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STRUCTURAL ADJUSTMENT AND THE STRUCTURE OF THE  
ECONOMY OF SMALL TOWNS IN ZIMBABWE

By

Poul Ove Pedersen

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THE STRUCTURE OF THE ECONOMY OF SMALL TOWNS IN ZIMBABWE

by

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ABSTRACT

This paper focuses on the small rural towns as intermediaries between the rural economies, on the one hand, and the formal, mainly urban based, national industry on the other. Theoretically, the paper rests on a *network concept of the enterprise* which is related both to the Scandinavian network approach and to the Anglo-saxon theory of flexible specialisation. In the network approach, the small enterprise is seen neither as completely dependent nor as independent, but as a node in a network of enterprises where it is linked to other enterprises both public and private, both large and small. The networking is seen as leading to a process of specialisation and market segmentation which is beginning to be visible in the small towns of Zimbabwe that have been the focus of research.

The paper argues that in economies like that of Zimbabwe where a large part of the population remains in semi-subsistence production while formal trade and industry is highly concentrated both organisationally and geographically, rural industrialisation combines consolidation and concentration of rural small-scale activities with decentralisation of formal sector activities. The paper then discusses policy initiatives usually associated with structural adjustment programmes in the light of the theory and the observed small-town economic structure.

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1. Rural industrialization: Consolidation of rural non-farm activities - decentralization of urban industries

This paper focuses on the small rural towns as intermediaries between the rural economies on the one hand and the formal, mainly urban based, national industry on the other.

The development of the small towns themselves depends on their ability to develop this intermediary function in commerce, services and production. Equally important, their intermediary function means that both positive and negative effects on the rural areas of structural adjustment and other economic policies to a large extent are channelled through the activities in the small towns. Therefore, the effect on rural development of such policies can only be understood on the basis of knowledge of the structure and development of the economy of the small rural towns and their linkages to both the rural areas and the larger urban centres.

However, most research on economic and industrial development has taken a purely national perspective. It has mostly been based on statistics of the formal industry, which treat the industrial sectors as homogeneous. If the informal sector is considered at all, it is also mostly looked at as more or less homogeneous. Although it is increasingly realized that there are important interactions between the formal and informal sectors, the perception of both formal and informal industrial sectors as homogeneous makes it impossible to understand the nature of these interactions, which often take place between formal and informal activities within each industrial sector. As a result one of the serious deficiencies of the structural adjustment and other economic policies is our inability to take account of their effect on the rural/informal economy.

Similarly, most rural research in Africa has since the 1970s looked at the rural areas as a whole without distinguishing the specific role which small towns play in rural industrialization and development. Although the rural centres in Africa usually do not weigh heavily in terms of either population or rural non-farm activities, most of the larger and growing activities are located there. It is difficult to

see how the rural areas can be industrialized without development of the small towns. So much of the development effort in Africa and also in Zimbabwe has focused, on the one hand on the large scale urban based industry and, on the other hand on the very small scale, often rural semi-subsistence sector. There have been both theoretical and ideological reasons for that, and governments, donors and NGOs have basically all agreed. But the result has been that the possibilities for developing those marketbased intermediate enterprises,<sup>1</sup> on which a rural industrialization must be based, has been highly restricted.

In order to understand the mechanisms of small town growth as well as the way small towns function as centres of transmission of development (or exploitation) between the urban and rural areas, CDR has carried out research on small towns in Africa during the last 4 years. This paper summarizes some of this research especially concerned with the district service centres or rural growth points in Zimbabwe.

Section 2 and 3 of the paper present the theoretical and empirical approach to the research. From a national perspective section 4 presents the three industrial sectors which have been selected for detailed research, and sections 5-7 analyze the three sectors from a small town perspective.

Section 8 discusses the impact of the structural adjustment policies on rural industrial and commercial development on the basis of the three sectoral studies. Finally, in section 9 we discuss and question one of the main assumptions implicit in the structural adjustment policies, namely that they eventually will lead to the creation of homogeneous and stable markets.

## 2. Theoretical approach

Theoretically our research builds on a network concept of the enterprise which is related both to the Scandinavian network approach and to the Anglo-saxon theory of flexible specialization.

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<sup>1</sup>These enterprises correspond to what Helmsing (1991) in his study of rural industries in Zimbabwe calls "type II enterprises".

- This network concept of the enterprise differs from both
- the neoclassical microeconomic concept of an enterprise, which con-  
ceives of both small and large enterprises as an independent economic unit which on the basis of a certain production machinery produces goods or services for an impersonal homogeneous market, where all the enterprises operate on equal terms and where price and quantity are the only interesting variables. And
  - the petty commodity production concept where the small enterprise is seen as marginalized, operating on markets with a cut-throat competition and no possibility ever to advance in an economy dominated by large national and international enterprises and their branches. As a result focus tends to be on income and employment generation rather than on production, and although the small enterprise sector is often seen as an integrated part of the production system, its importance is usually seen in terms of labour reproduction rather than in terms of production itself.

In the network approach to the small enterprise which is used in our research the small enterprise is seen neither as completely dependent nor as independent, but as a node in a network of enterprises where it is linked to other enterprises both public and private, both large and small. These linkages may be in terms of flows of goods, money and information, but also in a dynamic sense in form of change and adaptation to other enterprises in the network. In such a process of mutual adaptation each enterprise attempts to find its own specialised niche in the network, where it is able to survive and possibly grow. This leads to a process of specialization and market segmentation which one can see the beginning of in the small African towns we have been studying.

