

HARARE

ZIMBABWE

29 MARCH-2 APRIL

1982

**REPORT ON THE  
INAUGURAL SEMINAR OF THE  
ZIMBABWE INSTITUTE OF  
DEVELOPMENT STUDIES**

(PAPERS PRESENTED)

**ZIMBABWE INSTITUTE OF  
DEVELOPMENT STUDIES**

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# **THE (ZIDS) INAUGURAL SEMINAR**

Harare, Zimbabwe.

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## **REPORT OF SEMINAR**

**ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES**

**HARARE, 1988**

## INTRODUCTION

The inauguration of the Zimbabwe Institute of Development Studies represented an important breakthrough for the development of a national research culture in Zimbabwe. We were fortunate at the inaugural seminar to have brought together a number of well-know academics from Africa and elsewhere, to come and share their collective experiences with us in the field of development research. For nearly a week we listened and learned from the comparative experiences of fellow researchers and benefited greatly from the fruitful exchanges.

We were also fortunate enough to have had the President, then Prime Minister of Zimbabwe, Comrade R. G. Mugabe, to open the proceedings and to set the tone for the discussions that ensued. Along with the President, various ministers also took time off to engage in debate with the gathering of researchers and academics.

This special ZIDS publication presents the various papers delivered at the ZIDS Inaugural Seminar. Minutes of discussions held are available separately at the ZIDS library. It is hoped that this record will provide a useful framework for understanding and assessing the development of ZIDS.

The Inaugural Seminar will always serve as a living reminder to those of us at the Institute and the larger society, about the objectives for which ZIDS was created, namely to contribute to national development through intellectually and academically sound socio-economic policy-oriented research. Those objectives are even more pertinent now as the nation moves from reconstruction of the economy and society, and braces itself for the consolidation of the socio-economic system and charts a path for our development. Researchers at ZIDS and indeed elsewhere should play as critical role during this phase by providing empirical information and data from their research for use by policy-makers and planners.

We, therefore, take this opportunity to thank, once again, all the government officials and the academics and researchers from various parts of the world who found time to be present at the birth of the Zimbabwe Institute of Development Studies. Their collective knowledge, experience and fraternal solidarity served as an important source of encouragement for our development.

**A. M. Rukobo**

*Director*

ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES

# **The Role of the Private Sector In Zimbabwe**

by

A. A. Botsh, President,  
Associated Chambers of Commerce,  
Zimbabwe

## INTRODUCTION

Thank you for inviting me to speak at this august gathering on "The Role of the Private Sector in Zimbabwe". As my colleague from the Confederation of Zimbabwe Industries (CZI) will also speak on the same topic, I shall restrict my statements to the commercial sector, which includes finance, insurance and real estate, transport and communication and the distributive networks.

Before I turn to the subject of my speech, I would like to take this opportunity to congratulate the Ministry of Manpower Planning and Development for successfully carrying out Government's objectives of setting up a research and training institute. The need for this institute is undeniable as developing countries such as Zimbabwe need to research into problems which hamper development. There is a need for appropriately trained civil servants who will effectively carry out Government policy and there is need for detailed analysis into the various sectors of our economy, with a view to improving efficiency and human relations. I noted from the press statements that there will be seven departments in the Research Division. It is my fervent hope that there will be, as there has been, consultation between the researchers and the private sector in order to try and improve industrial relations and economic efficiency. I also hope that there will be a lot of dialogue with the private sector on the necessary courses and how these can best serve our country.

I submit that there is great potential for this Institute. However, the challenge that will soon face Government and the private sector will be to find the best way of effectively utilising the Institute in your efforts to find means of improving the quality of life in this country.

## HISTORICAL ROLE OF THE PRIVATE SECTOR

The critical issue today is what the role of the private sector is. To answer this, one needs to analyse why that sector came into being in the first place. A major reason is that Government could not, and still cannot involve itself in the day-to-day running of business, whilst at the same time charting major policy objectives and how these can best be implemented by all segments of the economy. The private sector resulted from the entrepreneurship of individuals in their attempts to provide the basic essentials of life - food, shelter and clothing - under conditions of scarcity. These entrepreneurs had to provide these essentials at competitive rates to the public, otherwise they were priced out of the market. Thus, a competitive distributive network was devised to provide goods and services to the public at least cost.

Government on its own, would not have been able to accomplish this, so it undertook public projects where large investment outlays would otherwise have been required of each

entrepreneur. It thus provided health facilities, educational facilities and communication networks to enable the private distributive networks to operate effectively. Government requires the services of another sector - the private sector - to produce goods and services which it cannot provide. This is where the importance of the private sector becomes self-evident.

## **CURRENT ROLE OF THE PRIVATE SECTOR**

Today, the commercial sector (wholesaler trade, retail trade, finance, insurance, transport and communication, real estate, hotels and restaurants) is the third largest employer of labour after agriculture and manufacturing. This sector is also the largest contributor to total earnings, contributing about 24% to gross earnings in 1980.

With this track record and Government's stated policy of welcoming private sector participation in "productive activities which create employment opportunities and make a net contribution to the economy", I confidently state that private enterprise has a role to play in the future development of this country.

