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The Recovery and Transformation of Zimbabwe's Communal Areas

DALE DORÉ

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**The Recovery and Transformation of
Zimbabwe's Communal Areas**

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Foreword

This UNDP working paper on Zimbabwe's communal areas seeks to build on some of the insights and analyses contained in the UNDPs *Comprehensive Economic Recovery in Zimbabwe – A Discussion Document* which was launched in 2008. Many of the ideas and suggestions it contains are not therefore entirely new, but the policy-relevant analysis and recommendations it puts forward have been buttressed both by more detailed work in the field of agricultural economics as well as by drawing on comparative case studies which were seen by the author to have some relevance to the Zimbabwe context.

Given UNDPs global mandate in the area of poverty reduction, and the currently prevailing high rates of poverty in Zimbabwe's communal areas, the need to ensure that future recovery in Zimbabwe is broad-based and equitable is foremost in the minds of the UNDP country office. This specific working paper is therefore offered as a contribution to an ongoing public debate as to how to overcome the various constraints affecting that segment of the Zimbabwean population which currently reside in those areas in order to trigger sustainable growth and poverty reduction.

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Executive Summary

At independence in 1980 Zimbabwe inherited a dual agrarian structure that had seen white commercial farmers prosper in good farming areas while hundreds of thousands of poor black families struggled to subsist on smallholdings in the communal areas, much of it in semi-arid areas with poor soils. It was estimated that there were nearly three times more people living in the communal areas than the land could sustain. The Zimbabwe Government therefore prioritized the communal areas for development by intensifying agriculture and initiating a programme of resettlement and migration to decongest them.

The smallholder sector made significant gains, surpassing the commercial sector in maize and cotton production in the mid-1980s. Ambitious plans were laid to intensify production by land-use reorganization and establishing consolidated villages in which to concentrate physical and social infrastructure. The resettlement programme aimed to resettle 162,000 families, while over 300,000 families were expected to migrate to towns and cities. But these hopes faded by the end of the 1980s. Output declined, village planning stalled, the rate of resettlement slowed to a trickle, and the expected migration of households to urban centres failed to materialize. In the meantime, the communal area population had swelled to about one million households.

In 1994 the Land Tenure Commission made far-reaching recommendations for addressing the underlying problems facing the communal lands, but the government's attentions had turned to land redistribution. After the government launched its fast track land resettlement programme in 2000, it poured huge resources into sustaining newly resettled farmers, but did little to assist communal smallholders. As the government took control over domestic food supplies, communal families became increasingly dependent on international humanitarian and food aid.

Since the formation of the inclusive government, the emphasis has been on maintaining the required levels of international humanitarian assistance through food aid, smallholder cropping packs, seed fairs and vouchers to improve household food security. As soon as Zimbabwe's government re-engages fully with the donor community, it should reduce dependence on such handouts and stimulate smallholder production by opening up agricultural credit, input and commodity markets. It then needs to address the underlying and pervasive constraints that make smallholder agricultural production untenable in most communal areas.

The pressure of population, under a traditional farming system that provides cost-free access to land, results in the continual subdivision of household plots that are too small to sustain livelihoods based on agricultural production, especially in the semi-arid regions. By enabling some farmers to consolidate their holdings into more viable units, while facilitating the transfer of others into alternative non-farm livelihoods, both the remaining farmers and those engaged in higher productivity non-farm activities will benefit significantly. The basic mechanism for this process of commercialization, migration and poverty reduction is a land rental and sales market. The second necessary condition to enable this structural transformation of the rural economy is rapid economic growth in the manufacturing and service sectors of the economy. Over time, as development proceeds, commercialization and transformation will dissolve the existing dual agrarian structure, intensify agricultural production and decongest the communal areas.

Acronyms

AFC	Agricultural Finance Corporation (now Agribank)
Agritex	Agricultural and Technical Extension Services
ARDA	Agricultural and Rural Development Authority
C-SAFE	Consortium for Southern Africa Food Emergency
DFID	Department for International Development (UK)
DRSS	Department of Research and Specialist Services
FAO	Food and Agricultural Organization
FTLRP	Fast Track Land Reform Programme
GDP	Gross Domestic Product
GMB	Grain Marketing Board
ICG	International Crisis Group
OECD	Organization for Economic Co-operation and Development
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
STERP	Short Term Economic Recovery Programme
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WFP	World Food Programme
ZIMCORD	Zimbabwe Conference on Reconstruction and Development

Section 1

Introduction

1.1 THE CREATION OF THE COMMUNAL LANDS

On account of the British Colonial Office's misgivings about the conduct of the BSA Company, the 1898 Southern Rhodesia Order-in-Council required the Company to ensure that sufficient suitable land was set aside as reserves for the Africans' traditional agricultural requirements 'within which the life of the natives might be continued under protection and control'. Under its provisions, a patchwork of 108 reserves was demarcated. After 1900, a succession of land commissions progressively entrenched the division of land between Europeans and Africans, creating staggering differences in the size of land holdings between black subsistence smallholders and white commercial farmers. Writing in 1962, Floyd was to observe that 'although modifications have certainly been made over the intervening years, the basic pattern of land allocation has persisted without radical change from the turn of the century down to the present time' (1962: 231).

By independence in 1980, about 5,600 white commercial farmers had access to 15.5 million hectares of the more productive farmland held under freehold tenure, while over 760,000 smallholders had to earn their livelihoods from 16.4 million hectares of communal land held under customary tenure, much of it in arid areas with

poor soils. This dual economy – an impoverished traditional sector, the other a thriving modern sector – was the single most enduring feature of Zimbabwe's agrarian structure (Ndlela, 1981). After 2000, the Fast Track Land Reform Programme (FTLRP) saw the settlement of about 135,000 new farmers on former commercial farms. Although this partially broke the mould of the dual economy, the constraints inherent within the communal farming system remain daunting (Zimbabwe, 2003).

1.2 CONSTRAINTS TO SMALLHOLDER AGRICULTURAL PRODUCTION IN THE COMMUNAL AREAS

One of the defining features of Zimbabwe's communal sector is its relatively poor agricultural potential. At independence, as Table 1 shows, the most productive land in Natural Regions I and II was held by large scale commercial farmers, while most of the communal farming areas fell into Natural Regions IV and V, with very limited agricultural potential (Vincent and Thomas, 1961).¹

Relatively high and reliable rainfall defines Natural Regions I and II. Although they only cover 17.2 percent of the total land area, the exploitation of their high agricultural potential, mainly by

Table 1: Natural Regions and land classification (1980)

LAND CATEGORY	NATURAL (FARMING) REGIONS				
	I	II	III	IV	V
Large-scale commercial farms	71	69	45	28	26
Communal areas	13	21	39	50	49
Small-scale farming areas	–	4	4	4	2
State land	16	6	12	18	23
TOTAL PERCENTAGE	100	100	100	100	100
Percentage of total area	1.8	15.4	17.5	36.4	28.9

Source: *Zimbabwe Communal Lands Development Plan (1986a: p.96, Table 4)*

¹ Vincent and Thomas (1961) used rainfall patterns and soil characteristics to define five Natural Regions (I–V), which correspond to different zones of agricultural potential in Zimbabwe.

commercial farmers, made them the most productive farming areas in Zimbabwe. In Natural Regions III rainfall diminishes and becomes less reliable. As this reduces their potential for crop production, farming systems based on crops and livestock production are recommended. The dry conditions in Natural Region IV allow a farming system based largely on livestock production with some drought resistant crops as a sideline. In Natural Region V rainfall is so low and erratic that the only viable farming system is one based on extensive cattle or game ranching. In sum, risk and uncertainty are endemic to dryland farming systems on which hundreds of thousands of rural households depend for their livelihoods (Campbell *et al.*, 2002).

A second distinguishing feature of the communal areas is a burgeoning population operating within a traditional system of agriculture dominated by land tenure arrangements whereby local leaders allocate arable land to households and their families on a usufruct basis.² Effectively this means that land cannot be officially rented, bought and sold. Another drawback is the continual subdivision of land into smaller and less viable holdings as the population grows. In the absence of a land market, this tenure system has no mechanism to consolidate small plots into more viable farm sizes. As the population builds up households must access land in more marginal farming areas unsuitable for cultivation, setting in motion a debilitating process of extensive and shifting cultivation (Lele and Stone, 1989).

A third defining feature of the communal areas' farming system is the household's entitlement to common property resources, such as water for household use and irrigation, woodlands for firewood and building, and pastures for grazing cattle and other livestock. Although there is an extensive literature on the management of common property resources (see, for example, Daniel Bromley's *Making the Commons Work* and Nils Christoffsen's *Natural Resource Management in Southern Africa*), the translation of institutional theory into the sustainable management of common property resources has been floundering. The problem lies in communities trying to devise rules – that involve high transaction costs and which are

continually buffeted by the vagaries of human nature – to counter powerful but perverse economic incentives for individuals to benefit by their unsustainable use of natural resources. Despite four decades of critiques of Hardin's *Tragedy of the Commons* (1968), the basic tenets of his argument still hold true today. Deforestation, overgrazing, and the silting of dams in the communal areas bear witness to the externalization of environmental costs as individuals benefit from using a public resource but bear few of the costs.

The fourth and last main defining feature of Zimbabwe's communal areas is their stunted urban growth coupled with very poor infrastructure and services. Typically, the communal settlement pattern consists of tiny scattered farms, punctuated every few kilometres with small ramshackle rural centres that serve the immediately surrounding communities. A study by Heath (1978) that ranked the size of urban centres in Zimbabwe found that the largest centre in the communal areas was Murewa, ranked 34th. All the other 33 larger urban centres were located in the commercial areas.

1.3 OUTLINE OF PAPER

This paper is broadly divided into two parts. Part I examines the economic trajectory of Zimbabwe from independence to the present. The main strategies for the development of the communal areas – intensification, resettlement and migration – and their eventual demise are explored in Sections 2 and 3. In Section 4 the basic requisites for agricultural recovery are outlined. It suggests immediate humanitarian measures that are required to relieve the plight of the poor, and those short-term policy measures required for smallholder agricultural recovery in the communal areas.

Part II looks beyond short-term agricultural recovery measures towards the long-term policies required for sustainable poverty reduction through the commercialization and structural transformation of the communal areas. Section 5 sets out the binding constraints faced by smallholders, especially how, under population pressure, the tenure system sub-divides land into countless, small

² Although the Communal Areas Act (1982) grants authority of land allocation to the rural district council, the power to allocate land often remains vested in traditional leaders.

and unviable holdings, and how capital is gradually squeezed out of the traditional agricultural system. A closer look is taken in Section 6 at the need to transcend standard agricultural interventions that address the symptoms of poverty, and start dealing with the underlying causes of poverty. It is argued that land tenure reform is the lynch-pin that enables factor markets to operate efficiently; and moreover, that this is a pre-condition for allocative efficiency, increased factor productivity, commercialization and transformation. It also suggests how common property resources can be managed better. With

these insights, Section 7 examines smallholder agricultural policies, and public and private sector investment in agriculture – especially infrastructure, research and extension – that support tenure reforms, commercialization and poverty reduction. Part II closes with Section 8 which shows how the process of structural transformation could create pathways out of poverty by decongesting the communal areas through migration, and how rural centres could become the focal points in the transformation process. Section 9 contains some concluding remarks.

PART I
STRATEGIES, CRISIS AND RECOVERY

Section 2

An Overview of Performance After Independence (1980–1997)

2.1 DEVELOPMENT STRATEGIES: INTENSIFICATION, RESETTLEMENT AND MIGRATION

After independence, the new Zimbabwe Government tasked itself with reconstructing a war-torn economy and building a more egalitarian society. In March 1981 the *Zimbabwe Conference on Reconstruction and Development* (ZIMCORD) was held to garner donor support. The ZIMCORD document recounted what were by then familiar problems in the communal areas:

‘Because of the relatively small area of land allocated and the consequent population pressure, the poor quality of land, and traditional farming practices, the productivity of the land is rapidly declining. Land allocations to heads of households are now often smaller than the minimum size required to support a family. As the number of cultivators grows, more and more grazing land is converted to crop use and the rate of deterioration of the soils accelerates. It is estimated that, given the right ecological conditions, the traditional areas should be capable of supporting about 275,000 cultivators with present technology. However, in 1977 there were 2,5 times that number.’ (Zimbabwe, 1981b: 37)

The key development objective was therefore to reduce poverty by relieving the pressure of population and livestock on communal land and natural resources. The conference document therefore reiterated the government’s three key policy objectives for the communal areas:

- To *intensify* agriculture in the communal areas by making the ‘priority objective to transform and develop the rural peasant sector’ (Zimbabwe, 1981b: 3);

- To *resettle* communal area farmers on former commercial farms to decongest the communal areas;
- To encourage ‘non-farming’ family to *migrate* to urban centres where family breadwinners lived and where employment opportunities would be created’ (*ibid*: 40).

Intensification

To signal its intent to uplift smallholder agriculture, the government appointed the former president of the Commercial Farmers Union, Dennis Norman, as the new agriculture minister. The government also appointed a Commission of Inquiry into the Agricultural Industry under the chairmanship of Professor Gordon Chavunduka at the time of the ZIMCORD conference, in March 1981. The Commission’s report noted, ‘At the heart of the problem lies the issue of improving smallholder production, particularly in the communal areas’ (Zimbabwe, 1982a: 7). It specifically avoided the use of the term ‘commercial farmer’ because it believed that the *prime* objective of agricultural policy should be to encourage all farmers to become commercial farmers. The assumption that communal farmers would remain at subsistence production levels, it added, was no longer appropriate.

A promising start was made in 1981. For the first time smallholders were included in negotiating agricultural commodity prices between government and the farmers unions. A huge 40 percent increase in the price of maize, from Z\$85 to Z\$120 per tonne, was agreed for the 1981/82 agricultural season. In the wake of an exceptionally good season, the supply response to this pricing policy was dramatic, both on output, which increased from 1.6 million tonnes to 2.9 million tonnes, and on farmers’ real returns (Herbst, 1990). To bring in the anticipated harvests, the Grain Marketing Board (GMB) penetrated deep into the communal areas by opening up an extensive

network of grain silos, collection points and feeder depots. The number of grain collection depots in the communal areas was expanded from three before independence to 60 by 1988 (Zimbabwe, 1988).