### 3. Empirical Approach

Empirically this enterprise concept means first, that although we have been interviewing enterprises it is the small town as a whole which is our study object. Secondly, we (contrary to most statistical studies of small enterprises) do not assume that the small enterprises are all alike, but rather that they are all different, and therefore

averages may hide more than they show.

- The network concept of the enterprise has also led us to look at
- both commercial and production enterprises which are typically competing about the same local market
  - both formally independent local enterprises and branches of no-local private or parastatal enterprises. We perceive of both as local enterprises albeit with different degrees of independence
  - both private enterprises and local public offices as actors in the local economy. In much traditional thinking a local planning office or other public sector office would be seen as an administrative unit carrying out decisions made in the ministry. We shall rather conceive of it as an independent decision unit which of course to a larger or smaller extent is bound by central decision, but which still has considerable scope for local action, if it dares to use it.

Finally, although we have been studying the local small town economy, we have not only looked at the local linkages. In fact the local economy of the towns we have been studying is rather fragmented and cannot be understood without understanding the way it is linked to the national or even international economy. The linkages to the higher levels of the urban hierarchy as well as to the rural areas, therefore, play an important role.

On the other hand, even though there are few direct linkages between local enterprises, this does not mean that there is no local interaction. Rather there is a process of market segmentation going on, where the enterprises adapt to each other trying to find niches in the local market where they can exploit their own advantages in terms of quality of product, price, location, delivery services, credit, family and social relations.

This theoretical approach to the small town and its enterprises has empirically led us to take a sectoral view. Only by taking a sectoral view could we hope to obtain a detailed picture of the local economy and its linkages to the national economy. Thus one could say that we



in our studies have been focusing at specific sectors in the national economy, but from the perspective of the small town.

We have chosen to look at three sectors which make up an important part of the small town economy but which are also very differently structured, namely

- the agricultural marketing and processing,
- the building sector including building material production and trade, and
- the clothing sector.

As we shall show below, the three sectors are very differently structured and thus national policies are likely to have different impact on them.

Geographically the building sector study was carried out in the district service centres of Gutu and Murewa, while the two other sector studies were carried out in Gutu and Gokwe district service centres. Our presentation here will primarily be based on data from Gutu with sideviews to Gokwe and Murewa.

Gutu centre is one of the largest of the district service centres. It has a population of around 20,000 inh. and is located 225 km south of Harare. Gokwe and Murewa centres are a little smaller and located 300 km west and 70 km east of Harare, respectively.

#### 4. The three sectors in the national economy

The agricultural processing and marketing

Agroprocessing is one of the largest industries in Zimbabwe. According to Riddell (1990) the formal food, beverages and tobacco industry employed 39,200 people in 1983. This figure has probably increased since then but we have no data on this.

In addition to these formal industries there are around 60,000 small food processing enterprises (with less than 50 employees, but an averages employment of only 1.35) according to a recent survey of small

enterprises in Zimbabwe (GEMINI, 1991). Almost 50,000 of these, however, brew traditional beer, while small butcheries, mills and bakeries only make up around 12,000 enterprises with a total employment of probably around 20,000. Practically all these small enterprises in the sector are located in the rural areas.

Finally, there is a large number of rural vendors and retailers trading in farm products and livestock, according to GEMINI around 75,000 enterprises with a likely employment of about 140,000.

#### The building sector

The formal construction sector has up through the 1980s employed 40-50,000 people (Republic of Zimbabwe 1991). Most of them have been employed by large companies, mostly located in the large towns, but also operating outside. In addition to this there is also a considerable employment in building material production and trade in the formal sector. This subsector cannot be isolated in the statistics but a qualified guess of its employment may be around 20,000.<sup>2</sup>

Besides this formal building sector there is a large small-scale building sector. According to GEMINI (1991) there are around 35,000 small construction enterprises with less than 50 employees, and in addition around 45,000 carpenters, welders, brickmakers, masons, and hardware dealers which are mostly engaged in the building sector. Most of these enterprises are located in the rural areas. Together these enterprises in the small-scale building sector probably employ around 150,000 people, or more than twice as many as the formal sector.

#### The Clothing sector

The clothing industry has since Independence been one of the most important and rapidly growing manufacturing industries in Zimbabwe with a considerable export. The formal industry consists of 240 enterprises (with more than 5 employees) with a total of 24,000 employees (Dec. 1991, since then it has been declining). The employment, however, is strongly concentrated, as 22,000 of the employees are employed in those 73 enter-

<sup>2</sup> Most of the building material production is in non-metallic mineral and metal products which, according to Kidell (1990), employed 41,500 in total.

prises which are members of the Zimbabwe Clothing Council. These 73 enterprises thus have an average employment of 200, while the rest of the enterprises in the formal industry only have an average employment of 12. Only 25 of the largest enterprises are responsible for almost all the export.

The formal part of the industry, however, only makes up a small part of the total clothing sector. According to GEMINI (1991) there is an estimated 170,000 small enterprises (with less than 50 employees) in the clothing sector (tailoring, dressmaking and knitting) with an average employment of less than 1.5 and thus a total employment of around 250,000. Little is known about the productivity and production of these small enterprises, but in average it is much lower than in the large industry.

In addition to these manufacturing enterprises there is also a large number of retail and wholesale businesses in the clothing sector. According to GEMINI there are around 30,000 small clothing vendors and retailers in the country.