## **STRUCTURE OF PRIVATE ENTERPRISE**

The question that still remains at issue is: "what form is private enterprise likely to take in a new socialist Zimbabwe, which aims to uplift the standards of living of its population and close income differentials among the people?" Government has stated in its policy document "Growth With Equity" that it will seek to participate in strategic industries and encourage joint ventures and worker participation in the decision making process of private enterprise. Government has also stated that it welcomes foreign investment. The nature of Government participation in the private sector has, to date, maintained the mechanism of market forces in determining what is produced and in what quantities. Government's participation in CAPS Holdings, ZIMBANK and the Bank of Credit and Commerce has ensured that competition is maintained with similar organisations. If Government's past involvement in private enterprise has set the precedence for its future involvement in the commercial sector, then private sector will also welcome this, as the competitive spirit of the market has so far been allowed to hold sway. It is essential that the competitive nature of the private enterprise system be maintained in order to ensure the efficient allocation of scarce resources between firms and also provide the essential element of choice to the public.

## **NEED FOR SOCIAL RESPONSIBILITY**

The extent to which private enterprise or specifically the commercial sector should be allowed to exist, in my view, must depend on its level of social responsibility. Within the context of today's changed circumstances, private sector must show that it fulfils the

political and socio-economic aspirations of the people. It is the responsibility of the private sector to upgrade the quality of its labour force as it is only through qualified and efficient labour that productivity and salaries are raised.

With the loss of skilled manpower through emigration, there is an urgent need for in-service training in companies and also day-release courses where it is inappropriate for in-service training to be undertaken. Private sector has faced the challenge of training its labour-force. In this respect, close liaison between Government and the private sector should be consolidated in order to avoid the emergence of the educated unemployed arising out of an inappropriate combination of academic and vocational instruction. Therefore, training colleges must be responsive to the changes in the labour market demands.

## **PROBLEM AREAS IN THE DISTRIBUTIVE SECTOR**

There are still unexploited resources in the traditional sector: we have abundant human resources which, if trained, can become an important input to increased earnings. At the moment, the rural areas represent a major challenge to Government and indeed the private sector. Government, I acknowledge, has already beaten us to the post in its efforts to uplift the standard of the rural people. The private sector has to date been hampered by the following factors, which I hope this Institute will help resolve.

### **Production Constraints**

Over the period 1979-1980, the distributive sector (wholesale and retail trade) experienced a rapid growth of over 42%. This increase in the level of retail trade activity was possible as excess capacity existed and turnover had also increased dramatically due to the higher purchasing power of the hitherto lower income families. Government policy of increasing the minimum wages served to fuel demand for items such as clothing, footwear and household goods. This increased demand has now tended to reduce excess capacity that existed during the war years.

At present demand by the distributive trade is outstripping supply and producers have little need to compete for retail support. Owing to the constraints in productive capacity, manufacturers often find it more to their benefit to do their own deliveries to the rural areas. However, rural traders may not know of intended deliveries due to the poor communications in more remote areas. If production were increased, manufacturers would be more eager to work with wholesalers on an agency basis and these wholesalers would set up physical buildings and work more closely with local traders providing also there was sufficient demand to cover the large investment necessary and the large inherent

overheads. This problem could be looked at by the Institute in consultation with the private sector.

### **Infrastructural Facilities**

Because of the historical pattern in the development of our country, a dual economy still exists and this is acting as a disincentive to investment in the rural areas. There are insufficient infrastructural facilities in rural areas that would attract the high calibre of management that is required in such enterprises. There are problems such as lack of roads, electricity, telephones, and services including post offices and the rate at which these facilities are made available will, to a large extent, determine whether any commercial development takes place in rural areas. These factors are essential to any businessman and their absence is a real disincentive to investment.

### **Land Tenure Policy**

Currently, prospective businessmen are wary of investing in rural areas in general, as there appears to be no definitive statement on this. This issue will need to be resolved to enable businessmen to invest in rural areas. It would also enable the emergent businessman (who more often than not, resides in the rural areas) to secure some form of collateral for his loan requirements and obtain security of tenure that he now lacks.

Allied to this problem, is a worrying issue of where the designated *Growth Points* are. Prospective businessmen would like to invest in the rural areas with the conviction that they are investing in the right place. The fact that no designation of growth points has been made also acts as a disincentive to potential investors.

### **Seasonal Demand**

Because the majority of people in the rural areas are engaged in subsistence farming, their demand for goods is necessarily seasonal. It is at its peak when they have sold their produce and at its lowest when they are preparing the land for the next farming season. This inevitably also affects the cash flow and consumer spending throughout the year. Industrial development is needed in order to ensure an even flow of funds from the consumers and also provide a livelihood for the rural population, but industrial development will also depend on infrastructural development. This issue deserves urgent attention, as the future of the decentralisation policy may hinge on the level of effective demand throughout the year.

### **Investment Climate**

It is of paramount importance, if the decentralisation policy is to be successful, that wholesalers and retailers, who expand into the rural areas, do not feel that they are moving



into an area where they are not welcome. The role of private enterprise in the rural areas needs to be more widely publicised and supported by Government in order to make it more acceptable to the rural populace. Other factors like lack of finance and the need for training (especially emergent businessmen) whilst equally important, would have more meaning if the above constraints were overcome.



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