In addition, there was a massive expansion in farm credit. The number of Agricultural Finance Corporation (AFC) loans to smallholders grew from nearly 24,000 in 1981 to a peak of over 95,000 in 1986 (Chimedza, 1994). To circumvent the constraint imposed by the lack of collateral under the traditional agricultural system, the government extended loans to communal farmers on the basis of stop orders³ that the GMB held over their deliveries to its depots. The injection of smallholder credit into communal areas also enabled the private sector, especially the fertilizer and seed companies, to explore their own marketing opportunities. The development of small seed packs by the Seed Co-op, for example, saw a 90 percent adoption of hybrid maize seed in the communal areas (Tattersfield and Havazvidi, 1994).

Another key component of intensifying smallholder agricultural lay with research. Despite an enviable record of agricultural research before independence, it had focused primarily on high-input technologies that mainly benefitted commercial producers. After independence, agricultural research focused more on the smallholder sector, while attempting to maintain the technology gains in the commercial sector. Cognisant of the need to implement its post-independence mandate, a joint committee of the Department of Research and Specialist Services (DRSS) and the Department of Agricultural Extension and Technical Services (Agritex) was established to strengthen planning and setting priorities for on-farm research and extension (Tawonezvi and Hikwa, 2006).

In an effort to consolidate the gains from its pricing, marketing and research policies, the government unveiled its 15-year *Communal Lands Development Plan* in 1986. The Plan was presented as an agrarian reform strategy whose central concept was the creation of 'consolidated

villages' based on 'clearly defined land-use patterns, more intensive use of land, thus resulting in higher productivity' (Zimbabwe, 1986: 54). On the one hand, the restructuring and reorganizing of dispersed and isolated settlements into planned villages was expected to make the provision of infrastructure more cost-effective, while on the other, land-use reorganization by the clear demarcation of villages into residential, cropping and common property areas would release additional land for more intensive agricultural production. It also suggested 'a more appropriate land tenure system' that allowed for the consolidation of fragmented holdings and the introduction of improved land-use management and conservation measures (*ibid.*: 45).

Zimbabwe's agricultural intensification programme seemed to be vindicated when the dramatic increases in national smallholder maize and cotton production surpassed commercial production in 1985 and 1986 respectively. Zimbabwe attracted international media coverage and won international acclaim,⁴ its achievement being crowned in 1989 when Prime Minister Robert Mugabe was awarded the Africa Prize for Leadership by the US-based Hunger Project. Rukuni and Eicher (1994) dubbed the country's success 'Zimbabwe's second agricultural revolution', noting proudly that between 1970 and 1992 Zimbabwe had exported food for 20 of the 22 years. One of the objectives of their book, they said, was to examine whether some of Zimbabwe's approaches could be replicated in other southern African countries.

Resettlement

One of the main objectives of the resettlement programme was to alleviate population pressure in communal areas where human overcrowding and overgrazing were so evident. An 'intensive' resettlement programme was launched in 1980 to resettle 18,000 households from the overcrowded communal areas onto 1.1 million hectares of former commercial farmland over three years (Kinsey, 1984). This programme was superseded in 1982 by an 'accelerated' resettlement programme,

³ Stop orders are deductions made by the GMB from the proceeds of maize deliveries to repay the AFC for loans made to smallholders for the supply of farm inputs.

⁴ *The Guardian Weekly's* caption to its article read: Zimbabwe works a 'farming miracle' (May 7, 1985), while a sub-heading of Paul Harrison's *The Greening of Africa* (1987) was entitled 'Zimbabwe's maize miracle'.

initiated as part of the *Transitional National Development Plan* (1982/83–1984/85). This called for the resettlement of 162,000 families on 9 million hectares of underutilized commercial farmland over three years. Although some way off the target, 1.8 million hectares of land had been acquired for resettlement and over 30,000 families actually settled by June 1984 (Zimbabwe, 1985).

Migration

A third development strategy was to further decongest the communal lands by encouraging migration to towns and cities. In a bid to reduce the number of households in the communal areas to their estimated ‘carrying capacity’ (now revised upwards to 325,000 households), 235,000 communal families were expected to join their family breadwinner who was working and living in an urban centre (Zimbabwe, 1981a).⁵

The 1981 ZIMCORD proposals detailed how migration and urbanization strategies should reduce population pressure in the communal areas. They were:

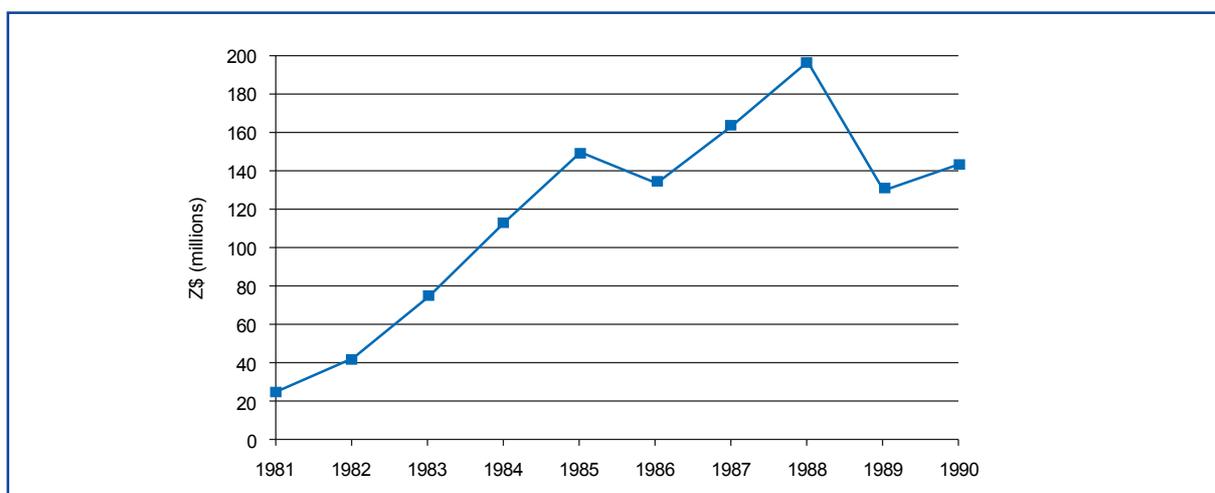
- To develop a network of urban places to provide farm input facilities, produce markets, shops, and services with employment opportunities;
- To encourage ‘non-farming’ families in the traditional areas, whose heads were permanently employed outside the communal areas, to go and live with their breadwinners; and
- Create employment in the modern sector to attract more non-farmers to the urban centres. (Zimbabwe, 1981b: 40)

2.2 FADING HOPES FOR SUSTAINABLE SMALLHOLDER DEVELOPMENT

Intensification

By the close of the 1980s, the underlying costs of the smallholder agricultural revolution were being counted. As early as 1986 the government’s over-generous pricing policies had already created an oversupply of maize at a time when the maize export market had shrunk, thus adding huge handling and storage costs to the Grain Marketing Board’s (GMB) already growing deficit. Apart from having to pay smallholders above the market price for their produce, the GMB had to absorb the heavy costs of expanding its network of maize depots and collection points into areas where it was not economically viable. To make matters worse, the government’s decision to subsidize urban maize consumption left the GMB with a burgeoning and unsustainable budget deficit (Figure 1).

Figure 1: Agricultural marketing losses during the 1980s



Source: Doré (1993)

⁵ The ‘carrying capacity’ of the communal areas was the estimated number of families whose livelihoods could be sustained through agriculture within the communal areas.

In an effort to reduce the maize stockpile and bring down its budget deficit, the government lowered its incentive price and encouraged commercial farmers to move into oilseeds and high value exporting crops, especially horticulture and tobacco, which had regained their lost markets.

Smallholder production levels, which peaked in 1985 at 1.7 million tonnes, declined during the following four years to below 1.35 million metric tonnes. The returns on maize, according to an index produced by Herbst (1990) had dropped from 88.0 in 1985/86 to 65.1 by the 1987/88 season.⁶

The government's pricing and subsidy policy, despite its pro-poor intentions, were often detrimental to the welfare of the poor. As farmers preferred to sell their maize to the GMB and to buy the subsidized maize meal from the urban centres, the subsidies contributed to the closure of an estimated 200 rural mills with significant negative knock-on effects for rural employment. Conversely, the subsidies that benefited urban consumers did not reach out to the remote rural areas, where the poorest households had to grind their own maize. Muir-Leresche and Muchopa estimated that marketing controls implicitly taxed the poorest rural farmers by some 20 to 30 percent of the potential producer prices in most years, noting that, 'Despite the objectives of promoting growth with equity, the policies were inimical to both' (2006: 300).

Nor did it appear that the benefits of the agricultural revolution were equitably shared. Rohrbach's survey data suggested that 10 percent of smallholder producers, that were concentrated in the high potential areas (Natural Regions II and III), accounted for three-quarters of all smallholder maize sales. In drought years this percentage increased. His analysis indicated that:

'... producers facing the smallest food security risks are the greatest beneficiaries of government policy changes and infrastructural investments designed to promote smallholder production. Producers facing frequent and or consistent production shortfalls have benefitted least.' (1988: 320)

Such findings applied equally to the beneficiaries of credit. In 1985, at the height of smallholder agricultural production, only 8 percent of farmers received agricultural credit from the AFC. Even so, the initial enthusiasm for expanding credit to smallholders wore off as the rate of loan repayments declined sharply. Only 44,000 small-scale farmers received loans during the 1989/90 cropping season; a drop of over 40 percent from the peak 1985 levels (Rohrbach *et al.*, 1990) and fertilizer sales lay 15 percent below their 1985 levels.

Research, another key plank in the drive to improve smallholder livelihoods, was also floundering. Despite progress, the joint committee set up between DRSS and Agritex for on-farm smallholder agricultural research and extension was scrapped in 1990 due to a lack of funding (Tawonezvi and Hikwa, 2006). For all the planning, restructuring and the technical research that focused on the smallholder sector there was little data to show the extent to which research results were adopted or whether research improved smallholder productivity, livelihoods and incomes. The available evidence suggested that the growth in smallholder maize and cotton production was based more on expanding the area cultivated rather than greater intensification and productivity through technical innovation (World Bank, 1995).

Without understating the achievement of the 'second' agricultural revolution, it did not benefit farmers equally, nor was it sustainable. In retrospect it seems that the short-lived miracle of smallholder production – including a slight increase in intensification with average yields above 1 tonne per hectare – was achieved on the back of unpaid AFC loans, producer subsidies and the huge deficits incurred by the GMB. The World Bank's country assessment in 1995 summed up Zimbabwe's agricultural performance as follows:

'While agricultural output grew rapidly in the early-to-mid 1980s as a result of expanded plantings and yields of maize, cotton, and several other crops, underpinned by heavy public sector support in marketing infrastructure and credit, it has been stagnant

⁶ Index of return per dollar of variable cost with base year given as agricultural season 1980/81.

since then, with smallholder agriculture experiencing declines in output and productivity. Although an important reason for this mediocre performance is the variability of rainfall which has resulted in frequent droughts of varying degrees of intensity, the more fundamental causes for poor performance have been declining producer prices in real terms, reduced availability of formal sector credit, declining effectiveness of research and extension services, and a contraction of public sector marketing services.’ (1995: 3)

Smallholder agricultural intensification under the *Communal Land Development Plan* fared little better. When the plan was initiated in 1986, Agritex was issued with a directive to implement the land reorganization programme. It was explicitly instructed that the preparation of village plans was to take precedence over all its other tasks, including agricultural extension. Yet, by 1990, one study found that during the five years between 1986 and 1991, plans had been prepared for only 4 out of 90 villages in the UMP district⁷ and that government funding had not yet been made available for the implementation of any projects (Doré, 1993). It became increasingly apparent that the problem lay with a stagnating economy as well as the state’s command approach and reliance on centralized forms of decision-making and programme implementation. When assessing why the plan was failing, the Land Tenure Commission found that:

‘The main reason is the over-centralization of government with the relevant technical ministries using top-down methods of planning and implementation. The second problem is the poor coordination of the technical ministries who continue to exhibit territorial behaviour with no evidence of a well thought-out coordinated strategy.’ (Zimbabwe, 1994: 35)

As the 1980s drew to a close, less and less was heard of the programme until, by the mid-1990s, it appeared to have been shelved.

Resettlement

The flagship of the government’s agrarian reform programme proceeded satisfactorily until 1985, at which point nearly 3,3 million hectares of commercial farmland had been acquired and about 41,000 families resettled (Mhishi, 1995). Thereafter, progress slowed considerably. By 1990 only 15,000 more families had been settled. With the expiry of the land acquisition restrictions imposed by the Lancaster House Constitution, the government decided to shelve the ‘willing buyer-willing seller’ principle and opt for the compulsory acquisition of commercial farms, as embodied in the Land Acquisition Act of 1992. Even so, the number of families resettled by 1997 had risen to only 71,000.

What became evident was that the resettlement programme could not be a vehicle for decongesting the communal areas. Even if it was assumed that all 71,000 resettled households had originated from the communal areas, population growth – during the 18 years from 1980 to 1997 – would have added about 350,000 households to the communal area population. And even if the government had managed to meet its target of resettling 162,000 families from the communal areas, the increase in communal households would have been double this number by 1997.

As early as 1988, Cusworth and Walker’s evaluation of the resettlement programme found that it ‘had little or no impact on the plight of the communal areas of Zimbabwe that still suffer from accelerating land degradation due to population pressure’ (1988: ii). In their view, future resettlement should also have involved direct investment in the communal areas.

Migration

The expectation that over 300,000 or more families would uproot and migrate to live with their breadwinners in the main urban centres never materialized because the primary prerequisite for migration – strong economic growth to generate

⁷ UMP stands for the names of the communal areas – Uzumba, Maramba and Pfungwe – that constitute the district.

employment – was not met. Although Zimbabwe's average economic growth rate in the 1980s was 4.3 percent, formal employment grew by only 1.9 percent per annum over the period. The average economic growth rate fell to just 0.8 percent from 1991 to 1995. Overall, the elasticity of employment for Zimbabwe's manufacturing sector was a mere 0.06 from 1980 to 1996 (UNDP, 2008).

Worsening conditions in urban centres, especially housing shortages, exacerbated the difficulty of migrating to towns and cities. While the number of families waiting to be allocated houses by Harare's municipal authorities grew from about 36,000 in 1983 to over 50,000 in 1989, the number of families actually allocated houses dropped by half from over 3,000 to about 1,500 families over the same period (Auret, 1995). By 1996 the number of households on the Harare municipal housing list had risen to over 100,000. By the mid-1990s there were an estimated 100,000 people living in squatter settlements in and around Harare (*ibid.*).

