably the single most important means available for alleviating poverty in the Third World."

### Redistribution and Growth

An important question which arises from the foregoing discussion is whether growth is incompatible with equality. This was considered in a recent study which sifted empirical evidence. But, before considering the results of this study, it is important to note that there cannot be absolute income equality, i.e. the Gini co-efficient can never be zero except in textbooks. Human nature being what it is, every society has its elite irrespective of the political ideology being followed. The most that can be hoped for in any society is that extremes of extravagant affluence and dire poverty can be averted, that even the poorest household will have access to certain minimum services and income, and that there is due respect for human rights. Utopia cannot be attained.

What then are the main lessons of the study for our purposes? They seem to be three-fold. First, if we divide countries into three groups (socialist, developed and less developed), the highest degree of income equality is found in socialist countries. There the poorest 40 percent receive an average 25 percent of total income. This may therefore be regarded as the most that can be hoped for in the Third World by the turn of the century.

Second, the results are mixed. There is no clear relationship between economic growth and the degree of inequality at any particular time or over time. Some countries with high growth rates have managed to redistribute incomes.

Third, inequality is not necessarily related to political ideology. Although the socialist countries have the most equitably distributed income overall, there is a wide range of relationships. Among the developing countries which reduced inequality between 1950-75, some were explicitly capitalist and some explicitly socialist. Among the former were South Korea and Taiwan, where entrepreneurial skills were used to boost exports, and the OPEC countries which relied on the export of a natural resource. Among the latter were China and Cuba, with centrally-planned economies, and possibly Tanzania, with an African variant of socialism. There is, therefore, more than one ideologically feasible route to equitable growth and development; the reduction of inequality in Korea and Taiwan was a by-product of growth policies while in Cuba it was directly attributable to conscious government policy.

What is needed is a government which is genuinely committed to reducing inequality, which can persuade key interest groups of the necessity for change, and which can introduce and maintain an efficient organizational structure.

Political stability is also an important factor in implementing policies which reduce inequality.

#### THE CHOICE BEFORE ZIMBABWE.

Developing countries, then, can choose from a variety of ideological paths. At the two extremes are the laissez faire and command economies. The former does not exist anywhere, except in textbooks, but the latter does and is represented by the Marxist/Leninist model. However, even a country such as Angola, which is regarded as Marxist, encourages investment by multinational corporations, and has in fact adopted a three-sector economy (state, co-operative and private) in which the private sector is encouraged as long as it adheres to the economic policies of the government.

Ideology is, however, a key determinant of the future economic path. What sort of government will emerge in Zimbabwe is unclear but it seems reasonable to assume for present purposes that there will be a reformist government operating a mixed economy. The approach of such a government would probably be eclectic rather than doctrinaire, and its first priority might well be an inter-racial rather than inter-personal redistribution of income. While this would have an insignificant impact on the Gini co-efficient, it could be politically important.

The World Bank could be expected to have a significant influence on the new government since the country will need foreign aid and expertise. Because of its widespread practical involvement in developing countries, the Bank exerts a strong influence on the policies of other international aid organisations and hence on the direction and sectoral allocation of other bilateral and multilateral aid.

The World Bank is now committed to more equitable development policies, and in particular to reaching the poorest 40 percent of families. Since such families reside mainly in the rural areas, the Bank attaches a high priority to investment in rural development. But since 1975, it has also emphasized programmes aimed at improving the lot of the urban poor. The Bank, however, also stresses the importance of a continued inflow of capital and the development of exports; it believes that this, together with policies aimed at reaching the poor, can accelerate economic growth and improve social and economic welfare as well as political stability in a country.

There are sound political reasons why the new government in Zimbabwe would want to emphasize redistribution. Of the total population, 58 percent is in the African subsistence areas and another 22 percent in White rural areas. The African areas are the most populous in the country and their political support will therefore be keenly sought; since they are the problem areas, their inhabitants will have to feel that they are benefiting from government policies.

