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Rural Growth Points in Zimbabwe — prospects for the future*

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ABSTRACT

This paper briefly examines the context of rural growth points in Zimbabwe since Independence (1980). It examines prospects for rural industrial and commercial growth in the light of a highly centralised industrial and commercial base, dominated by monopolistic and oligopolistic firms. A number of possible small scale industry opportunities are identified, which lead to an assessment of the current role of central and local government initiatives.

Introduction

The term 'growth point' is widely used in Zimbabwe to denote settlements which are earmarked or designated for economic and physical development. The terminology is often confusing because of the wide range of settlements to which it is applied — ranging from small rural centres to settlements the size of Chitungwiza (the third largest town in Zimbabwe). This wide application also results in policy problems, particularly in terms of incentives required to attract investment and the support which central government has to give. Growth points can generally be defined as settlements (rural or urban) which central and local government consider have a potential for further development and hence need to be supported by further public and private sector investment.

In the immediate post-independence era (post-1980) the focus of the growth centre policy was on rural areas. The centres (points) were identified in the communal areas and would receive public sector investment to improve physical and social infrastructure. This investment estimated at $60 million between 1983/4–1985/6 would be directed at the following: water reticulation, internal roads, sewage, electricity and other community services. The main focus was on physical development which was perceived as a basis on which private and other public capital would be attracted to the centres. In an effort to redress the imbalanced nature of the colonial

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economy, the development of settlements (District Centres, Rural Service Centres and business centres) was seen as providing important foci for locating investment. Their development would improve the image or attractiveness of the communal areas, as potential investment areas.

This paper addresses the issue of improving the potential and examining prospects for the decentralisation of economic activities and for local rural industrialisation in communal areas. The paper examines some of the current government initiatives to strengthen economic development of the centres (growth points) and some of the limiting structural factors. Finally some suggestions are made on possible future strategies and how local authorities should respond.

Policy and Public Sector Investment Programme

Since its inception as policy in 1981, the growth centre policy has been characterised by a focus on the physical development of designated centres. Each of the 55 district council areas has a district centre which has a de-facto growth point status (growth point area). Through the Public Sector Investment Programme each of the centres has received a minimum of Z$160 000 for infrastructural development. More investment has flowed, particularly housing for the different government ministries, whose operations have been decentralised to these centres.

The nature of the district centres vary but most of them reveal the typical predominance of low order commercial services (general dealers, etc) and administrative services (central and local government).

The implementation of the physical infrastructure programme was perceived in three phases [phase 1 (1983/4), phase 2 (1984/5), phase 3 (1985/6)]. For most centres the targeted investment has been installed and in some cases more physical infrastructure investment has been granted (usually the more vibrant centres: Murewa, Gutu, Gokwe). In most districts the attention has shifted to the smaller rural service centres and business centres which form the lower ranks of the settlement hierarchy. At central and local government levels the question most often asked is how do we make growth points grow? What should be promoted and how?

In 1978 government passed statutory instruments 57 and 58, which relate to income tax and sales tax provisions respectively, for prospective investors in growth point areas. Such provisions include reduction in income tax for companies locating in growth points and sales tax exemptions for the purchases of capital equipment. The incentives are aimed at attracting potential entrepreneurs to invest and also to attract existing large firms to decentralise. The statutory instruments follow the gazetting of land constituting each service centre and the preparation of physical layout plans.

Another initiative by central government has been the establishment of the Urban Development Corporation in 1986 whose terms of reference include: 'to generate employment and encourage the development of commerce and industry within development areas' (Urban Development Corporation Act 1986). This initiative was in addition to the Small Enterprises Development Corporation established in 1983. One of its key objectives is to encourage and assist in the establishment of co-operatives and small commercial and industrial enterprises.

At local government level, local authorities in conjunction with the Department of Physical Planning have been preparing investment brochures for each of the growth centres (District) as information for potential investors. Efforts are also being made to provide housing and related services to attract existing firms to invest in the rural areas.