When the expected level of resettlement and migration failed to materialize, the number of families living in the communal areas had risen to about 1.2 million by 1997, nearly 4 times their estimated carrying capacity. Although the government still occasionally referred to the need to decongest the communal areas, any real expectation of families voluntarily migrating to rural and urban centres gradually disappeared.

2.3 ECONOMIC LIBERALIZATION (1991–1997)

While Zimbabweans were celebrating the achievements of smallholder agriculture, the costs of excessive government expenditure, including growing parastatal deficits, were felt. As the first 5-year *National Development Plan* pointed out, employment in the productive sectors was declining by 1.2 percent annually, but still growing by 2.9 percent in the social sectors (Zimbabwe, 1986b). On the advice of the World Bank, Zimbabwe therefore decided to accept a package of market-oriented economic policies with the publication of *A Framework for Economic Reform* in January 1991 (Zimbabwe, 1991). This was ESAP – Zimbabwe's Economic Structural Adjustment Programme.

The Dairy Marketing Board and the Cotton Marketing Board were privatized and the domestic monopolies of the Cold Storage Commission and the GMB were overturned. Maize marketing and prices were completely decontrolled, all subsidies were removed, and the trading of maize was permitted throughout the country. Crucially for household food security, maize was allowed to move freely between communal areas in the semi-arid regions. Rural producers gained by the reforms largely because the GMB was still designated as the buyer of last resort at a set floor price for maize. Thus, in a good agricultural season, when a large harvest depressed the market price below the floor price, producers could sell to the GMB rather than to private buyers. Conversely, during a poor agricultural season when market prices rose above the GMB's floor price, they benefited from sales to private buyers.

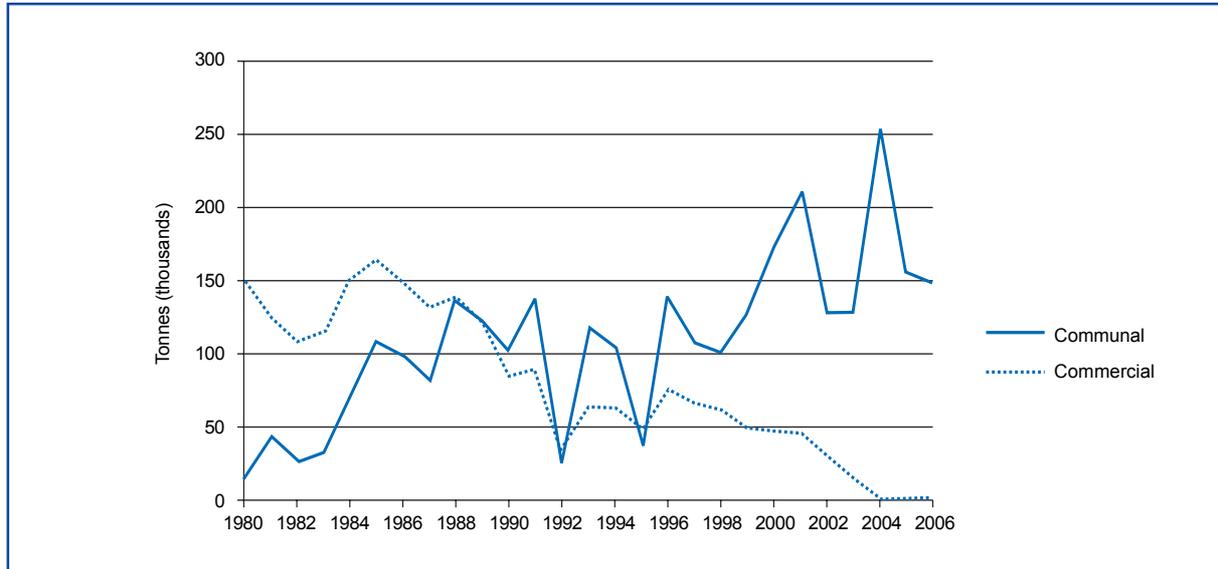
There were, however, inherent dangers in setting floor prices to protect smallholder producers that had unforeseen and harmful side effects. In good agricultural years, such as the 1993/94 season, the GMB was required to purchase a massive harvest that resulted in losses estimated at Z\$1.4 billion, or roughly 4.6 percent of GDP, that had to be absorbed by the Treasury at taxpayers' expense (Ndlela and Robinson, 2006).

Another success was the privatization of the Cotton Marketing Board (CMB). In 1991, the CMB was granted formal managerial autonomy and had its monopoly in purchasing, ginning, marketing and exporting cotton removed. In 1994, The Cotton Company of Zimbabwe (Cottco) was launched to replace the CMB. It was eventually privatized in 1997. New competitors, such as Cargill (an American-based multinational) and the Cotton Producers Association (a cooperative of large-scale commercial cotton producers) competed to purchase smallholders' cotton through contract farming. The companies would provide smallholders with credit for inputs and extension advice in order to maximize cotton production, which the companies guaranteed to buy at a contracted price. In the wake of this competition, smallholder cotton growers benefited significantly, receiving between 80 to 90 percent of the world price between 1994 and 1997 (Muir-Leresche and Muchopa, 2006).

Figure 2 shows how smallholder cotton production registered a steady increase in production, overtaking commercial farm production in the mid-1980s. Thereafter smallholder production was sustained – even after the onset of the current crisis – through the corporate-smallholder

contracting model. The liberalization of agricultural marketing in the 1990s gave a glimpse of the huge potential of contract farming for smallholder agriculture that goes beyond cotton to other higher value export commodities, such as horticulture and animal products.

Figure 2: Cotton production: commercial and communal sectors



Source: UNDP (2008)

Section 3

The Deepening Crisis (1997–2009)

3.1 THE ONSET OF POLITICAL AND ECONOMIC INSTABILITY (1997–2000)

The crash of the Zimbabwe dollar on 14 November 1997 on ‘Black Friday’ marked the onset of the crisis. The government’s threat to acquire 1,500 commercial farms, mounting public debt, accusations of corruption, job layoffs, and disenchantment with rising prices had already destabilized the economy. The trigger for the dollar’s collapse, which lost half its value in a single day, was the massive unbudgeted payments awarded to war veterans (ICG, 2004). The economic reforms unravelled and the government gradually re-imposed economic controls.

The GMB saga is a case in point. It had incurred huge and unsustainable losses between 1993 and 1995 amounting to Z\$2.9 billion (US\$376 million) mainly due to trading losses and finance charges on borrowed funds. Because the GMBs deficits were not fully recovered from the government each year, it had borrowed heavily both domestically and externally to cover its debt servicing and operating costs. By 1994, its outstanding debt reached over Z\$3.1 billion⁸ with interest charges running at Z\$900 million monthly (Larson and Swire-Thompson, 1999). The GMBs unsustainable financial position finally galvanized the government into clearing the GMBs debts on condition that it undertook reforms to operate commercially. The GMB initiated numerous changes in structure and organization and cut its staff by about 1,000 employees by 1997.

While the GMB was planning further improvements in efficiency and customer service, it ran into the core problem of the government’s lack of fiscal restraint that had jeopardized

macroeconomic stability and saw inflation running above 20 percent from 1991 through to 1996. At the same time, in an effort to curb inflation, the Reserve Bank of Zimbabwe (RBZ) had raised the bank rate, which stood at 23.5 percent in February 1997.⁹ Faced with these punishing interest rates, the private sector curbed investment which hampered employment creation. The urban population was therefore caught between spiralling inflation and falling employment and wages – exactly the opposite of what the economic reforms intended.

In January 1998, a 21 percent increase in maize meal sparked food riots in Harare, which the government blamed on the IMF and the World Bank-sponsored structural adjustment programme. The government then reinstated maize price controls, thus signalling the end of agricultural marketing reforms.¹⁰ Privileged urban millers, but not small-scale millers, could once again procure their maize requirements from the GMB at subsidized prices. Thereafter the GMB would continue to absorb the increased cost of grain imports, importing maize at a far higher cost than the GMBs government-authorized selling price (Larson and Swire-Thompson, 1999).

Research and extension services also suffered. The DRSS had embarked on a consultation process with stakeholders in the private sector, universities and the commercial sector to develop a policy framework for consolidating, guiding and focusing resources in strategic research areas. At the same time, the Agricultural Research Council drew up a five-year rolling strategic plan (1999–2004) to fund agricultural research that fell into key thematic areas. Restructuring, however, could not disguise the intractable problems that had set in. As government funding became

⁸ To put this in perspective, GMB debt amounted to about US\$380 million, which was equivalent to 7.8 percent of GDP. (Estimates based on the GDP and exchange rates derived from Economist Intelligence Unit’s Country report on Zimbabwe for 3rd quarter of 1996).

⁹ Finhold *Zimbabwe Economic Review*, January 2000.

¹⁰ *The Independent* (UK), 22 January 1998.

increasingly constrained, the real earnings of researchers declined. Eventually ‘the proportion of the recurrent expenditure committed to salaries and overheads increased to 91 percent, leaving only 9 percent devoted to actual research activities’ (Tawonezvi and Hikwa, 2006: 208). Similarly, capital development, which fell to just 5 percent of the department’s requirements, was far less than the rate of depreciation of the infrastructural research base.

3.2 ZIMBABWE’S CRISIS YEARS (2000–2007)

In February 2000, the Government sponsored constitutional proposals were rejected in a referendum. A process of occupation of white-owned commercial farms began, and in June 2001 the Fast Track Land Reform Programme was launched (Zimbabwe, 2001).

In July 2001 the government decided to resume control over food supplies. Maize and wheat were declared controlled products, making it illegal to buy, sell or move them within Zimbabwe other than to the GMB. The Zimbabwe Agricultural Commodity Exchange (ZIMACE) was officially suspended. In December 2001, further restrictions compelled farmers to deliver their maize and grain stocks to the GMB within 14 days of harvesting. By 2002, the holding of all grain stocks by farmers was banned and grain supplies were seized, leaving the livestock industry and farm workers facing a crisis.

Economic Meltdown

The appointment of a new Governor of the Reserve Bank of Zimbabwe (RBZ) in 2003 signalled a major shift in economic policy. The RBZ began departing further from orthodox central banking practice and its legal mandate over monetary policy. On the advice of the executive arm of

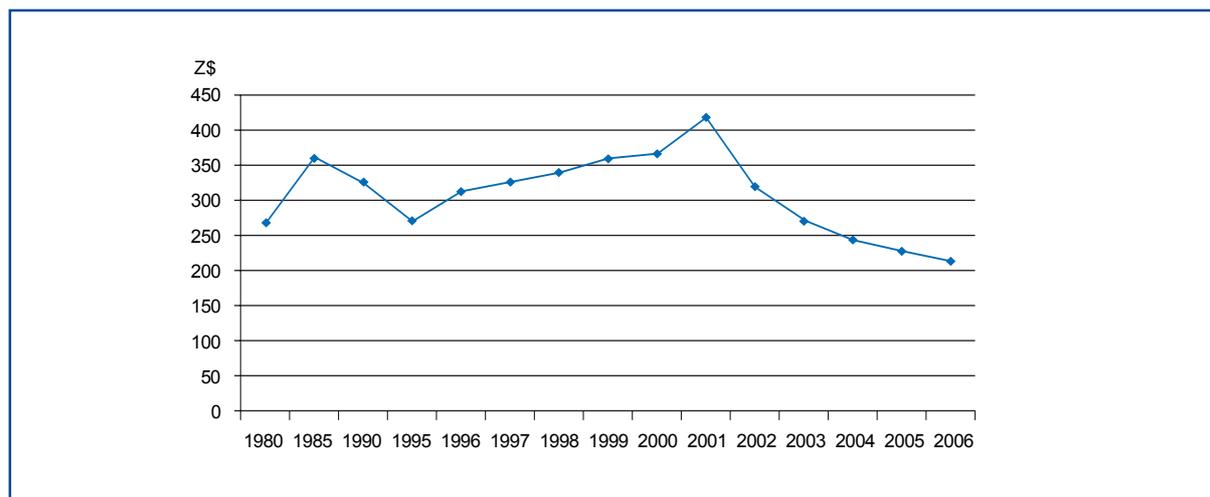
government, it started functioning more as a development bank, usurping the fiscal function of the Ministry of Finance as well as taking policy and funding decisions for other ministries, especially agriculture. From 2004 the RBZ began printing more and more money to fund its quasi-fiscal (off-budget) activities in order to provide loans to certain economic actors. As these loans were granted at derisively low interest rates in a hyper-inflationary environment, they were little more than subsidies. According to one estimate, these massive subsidies to newly resettled farmers were equivalent, in 2004, to 19 percent of GDP (Ndlela and Robinson, 2006).

In May 2005, the RBZ introduced the Agriculture Sector Productivity Enhancement Facility (ASPEF) to finance agriculture through Agribank, the GMB, commercial banks, ministries, parastatal organizations and boards.¹¹ It charged interest at the rate of 20 percent per annum at a time when inflation was running, according to official estimates, at 586 percent. Such bizarre pricing distortions were evident throughout the economy, including government controls and subsidies on food. In September 2006, for example, the government had fixed the producer price of maize at Z\$33,000 per tonne, which the GMB, as the sole lawful dealer in maize, sold to millers at a mere Z\$600 per tonne, representing a 98 percent subsidy. Resettled farmers could profit more by selling their 1,000 litre fuel allocation – purchased at the subsidized rate of Z\$600 per litre and sold to the public at Z\$30,000 per litre – than by filling their tractors to plough their fields (FAO/WFP, 2007).

The FTLRP, high subsidies and skewed pricing policies predictably caused a rapid decline in per capita agricultural output (Figure 3), incomes and GDP. Real average earnings were lower than in 1960, and by 2004 they had collapsed to just 10 percent of average earnings in 1990 (UNDP, 2008). Zimbabwe’s GDP between 1998 and 2006 had declined by 37 percent (Zimbabwe Institute, 2007: 37).

¹¹ <www.rbz.co.zw/inc/publications/legaldept/rbzpdfs/Supplement5.pdf>

Figure 3: Agricultural value added per head (constant 1990 prices)



Source: Central Statistical Office, Harare; National Accounts (various editions)

Price Control and Shortages

Rather than rein in fiscal expenditure or the printing of money to reduce inflationary pressures, the government launched Operation *Dzikisa Mutengo* (Reduce Prices) in June 2007. A directive was issued to manufacturers, wholesalers and retailers to reduce their prices by half when inflation was running at 4,500 percent. The impact of this policy was heard at a Parliamentary Land and Agricultural Portfolio Committee meeting called in September 2007 to assess the country's preparedness for the forthcoming agricultural season (2007/08).