Most countries which have become independent have found that almost all capital was owned by foreigners. But in Rhodesia, there is a significant degree of domestic ownership of capital, and thus under majority rule the new government could influence economic decisions to the advantage of the African population. It could, for instance, discriminate in favour of domestic capital, and control the conditions under which foreign capital is invested as well as the direction of that investment. Moreover, state capital has become increasingly powerful

since UDI - according to Stoneman it represents some 40 percent of all investment today, Rhodesia having increasingly followed the South African pattern of combining free enterprise with more state investment in infrastructure and productive activities than is common in most mixed economies. Since 1965, almost all large investments have been undertaken either by foreign concerns or the state. There is no evidence of a marked decline in foreign ownership of the economy; in fact, it has probably gained in certain sectors, although domestic private capital has also probably increased its relative strength in some sectors.

So the position in Rhodesia as majority rule approaches differs from that experienced elsewhere at the time of independence. But the government will have to watch that a new elite (in both the public and private sectors) is not incorporated into an economic power structure dominated by foreign or local White interests. Unless the new government is able to change the economic strategy of the country, a reduction in inequality will not be realised. But can it do so while the economy is dominated by non-Africans? The Afrikaners in South Africa have shown that it is possible for a ruling group to improve its economic position through the use of political power; when the present South African government came to power in 1948, the economy was dominated by local English-speaking and foreign interests. The Afrikaners may not dominate the economy today, but their economic power has increased considerably. They mould the policy and make the decisions, and have reduced the English/Afrikaans income gap considerably. Predominantly English organisations, such as the Chamber of Commerce, are clearly not as influential today as they were thirty years ago. The parallel between Afrikaners in South Africa in 1948 and Africans in Zimbabwe in 1978 may not be identical, but the lesson is that it should be possible for the new African government increasingly to control the economy.

One thing, however, is certain: racial discrimination, which is an important obstacle to redistributing wealth in Zimbabwe, will have to go. In fact, Southern Africa as a whole will not be stable until racial discrimination is eliminated wherever it is found.

#### TOOLS OF REDISTRIBUTION

What is the extent of inequality in Zimbabwe and what tools of redistribution are available to the government? Chenery *et al* classify Zimbabwe (Rhodesia) among the 23 countries with the highest inequality in 1968, i.e. the poorest 40 percent of individual earners or households received less than 12 percent of total income. In Zimbabwe, the poorest 40 percent received 8,2 percent of total income, the middle of 40 percent received 22,8 percent, and the richest quintile 69 percent. In 1969 it was calculated that the per capita GNP was US\$274. Absolute poverty levels were illustrated by the fact that 17,4 percent of the population had a per capita income of US\$50 per annum while 37,4 percent received less than US\$75 per annum. In the same year, the Gini co-efficient for Zimbabwe was calculated at ,65. This referred only to employment in the wage sector and would have been higher had the traditional sector been included. Nevertheless, it was still approximately double the degree of inequality found in countries such as Australia and Britain where the co-efficient was ,32 and ,34 respectively.

Income disparities between White and African have already been quoted; such



disparities also exist between African rural areas and the rest of the country. Income inequality therefore exists on both a racial and spatial basis.

There are numerous tools at the disposal of any government wishing to effect a redistribution of wealth. Because time does not allow me to mention them all, I will limit my discussion to those which appear most applicable in the circumstances, namely, control of assets and factor prices, taxation and the use of technology.

### Control of Assets

This really refers to nationalization. It has been suggested that some 50 percent of the White population may leave Zimbabwe after a political settlement, and that this will comprise mainly recent immigrants and non-citizens with no deep emotional ties to the country. Should this happen, there would be an opportunity for the government to nationalize the farms and industries owned by these emigrants. But the extent to which Whites will leave is unknown; much will no doubt depend on the ideological stance of the new government.

As an alternative to nationalization, the government could enter into partnership with foreign investors in key sectors or industries, e.g. by taking a certain shareholding in mining, agricultural and industrial enterprises, and also in banking and financial institutions. A good example of this is Swaziland. But this may merely mean increasing inequality among Africans with a small elite collecting directors fees; much depends on what happens to the government's share of dividends and profits.