Therefore, following what can be termed the 'infrastructure phase', policy has now shifted towards the stimulation of economic activity. This shift is logical but it is also a realisation that infrastructure on its own will not necessarily attract investment. Given that there are 55 District centres (growth point areas) and many other small towns (which can apply for growth point status), the competition for investment for each is stiff. The advantages for each centre are likely to stem from its 'natural' endowment, eg location in high productive area, or location at important nodal feci for public and private transport. Out of the 55 centres, it is estimated that no more than 10 centres have potential for self-sustaining development. The fortunes for the majority depend on continued support from the public sector investment programme. They are unlikely to perform any better, in a commercial sense, than some existing business and rural service centres (Wekwete 1987).

The question therefore remains: how do we make growth points grow? What activities could feasibly be promoted to generate more employment and provide a sustainable base for the future?

Prospects for industrial and commercial activities

Economic activity in rural growth points is still largely service oriented. In a recent survey (1986) carried out in Mhondoro district on the nature of activities in business centres, the four dominant services found were: general dealers 26%, bottle stores 12%, grinding mills 12%, butcheries 11% (Rural Market Society Survey, 1987). These four constitute 61% of all activity. Such findings continue to reinforce earlier surveys which showed a dominance of grinding mills and general dealers (56%) (Heath, 1978). The 1985 survey (Wekwete, 1987) showed a general increase in business activity in district centres but with limited structural changes in terms of types of activity. Industrial activity continues to be very limited in most centres.

Therefore an important item on the agenda is addressing the question of rural industrialisation via growth points, and examining further potential for improving commerce. Helmsing (1986) identified two types of rural industry: the first concerns household based activities, mostly part-time and often seasonal activities, which generate a complementary income for the household; the second refers to owner operated workshops which produce goods and services, and owners derive their primary income from these activities. These two types represent a continuum from a situation where industrial activity is part of peasant subsistence economy, to a situation where industrial activity is established in its own right. Factors influencing such a process include commercialisation of agriculture or it could simply be penetration from established industries in urban areas to tap the rural market. Expansion of the rural market is related to increasing rural incomes (as a result of urban transfers, better cropping methods, marketing, etc).

The policy of growth centres relates primarily to establishing settlements in which economic activity takes place. This therefore calls for policy to address what activity is promoted in the settlements. It calls for a need to carefully assess potential. The evidence from the districts suggests "that manufacturing is less important than retail trade and commerce. Within manufacturing agro-processing takes predominance, in particular grinding mills. Metalworking activities are varied and range from blacksmithing and tinsmithing to welding, fence-making and the manufacture of scotchcarts. Textile and clothing is fairly limited except for tailoring and repair work" (Helmsing, 1986:14). Rural industry is therefore generally small, poorly capitalised and there is a lack of entrepreneurial skills in the industrial field (most businessmen are into commerce which is relatively low risk).

Rural growth centres therefore face problems because even when incentives exist there are severe local constraints (particularly entrepreneurial and capital) which have to be overcome. The centres are looking for potential investors from the already established urban centres which calls for incentives and which is highly competititve given the large number of centres looking for investment. If towns the size of Chitungwiza, 20 kilometres away from Harare, with a large labour pool and services, fail to attract industry to decentralise or relocate in them, then the prospects for small rural centres are bleak. What can Kotwa or Silalabuhwa offer an industrialist to locate their firm in these centres?

Increasingly therefore there is a realisation that prospects for decentralisation of economic activity are poor. One of the major constraints is the limited size of the national market for existing industrial and commercial firms. Given the new production technologies it is fairly easy for one or two large firms to satisfy and dominate the market.

This monopolistic or ologopolistic pattern limits decentralisation, or relocation, to depots or wholesale activity (Wekwete 1982). Such a pattern is fairly typical in Zimbabwe where most new activity in rural growth centres has tended to be wholesaling, depots and small branch plants (eg bakeries). Another major constraint is the general low income levels prevailing in communal areas. High productivity is found in a few select areas (Gokwe, Murewa etc), but even in these areas there is high seasonal variation due to droughts. Therefore the rural market still does not economically justify the setting up of new industries. It is still more meaningful to service them in a marketing sense through wholesaling, van sales and depots.

Rural industrialisation is dependent on the growth and development of the rural economy. It is on these same forces that rural growth points will depend. That a settlement has been created does not guarantee economic activity, let alone development of services.

The designated growth centres in Zimbabwe have to overcome some of the prevailing structural constraints. This task requires in-depth evaluative research, both of the industrial/commercial opportunities prevailing nationally, and the potential for exploiting them at growth centres. There is also a need to carefully examine the range of incentives offered and to see whether they outweigh the current advantages offered in urban areas. If not then we have to address the issue of whether disincentives have to be offered for new investment locating in existing large urban areas. The policy implications point to a need to address the national issue of the decentralisation of economic activity.