The three major fertilizer manufacturers had closed because their capacity to produce had been crippled by a lack of raw materials. The Dorowa mine which produced phosphate rock concentrate, a key component in making fertilizer, ceased operations due to persistent power cuts and a lack of foreign exchange to import mining materials. As a result, fertilizer firms had produced just 16,000 tonnes against a target of 600,000 tonnes for the forthcoming season.¹² The costs of producing fertilizer were running at six to ten times the government controlled selling price. A senior fertilizer company official said that fertilizer had been sold at a fifth of the cost of production as a

result of the government price controls imposed in June 2007.

A representative of a major seed company explained the difficulty in inducing farmers to deliver their seed maize to meet national requirements. Although the government had approved a selling price of Z\$29 million per tonne in June 2007, a month later the government had unilaterally reduced it to Z\$15 million per tonne. In the meantime seed producers had increased their nominal asking price to between Z\$20 million and Z\$40 million per tonne. At that time the cost of importing seed maize was between Z\$48 million to Z\$54 million per tonne at the official exchange rate¹³ (i.e., five times higher than the government's controlled price), but Z\$448 million to Z\$504 million per tonne at the parallel exchange rate, about 45 times the controlled price paid to local producers.¹⁴

3.3 IMPACT ON SMALLHOLDERS IN THE COMMUNAL AREAS

Intensification

The government's determination to demonstrate the success of its resettlement programme found the bulk of RBZ's massive subsidies being

¹² *Mail & Guardian* (SA), 27 August 2007.

¹³ The cost was between US\$1,600 and US\$1,800 per tonne.

¹⁴ These prices have not been converted to US dollars, as it is the relative prices in Zimbabwe dollars that matter.

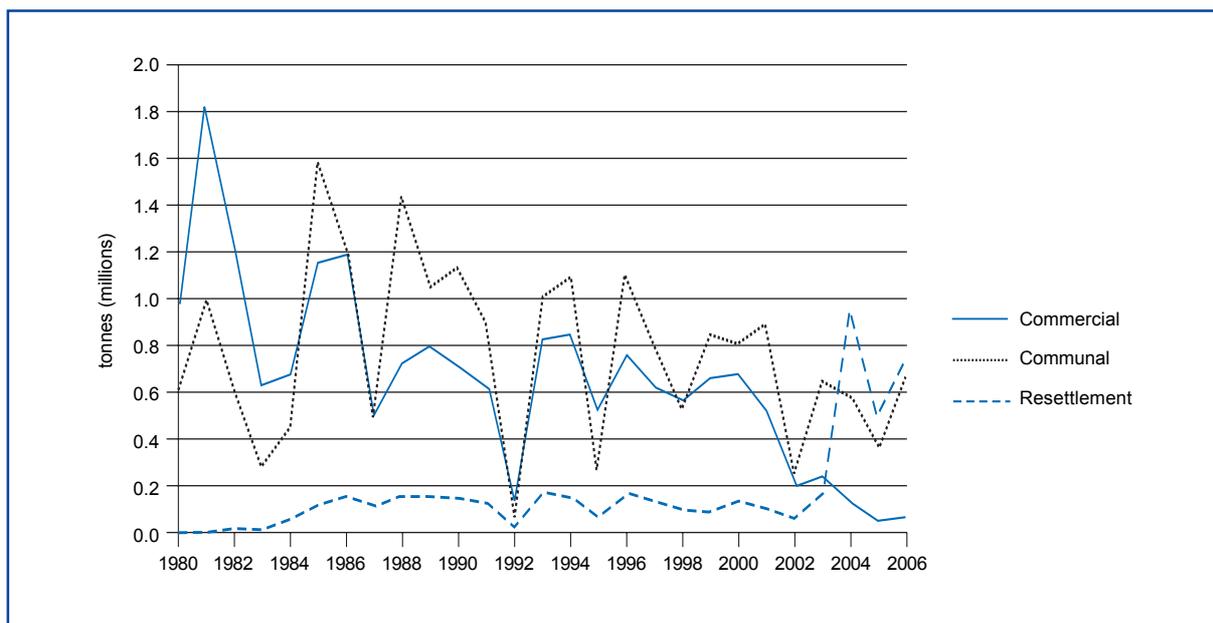
channelled primarily to new A1 and A2 farmers.¹⁵ Although the RBZ claimed to have made some inputs available to communal farmers through the GMB, there is a dearth of data surrounding how many communal smallholders actually benefitted, on what basis they were selected, how much they received, or what production benefits resulted from the inputs.¹⁶

Early indications were that the reduction in maize area (8 percent) and production (12 percent) in the communal areas was largely due to delays in payments by the GMB to smallholders for grain deliveries (FAO/WFP, 2001). Later, the general meltdown of the economy impacted heavily on fuel supplies, the availability of transport and the conditions of roads, making the delivery of inputs to farmers as well as commodities to markets problematic. There were also the perennial problems of organizational inefficiencies that

resulted in the late delivery of farm inputs provided by government. As a result, the late plantings of maize and the necessity of communal farmers to use retained seed reduced yields significantly, while late applications of fertilizer were often a waste and needless cost (FAO/WFP, 2007).

Figure 4 not only shows a general decline in maize production from 1980 to 2006, but also its volatility because yields are highly dependent on rainfall patterns. Output in 2002 was reduced significantly by drought, while the production spike in 2004 was largely due to good rains.¹⁷ The decline in food production may have been steeper in the absence of the RBZ's huge input subsidies to farmers, including Operation *Maguta*,¹⁸ involving the military. However, the economic damage inflicted by the RBZ's quasi-fiscal activities that supported these subsidies proved economically disastrous.

Figure 4: Maize production by sector (1980–2006)



Source: UNDP (2008)

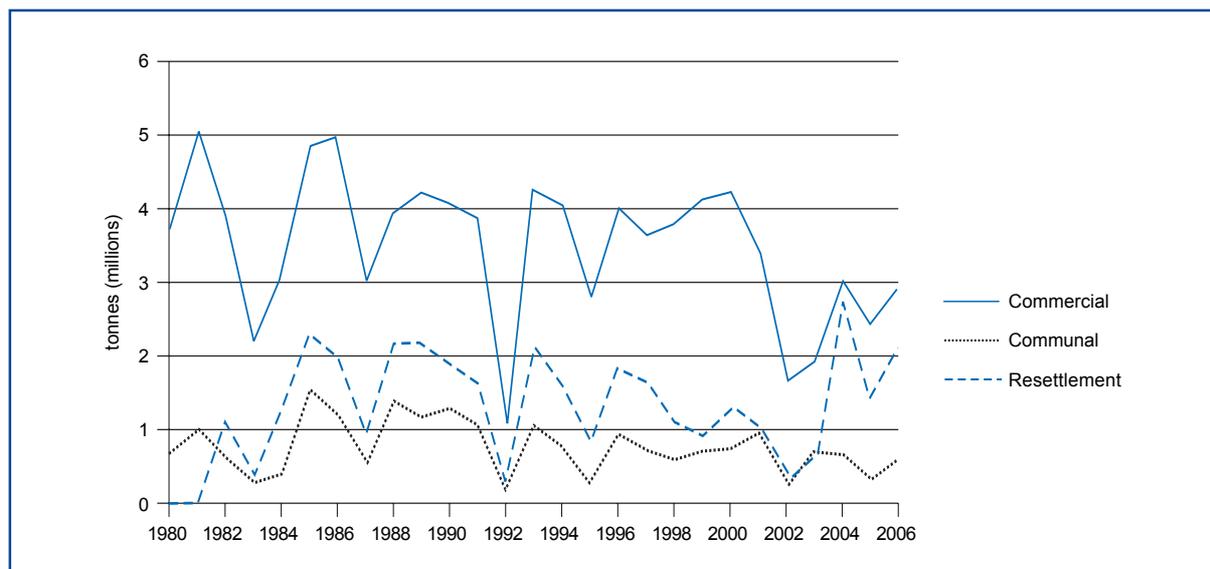
¹⁵ Model A1 is a 'decongestion' model (for landless people) that comes in two versions. The 'villagised' type allocates settlers a residential and an arable plot, but has shared grazing areas. The 'self-contained' type allocates the households one consolidated farm unit. Settlers are allocated 12 to 70 hectares depending on the Natural Region. Model A2 is an 'indigenisation' model based on full cost recovery and a 99-year year lease with an option to purchase a small, medium or large commercial farm (Zimbabwe, 2001). In reality: 'The contrasts between A1 and A2, small- and large-scale, smallholder and commercial are rather arbitrary and misleading. There is much blurring between these different models' (Scoones, 2008:1).

¹⁶ Donors involved in food distribution from the GMB were frustrated by the absence of data on the GMB's imports and distribution, making estimated needs and relief planning and coordination difficult (HRW, 2003).

¹⁷ The sudden jump in resettlement production and a slump in commercial production is a function of the FTLRP and the blurring of statistical data between the two sub-sectors.

¹⁸ Operation *Maguta*, meaning 'I am full', was an agricultural programme implemented by the military in November 2005 to increase maize production on underutilized commercial farmland. It also provided farm inputs with RBZ funds.

Figure 5: Maize productivity by sector (1980–2006)



Source: UNDP (2008)

Whilst historically the communal areas have been the major sources of national maize production, the picture changes markedly with regards to yields. Average yields in the commercial sector were about 4 tonnes per hectare in a normal season (without drought), but these dropped off sharply since commercial farms were taken over in 2000 (Figure 5).¹⁹ The communal areas generally produce less than one tonne per hectare, and produced even less after 2001.

The data suggest that a lack of inputs and their late delivery have probably been responsible for reduced communal area yields. On the research and extension front, Agritex was merged with DRSS in 2002 to create the Department of Agricultural Research and Extension (AREX). In the aftermath of the FTLRP, however, any meaningful research into smallholder production virtually ceased. In sum, there is no evidence of intensification in smallholder agriculture.

Resettlement

In its original conception, the resettlement programme was to have specifically benefitted communal households (i.e., those who were effectively landless, the unemployed and destitute)

in order to alleviate population pressure and improve livelihoods (Zimbabwe, 1985). This pro-poor focus changed significantly with the FTLRP. A key objective of the new programme had become 'empowerment', making all black Zimbabweans eligible for resettlement. Applicants were no longer required to demonstrate training, experience or competence in farming, but only that they had sufficient resources (Zimbabwe, 2001). How much therefore did communal smallholders' benefit from the fast track land distribution process and was the original programme objective to decongest the communal areas met?

A study by Marongwe (2003) suggests that opportunism was the principal driving force behind occupations. He found, for example, that most occupiers were from communal and resettlement areas who had simply settled on the nearest commercial farms. He also observed that farms bordering urban areas were mainly occupied by people from towns and cities who wanted residential plots. Another category of occupiers were former farm workers, who had nowhere else to go (Zimbabwe, 2003; Nyakopoto, 2004). A more recent study by Scoones (2008) bundles these different types of new A1 settlers together, whom he numbers at about 60 percent, and refers to them

¹⁹ The production of maize by commercial farmers in 2007 of 160,000 tonnes was less than one-third of its 1998 production levels of 521,000 tonnes. Commercial production had dropped to 23 percent of total output, with smallholders producing over three-quarters of national output (UNDP, 2008: p.155, Table 9.3).

as ‘ordinary farmers’. Scoones also notes that the remaining occupiers, particularly in the A2 schemes, included a significant numbers of civil servants (14 percent), business people (5 percent), and members of the security services (3 percent). If we include Marongwe’s estimate that war veterans comprised about 20 percent of occupiers, a picture emerges of the general composition of the full contingent of settlers.

If it were assumed that about 55 percent of the A1 settlers originated from the communal areas, this would translate,²⁰ using land allocation data from the Utete Committee Report (Zimbabwe, 2003), into the resettlement of about 75,000 communal households.²¹ Although this represents about 5 percent of households in the communal areas, it is unlikely to decongest them for four reasons. The first is that population growth would have made up for the numbers settled within 4 or 5 years.²² The second is that the resettlement option has been largely exhausted because most of the available farmland has been allocated for resettlement or is still contested by the original owners. Third, a large proportion of displaced farm workers and their families will probably have found refuge in the communal areas. And, fourth, many of those resettled have not relinquished their communal homes.

Migration

It seems likely that instead of a movement of households out of the communal areas, the combination of the economic meltdown and various ‘operations’ have seen a net increase of migrants into the communal areas. The first wave of in-migrants came in the aftermath of the FTLRP when about 200,000 farm workers lost their jobs on commercial farms (Sachikonye, 2003). While some farm workers tried their hand at gold-panning, brick-making and craftwork, others brewed illicit liquor or became vendors in towns and cities. The

aged, less resourceful and destitute crowded into make-shift shelters in squatter camps. Second and third-generation descendants of migrants from neighbouring countries, which constituted about 26 percent of the farm workers, did not have homes in communal areas to fall back on (*ibid.*). However, it is likely that at least half the farm workers displaced – probably in excess of 100,000 households – would have returned to their family homes, swelling the numbers already in the overcrowded communal areas.

Those that made their way into cities to find employment would soon find themselves and other informal traders affected by another government initiative in May 2005, Operation *Murambatsvina*. This was a campaign to remove ‘illegal structures’ in towns and cities across the country. The UN Special Envoy on Human Settlement Issues in Zimbabwe estimated that some 700,000 people had either lost their homes, their source of livelihood, or both. Indirectly, a further 2.4 million people were affected (Tibaijuka, 2005). With the loss of their livelihoods and homes, as well as little prospect of finding employment in urban centres, anecdotal evidence suggests that many households took refuge in their communal homes, if only to find temporary shelter with relatives before charting their next move.

When account is also taken of the those fleeing political violence in the communal areas during the run-up to the June 2008 presidential elections,²³ the emerging picture is one of continual internal displacement of hundred of thousands of people, often the poorest and most vulnerable, from commercial farming areas and mines, towns and cities to rural areas, and from the rural areas back into urban centres. Though it seems likely that many more people found sanctuary in the communal areas than were resettled to decongest them, any estimate of the net balance of people now living in the communal areas is complicated by thousands more who have fled political violence

²⁰ This takes Scoone’s figure of 60 percent of ‘ordinary farmers’, and discounts (an estimated 5 percent) for farm workers who remained on commercial farms.

²¹ Table 2 of the Utete Committee report (Zimbabwe, 2003) shows that 134,452 households were resettled on A1 and A2 resettlement schemes.