In Zimbabwean agriculture, land reform is an obvious tool. Although Africans and Whites both possess 46,6 percent of the land area, there are marked differences in quality of land and population density. In 1974, non-Africans comprised only 5 percent of the total population and were 88 percent urbanized. Thus the rural non-African population comprised less than 1 percent of the total population but owned over two-fifths of the land.

African land consists mainly of communal tenure supporting a subsistence economy (the former Tribal Trust Lands) with some title deed land (5-10 ha. farms with cash cropping and improved animal husbandry). The 1969 census revealed a population density in the TTLs of at least three times that on White farms, even the best quality land in the TTLs having a density double that on White farms. And 57 percent is overpopulated, only 27 percent carrying the optimum population.

The quality of African-held land is inferior to that in the White areas. It is generally of poor quality - only 10 percent is regarded as "good quality" land while 75 percent is classified as 'very poor/unsuitable' for agriculture. The TTLs also have a lower potential than the rest of the country. For example, less than 10 percent of Tribal Trust Land is 'fairly good' compared with 40 percent in Zimbabwe as a whole; at the other end of the scale almost one-quarter has 'no potential' compared with only one-eighth in the country as a whole.

A number of writers have referred to unused and underused land on White farms, and this represents a potential transfer to Africans. Land is an explosive political factor and a cause of racial ill-feeling. Dunlop, for example, states that the existing apportionment of land between the races cannot be justified on grounds of equity or economic and social stability. This land could be redistributed on the basis of either communal or individual holdings, or some combination of the two.

But it would still leave large private White holdings. It might be possible for the government to follow the Sri Lankan land reform programme by placing a ceiling on land holding by any one person for different types of land; land in excess of that size would then be available for redistribution.

The problem with land reform, however, is one of maintaining productivity. To gain the maximum advantage from redistribution, it is clearly important to maximize the income earned from redistributed assets. It is, of course, possible that land productivity may increase as farm size is reduced because of the more intensive application of labour. But much depends on whether complementary inputs are provided by government; these include marketing channels, credit, fertilizer and so on, and will be dealt with later. If these are not provided timeously, land reform may lead to falling output and prove ineffective as an instrument of income redistribution. In some African countries the transfer of White land to Africans has led to declining output, but this need not necessarily be so, e.g. the sub-division of large White farms into more labour-intensive units in Kenya led to increasing yields.

Turning now to the nationalization of industries, the benefits may be lost if efficiency is not maintained. Bureaucracies, of course, are not usually noted for their efficiency. Moreover, if the industry is characterised by capital-intensive techniques and high wages, the benefits may in any case be limited only to employees. There is therefore a need for government to control urban wage levels.

In the circumstances, it might be better for government to participate in equity capital. A problem with private investment is that interest, dividends and profit accrue to local shareholders, thereby increasing income inequality, while the repatriation of interest, dividends and profits to non-resident shareholders not only diverts earnings away from investment to the servicing of debt repayments, but increases the country's reliance on new foreign investment. But repatriation of earnings may exceed the inflow of foreign capital; evidence shows that manufacturing industry in Zimbabwe is still a net user of foreign exchange. However, if the government is a large shareholder, it will not only be able to ensure that the local share of dividends and interest is available for redistribution, but it will also be in a position to influence decisions to reinvest an increasing proportion of profits. This might be relatively easy in Zimbabwe; there are no really large-scale industries in the country so that the government might be able to obtain large shareholdings relatively inexpensively. Moreover, because of sanctions, there is already a substantial government control on the repatriation of profits and a forced reinvestment of profits. In this respect, sanctions appear to have made the climate for government participation in industry more favourable than it otherwise might have been.

### Control of Factor Prices

Another tool available to government is to intervene in factor markets so as to reduce the price of labour relative to capital and thus encourage employment creation.