The prospects for industrial and commercial development can be approached in two ways: first, in terms of what activities can be promoted at these centres, given the limitations of the national market and, secondly, in terms of policies as they relate to governmental and non-governmental organisations. These two are interrelated and complementary.

Industrial and commercial activities at growth points

One immediate problem is the varied potentials of the district centres/growth points. Wekwete (1987) identified two types of centres:

First, high potential centres which have a wide range of low order and high order services including strong administrative infrastructure. Such centres can be designated urban by virtue of their population exceeding 2 500 (1982 census)[1]. These include such centres as Murewa, Mutoko, Gokwe, Gutu-Mupandawana, Chisumbanje and Sanyati.

Secondly, low potential centres whose roles have been elevated by their post-1980 designation, and whose future will depend largely on continued public sector investment support. These form the majority of centres which are primarily service centres with limited economic potential.

An important difference between the two types identified is that the high potential centres have begun to benefit significantly from some forms of economic decentralisation. This is particularly in terms of urban-based firms seeking relocation to market their produce in rural areas. The shift is dominantly of wholesale and retail activity, and limited in terms of productive (manufacturing) industries. Urban based firms will take advantage of current income and sales tax rebates to relocate some of their operations to high potential growth points. However experience of such relocation in other countries (United Kingdom and other European countries) points to the fact that such moves to peripheral or depressed areas might not benefit the areas significantly in terms of employment or locally retained capital. Large companies could take advantage of such incentives for their overall income tax and sales tax benefit. It is also likely they would locate in areas where, even without incentives, they would eventually be attracted because of the market potential.

The majority of centres are largely beneficiaries of government investment, particularly the location of government ministries and parastatals. Housing development and service development are important spin-offs. Most industrial activity which tends to relocate would be of limited repair and service oriented type — tailoring, blacksmithing, brick making, etc. The future economic development is closely linked to the overall regeneration of the productive capacity of communal lands.

The biggest asset of the communal areas is population numbers which could form the basis of a potentially viable consumer and production market. The major constraint is the lack of a viable productive base particularly with the pressure on land and resources in general. Therefore it can be argued that the future of most 'growth points' lies increasingly in the solutions put forward for agrarian and productive elements of the communal sector. If land is re-organised productively then growth points' will prosper, as marketing and production outlets. Therefore a major policy challenge is to remove the constraints to overall economic growth which will pave the way for growth points also to develop.

A number of suggestions have been made concerning proposed rural industries (Wekwete 1982). These include:

(a) seed grading and packing

The advantages of such an industry include an existing demand among all communal farmers for a variety of types of seed for their farming operations. Investment in such an industry is relatively low — large shed and sorting tables — and the industry would be labour intensive.

Existing seed-farming and packing has been geared to commercial farming operations. There is a large potential (which has been growing) among small scale farmers. The operations of such an industry could be localised through a local farmers' co-operative, who would also buy and sell some pre-packed seed. Such an industry has the advantage of directly relating to the activity of farmers.

(b) fruit and vegetable processing

The existing industries are located in the Eastern Districts of the country where there is large scale organised fruit farming. The area has also a high agro-ecological potential — high rainfall and rich soils. Few rural areas could claim such advantages. The commercial demand for processed fruit and vegetables has been linked to an urban-based market (in particular the small affluent groups).

In the communal lands, fruit farming is not organised — in most cases it is largely defined for subsistence needs. The family grows a few mango or guava trees for local consumption, this could be improved through further extension work. Indeed, currently ARDA (Agricultural and Rural Development Authority) is involved in a project in Mutoko district, which could provide a valuable pilot scheme.

(c) Processing of oil-seeds

The production of oil seeds — groundnuts, sunflowers, etc — is an important element of communal farming (although not as significant as maize growing). The oil-processing industry is urban based and provides an important input into other industrial operations (soap making, baking, etc).

The possibility of small-oil processing plants being developed for rural areas exists, but this requires a guarantee of inputs from producers. With the current government encouragement for oil-seed production (high producer prices), there is a possibility of rural entrepreneurs or co-operatives taking advantage of likely increased production. There is a need for a feasibility study to be carried out in this area of operation.