²² If it is assumed that the population growth rate is 1.2 percent and the existing communal population is 1.5 million households, then the annual increase in the number of households is 18,000.

²³ According to USAID Situation Report No.2 (26 June 2008) the UN Office for the Coordination of Humanitarian Affairs (OCHA) estimated that the violence displaced more than 33,400 Zimbabweans.

and poverty by emigrating to neighbouring countries, mostly South Africa and Botswana (UNDP, 2007); or who, weakened by hunger and destitution, have perished from diseases such as AIDS or cholera.

Growing Rural Poverty and Vulnerability

As the government moved to control the distribution of food after 2000, the World Food Programme was appealing for funds from the international community to import 447,000 tonnes of maize (FAO/WFP, 2001). Gradually two separate food programmes emerged in Zimbabwe, one run by the government, and the other by international agencies. The international programme consisted of the World Food Programme (WFP) pipeline, which distributed food through NGOs in 49 (of 57) rural districts. The second pipeline was the Consortium for Southern Africa Food Emergency (C-SAFE), a US-funded programme implemented by World Vision, CARE and Catholic Relief Services.

The general decline in agricultural production was exacerbated by the 2002/03 drought, leaving nearly half of Zimbabwe's population – 4.4 million people in the rural areas and 1.1 million in the urban areas – in need of food assistance. The report by the FAO and the WFP in 2003 estimated that Zimbabwe would need to import 62 percent of its food requirements for the 2003/04 season. By then, life expectancy and incomes had dropped precipitously. In Mashonaland Central Province – arguably the most agriculturally productive in Zimbabwe – life expectancy dropped by 30 percent between 1995 and 2003. Over the same period, the mean per capita income of the province fell by an astonishing 89 percent (Zimbabwe, 2006).

In a situation of hunger and a high incidence of HIV, which had reached 24.6 percent of the adult population by 2003, life expectancy rates declined sharply (UNDP, 2008). According to a report issued by the United Nations, Zimbabwe's life expectancy had dropped to the lowest in the world: 34 years for women and 37 years for men by 2006.²⁴ When rains failed again, the household food insecurity

and vulnerability picture for the 2006/07 agricultural season once again worsened. One-third of the population, or 4.1 million people, needed food aid through to April 2008 (FAO/WFP, 2007).

3.4 ZIMBABWE'S RAPID REGRESSION (2008–2009)

The economic situation deteriorated further in 2008. The RBZ continued to print bank notes in ever higher denominations, from million to billions to trillions. By July, a single loaf of bread cost nearly Z\$100 billion. As fast as the government printed money to pay a diminishing band of civil servants – including teachers, medical staff, the police and the military – the faster inflation spiralled out of control, rendering their pay virtually worthless. Without pay, the health and medical services collapsed.

Rural schools were deserted by teachers and pupils alike, while rural clinics were devoid of medicine and most staff. Many teachers and medical staff had in fact emigrated. Of 140,000 teachers only 60,000 reportedly remained, and only around 30 percent of government health workers were still at their posts. In the midst of the collapse in health services, a cholera epidemic broke out, claiming over 4,000 lives (ICG, 2009). In January 2009 the epidemic shifted to the rural areas,²⁵ and by March it had spread to 56 of the country's 62 districts.²⁶

Despite government assurances of the timely delivery of inputs, yet again the delayed delivery of inputs through Operation *Maguta* and the GMB was one of the major factors that reduced agricultural productivity during the 2007/08 season (FAO/WFP, 2008). For these and other reasons, it was estimated that 5.1 million people would require food assistance during the 'hungry season', between January and March 2009; not just cereals, but supplementary foods such as oil and beans to augment the needs of the most vulnerable groups (*ibid.*). In fact, it was reported that about 7 million people were provided with food aid to survive to April 2009, forcing humanitarian agencies to halve cereal rations to extend their food stocks (ICG, 2009).

²⁴ <http://www.medicalnewstoday.com/articles/41339.php>

²⁵ Medecins Sans Frontieres, 22 January 2009.

²⁶ Relief Web, 6 March 2009.

Section 4

Policy Recommendations for Recovery

4.1 PREREQUISITES FOR AGRICULTURAL RECOVERY AND GROWTH

The initial steps along Zimbabwe's path to agricultural recovery do not only lie within the smallholder agricultural sector itself, but within the broader context of the government's relations with its own citizens and the international community:

'The challenge of improving governance is not restricted to any field of activity but is a systemic one, requiring a reorientation of the state, a change in mindset and how it engages with the economy and society. Any sustainable socioeconomic recovery over the long term is dependent on this transformation.' (UNDP, 2008: 209)

With the formation of an inclusive government in February 2009, Zimbabwe has signalled its intent to re-engage with the international community by addressing issues around the rule of law, the rights to freedom of expression and association, and property rights (Simpson and Doré, 2009).

Zimbabwe, through its short-term economic recovery programme (STERP), also looks set to meet the second prerequisite for agricultural growth: macroeconomic stability (Zimbabwe, 2009). Price stability is particularly important because farmers make their annual production decisions based on both the *current* costs of farm inputs and the *future* prices they expect to receive for their produce. Stable prices therefore send important market signals to farmers to optimize their allocation of resources – land, capital and labour – to maximize production within the

production possibilities they face. Farmers must also be satisfied that the prices they receive on export markets – where the income elasticity of demand is high, and therefore an important source of agricultural growth – are an attractive alternative to producing for a limited domestic market. Farmers will therefore have a greater incentive to export when macroeconomic policies maintain an exchange rate that is both relatively stable and competitive.

The overarching importance of economic policy for agricultural growth was demonstrated in a seminal study by Krueger, Schiff, and Valdés (1991). They showed that governments, especially in sub-Saharan Africa, implicitly taxed agriculture *via* overvalued exchange rates and by taxing agricultural exports, resulting in a 30 percent decline in agricultural prices and slow agricultural growth. Zimbabwe was no exception. In the 1980s, persistent budget deficits and inflationary pressures saw its exchange rate appreciate by over 50 percent. This implicit tax on agricultural exporters represented a net subsidy for consumers of foreign exchange, including most manufacturing enterprises and the government. Jansen and Rukovo (1992) found that the nominal rate of assistance²⁷ on maize was -17 percent between 1980 and 1990, while those for cotton and tobacco were over -30 percent. High negative nominal rates of assistance on agricultural commodities in Zimbabwe persisted throughout the 1990s (Ndlela and Robinson, 2006).

The need for macroeconomic stability supports the third prerequisite for agricultural recovery: pro-poor growth. Maintaining a competitive exchange rate is a powerful tool to generate employment in the tradable goods sector²⁸ because it raises the price

²⁷ The nominal rate of assistance (NRA) is the degree – expressed as a percentage – to which an agricultural commodity is either subsidized or taxed by the state. A positive NRA is therefore a subsidy, while a negative NRA is an implicit tax.

²⁸ The tradable goods sector refers to the production of goods for export. A significant increase in demand for labour by a country's exporting companies can be derived from the rising global demand for their products. This may be achieved partly through trade liberalization, but mainly through productivity increases and exchange-rate depreciation that increase a country's competitiveness (Hawkins and Ndlela, 2009). As competitive exchange rates make the importation of capital relatively more expensive, production will favour more labour intensive techniques, gradually drawing labour into the higher productivity tradable sector in a process of structural transformation.

of capital relative to labour, providing an incentive for enterprises to use labour more intensively (Kanyenze, 2009). More generally, the weight of evidence suggests that broad-based economic growth founded on trade liberalization, foreign direct investment and well-functioning markets have a significant and sustainable impact on poverty reduction (Gunter *et al.*, 2005; World Bank, 2008). Labour and land productivity gains and market access lie at the core of a more robust agricultural economy and pro-poor growth (OECD, 2006).

Although Zimbabwe has now adopted the US dollar and the rand, the problem facing farmers is that previous hyperinflation has left the economy with an elevated and uncompetitive price, wage and cost structure (Hawkins and Ndlela, 2009). According to one economist, many farmers had opted out of winter wheat production because 'the cost of producing crops is way above the money they realize after selling their produce'.²⁹ As price stability cannot come at the cost of competitiveness, a combination of real price and wage reductions, as well as increased productivity, may be required to reduce production costs and improve competitiveness.

4.2 RE-ENGAGEMENT WITH THE INTERNATIONAL DONOR COMMUNITY

The Zimbabwe government needs to re-engage with the international donor community to access funding in order to get basic social services functioning again and to kick-start the economy. While many of Zimbabwe's development partners have indicated their willingness to assist Zimbabwe, they have stated that they are awaiting certain policy changes that would give them sufficient confidence in the inclusive government to re-engage and provide development assistance.

In particular, it will be crucial for the parties to the September 2008 inter-party agreement to implement Section 5.9 (f) of the agreement which

calls for them to 'work together for the restoration of full productivity on all agricultural land'. The recognition by the Zimbabwe government of the SADC Tribunal ruling would also send a clear signal to donors of the government's commitment to the rule of law and its respect for property rights.³⁰ So too would implementation of Clause 107 of the government's own short-term recovery programme, which reads:

'In order to promote confidence, investments and other developments on farms, as well as ensuring security of farming operations, The Inclusive Government will uphold the rule of law as well as enforce law and order on farms including arresting any further farm invasions which disrupt farming activities.' (Zimbabwe, 2009)

Apart from allowing commercial farmers to produce food and earn desperately needed foreign exchange, the implementation of this provision would trigger strong donor support for pro-poor agricultural policies that assist smallholders to improve their household food security and reduce poverty.

4.3 EMERGENCY FOOD AID AND HOUSEHOLD FOOD SECURITY

The most immediate objective is to continue to provide safety nets and reduce the risks for the poorest and most vulnerable members of society. The imperative is therefore to maintain and strengthen the measures already put in place by international humanitarian agencies since 2002. A network of bilateral donor agencies channels emergency food relief through WFP and C-SAFE, and enables households to improve their food security through agricultural projects managed by FAO and other NGOs.

WFP requested US\$280 million to provide food during 2009 to support about 4 million people³¹

²⁹ IRIN (UN) reporting comments by John Robertson, 22 May 2009.

³⁰ The Tribunal found that Constitutional Amendment 17, the basis on which the Zimbabwe Government proposed to evict commercial farmers, was in breach of Article 4(c) and Article 6(2) of the Treaty, governing the right to a fair hearing in a court and racial discrimination, respectively. The Tribunal therefore ordered the government not to evict commercial farmers or interfere with their occupation of their farms.

³¹ World Food Programme appeal for food support to vulnerable groups from January to December 2009 (Project Code: ZIM-09/F/23505).

through its cooperating partners.³² Its programme consists of vulnerable group feeding, social-based safety nets, and health-based safety net activities (that support people infected with HIV and AIDS and their households), mobile and vulnerable populations and school-based feeding. In May 2009, Zimbabwe's emergency food programme fed 800,000 highly vulnerable beneficiaries, including school-children. USAID, through its Office of Foreign Disaster Assistance (OFDA), is probably the largest contributor of food aid to Zimbabwe. So far this year, its Food for Peace programme has channelled 106,000 tonnes of emergency food assistance valued at more than \$95.5 million through WFP and C-SAFE.³³ The USAID-funded Famine Early Warning Systems Network (FEWSNET) also plays a vital role in identifying those communities most likely to need humanitarian assistance.

The main contributors towards farm inputs and other types of support for household food security have been the Department for International Development (DFID), the European Commission (EC) and the European Commission Humanitarian aid Office (ECHO), which have provided about US\$45 million on average since 2003 through 70 different implementing organizations. The largest programme has been DFID's Protracted Relief Programme (PRP) reaching 1.5 million people between 2004 and 2007. The PRPs second phase is now covering livelihoods interventions from 2008 to 2013, for an amount of US\$100 million with 25 implementing partners. The EC has been funding food security activities through NGOs and farmers' unions over several 3-year programme phases. ECHO, through successive 12 month programmes, has been contributing about US\$15 millions annually for relief food and agricultural activities.³⁴

The FAO estimated that about 350,000 households were supplied with seed and fertilizer for the 2008/09 season that resulted in 50,000 hectares

being planted to maize (with yields of between 1 and 2 tonnes per ha), and 90,000 hectares planted to small grains (with yields of around 0.8 tonnes per ha). The number of households assisted reached 985,000 in 2003/04, but has generally been below 400,000 since then. This was because the average size of fertilizer packs per beneficiary have become much bigger.

The government's recovery programme, STERP, has requested the international donor community to support its Crop Input Pack Scheme for vulnerable smallholder farmers during the 2009/10 farming season. It estimates that each of about 800,000 households will require 10 kg of maize/small grains seed packs, 50 kg of Compound D and 50 kg of Ammonium Nitrate fertilizers. This is much higher than the average size of input packs for the 2008/09 season, which were less than 5 kg for seed, 20 kg of basal (Compound D) fertilizer, and 35 kg of top dressing (Ammonium Nitrate). The British government has responded by announcing, in April 2009, that £15 million (about US\$21 million) would be made available for food security and other humanitarian assistance.³⁵

Humanitarian programmes have become more recovery oriented over the years. Donors initially focused on simply providing basic inputs, but their programmes have graduated into more comprehensive packages that have included extension advice to those smallholders who have been supplied with seed and fertilizer. These have now evolved into a wider range of more complex interventions and integrated practices, such as seed fairs and vouchers, conservation agriculture, garden and micro-irrigation projects, and livestock management. Improved organization and preparedness has enabled the timely delivery of inputs to enable smallholders to plant early, which is crucial for improved yields and household food security.

³² These include: Africare, Christian Care, Catholic Relief Services, CARE, Concern, GOAL, Help Age Zimbabwe, International Organization for Migration, International Organisation of the Red Cross and Red Crescent Societies, Mashambanzou Care Trust, Organization of Rural Associations for Progress, Oxfam GB, Plan International, Save the Children UK, World Vision International, and Inter-Country People's Aid.

³³ USAID Zimbabwe: Complex Emergency Report, 13 April 2009.

³⁴ Other donors that have contributed significantly include USAID, South Africa, Japan, Sweden, France, Australia, Ireland, Germany and Spain.

³⁵ MSN African News <www.inet.co.za> 24 April 2009.

Under the current fiscal crisis – where the government is struggling to pay staff salaries for essential social services, such as health and education – the government is unlikely to find sufficient resources for civil servants in the agriculture and social services ministries to play a meaningful role in facilitating food aid distribution and agricultural production. However, the government should immediately ensure that there is much closer cooperation between the GMB and international agencies to ensure the coordinated distribution of food aid to the most needy.