I have already mentioned the need to control urban wages. Because of the economic dualism between those in wage employment and those who are not, it is sometimes argued that minimum wages should be abolished and that collective bargaining arrangements should be weakened. Yet in Zimbabwe, many writers call for the establishment of minimum wage rates equivalent at least to the poverty datum line, and especially for higher wages in farming. Since the government would want to reduce absolute poverty, and the PDL can be regarded as a rough measure thereof, it is clearly desirable that family incomes should at least equal the PDL. The point really is that those in wage employment should not be allowed to become an elite who are able to bid up wages and keep others out.

The problem in Zimbabwe is that the salary and wage structure in managerial and skilled positions in both the private and public sector is based on developed country rates and is unsuited to a developing country. The government should therefore continue to control the wage structure; the difficulty for government, however, is that job creation, for which there is likely to be strong political pressure, is often easiest in the public services, and that civil servants expect wage increases. But distorted wage structures also lead to a greater demand for higher education. Since middle- and high-income families initially provide most of the trained manpower, such education and employment creation merely increase inequality. Chenery *et al* argue that relative wages for certain types of employment should actually be reduced.

Controlling the price of capital is also important in developing countries. Taxes, interest rates, rebates and so on can be controlled so as to shift income from the richer groups. Here it is especially important that suitable institutions be created to ensure that all sectors of the economy have ready access to capital. It is usually difficult for the traditional sector to obtain capital, but the price of capital could be increased in sectors using capital-intensive technology and reduced in the more labour-intensive sectors.

### Taxation

Another fiscal measure relates to taxation. Direct taxation is effectively limited to the wage sector, but the government might be able to increase property taxes among the highest-income groups. However, indirect taxation is usually more important than direct taxation. It is generally agreed today that indirect taxation in developing countries should differentiate between consumer groups and should be aimed at the consumption of luxury goods; the incidence of taxation on poorer families can be reduced by lowering taxes on mass consumption goods (such as food) or even exempting such goods. If the importing of such goods is not restricted or prohibited, taxation can be used to reduce the consumption of goods unsuited to developing countries. To take a simple example, what is the more suitable vehicle for a developing country -

a Volkswagen or a Mercedes?

### Appropriate Technology

The question of appropriate goods for developing countries leads on to the related question of appropriate technology.

Clearly, employment creation will be a major and continuing problem in Zimbabwe for the foreseeable future. Some data is available to illustrate the magnitude of this problem. Estimates for the period to 1984 put the required employment creation at 50 000 male and 10 000 female jobs per annum. But between 1969-1975 only 35 000 jobs were created annually, i.e. a shortfall of 25 000 each year. Another estimate of the jobs created between 1969-1975 is only 22 000 per annum and this only heightens the disparity. According to Hawkins, an economic growth rate of 9 percent per annum is required if the job target of 60 000 per annum is to be met.

It is therefore important to maximize employment in all sectors of the economy and to encourage the use of labour-intensive technology wherever possible. Labour is the abundant factor endowment in Zimbabwe, capital the scarce. But substitution of labour for capital is not always possible, either for technical or economic reasons, or both. For example, if processed goods are to be competitive on export markets they must meet certain minimum standards, and may have to be produced by capital-intensive methods.

Technology, consumption patterns and income distribution are closely linked. If income distribution is highly skewed, there is a demand for luxury consumption goods, and this influences the type of goods produced and the technology used. But the judicious use of taxes or subsidies can influence consumption patterns by switching demand away from capital-intensive goods. In Zimbabwe, new manufacturing industry between 1964-75 was relatively labour-intensive. This was a period of severe import control and industry had to adapt accordingly. Hawkins argues that at the early stages of industrialization, it is relatively easy to apply labour-intensive techniques, but that the next stage of industrialization, i.e. of capital and producer goods, techniques will have to be more capital-intensive. Moreover, as output increases and economies of scale are realized, labour-intensity declines. The potential for using intermediate technology declines as the country becomes more industrialized. This may be true, but even in South Africa government spokesmen have begun to stress the need for using labour-intensive techniques wherever possible. It would seem, therefore, that Zimbabwean industrialists have an opportunity very carefully to examine the techniques used in new industry. In particular, the development of small-scale industry, to which labour-intensive technology is well suited, ought to be explored. This would probably require local research into the development of appropriate techniques.