(d) Rural abattoirs and associated industries

In the 1970's, during the colonial period, there was a growing number of entrepreneurs operating their own butcheries and slaughter houses. The number of leases for butcheries in 1975 was 869, forming approximately 6% of rural business trade. With the intensification of the liberation war there was a general collapse of this industry and the monopoly of the Cold Storage Commission increased, partly as a way of controlling such diseases as anthrax (there was a break down of veterinary services).

However such monopoly has increased in the post-independence era, partly for the same reasons (control of disease) but also as a deliberate policy of centralising the marketing of beef. With growing demand the supply of beef from the Cold Storage Commission has been generally inadequate in both rural and urban areas. The marketing of cattle of peasant farmers and access to the Cold Storage Commission has been hampered by constant droughts and also the distance from the depots (mostly created for commercial farmers).

A case exists now for encouraging locally oriented rural abattoirs. The

Cold Storage Commission should decentralise its expertise (together with veterinary services) to initiate the development of such industries. The local entrepreneurs would have to register with the Cold Storage Commission, who would advise on slaughter facilities and refrigeration, packaging and marketing of meat. Strategic parastatals should spearhead government policy on decentralisation to growth points.

There should be a co-ordinated approach to the marketing of by-products including skins, bones, horns, hooves and fats. All the by-products are important inputs to existing urban based industries. Rural growth points could be important collecting centres and eventually processing centres.

(e) Rural milling and associated products

Rural milling is currently characterised by grinding mill operations. These operations are largely service-oriented (ie providing rural consumers with a place where they can process their maize and other small grains). In no case are grinding mill operations taken to be production based as do urban millers. There is also a lack of associated industries — processing of chicken feeds, pigfeeds and animal feeds.

Rural milling operations could purchase concentrates from the large manufacturers and could be the centre of mixing and packaging. Such operations are labour intensive and require low capitalisation, which would be ideal for co-operatives and local entrepreneurs.

Indeed we could propose a whole range of activities for growth points which could be investigated for implementation (pre-feasibility). It is argued that industries must have a direct relation to local activities which are generally focused on agriculture (livestock and crop production). Such industries have a local market and could complement the already existing supplies from the main industries, which are currently hampered by the high costs of transport and inputs.

Because the decentralisation of existing urban industries is limited by the size of the existing market, the approach proposed is to tap existing gaps in the rural market, which would strengthen non-farm activities. Such a locally based approach requires a different set of incentives from that prescribed for decentralising major industries.

One such incentive is a relatively low-wage rate for the small industries, to enable them to be competitive. The other is encouraging joint activity in terms of shareholding with such organisations as SEDCO (Small Enterprises Development Corporation). The participation by SEDCO will enable the small industries to benefit from the corporation's expertise and to have access to financial support. Initially such a scheme could involve a few pilot industries in a sample of growth points. SEDCO should not only offer financial support, but should nurture entrepreneurship.

A large proportion of commercial activities in rural growth points are in the form of retail and other services. They represent an exchange of manufactured goods originating from the existing urban areas. The range of products includes basic consumables (non-durable) to durable goods, which are sold predominantly through small retail outlets. In most cases there is a large incidence of overtrading, particularly in the smaller service centres. A number of areas need to be improved: First, the prices offered in retail outlets is much higher than that offered in urban areas due to transport costs. This could improve through bulk co-operative buying, directly by rural traders. At a given centre traders could pool their resources together to buy 'bulk', which would reduce the cost and subsequently retail prices. The problem could also be approached from the point of view of setting up wholesale ventures to benefit not only the growth points, but the district as a whole.

Secondly, the range and quality of products is generally poor — there is limited diversification. This results in rural customers having to make their major purchases in the main urban areas. A recent survey in Mhondoro (1986) reveals that a high proportion of expenditure on items such as shoes, trousers, furniture, blankets, agricultural tools, etc goes outside the district to nearby urban centres — Harare and Chegutu (Rural Market Society Survey 1987). Such evidence suggests that more provision should be made in local shops for higher order and durable goods. This requires specialisation by local businessmen and also greater access to credit.

On the whole the future development of commercial exchange depends on the improvement of rural incomes. This in turn depends on the future delivery of government services (social/physical infrastructure) and the patterns of capital flows.