#### The structure of the three sectors in summary

The data presented above show that the small enterprises are important in all of the three sectors, although not equally important:

- Agricultural processing and marketing has, as in many other African countries, been highly centralized. It has been dominated by parastatals and large private food processing plants, while small scale activities (except for beer brewing) are relatively scarce.
- The building sector, on the other hand, is more decentralized with relatively many small enterprises, builders, carpenters, welders, brickmakers etc.
- Finally the clothing industry makes up a position in between, with an important private large-scale sector but also an **every** large small-scale sector.

These sectoral differences are even more pronounced on the subsector level. Small and large scale activities are within each sector linked together by processes of specialization, competition, market segmentation

and supply-demand relations. For each of the three sectors we shall in the next three sections investigate these processes in more detail from a small town perspective.

#### 5. Agricultural processing and marketing in the small town economy<sup>3</sup>

Although one should expect agroprocessing to play an important role in the economy of small towns, this has for historical reasons not been so. Until Independence in 1980 agriculture in the communal areas was mainly based on subsistence. Very little of the agricultural products produced in the communal areas was marketed and the market for processed agricultural products was even smaller. The bulk of commercially grown farm products were grown in the white farming areas and consumed in the larger towns. Therefore, there was a certain rationale for centralizing the processing industry in the large towns. Since Independence this has, however, changed. The new government has with considerable success attempted to integrate the communal areas into the market economy, by extending the marketing, extension, and financial services into the communal areas. As a result more than half of the marketed maize and cotton was produced in the communal areas by the end of the 1980s.

This growing commercialisation of the rural economy together with an extension of public services (especially education and health) has led to a growth of the small towns and a rapid expansion in the demand for commercial food products (and also other industrial products, especially clothing and building materials). In the district service centres and other small rural centres this has led to a rapid growth in private shops and parastatal marketing depots, but only slowly in processing activities. As a result most of the agricultural products are transported to the large towns to be processed, at the same time as the small towns are being supplied with commercial food products from the large towns.

Figure 1 shows a diagram of the agroindustrial complex as seen from a district service centre in 1990. It is based mainly on data from Gutu/Mpandawana. The activities shown in bold letters are activities found in Gutu centre. The rest are large town activities on which Gutu depends.

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<sup>3</sup>A more detailed account of this sector study is given in Pedersen (1992a). The fieldwork was carried out in 1990.

The core of the system and one of largest local activities is the depot of the Grain Marketing Board (GMB), which has a monopoly both on exporting grain and oilseeds out of the communal area and on selling grain and oilseeds to local processing industries.

GMB's most important buyers are the large milling companies, breweries and oil extractors located in the large towns. Only a few percentages of the marketed products are sold to local processing industries.

The small rural grinding mills (of which there are also some in Gutu centre) are only service mills which usually do not trade in grain. However, since the mid-1980s there has been a small commercial roller mill in Gutu. It was established by one of the large milling companies to produce meal and maize flour, but it has had difficulties in getting into the local market and therefore, has had to distribute to a much larger area than originally intended. As a branch it never became a good business, and in 1991 it was sold to a large private black businessman.

A small part of the maize flour from the mill was sold to the local bakery, a branch of a large chain of bakeries. Most of the input to the bakery, however, is wheat which is not produced locally.

Before Independence there was a chibuku (local beer) brewery in Gutu, but it was closed down already before Independence. Today there are only depots of the large national chibuku and beer breweries, which as we saw above have to compete with a very large and probably growing small-scale brewing in the rural areas.

Finally, there is a small pop-corn production (attached to the local soap factory) which buys its maize from GMB.

No oil extraction was carried out in Gutu in 1990, but there were plans to make an oil extraction plant, and such a plant was opened in 1991 by a local businessman.

There is a large number of cattle in the communal areas. They are, however, mostly slaughtered and sold locally or used for subsistence. Very few reach the commercial meat market, partly because they are often in a very poor condition. Butcheries, even in the rural areas, are therefore supplied either from commercial farms or mostly from the Cold Storage Commission which has had a semi-monopoly on commercial cattle slaughtering.

The locally slaughtered cattle provide hides which are bought by hide merchants either through travelling buyers or (in Gokwe) through a local branch office. However, tallow, which is an important input in the production of cheap soap, is only produced by the large abattoirs and, therefore, periodically in short supply. The small soap factories existing both in Gutu and Gokwe suffer from this periodic lack of tallow supplies, which on the other hand means that when they are able to get tallow they have no difficulties in selling their soap.

Finally the local milk production is very small, and very little of it reaches the commercial market. Nearly all the commercially sold milk products are supplied by the Dairy Marketing Board (DMB), which in 1990 had a depot in Gutu and recently it has also opened one in Gokwe. Practically all the raw milk processed by DMB is produced by the large commercial farms.

The main difficulty in developing the agroprocessing activities in the small towns is the parastatal pricing policies. Since long before Independence GMB has been buying grain and oil seeds at a fixed price at the depot gate. This practice was not changed after Independence, but the network of depots was extended with many new depots in the communal areas. This has given the small communal farmers access to the commercial market, but also increased GMB's transport and administration costs and, therefore, gradually also its deficit. This pricing policy has undoubtedly been the main cause for the rapid expansion of commercial agriculture in the communal areas during the 1980s and, therefore, highly beneficial to the rural and small town development.