### RURAL AND URBAN DEVELOPMENT

It is time now to consider how these tools of redistribution may be applied to different sectors of the economy. I will focus the discussion mainly on the rural and urban populations since a strong emphasis is placed by aid agencies on the poor in these categories.

### Rural Development

Most international aid, for example, from the World Bank and the British Ministry of Overseas Development, is now directed towards rural development programmes. Writers have made a strong case for such programmes in Zimbabwe. Thus, Hawkins cites the Whitsun Foundation figures regarding the TTLs - they include 42 percent of the land area, contain 58 percent of the population and account for 8 - 10 percent of GDP, but receive less than 3 percent of total national investment. The last figure refers to public sector investment, and such investment will clearly have to be directed away from the urban and White areas to the African rural areas.

No concerted effort has been made to develop these areas. Despite the value of African farm sales increasing more rapidly than that of White farm sales, the African areas are net importers of maize, the staple foodstuff, and it is perhaps widely believed that rural development programmes are a waste of effort. It is true that many such programmes in the Third World have failed, and a recent World Bank publication stated that "knowledge of rural development is still at a rudimentary stage."

However, some programmes have succeeded and a picture is now emerging of what the ingredients for success are. There are important constraints - financial, manpower and institutional - facing rural planners. The success of rural development programmes in improving the standard of living of the poor depends on a number of key elements, among those which have been identified being: a knowledge of local customs and institutions, appropriate marketing channels and pricing policies, storage facilities, transport facilities (such as feeder roads and collection services), technical aid, credit, security of tenure, and innovative technologies. A further important factor relates to the availability of trained manpower. Such manpower usually prefers urban employment, and this is another reason for keeping urban wages down. If rural wages are merely increased to the urban level, the income gap between the educated and uneducated widens. What is needed is a heavy investment in agricultural education.

To take just one obvious point, it seems that there is a great scope in Zimbabwe for investment in rural transport facilities. Only 5 percent of African land is less than 10 miles from rail compared with 36 percent in the case of White farms; conversely, 40 percent of African land, but only 6 percent of White land, is more than 50 miles from rail. These figures have probably changed since the opening of the direct rail link to Beit Bridge, but they do give some idea of the isolation of African areas. Moreover, the poor state of roads and tracks in these areas means not only that they have poor access to urban markets but that they are frequently cut off during the rainy season. The African areas clearly have a poor transport infrastructure, and investment needs to be directed towards feeder roads, all-weather surfaces and bridges.

The World Bank now recommends a sequential approach to rural development. The first phase concentrates on a few productive resources, especially food crops, in all regions of a country. The goal is to increase output by 4 - 5 percent per annum; this may take between 4 - 7 years, varying from one region to another. During the second phase, the aim is to consolidate these growth rates by the intensive provision of agricultural services.

Such a phased approach allows regional constraints to be identified, data to be collected, a greater knowledge of local conditions to be gained, and increased local participation in the provision of services to be encouraged. Once local incomes have increased, attention can be given to stimulating small-scale manufacturing and service activities so as to create further income-earning opportunities for the rural population.

### Urban Areas

The urban poor are found in both the formal (wage) sector and the informal (unauthorised) sector. They consist of urban-born persons and migrants, squatters and tenants of council housing. There are a number of components of urban policy, but it is important to stress that urban and rural policies are linked. Rural development is necessary to reduce the outflow of people, and dispersed urban development to reduce the attractions of the major centres. The two strategies must therefore be co-ordinated.

Zimbabwean cities do not appear to have been characterized by the same degree of rural-urban migration as is found in most of the Third World. Smout writes that "rural migrants are not engulfing Rhodesian cities". But the urban African population has increased at 5,8 percent per annum since 1969, and squatter settlements must be growing. Smout points to a serious backlog of housing in most urban areas; in Salisbury the figure is 20 000 housing units. Moreover, rural-urban migration may increase under majority rule as restrictions on population mobility are lifted and the policy is shifted to providing family accommodation for the urban African population. One would therefore expect the demand for housing to outstrip the official supply and for squatter settlements to proliferate.