According to the government's short-term recovery programme, the GMB's monopoly as a grain purchaser has been removed.³⁶ Presumably this means liberalizing the domestic grain market, making it possible for producers to sell directly to millers, both large and small, as well as facilitating the trade and barter of food from surplus production areas to deficit areas. This important step in improving household food security and reducing transport costs should be followed by lifting restrictions on the importation of cereals by private traders. Increasing domestic supplies and allowing commodity markets to operate competitively will bring food prices down and ensure that households with the purchasing power can access food through the markets (FAO/WFP, 2008).

4.4 RECOVERY POLICIES FOR REBUILDING SMALLHOLDER AGRICULTURE

Once re-engagement with the international donor community and recovery is well underway, government ministries should strengthen their partnership and coordination with international implementing agencies. Gradually, as recovery takes hold, the government should wind down the emergency food aid programme and gear up for improved household food security through agricultural production and other livelihood strategies, including rural non-farm income generation. Over time, the ministries of agriculture

and social services should assume full responsibility for emergency relief and smallholder production, incorporating the experience and innovations of international agencies into their programmes.

As part of its agricultural recovery programme, the government is relying on commercial bank deposits in hard currency to finance short- and medium-term loans for farmers to rebuild agriculture (Zimbabwe, 2009). This approach seems unduly optimistic because most commercial farms have been nationalized, and resettlement and communal smallholder farmers do not have transferrable rights to their property, so they cannot be used as collateral for loans. A possible alternative, mooted by the government's recovery plan, is for banks to transfer the risk to agro-processing corporations who are keen to fund production by entering into contracts with farmers, especially smallholders. The contracting companies advance credit and inputs to the smallholder farmer, which are recouped by the company when the farmer's harvest is marketed.

Contract farming has a number of advantages. The first is that capital can be provided to smallholders for inputs to increase yields and household incomes. It is the private sector which bears the risk (usually from 'side marketing'³⁷) as well as the benefits (profits) from the contract. Contracting companies also often offer smallholders extension advice, which not only benefits the smallholder, but also reduces the risk of the company, i.e., the expectation that the farmer's yields will cover the costs of inputs. With the inputs also come biotechnological advances in the form of new seed varieties that improve farmers' yields. Another advantage is that it offers smallholders an opportunity to produce higher value commercial crops without requiring the capital for processing or the management expertise to operate in sophisticated markets. In the absence of government initiatives for smallholder finance, contract farming offers a viable alternative that complements the food security programmes run by government and international agencies.

³⁶ See Clause 111 of STERP (Zimbabwe, 2009).

³⁷ Side marketing often arises when a gap opens between the market and contract price. Smallholders have an incentive to sell their produce for a higher market price to third parties rather than to the contracting company at the agreed contract price.

For smallholders that do not qualify for donor assistance or who are not contracted, the government is committed to reviving the fertilizer industries and making all inputs available through the open market. Similarly, it is intent on deregulating marketing and the pricing of commodities, allowing farmers to sell their produce freely at market determined prices. Accordingly, the government has done away with the announcement of pre-planting prices.³⁸ However, it might reconsider this policy, at least for the first year or two, in order to provide smallholder maize producers with a strong incentive to boost food supplies. Apart from this initial surge to boost stocks of the national granaries, it would put money in the pockets of rural households, where multiplier effects would help stimulate economic activity in the communal areas. It would also take pressure off the international donor agencies to distribute food and allow them to focus more on promoting food security through agricultural and non-farm livelihood strategies. This would bring the government a step closer to realising its objective of reducing dependency on food handouts.³⁹ These efforts should be complemented by the gradual organization of farmers into commodity associations and unions to provide smallholders with a forum that offers mutual support for marketing as well as research, technical and extension services.⁴⁰

4.5 RETHINKING SOCIAL PROTECTION MEASURES

Paradoxically, it has been the on-going and deepening crisis in Zimbabwe that has enabled international humanitarian agencies to hone their approaches to food security. While food handouts still play an important role in their efforts, donors are moving towards providing inputs for food security, including innovations such as the use of vouchers and seed fairs. While these new approaches are an improvement on food handouts, they represent an intermediate form of social

protection. More recently, the notion of cash transfers⁴¹ has been gaining more acceptance (Ferguson, 2007; Standing, 2007).

Standing (2007) assessed different type of social protection methods – from food aid and vouchers to cash and capital transfers – according to a number of principles. Broadly, he evaluates whether these methods were economically efficient in terms of administrative burdens, price distortions and their effectiveness in reaching the poor. He argues that means testing, conditionality and targeting that are involved in most social protection programmes may not just be difficult, costly and inefficient, but are often intrusive and demeaning. Rather than the poor having to plead in times of need and only being granted assistance at the discretion of state bureaucrats or aid officials – everyone, argues Standing, should have a minimum basic entitlement that grants them the dignity and the opportunity to make decisions for themselves.

The question is whether social protection schemes in poor countries can be designed to be affordable, efficient, effective and unconditional. In South Africa, the Taylor Committee's report in 2002 recommended a far-reaching social protection scheme based on a small Basic Income Grant payable to all South Africans with a simple swipe of their national identity cards at an ATM (South Africa, 2002; Ferguson, 2007).⁴² The Committee argued that;

'... by providing a minimum level of income support people will be empowered to take the risks needed to break out of the poverty cycle. Rather than serving as a disincentive to engage in higher return activities, such a minimum (and irrevocable) grant could encourage risk taking and self-reliance. Such an income grant could thus become a springboard for development.' (South Africa, Department of Social Development, 2002: 61)

³⁸ See Clauses 92, 109, 100, 126 and 127 of STERP (Zimbabwe, 2009).

³⁹ See Clause 99 of STERP (Zimbabwe, 2009).

⁴⁰ See Clauses 126 and 127 of STERP (Zimbabwe, 2009).

⁴¹ Cash transfer programmes were first introduced in the 1990s when Brazil's *Bolsa familia* and Mexico's *Oportunidades* made cash payments to poor families on condition that they ensured their children attended school or clinics regularly. By 2006 the Brazilian programme reached over 11 million households and Mexico's scheme has become a central part of the country's social protection system (Standing, 2007).

⁴² Better off South Africans would also receive the grant, but these funds would be recuperated through the tax system.

Despite its promise, the scheme has not been implemented so it provides no vindication of its professed practicality or effectiveness. Any evidence must be sought elsewhere.

Evaluations of a number of projects in Ethiopia⁴³ found cash grants allowed beneficiaries to make strategic decisions and prioritize their needs, such as controlling their debt and investing in land productivity (Standing, 2007). One interesting finding was that the cost of implementing the schemes was much less than food aid and that the transaction costs of beneficiaries were reduced considerably. In Zambia's *Kalomo Social Transfer Scheme* a local community welfare assistance committee used participatory methods to identify the poorest 10 percent of households, mostly the elderly, AIDS-affected adults and orphans. If scaled up to cover the whole country, it would amount to just 5 percent of the total current development assistance to the country, or about 0.5 percent of GDP. In Mozambique, an evaluation of USAID-funded cash grants to families affected

by floods found that most of the money was spent on local goods and services, regenerating livelihoods and stimulating the local economy.

It is probably premature to declare these cash transfer schemes an unqualified success, but they do warrant rethinking how Zimbabwe might redesign its social protection measures to ensure that everyone has a bare minimum to live on with a modicum of dignity. These schemes may have the best chance of success where local markets are also encouraged to operate freely, so that multiplier effects stimulate growth in rural enterprises and labour markets. Working with its international partners and the private sector, Zimbabwe should experiment with cash transfers with clearly identifiable vulnerable groups such as the elderly or those with HIV and AIDS. Based on careful monitoring of their effectiveness and affordability, such programmes could be extended to cover other sub-sets of the chronically poor to gradually replace more costly and less effective methods of delivering aid.

⁴³ These include the USAID funded project, *Cash for Relief Programme*, Save the Children projects in two districts, and the *Meket Livelihood Development Pilot Project*.

PART II
COMMERCIALIZATION AND TRANSFORMATION
ECONOMIC THEORY, INTERNATIONAL EXPERIENCE
AND POLICY IMPLICATIONS

Section 5

Reconceptualizing the Binding Constraints

5.1 AGRICULTURE'S ROLE IN PRO-POOR GROWTH

As smallholder agriculture in Zimbabwe is the main source of livelihood for hundreds of thousands of poor households in the communal areas, raising their agricultural productivity therefore has the potential to become a primary source of pro-poor growth and poverty reduction. This optimism is born out by cross-country econometric evidence that shows that GDP growth generated in agriculture has consistently had large benefits for the poor, and is at least twice as effective in reducing poverty as growth generated by other sectors (Mellor, 2000; Thirtle *et al.*, 2001; Bravo-Ortega and Leaderman, 2005).

However, unless the government starts to formulate a long term strategy that addresses the underlying historical constraints faced by the communal areas, households will remain locked in a social and agro-economic system that perpetuates poverty and social distress. Foremost amongst these constraints, this paper argues, is the land tenure system and factor market failure. Under the pressure of population, the tenure system has resulted in the subdivision of farms into uneconomic sizes, squeezed out efficiency-enhancing capital, reduced cultivation to hand-labour, and seen the ecological decline of the communal areas. Put in more human terms:

'... in a developed country, the farmer's son who wishes to follow in his father's footsteps can keep the farm by buying out his more commercially minded siblings. Farmers in many developing countries have no such option and must continually subdivide their farms for each generation until the parcels are too small to farm profitably, leaving the descendants with too alternatives: starving or stealing.' (De Soto, 2000: 49)

Although households receiving international assistance in Zimbabwe may neither starve nor steal, it is virtually impossible today for families to extricate themselves from chronic poverty and dependency when they have only a few hectares of land, when rainfall is uncertain, and their soils are poor.

5.2 LAND TENURE IN THE COMMUNAL AREAS

Institutional Failure

According to tradition, the chief was the owner or trustee of land within his *nyika* or chiefdom, which he allocated to his subjects through his ward headman and village *kraalheads*. At the household level, the male head was responsible for allocating land to members of his family. If a family subsequently abandoned the land, it reverted to the chief to allocate to another of his subjects. The system thus precluded the sale or renting of land from one person to another.

In reality, this system of land allocation was to become much messier. As land shortages became more acute in the 1960s and 1970s, people began to cultivate without being granted permission from traditional leaders (Scoones and Wilson, 1989).⁴⁴ Then, in 1982, due to the chiefs' supposed collusion with the Rhodesian authorities, their power to allocate land was transferred to district councils under the Communal Lands Act. When the Prime Minister's directive came in 1984 for the communal areas to be administratively divided into ward and village development committees (wardcos and vidcos) – that cut across traditional boundaries – it was the chairpersons of these committees that were granted the authority to allocate land on behalf of councillors. On top of these were the ruling party

⁴⁴ This practice was known as *kurima madiro* which means to plough where one pleases.

structures, which felt entitled to have a say in any important matters, including the allocation of land (Zimbabwe, 1994).

Although in some areas, such as Seke and Gokwe, the traditional authorities gave way to the new local administrative committees, in other areas (e.g., Uzumba) traditional authorities ignored the new laws and continued to allocate land (Doré, 1993). By the 1990s, the Rukuni Commission found ‘overwhelming evidence that the most serious land conflict today are within communal areas’. These conflicts, it added, were ‘approaching anarchy in some areas’ (Zimbabwe, 1994: 23,24). The Commission found that the collapse of the legal and administrative structures in the communal areas lay in the ambiguity of the law, which gave authority to councillors to allocate land according to customary law, thus implying a role for traditional leaders. In this confusion, those seeking land would approach whoever they believed would grant it to them, or would simply settle inconspicuously and clear woodland, often cultivating on sloping and infertile soils (Doré, 1993).

By the onset of the crisis in 1997, the Rukuni Commission’s recommendations for communal land tenure reforms had been quietly shelved and the institutional quagmire in the communal areas remained unresolved. In the absence of any policy or mechanism to integrate the local institutions or build consensus on bye-laws or rules, the communal areas were left to muddle along, dogged by a sense of powerlessness and apathy. Any notion that the land allocation system was customary or traditional had been lost. What remained was a system of tenure characterized by most of the drawbacks of the traditional system, but without the transferrable rights and benefits enjoyed by commercial farmers who had title to their land.

Population Pressure

Despite this institutional disorder, it is important to understand that the system has historically provided families with a safe haven during troubled times. By allowing households access to land on which to grow crops and use natural resources at no cost,

the system at least provided ‘something for everyone’. Poor families were thus able to house and sustain themselves without the costly outlays for rent, water and electricity that are necessary in the towns outside the communal areas. In economic parlance, their cost of living was ‘externalised’ onto society, and was thus a form of subsidy to rural families.⁴⁵

The downside, however, was felt when the population grew and land constraints and natural resource degradation made themselves felt. As the implicit subsidies and externalized costs provide an incentive for households to remain in communal areas, they tend to bind households to the land and so add further pressure to natural resources. In addition, families choose to remain in the communal areas for fear that their absence for any extended period could result in their fields being reallocated or claimed by others. Given these strong incentives to maintain a foothold in the communal areas, it was always unlikely that thousands of rural families would voluntarily leave the communal areas to join ‘breadwinners’ in towns and cities (Zimbabwe, 1981a). As the ZIMCORD document noted, ‘Under the traditional system of land tenure there is no inducement to leave one’s land, whether or not it is used productively’ (Zimbabwe 1981b: 39).

Inefficiencies of Factor Market Allocation and Substitution

The problem is not just that the communal areas act like a sponge, continually absorbing a growing population, but that the tenure system creates economic inefficiencies through the distortion of factor markets. One way to illustrate the problem (before delving into the economics of factor allocation efficiency), is to briefly compare the communal and commercial tenure systems.

Before 2000, all commercial farms were held under freehold title, allowing farmers to buy and sell land on the open market, the price of farms being determined by the relative supply and demand for farmland. As title was transferrable, farmers negotiated loans with financial institutions for seasonal farm inputs and working capital, medium-

⁴⁵ An externality is a cost to society, such as environmental degradation, when individuals benefit from using a public good – for example, communal grazing areas. The cost is internalized when the user rather than society bears all the costs of use.

term loans for equipment and buildings, and even long-term loans to acquire the land itself. It was this interplay of factor markets for land, capital and labour that allowed commercial farmers to allocate their resources to optimize production efficiency according to the economic principle of variable factor proportions.⁴⁶

It is argued here that the absence of these markets – often referred to as ‘market failure’ by economists – has distorted the allocation of factors of production in communal areas to create an inefficient farming system that perpetuates poverty. At the core of this problem lies the system of tenure that grants access to land for cultivation that carries no cost to the user. As it does not reflect the scarcity value of land, it ‘impairs the signals and incentives that are necessary to guide and induce farmers to use farm land efficiently’ (Schultz, 1964: 125). As such, there is no price mechanism or market signal to constrain a growing demand for the limited supply of land.