Roles of central and local government in promoting economic activity

We have already identified government's involvement in the promotion of growth points since 1980. This has been carried out through the roles of the different ministries and parastatal bodies. The early phase was characterised by the establishment of physical infrastructure but more recently the focus is on promoting economic activities. It is suggested that central government, through its development agencies, should undertake a major evaluation exercise of all the rural growth points, in order to be able to formulate long term policies on future development.

Given the decline in available public sector expenditure, there is a careful need to prioritise the allocation of resources. Not all centres will be viable growth points and therefore there is a need to identify the different types and determine appropriate policies for each. The 'blanket' approach will not serve a useful purpose given the differing potentials of the centres. Future public sector investment should be geared to very specific targets and preferably to productive enterprises.

There is a need to carefully examine supporting policies, eg agrarian reform or resettlement, and to see how they can benefit the designated centres. This has to be coupled with a review of some of the national policies, eg minimum wage regulations, in terms of how they benefit the promotion of rural enterprise and activity.

Given the long term goal of establishing a socialist economy, there is a need to examine the role settlement planning plays in attaining such goals. How can growth points be made to contribute to socialist transformation? What principles should be followed in setting up small scale enterprises, and what are the relations with the large scale capitalist industries? One dominant feature of the Zimbabwean economy is the prevalence of monopolistic or oligopolistic firms (in commerce and industry) — how beneficial is this to efforts being made towards decentralisation of economic activity to rural areas? Maybe there is a need to set up some mechanism to protect small rural industries, if they can prove viable employment generators.

The role of local authorities (specifically district councils for rural growth points) in the promotion and management of these designated centres is of vital importance (Wekwete, 1987). The local authorities are vested with planning powers (Regional Town and Country Planning Act 1976) and therefore have to initiate development projects. Although the traditional role of local authorities is development control, there is an important shift in defining their roles as development agents. This means they must be involved in income generating projects and must actively create business partnerships with the private sector.

In most rural growth points in Zimbabwe the most obvious role for local authority involvement is property development. This involves the provision of housing, offices and recreational facilities. Such a role improves available facilities to attract new business, but it can also be a significant revenue earner. Local authorities must actively look for new investment and therefore need active planning and development units in their management structures. This is currently lacking, but needs to be examined as an urgent priority. The post-1980 call for a planner per district is long overdue and needs to be implemented soon. It will also strengthen the shift from administrative orientation to a more development/project orientation on the part of local authorities.

Finally whereas the question of incentives has tended to be a central government issue, there is a need to address it at local government levels. What can district X offer which district Y cannot? Such differentials might not be conducive to equitable development, but within the context of the prevailing mixed economy, it will be a necessary evil. Central government will have to continue its arbitration role to ensure that those disadvantaged economically do not suffer in a social sense. In other words the argument is sacrificing equity to greater economic regeneration and employment in fewer centres. Such a view tends to be 'hard-nosed', particularly in relation to selection and the aim is to achieve greater economic efficiency.

Conclusions

This paper has examined the post-independence initiatives in promoting and developing rural growth points. The role of central government and its agencies in formulating policies has been identified, and the current emphasis on promoting economic development. A number of suggestions in terms of future commercial and industrial activities have been made, but they require further investigation and analysis.

The main conclusion is that the promotion of economic activities in designated rural centres requires a careful understanding of the many prevailing economic forces. Such intervention can only succeed when the key actors are identified and a balance is struck between promoting locally based activities and those coming from outside. The paper strongly argues for those activities linked to the primary activity, agriculture, which are labour intensive and have a potentially viable local market.

The incentives already put forward by central government are unlikely to result in any major shift to the rural areas of commercial and industrial activities. There is a requirement for further analysis and the investigation of other structural constraints. This requires the participation of both central and local government. Finally, there is a problem in Zimbabwe of the 'too many centres syndrome'. The available resources cannot cope with initial equity oriented selection, which requires that a few centres be chosen and they be provided with packages which will make them self-sustaining centres.

FOOTNOTE

1. Although the census definition of an urban area is 2 500, there are other criteria which central government applies before a centre can be accorded municipal status. All rural growth points with a population above 2 500 have not been formally given an urban municipal status; they are settlements whose jurisdiction still lies with their respective rural/district councils.

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