There is an excellent opportunity for the new government to avoid the mistake of thinking that only council housing should be provided. There is ample evidence to suggest that such housing does not meet the needs of the poor, and alternative approaches are being taken to the problem of low-income housing. The new government will have a chance to provide serviced sites in advance of the acceleration of migration, and it would be worthwhile to study the site-and-service and squatter upgrading project being undertaken in Lusaka. Housing policy should also be framed in such a way as to maximize employment creation.

Another area in which the urban poor can be assisted relates to the creation of linkages between the formal and informal sectors and large-scale and small-scale manufacturing. The sub-contracting of work and the provision of credit and technical advice constitute important aspects of policy.

### Services

In addition to housing, the lowest income groups need minimum access to other public services - health, education, transport - both in rural and urban areas. I will mention briefly just two of these aspects, namely, health and education.

### Health

In developing countries, health services are typically focused on the urban areas where large, modern hospitals, which are beyond the reach of the poor, are provided. Moreover, medical services tend to be curative rather than preventive. Thus planning in the health sector is now emphasizing the provision of rural clinics, the training of paramedical and auxiliary staff, the provision of clean water and other environmental sanitation facilities, and mass immunisation programmes. Concomitantly, there is less emphasis on the construction of large modern hospitals.

### Education

The direction of education in developing countries has also been questioned. In most developing countries the curricula have been academic rather than technical, and the concentration on high schools and university education has created expectations among the public that are difficult, and frequently impossible, to fulfil on the job market. The allocation of education budgets is biased against the poor since those who benefit from such education tend to be the middle- and higher-income groups; there is a high drop-out rate between primary and high school. In addition, education facilities in rural areas tend to be few. The emphasis in education planning today is thus on curricula which are more appropriate to the jobs which the youth may realistically expect to obtain. In particular, there is a need for agricultural education to overcome the bottleneck in the management and improvement of rural development programmes, and on technical training to alleviate the shortage of mechanics, artisans and so on.

### CONCLUSION

The private sector can expect its role to change - from being the dominant factor in the economic growth of Rhodesia to that of a partner in a new economic policy. How then can the private sector co-exist, or survive in a changed climate?

It is arguable that the private sector will survive only if it shows itself to be capable of delivering the goods to the entire population. Mr. Andrew Young, formerly the United States Ambassador to the United Nations, says he does not fear for the future of the free enterprise system in Africa because it can deliver a high standard of living and mass consumption goods to the entire population far more efficiently than can a socialist system. But in Southern Africa thus far, the free enterprise system has not delivered the goods, largely because of the interference of institutionalized racial discrimination in factor markets. Once racial discrimination is removed, as it is being removed in Zimbabwe, the entrepreneurial energies which are associated with the private sector can be released and channelled into different directions to meet a different set of goals. If the private sector wishes to survive, it ought to co-operate readily with the government in reaching the optimal combination of public sector/private sector participation in the economy. It must be seen to be actively assisting in the removal of racial discrimination and it must benefit all income strata in society.

Such a direction may not, however, be popular among the high-income groups.

But they will have to accept that their standard of living has reached its peak and that it will now have to mark time. This may, of course, not be a new experience - the standard of living has declined since UDI because of the shortage of mass consumption goods, and the high-income groups may therefore be psychologically attuned to such a situation.

Writing in 1974, Dunlop stated that: "The challenge facing the European electorate is whether it can recognise that its continued existence depends on the economic development of the African rural areas". Today I would rephrase this as follows: "The challenge facing the private sector is whether it can recognise that its continued existence depends on a fundamental redistribution of wealth to the majority of the African people". In my view Zimbabwe lost a golden opportunity thirteen years ago of moving in a different political direction; if businessmen in Zimbabwe misread the future in the same way the politicians did in 1965, the private sector will face very bleak prospects indeed.





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