On the other hand, towards the processing industries GMB has also operated a policy of fixed selling prices at the nearest depot, and that has been problematic. This selling price policy has meant that small processing industries which only need small local supplies have had to buy their inputs at the same price as large processing industries which depend on

supplies from a large part of the country. Consequently, GMB has indirectly subsidized the large industry with free transport and made it difficult for the small to compete, because they obviously have higher processing costs and should survive on their smaller collection and distribution costs.

Another problem for the small commercial processing industries in the small towns is related to the by-products of the milling process, which are important for their production economy. In grain milling the by-product makes up 20-25% of the grain input and in oil extraction 65-75%. These by-products go into stockfeed production. However, as oilcake was not originally produced in Gutu, the grain by-products have had to be shipped at high costs to Harare or other large towns where a stockfeed production takes place. On the one hand, this reduces the profitability of the small mills. On the other hand, the strong concentration of the processing industry leads to a concentration of the stockfeed production which means that the price of stockfeed (on which the collection cost is subsidized by GMB, but which has to bear its own distribution costs) in the peripheral parts of the country becomes prohibitively high and therefore the demand for stock-feed low. Thus, the indirect subsidy to the large urban processing industry is likely to delay the development of a marketable live-stock production in the communal areas.

6. The building sector (incl. building material production and trade) in the small town economy<sup>4</sup>

In the small town building sector small local and large non-local enterprises compete on the market. The building sector enterprises located in the small towns consist of

- local, mostly small, registered contractors
- local builders and building cooperatives
- a number of different specialized artisans: plumbers, electricians, painters, carpenters, welders, brickmakers and masons
- local hardware and general dealer stores selling building materials
- branches of non-local building material merchants.

However, at the same time the local market is also supplied by large non-local registered contractors and non-local building material producers or merchant distributing directly to the small towns and their rural hinterland.

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<sup>4</sup> The building sector study was carried out by Jesper Rasmussen and published in Rasmussen (1992a). A short version is presented in Rasmussen (1992b). The field work was carried out in 1989.

There is a considerable market segmentation at the building market and the different types of enterprises tend to serve different parts of the market. Roughly the market can be divided into three sections:

- Institutional and parastatal buildings which require public tenders are practically all carried out by large non-local contractors or public building companies. Although some of the small local contractors technically might be able to carry out some of these large projects they are usually unable to provide security for the often large amounts of capital needed. In addition in periods of unstable supplies they will often be unable to purchase the building materials required for such contracts.
- Shops and modern high-cost housing are built by local contractors. Much of the high-cost housing built for public or parastatal civil servants during the 1980s, however, was built by large non-local contractors because they were tendered out in large projects covering a large number of houses.
- Finally most of the low-cost urban and traditional rural housing is undertaken by small builders, building cooperatives or building artisans. The artisans may be subcontracted or employed by the contractors or builders, but in low cost housing they will often be hired directly by the house owner who then often participates in the building process himself. Other artisans, especially carpenters, welders and brickmakers engage fully or partly in the production of building materials or furniture.

Although the small local enterprises play a larger role in the building sector than in agroprocessing the large non-local contractors have dominated the small town market for modern buildings, especially those built by the public and parastatal organization. This is partly due to tendering practices which have not been favourable to the small enterprises. During the early 1980s the government made some attempts to engage small local builders and contractors and also to establish local building cooperatives. However, in general the results were not encouraging, because the local contractors too often were neither good nor reliable enough, and by the end of the 1980s these attempts had almost stopped.

The development of small artisan workshops in the district service centres appears to depend very much on the local building regulations and by-laws and their administration. Strict zoning regulations, lack of small businessmen to invest an excessive amount of money in buildings before they are able to invest in production and machinery. However, there appear to be big differences from town to town, e.g. conditions for small enterprises



seem to be more favourable in Gokwe than in Gutu.

This increased need for capital is further aggravated by the difficulties of obtaining loans. Until recently, land in Zimbabwe's small towns could not be bought, but only obtained on one-year leaseholds. Although leases were usually renewed automatically, it has not been possible to use such leaseholds as collateral for loans. This has recently been changed, but lack of surveyors means that it will take some time before the reform is carried out.

This inability to use land as collateral has of course been a problem for all businessmen in the small towns, however, it has hit the building sector more seriously than other sectors because it has made the finance of new buildings difficult.

The building material market is dominated by standardized mass-produced items distributed both by local building material dealers and by non-local merchants and their travelling salesmen or local branch outlets. There is a fierce price competition but also a certain market segmentation, not built so much on product differentiation as on differences in delivery services (transport, outlet location, credit, and product availability). Still some small local producers manage to compete. By selling directly from the workshop they have very low distribution costs; often they also produce a lower quality and, therefore, cheaper product. However, the increasing demand has initiated a certain product specialization where the small workshop produces custom-made window frames, burglar bars or specialized building blocks, which the large enterprises do not produce.

#### 7. The clothing sector in the small town economy<sup>5</sup>

In contrast to the small scale agroprocessing and building sectors which are mostly rural less than 50% of the small-scale clothing sector is rural.

The supply of clothes for the small town market is dominated by retail trade and especially by branches of large national retail chains (in both Gutu and Gokwe there are more than 10 chain stores selling clothes), but also locally owned clothes shops and general dealers selling some clothes and fabric.

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<sup>5</sup> The field work was carried out in the beginning of 1992.

There is a certain segmentation of the market both according to income groups and types of clothes. Most of the chain stores cater for the middle income groups. In Gokwe (which has a higher income level than Gutu) some of the chain stores specifically cater for the high income groups (civil servants and traders). They sell higher quality goods at higher prices and typically give credit. In Gutu some of the local shops perform that role. Many of the general dealers and some of the locally owned shops rather cater for the middle to lower income groups.