Inevitably, as the population burgeons and a growing number of eligible families claim their right to land, plots have been continually subdivided into smaller and less viable holdings. As farms become smaller, total output and hence incomes decline. With less surpluses available to buy yield-enhancing farm inputs, outputs fall further and poverty ensues. And, since the tenure system offers no mechanism through which more efficient farmers can acquire more land, better farmers are unable to consolidate their holdings into larger, more viable units. Conversely, it ties less efficient smallholders, who show little aptitude or enthusiasm for farming, to land that they might otherwise rent or sell.

The tenure system is particularly debilitating because of its detrimental knock-on effects on the labour and capital markets. During periods of rapid population growth, when a relative scarcity of land develops, the expectation is that agricultural production will be intensified by substituting land for labour. However, in the absence of price signals from a land market (which would show the price

of land increasing relative to labour) households will continue to demand more land – even in the face of land shortages. Moreover, since labour itself is relatively cheap and abundant compared to capital inputs, the rational household will also have an incentive to apply more labour rather than capital inputs to land.

5.3 AGRICULTURAL EXTENSIFICATION AND ENVIRONMENTAL DEGRADATION

The net result of cost-free land is therefore distortions in capital markets where households have a perverse incentive to reduce farm inputs. As they fail to maintain fertility, the soils gradually become exhausted and households are compelled to apply their labour to clearing woodland and opening up new land for cultivation, setting in motion a system that perpetuates extensive or shifting types of cultivation. Reh *et al.*, (1989), for example, found that all potential arable land – or about half the total area of Chiweshe communal area – had been cleared for cultivation over time, yet only 15 percent of it was still in use. Similarly, Bruce (1990) found that between 1980 and 1988 the opening up of new areas for cultivation, rather than higher per hectare yields, accounted for almost all increased crop production in the communal areas.

As more and more land is used for growing crops, cattle have to survive on dwindling communal pastures. In Chiweshe communal area, Reh *et al.*, maintained that cultivation had encroached so extensively into available livestock feed resources that the binding constraint to any further expansion of cultivation was the lack of sufficient feed resources to sustain the number of cattle needed to provide draught power. The World Bank (1985) estimated (for the period 1975 to 1984) that grazing areas shrunk by 700,000 hectares as land was brought under cultivation, while Kundhlande and Mutandi (1989) claimed that persistent

⁴⁶ Also known as the principle of ‘optimal factor combination’, the criteria of allocative efficiency in farm production requires that factor scarcities be reflected in their respective prices and that they are used in such proportions that output is maximized for a given cost. This condition is met when land, labour and capital are combined in such a way that the ratio between their marginal productivities and their prices is equal.

encroachment in Gutu communal land had reduced the cultivation: grazing ratio from 20:80 in 1953 to 51:49 in 1988.

The problem of dwindling livestock feed resources is exacerbated because communal grazing land is a free and indivisible public resource that carries no opportunity cost to the user. As livestock owners can externalize the environmental costs of using the common pasture, households have a strong incentive to continue adding more livestock to already degraded grazing areas, thus quickening the pace towards environmental decline and undermining the very resource base on which their livelihood depends (Hardin, 1968). The constraint to cattle numbers imposed by limited feed resources and the additional number of cattle required for draught power result in the cattle paradox: too many for the environment to sustain, but too few for draught power requirements. Cliffe (1986), for example, quoted Drinkwater's observation in one area that was 300 percent over-stocked in terms of its environmental carrying capacity; yet, in terms of draught power needs it was 53 percent under-stocked. Eventually, cattle – a form of smallholder capital *par excellence* – are gradually squeezed out of the farming system,

reducing cultivation to toiling with hand-held implements.

The foregoing clearly shows that the communal areas had already become pools of poverty well before the current crisis. Rohrbach *et al.*, note, for example, that the international community's celebration of Zimbabwe's maize miracle in the 1980s 'deflected attention from the extensive and consistent reliance of a large proportion of smallholders on public food distribution programmes' (1990: 106). Later, Campbell *et al.*, were to conclude 'that the current processes of intensification and diversification are not leading people out of the poverty trap in semi-arid regions' (2002: 125).

In short, the system was neither sustainable then nor now; and the communal areas are looking less like safety nets and more like poverty traps. At some point, change for more sustainable livelihoods must inevitably come. While such reforms may involve greater risks – for which new forms of social protection (discussed earlier) should be developed for the chronically poor – they also bring with them innovation, opportunities and pathways out of poverty.

Section 6

Land Tenure Reform

6.1 TRANSFORMING SUBSISTENCE AGRICULTURE

So far, this paper has tried to show that the underlying problem of the communal areas' subsistence economy has been that neither the value of land nor natural resources reflect their scarcity value because they are available cost-free to individuals and households. Instead the costs are felt throughout the farming system, the most obvious being the externalized costs on society through the environment.

Circular and Cumulative Causation: a Synopsis

Cost-free access to land and natural resources act as subsidies and therefore as 'pull' factors for households to remain in the communal areas, which is exacerbated by households' fears of losing their claim on land. As there is no price mechanism to allocate the limited supply of land and natural resources, demand is infinitely elastic. As the population has grown, the unlimited demand for land has seen the subdivision of holdings into smaller and less viable parcels of land. This has resulted in a decline in outputs and incomes as well as investible surpluses for capital inputs to maintain yields and fertility. In more marginal communal farming regions, the risk-aversion of smallholders reduces the yield-enhancing inputs still further because the cost of fertilizer represents a large share of production costs relative to expected incomes. Rohrback *et al.*, (1990) found, for example, that the level of fertilizer use dropped dramatically when the risk of applying expensive inputs could be wasted if the rains failed. In Natural Region V virtually no farmers used fertilizer.

Capital is finally squeezed out of the system, first by the factor market distortions that make capital relatively more expensive than land and labour and, second, by the continual encroachment of cultivation on common grazing areas, which limits the number of draft cattle that the communal areas can support. Finally, because the farming system

does not ascribe an underlying value to land, it cannot be used as collateral to raise loans for farm capital. It is this combination of smaller holdings, factor market distortion and arid conditions that drive a process of agricultural extensification, leaving in its wake exhausted soils, overgrazed pasture, erosion and silted dams.

By any measure, most households will remain chronically poor as the system is unsustainable. They survive only at the expense of the environment, international assistance and the taxpayer. In analysing this process one is reminded of Myrdal's concept of circular and cumulative causation which provides an apt description of the smallholder farming system within the communal areas: a process 'continuously pressing levels downwards, in which one negative factor is, at the same time, both cause and effect of other negative factors' (1957: 11). More recently, this concept was echoed by Leared: 'Both the people and the environment', he said, 'suffer in an incessant spiral of despair' (2009: 2).

Transcending Standard Interventions

Usually it is necessary to treat the symptoms of any malady first. In Zimbabwe, international organizations have responded generously to the plight of the hungry with direct food aid. As hunger abates, their attention is turning towards providing seed and fertilizer packs to enable households to grow their own food. As a semblance of normality returns, the expectation is that agriculturalists will respond to the problems of low yields and poverty by recommending a raft of measures that include improved access to credit to buy yield-enhancing inputs, such as hybrid seed and fertilizers; extension advice to improve cultivation practices, minimum tillage, early planting and conservation methods; and integrating the cropping and livestock systems. More broadly, suggestions also include improving market access, promoting farmer organizations, and managing natural resources more sustainably.

These measures will certainly assist better and more resourceful farmers with bigger smallholdings in higher rainfall areas to improve their incomes and reduce poverty. But these interventions can only be of very marginal benefit to the majority of smallholders, especially those in the more arid communal areas, whose livelihoods cannot be sustained by agriculture. This pessimism is shared by Campbell *et al.*, (2002), who believe that in these regions, where output is so dependent on the vagaries of the weather, the likelihood of a sustainable credit scheme to support inputs is highly unlikely. Nonetheless, there is no doubt that the government, with the help of the international donor community, will have to continue treating the symptoms of this poverty by providing a combination of food aid, input packs, vouchers and cash transfers for the foreseeable future.

Two Transformational Processes

In the meantime, every effort should be made to tackle the underlying causes of poverty and environmental degradation by initiating two transformational processes. The first is the gradual transformation of the communal area farming system to a commercial farming system by reversing the vortex of compounding negative impacts and initiating a positive spiral of cumulative causation.

The remedy lies in internalizing the cost of land and natural resources to reflect their underlying scarcity value. To do this a price must be attached to the value of land. But since price is determined by supply and demand, there must be a market for land. Then again, land can only be rented or sold through the market if it is clearly defined both physically and legally: it needs to confer secure and enforceable rights on its owner. The logical conclusion of getting land to reflect its scarcity value therefore ends with an institutional and regulatory system of land registration and administration to create a transparent and efficient land market. Economic theory tells us that when this happens the factors of production will be combined to optimize economic efficiency. The development of land markets and the gradual

absorption of capital into the farming system therefore lies at the core of commercializing traditional agriculture.

The establishment of a land market is also a crucial step toward the operation of a second transformation process to reduce poverty still further – through structural transformation. This is a process whereby the institutional (land tenure) changes in the communal areas are complemented by broad economic growth and productivity gains in the industrial sector.⁴⁷ Secure transferrable rights to communal land create incentives for rural labour to migrate to employment opportunities in urban centres, thereby decongesting the communal areas and reducing poverty (Clarke, 1957, Chenery and Syrquin, 1975; OECD, 2006; World Bank, 2008). Thus, agriculture's potential to reduce poverty goes far beyond standard agricultural interventions and its direct impact on farmers' income. As a DFID's policy paper makes clear:

'Over time the "structural transformation" of poor countries' economies away from dependence on agriculture lies at the heart of sustained poverty reduction.' (2005: 8)

In this section we focus on the transformation of the farming system. In Section 8 we consider structural transformation in more detail.

6.2 POLICY PRINCIPLES AND OPTIONS

Local Institutional Reform

Even as government builds consensus on a policy and regulatory framework to transform the overall farming system, the starting point must be to reform the village and local governance institutions. The first principle is to preserve the unity of command by creating a single village authority that is nested within the ward and district council structures, and that has a single source of legitimacy and authority. There should also be clear boundaries and responsibilities for the areas of jurisdiction at each administrative level.

⁴⁷ In the economic theory of structural transformation it is conventional to use a two sector model, agriculture and industry. In practice we mean the migration of labour to non-agricultural sectors, including manufacturing and services as well as both formal and informal employment.

The second principle is that of subsidiarity: that matters ought to be handled by the smallest, lowest or least centralized competent authority. Authority over land issues, for example, should be devolved to the ward or village level when they have the competence to do so.

The third principle is democratic decision-making and the separation of powers. If higher level decisions are to be taken with the prior informed consent of local residents, decision makers must have confidence that local community leaders faithfully represent the majority view. Institutional change must necessarily vest legitimate authority in communities to enable them to take democratic decisions on their chosen paths towards land reform. The evolution towards more formal types of tenure in Mexico, for example, allowed certified plots in *ejido* communities to become fully transferable freehold land through a qualified vote by the community assembly. But the fact that fewer than 15 percent of *ejidos* chose full titling showed that many smallholders saw the benefits of maintaining their existing rights (World Bank, 2008).

One of the sticking points to developing more democratic community institutions in Africa has been that traditional leadership is often appointed and paid by the state. Traditional leaders therefore tend to be accountable to party or government authorities rather than to the people they ostensibly represent. Mamdani (1996) has also criticized the 'fused powers' of traditional leaders, who not only make the rules and execute decisions, but judge offenders as well. Platteau, sensing the inadequacy of traditional systems, suggested that modern groupings, where 'the ideal of internal democracy can well substitute for the former ideal of respect for the village traditions', would be an improvement on traditional village associations (1992: 290). For Alden Wily (2006), the modern community as the arbiter of rules or customs is both logical and necessary. While it is inclusive of elders and chiefs, it is the majority of members that should decide and open the way to good governance.

Land Registration

Any registration programme must adhere to the principle of social legitimacy. Since institutional change is path dependent,⁴⁸ the development of land markets should evolve from the existing tenure system with the understanding and informed consent of communities. It is they that should control both the modifications in the land tenure rules as well as the pace of change within an agreed policy and regulatory framework. Unless the legality of ownership is coupled with social legitimacy, formal titling can be problematic. In Kenya, for example, foreclosure on small farmers was legally permissible, but not socially legitimate. Any attempt to take possession of a plot from a smallholder defaulting on a loan was met with local resistance and the reluctance of banks to destroy the livelihood of a poor rural family (Alden Wily, 2006).

Another prime consideration is the cost of registering, administering and enforcing land rights. Formal title hardly makes sense when the underlying value of small plots is not sufficiently high to justify the high costs of establishing and enforcing the underlying land rights. Recent advances in technology have dramatically reduced the cost of issuing land registration certificates. The widespread availability of satellite imagery and handheld global positioning system (GPS) devices, together with institutional arrangements that put local actors in charge of adjudication, can provide reasonable accuracy at much lower costs. Ethiopia, for example, embarked on a large scale programme in 2003 to issue land-use certificates to about 6 million households. The high survey cost of conventional methods (of between \$20 and \$60 per stand) were reduced to roughly \$1 a plot, largely because conflict resolution and surveying were voluntarily provided by local land-use committees. Adding handheld GPS with accuracy to less than one metre to record corner coordinates would increase these costs by about 60 cents (Deininger *et al.*, 2007, World Bank, 2008).

⁴⁸ Path dependence is a technological concept applied by North (1990) to patterns of institutional evolution. Earlier decisions between alternative options or rules chart the direction of technological or institutional development which persists over time along a particular path. Any incremental change in design or rules tends to continually narrow the scope of future options or choices.