School uniforms are an important market segment which most shops try to serve but in which especially one chain has specialized. A special small market now developing is the market for sports clothes. In Gokwe a very small retailer has specialized in sports clothes, and in Gutu a new large book binding enterprise with 30 employees, rebinding old books for the schools, as a sideline activity prints school names and logos on t-shirts for the schools' sports teams.

The chain stores are supplied with almost all goods from their head offices and usually have no competence to buy on their own. The locally owned shops and general dealers are mostly supplied by wholesales or producers in the larger towns, although some of them, especially those catering for the low income market get their products directly from small workshops, often through family relations in the larger towns.

On the production side the clothing sector consists of knitters, tailors and a few larger enterprises which could be termed industrial. In Gutu there are three large clothes making workshops with, respectively, 5, 15-20 and about 30 people employed. Their most important market is school uniforms, but the two largest attempt to get into other markets as well. The largest which at the time of our field work had only been in operation for 8 weeks had not yet developed a clear product specialization, but tried, apparently with some success, to produce women dresses for the retail chains, while the second largest has specialized in protective work clothes with company names printed on them for the enterprise market. Both have had difficulties in getting into the local market, because the chain stores dominating it have no competence to buy locally. Both large enterprises have thus established their own retail outlets in Gutu centre and have salesmen travelling in the rural areas in order to get into the local market.

However, it has been necessary for both of them to go directly to the national market in order to get a sufficiently large market, one has tried to sell to the large retail chains, the other to sell to the enterprise market.

The small tailors operating in the centres are mostly men<sup>6</sup> operating very small mostly one-man enterprises. Some of them have their own or part of shop, while others are operated on rented shop verandas. They are mostly doing repair work, but some of them also produce school uniforms. There are about 5 of these small tailors in Gutu and Gokwe. The small tailors mostly have no apprentices and operate a regular 6 months' training programme. In addition to the independent tailors some of the local shops selling clothes employ a tailor who mostly fit industrially produced clothes to customer size.

The knitting enterprises which knit sweaters on knitting machines are small enterprises all operated by women. The market for knitwear is highly seasonal, concentrated on the few winter months, and few of the women can afford to produce to stock the rest of the year. In order to counteract the seasonality of the market a few combine the knitting with dressmaking, but many take in 2-8 paying apprentices who are trained over a 3 months' period. Others also have a sewing machine and do some tailoring/dressmaking which is less seasonal.

In Gutu many of the small knitting enterprises are run by the wives of the larger general dealers in the centre and operated on the shop premises.

In Gokwe the small knitting enterprises are rather operated as independent businesses. One of the reasons for this appears to be that there is a large number of small shops for rent in Gokwe on both council and private premises. This has made it relatively easier for women to establish themselves in Gokwe than in Gutu, where such small premises for rent are scarce. The knitwear is mostly sold from the shop or through saleswomen travelling in the rural areas. Very few sell through other retailers or wholesalers.

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6. There are only a few dressmaking enterprises by women in the two business centres, however, such enterprises are most likely operated in the residential areas of the towns, which we have not investigated.

In addition to the training in tailoring and knitting which takes place in the small production enterprises there is, especially in Gutu and to a smaller extent in Gokwe, a number of enterprises offering training on a larger scale in dressmaking and knitting<sup>7</sup>. These training centres are all run by women, mostly as private enterprises, but some by NGOs or cooperatives.

In Gutu there is one knitting school offering 3 months' courses in knitting for up to 45 trainees at a time and 4 dressmaking schools offering 6 months' courses in dressmaking with an opportunity for extension with another 6 months in design and pattern making. In Gokwe there are only two centres offering similar dressmaking courses. Altogether there appear to be trained around 150 knitters and 300 dressmakers in Gutu, and 25-30 knitters and 40 dressmakers in Gokwe in a normal year. Due to the drought much fewer are trained in this year, especially in Gutu.

Most of the trainees from these small training centres get jobs in small workshops, mostly in Harare, Bulawayo or the larger provincial towns, and apparently until recently with little difficulty. Very few start directly on their own, because it requires both experience and capital to invest in a sewing or knitting machine.

The large industrial enterprises say that they cannot use the trainees from the small training centres. They have their own internal training, and the trainees from the small training centres are, in general, not even qualified to start on that internal training. One of the problems is that the small training schools operate with old household sewing machines which are much slower than the large machines used in the industry.

The large enterprises recruit their workers from the smaller workshops and apparently have had no difficulty in getting qualified candidates, although the employment in the industry has been growing rapidly during the 1980s. This indicates that there is a career pattern where the trainees from the small training centres work some years in the small workshops. Some of them leave their job when they get married, some start on their own, and others advance to the better paid jobs in the formal industry.<sup>8</sup>

7. A more detailed account of these training centres is given in Pedersen (1992b)

8. Wages in the small workshops vary from 150-250 Z\$ per month, while they are around 375 Z\$ in the industry.

Thus, although the large industry does not find the small training centres satisfactory, the centres seem to play an important role, not only in developing the small enterprise sector, but also in creating a recruiting basis for the large enterprises.

The latest addition to the clothing industrial complex in Gutu is a recently established specialized sewing machine repair shop.

8. Structural adjustment and the process of rural commercialization and industrialization

In economies as that of Zimbabwe where a large part of the population is still kept in a semi-subsistence economy at the same time as the formal trade and industry is highly concentrated both organizationally and geographically, a rural industrialization must be a combined process of consolidation and concentration of rural small scale activities on the one hand and a decentralization of formal sector activities on the other. How such policies can be pursued vary from sector to sector, depending on the structure of the sector and the degree of concentration. This, however, is seldomly mirrored in the industrialization and development policies.

The industrialization policies under the current wave of structural adjustment policies consists of three major elements:

- trade liberalization and devaluation
- privatization policies and reduction of the public sector
- deregulation and small enterprise development support.

Such policies have also been on their way in Zimbabwe since 1990. Their introduction, however, has been very gradual. Deregulation and privatization policies have hardly begun, and even trade liberalization has only taken place to a limited extent. It is, therefore, very difficult to know whether the present economic crisis in Zimbabwe is caused by the drought or by the structural adjustment policies.

Still, on the basis of the three sector studies presented above, we shall in the following attempt to discuss the likely impact of the different structural adjustment policies.

### Privatization policies and reduction of the public sector

One of the main arguments behind the structural adjustment policies has been that government controlled prices in many African countries have led to insufficient food production because prices have been kept so low that it has not been attractive for farmers to produce food crops for the market. At the same time parterritorial prices and politically determined low consumer prices result in growing deficits and subsidies to the marketing boards. Therefore it is argued, prices should be set free.

In Zimbabwe, however, this argument is only part of the truth. It is true that the controlled price on maize has been so low that the large commercial farmers have shifted away from maize to better paying specialized crops for the growing urban market and especially for the export market. Trade liberalization measures which have permitted commercial farmers to keep some of the foreign currency they earn have furthered this shift away from maize.

On the other hand, the price level together with improved agricultural infrastructure in the communal areas during the 1980s, have been sufficient to increase the marketed maize and cotton production in the communal areas from very little to more than half of the total marketed production. Although the agricultural production in the communal areas for climatic reasons tends to be rather unstable, this had by the end of the 1980s resulted in the production of maize surplus and a large increase in the cotton production. However, it has also required increasing subsidies to the marketing boards.

Rather than support the agricultural production, the structural adjustment policies have in their attempt to reduce the parastatal deficits led to falling real producer prices, closure of some of the rural depots and sell-out of the food security stock. The result has been reduced incomes in the rural areas and growing food prices. This situation has of course been aggravated by the generally increasing consumer prices due to the devaluation and by the current drought.

As in other African countries the privatization policies have been more concerned with the selling out of the agricultural marketing parastatals from the top rather than dismantling the large monopolies from the bottom. It might make more sense to keep the export/import functions and the responsibility for operating food security stocks at government-hands, but to decentralize and demonopolize the domestic and especially the rural trade and processing activity which are areas in which both the parastatal and the large private semi-monopolistic enterprises are least efficient. This would benefit development in general and create a market for small and medium sized enterprises.

One way of doing this would (as shown in section 5) be to liberalize the marketing boards' selling price rather than its buying price. With such a policy it would still be attractive to grow and market food in the peripheral areas, but it would open up for a partial decentralization of the processing industry, lead to reduced transport costs and a small scale industrialization in the small towns.

In the building sector a decentralization of ministerial and parastatal building decisions to district or provincial level, together with changed tendering practices, and increased local supervision could lead to a gradual quantitative as well as qualitative improvement in the small town building sector.

Just as the effect of privatization policies depends very much on the way they are carried out, so does the effect of retrenchment policies in the public sector. A retrenchment which does not lead to decentralization will hit the small towns and rural areas hard, partly because the civil servants here represent a large share of the local market economy, and partly because it will make it difficult to support and control a development in the local private sector.

### Trade liberalization policies and devaluation

Benefits from trade liberalization and devaluations in the short run primarily accrue to the larger enterprises operating on the import/export markets. In Zimbabwe this also comprises the large commercial farms which as part of the liberalization policies have been allowed to retain part of the foreign currency they earn on export.

Trade liberalization may also benefit some small home-market industries by improving their access to production inputs, machinery and spareparts, albeit at increased prices. However, at the same time it may lead to increased competition from imported goods and, therefore, hit enterprises operating on the home market.

Some of the negative effects might be avoided by differentiated trade liberalizations, where only or especially the import of machinery and intermediate goods are liberalized. In Zimbabwe such a policy is attempted. However, this does not appear to have benefitted the clothing industry because its main input, fabric, is treated as a consumer good and protected on the home market. The result is that the Cotton Marketing Board and the textile mills are permitted to export the best quality cotton lint and fabric, while the clothing industry is forced to buy either lower quality domestically produced fabric or very expensive imported fabric.

However, even if the full impact of the devaluation and trade liberalization had been realized, it would in the short run have benefitted only those 25 large enterprises which are responsible for almost all the export. The rest of the industry, and especially that part which produces for the low income market, has been seriously hit by the contraction of the home market resulting from the food price increases and devaluation.

In the longer run one might of course hope that the large exporting enterprises might expand their export to the extent where they leave the home market to the smaller enterprises. However, with a contracting home market that is not likely to happen. In addition, it will require an upgrading and increased product quality in many of the small enterprises.



#### Deregulation and small enterprise development support

Deregulation of licensing, local by-laws and building regulations etc. and direct support schemes for small or new enterprises, mostly providing management training and financial support. Such deregulations and direct support schemes will primarily benefit the development of small enterprises. In both the building and clothing sectors local differences in planning and administrative practices have had considerable impact on the development of small enterprises, and led to different developments in the studied case towns.

The problems with <sup>deregulation</sup> policies and direct support schemes, which require government resources, detailed legislation and local initiatives is that they take much longer to realize than trade liberalization and privatization from the top and are often counteracted by public sector retrenchment. Therefore, when the deregulation policies and small enterprise support scheme are introduced the home market has already contracted, leaving little room for the development of new enterprises.

#### 9. On the structure of markets

From the perspective of small town studies presented in this paper one of the main problems with the industrialization policies derived from the structural adjustment paradigm is that they conceive of the enterprises, large or small, as operating on a large homogeneous and stable market rather than on the highly segmented and unstable market existing in reality.

The intention with the liberalization policies is, of course, to create that homogeneous stable market. However, even if this might eventually be the result, it is likely to be a long process and most likely it will not result at all. The more open market economies now developing in the industrial world are not characterised by homogeneous stable markets, but by increasing specialization, segmentation and instability due to rapid innovation and product specialization. Networking and flexible specialization as active enterprise strategies are precisely the response to these conditions.

Interestingly, the markets in developing countries are also characterised by segmentation and instability, although caused by extreme income differences, unstable and seasonal incomes, lack of infrastructure and unstable commodity supplies, rather than by innovation and product specialization. As in the developed countries the response of the enterprises is networking and flexible specialization, but networking and specialization of a different kind than in the industrialized world. In order to withstand the large instability small enterprises rely on family networks and hierarchical patron-client relationships which may be highly exploitative, but give some guarantee for survival, and specialization and market segmentation are based on delivery services (transport, credit and commodity availability) rather than product specialization, although increasingly, this is also found.

In a modern world economy dominated by market segmentation and rapid change, there is little reason to believe that the segmented and unstable markets in the developing countries should turn homogeneous and stable as a result of structural adjustment policies. The more likely scenario is, that they stay segmented and unstable, but for changing reasons and hopefully on higher levels of productivity.

This, however, requires policy prescriptions based on assumptions about market segmentation rather than on the assumptions about homogeneous markets on which the structural adjustment policies are based. Trade liberalization, privatization and deregulation may well be the main ingredients of such policy prescriptions, but rather than focusing primarily on the export production and assuming that the benefits will filter automatically to the other parts of the production system, they should give equal weight to increasing the productivity and production in large and small enterprises serving the urban and rural home markets as well as the export market. The structural adjustment policies implemented from the top of the production system may or may not benefit the export industry, but by reducing the demand on the home market they are highly unlikely to benefit enterprises operating on the home market alone.

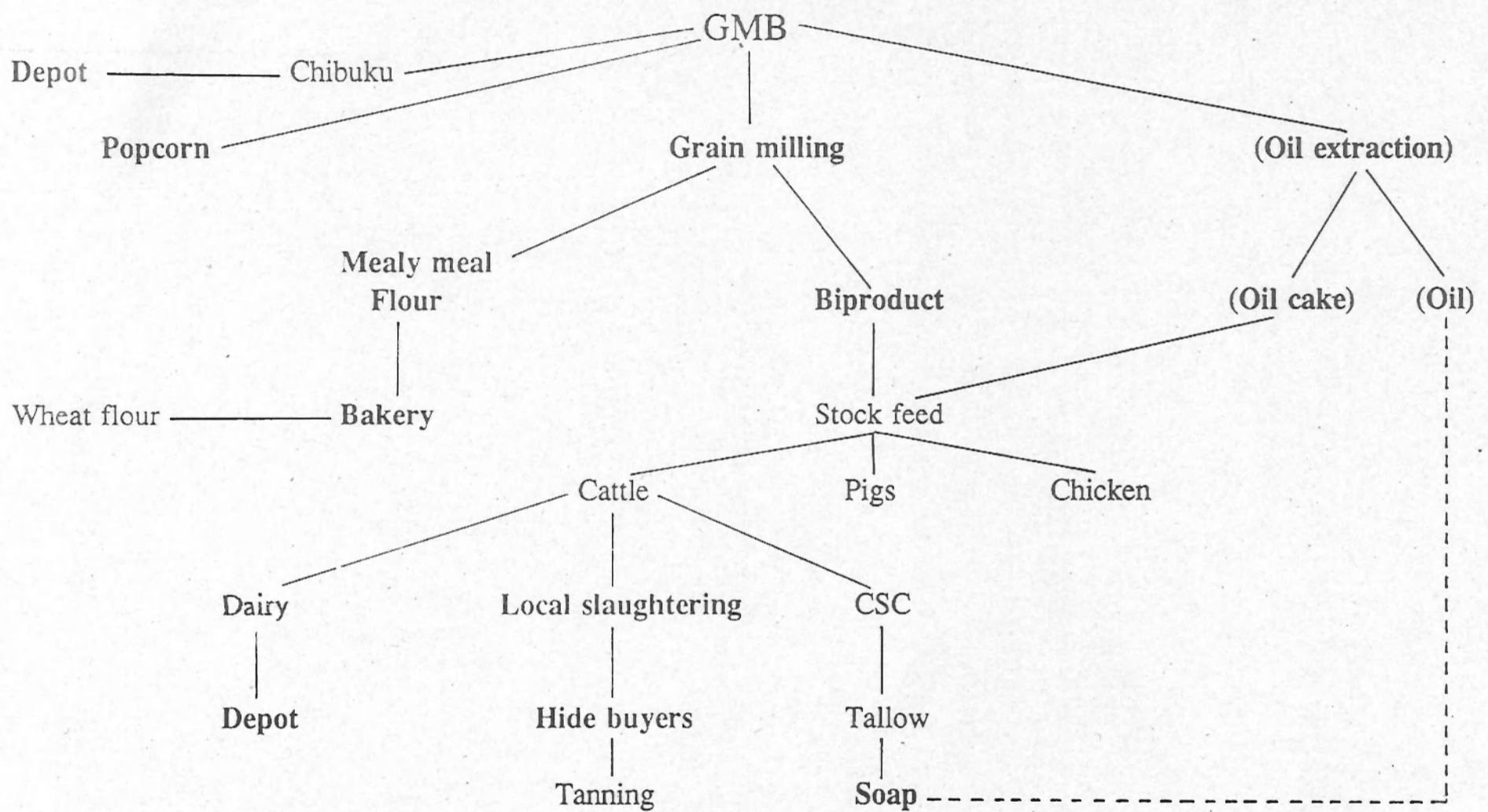
Alternative policy prescriptions require detailed studies of the structure of the individual industrial sectors, comprising both the large-scale export industry, the medium and small enterprises producing for the urban home market, and the small enterprises operating on the rural semi-subsistence market, and the interaction between these subsectors.

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**Fig. 1 Agroprocessing and marketing**



(Activities in bold letters are local small town activities)



Fig. 2 The building and building material sector

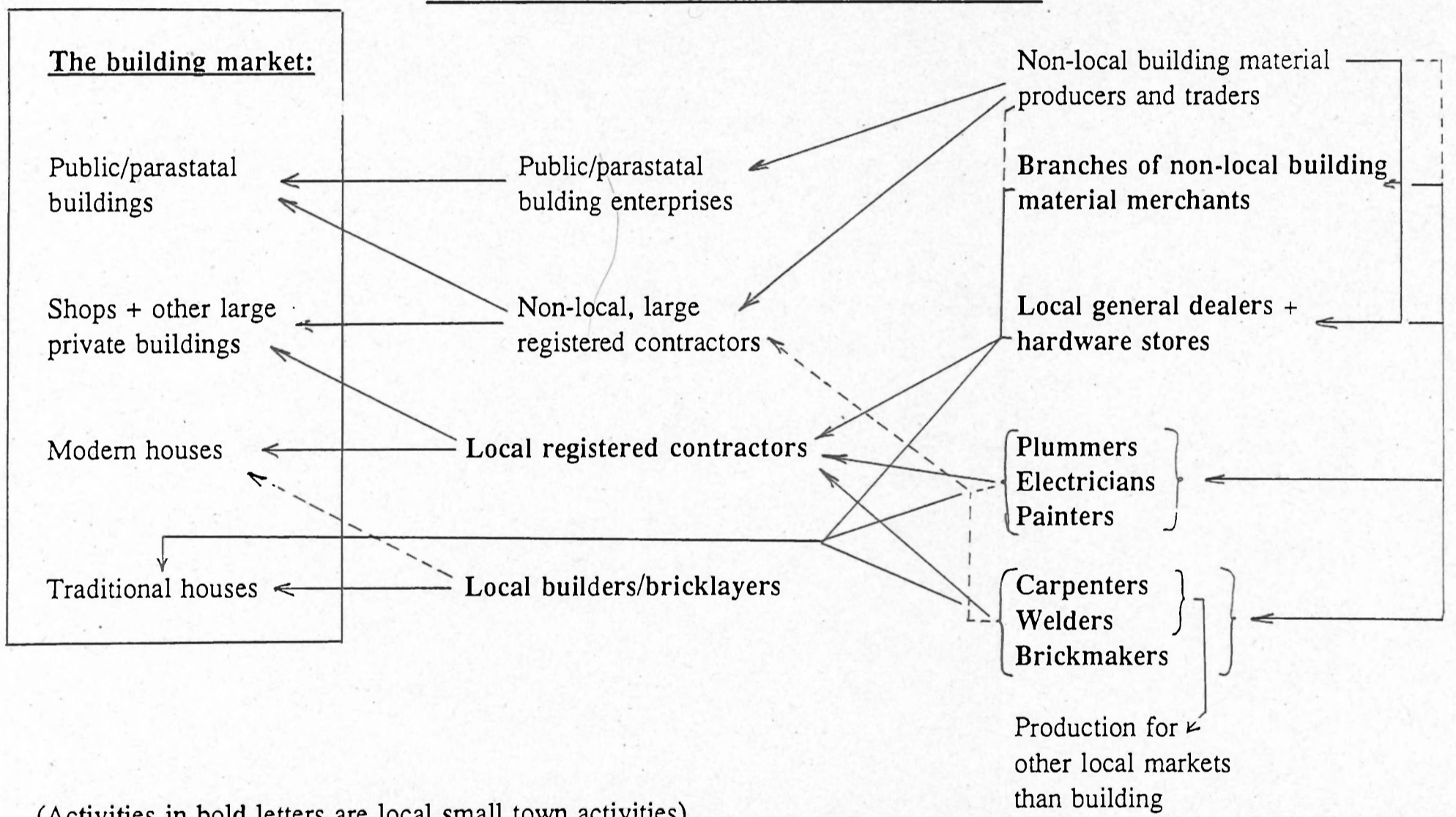






Fig. 3 The Clothing industry and trade