6.3 FARM SIZE AND COMMERCIALIZATION

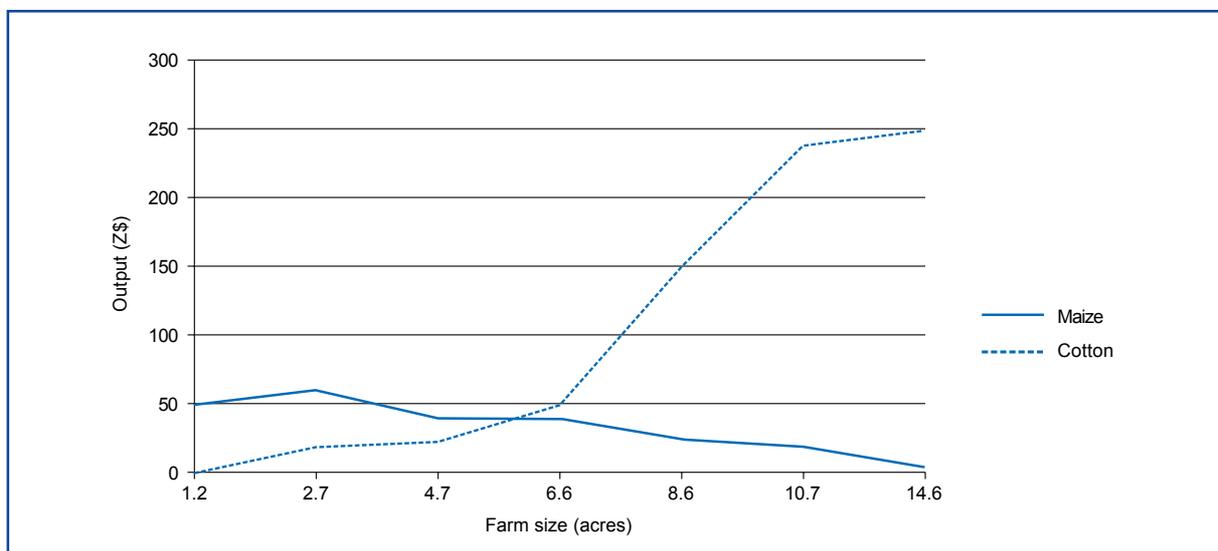
As land certification and administration begin to enable land transfers – and thus a rental and sales markets to develop – the more efficient smallholders could consolidate their landholdings to increase their output and incomes, and produce sufficient surpluses to invest in capital inputs that improve soil fertility and yields.

As Figure 6 shows, there is a strong and robust relationship between the amount of land available to a household and its income from farming. When farms are very small, the household's priority is to

meet its subsistence requirements by growing maize. But as farms get bigger (or are consolidated) – towards 10 acres (about 4 hectares) – more land is available for cash crops, such as cotton. Commercialization begins to emerge as the area set aside for growing food is minimized and household food security is based on the income from crop sales.

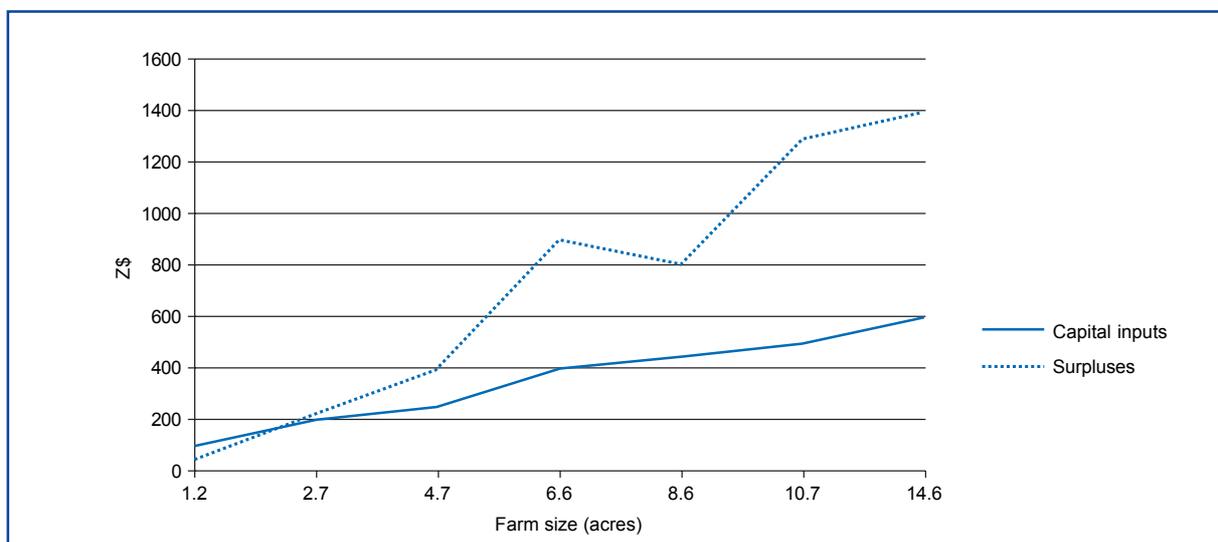
Using a simple recursive regression model Doré (1993) confirmed the intuitively obvious: that as plot sizes increased so did surplus income (profits), which were both positively associated with the level of capital inputs (Figure 7). This supports the supposition that when a land market allows smaller

Figure 6: Household maize and cotton production by farm size



Source: Doré (1993)

Figure 7: Capital inputs and surpluses by farm size



Source: Doré (1993)

holdings to be consolidated, the accumulation of investible capital will be ploughed back into the farming enterprise, thereby increasing agricultural output.

These larger holdings will also begin to absorb surplus labour from smaller less viable farms. So long as the marginal productivity of labour, as reflected in the wage rate, is greater than earnings from small parcels of land, labour will continue to be drawn into larger, more efficient farms. This means that both the farmer and the labourer will be better off. Allowing the factors of production to be substituted for one another through a market mechanism will enable those who wish to move out of farming to be adequately compensated. As the World Bank sees it, policies activating land rental and sales markets can not only promote consolidation, but where 'consolidation occurs through the land rental market, win-win situations can occur' (2008: 92).

As farms are consolidated, another benefit becomes evident: the costs of registering title to larger plots will be smaller as a proportion of the underlying value of the property. A point will be reached when it will pay smallholders to upgrade their property in order to use it as collateral against loans from formal lending institutions. As with other commercial farmers, the smallholder will be able to negotiate loans for working capital and inputs, as well as medium- and long-term loans for equipment and buildings – and for land itself, to consolidate further. There is thus a tremendous need for financial innovations that can place smallholders on a ladder of ascending financial market access (Makina, 2009; World Bank, 2008). All these measures will further improve productivity and yields and draw in more labour, so that smallholders begin to make a greater contribution towards national food security and exports.

6.4 THE LAND REFORM IMPLEMENTATION PROCESS

In 1994 the Rukuni Land Tenure Commission laid the foundations for communal land tenure reform

by calling for an adjudication, demarcation and land registration programme through democratically elected community assemblies. By taking the Commission's recommendation a step further it would be possible to develop a legal and institutional framework which supports the evolution of a land market.

Land Registration

As a first step, the Land Tenure Commission recommended that ownership of communal land that currently vests in the state (the President) should pass to the people who use it, invest in it, and whose livelihoods depend upon it. Communities, for their part, should form themselves into democratic village assemblies (*dare* or *inkundla*) that could, within a broad regulatory framework, decide for themselves the path and pace of change in land tenure arrangements.⁴⁹ The next step would be to survey the communal areas, starting with the adjudication and mapping of traditional villages, progressing to all arable and residential land for which land registration certificates would be issued.

Here the Commission's recommendations tail off. The logical next step, however, is to facilitate the operation of communal land markets. As communities have far better access to local information than central government, they can often enforce and administer property rights at the local level at very low cost:

'The creation of effective local land administration institutions is a precondition for serious planning for change in land administration in the communal areas ... If there is no effective implementation in these new, lower level institutions, it will do little good for central ministries to indulge in excessive planning. This applies to both tenure and land use planning.' (World Bank, 1991: 68,69)

This suggests the establishment of a simple, low-cost local administrative system at the ward level to register transactions electronically. In order to meet the costs of its administration, the ward

⁴⁹ While the Commission proposed that the village assembly be chaired by the traditional leader (the *kraalhead*), a more democratic and accountable option would be to elect a chairperson.

assembly should be empowered to raise revenue by a small land levy or unit (flat) tax on households. Over time, as the market matures, the more productive farmers may wish to consolidate their holdings by buying land that they previously rented.

Common Property Resource Management

Priority for land tenure reform should be given to those communities that have met certain criteria, such as establishing their own governance and administration structures; that have reached agreement on village boundaries; and that have decided to proceed with a land reform programme. Such a requirement would be both an incentive and a measure of a community's commitment and ability to embark on the slow and rocky path towards land tenure reform.

It should be noted, however, that where there are vast lands and low populations, the cost of enclosure and enforcing property rights are unsustainable and uneconomic. Hardin therefore acknowledged that: 'The commons, if justifiable at all, is justifiable only under conditions of low population density' (1968: 1246).

The Land Tenure Commission recommended that grazing and other common land should be surveyed, for which a land registration certificate would be issued. Whilst the Commission recommended that the certificate be held in trust by the *kraalhead*, the more democratic alternative would be to allow the assembly to decide whether to retain a common property scheme or transform the commons into more individualized land rights. In this case it would be essential to have clear and transparent mechanisms for making the change (Deininger,

2003). In Mexico, for example, a 75 percent majority of the *ejido* assembly could decide which of the community lands should be parcelled out to individuals and which should be held in common property (World Bank, 2002).

The medium-term prescription for open access to natural resources and the internalization of costs is to convert them into 'common property regimes'. Central to this process is the exclusive control by a relatively small group of users over specific and bounded natural resources to encourage greater common responsibility for resource management (Bromley, 1989). The first requirement is to delegate formal authority to a small group of users to enact, implement and enforce rules over resources within a particular area. Costs can be internalized by imposing a user fee, such as a stumping fee, or by a 'cap and trade' mechanism whereby the number of livestock to be grazed on a particular pasture is limited, and where the right to graze can be traded.

Unfortunately, these common property resource management schemes are notoriously difficult to implement effectively. As there is no mechanism to determine, *a priori*, whether the 'correct' (shadow) price has been agreed for user fees – or a low enough cap on livestock numbers as been set – the inclination is to fix them too liberally. This means that externalities will not be properly internalized, and the resource will continue to be depleted. Despite these problems, the common property regime remains an important first step in the event that an assembly decides on a more appropriate system of managing the commons or privatizing them.

Section 7

Policy Support for Smallholder Agriculture

Assuming that the markets begin to transform the farming system; that smaller holdings are gradually consolidated; and the communal areas are slowly decongested as people drift towards non-agricultural employment opportunities, what policies would best support the conversion of smallholders into nascent commercial farmers? What policies would quicken the pace of sustainable pro-poor agricultural growth and the transformation of the farming system? This section tries to elaborate the main policy thrusts to achieve these objectives, but the overriding policy principle is one of partnership between the public and private sectors, where the state provides a regulatory framework in which the private sector can operate most effectively (Stiglitz: 1998).

'Government and markets should be seen as complements rather than substitutes, with the role of the government being to create markets where they are missing and to introduce the regulations to make markets function properly.' (DFID, 2005: 30)

In particular, priority should be given to spending on public goods that support private investment that maximizes the impact on productivity growth and that benefits the poor.

7.1 INVESTMENT IN PUBLIC GOODS

Public spending on agriculture in Zimbabwe has been heavily biased toward subsidizing private goods: seed, fertilizer and machinery. Even under normal circumstances, subsidies tend to be wasteful and inefficient because they distort factor prices, encouraging farmers to use more of a particular input than is optimally efficient. For example, farmers in semi-arid regions would be prepared to add more subsidized fertilizer to crops where the risk of drought is high because they do not bear the full costs of crop losses. But subsidies have been unusually

inefficient and wasteful in Zimbabwe because they have been paid for by printing money, thus driving up inflation, and because inputs have been used for making arbitrage profits rather than production. The channelling of these subsidies to better-off resettlement farmers came at the expense of desperately needed long-term investments such as infrastructure and research that could have benefitted communal smallholders appreciably.

As far as the World Bank is concerned:

'The more the state is involved in supplying inputs, such as fertilizer and credit, and in marketing agricultural products, the greater is the potential for corruption. That is why rolling back the state can reduce corruption.' (2008: 254)

Prioritizing Infrastructure

The new Zimbabwe government recognizes that it can no longer rely on RBZ quasi-fiscal activities to fund agriculture, but still sees a significant state role over the short-term recovery period.⁵⁰ However:

'It should be emphasised that after STERP, the State will move away from a regime of dependency and handouts in a bid to ensure the independence and strength of all farm actors.' (Zimbabwe, 2009: Clause 99)

This signals an important departure from unsustainable public expenditure on agriculture and a determination to move towards more productive investment in core public goods that strengthen the 'critical arteries and enablers in the agriculture production value chain' (Zimbabwe, 2009). These include the revival of Hwange Colliery coal supply, the restoration of power supplies, the overhauling of the National Railways freight services and the rehabilitation of the irrigation infrastructure.⁵¹ In

⁵⁰ See Clauses 86 and 112 of STERP (Zimbabwe, 2009).

⁵¹ See Clause 104 of STERP (Zimbabwe, 2009).

the absence of state financial resources and the imperative to prioritize expenditure on social services, the state should reform these public enterprises and encourage foreign direct investments in them. The role of the state would be to manage and regulate the participation of the private sector to revamp these public enterprises by ensuring that a fair, transparent and competitive tendering procedure is followed that boosts Zimbabwe's growth prospects.

In addition, smallholders would benefit significantly through public investment in research and extension (discussed below), rural infrastructure (especially roads and water supplies), and the improvement of property rights and the enforcement of rules and contracts. Of particular importance is ensuring a balance between resources allocated to new infrastructure and the resources allocated for their operation and maintenance to ensure their sustainability.

Increasingly, communications are becoming important for improving access to market information, using established means such as radio, as well as new information technologies such as mobile phones (DFID, 2005). In Uganda, 80 percent of communities have mobile phone coverage, and 5 percent of households possess them. Broader coverage, more than the possession of individual mobile phones, induces market participation by reducing transaction costs in crop marketing, especially for perishable goods. For example, the Kenya Agricultural Commodity Exchange and Safaricom Limited collect and disseminate current and reliable commodity price information to Kenyan farmers through a low-cost SMS provider (World Bank, 2008).

Research

Developing countries invested 0.56 percent of their agricultural GDP in agricultural research in 2000 (including donor contributions); only about one-ninth of the 5.16 percent that developed countries invest. Part of this disparity is because private investment makes up just over half of research spending in developed countries but only 6 percent in the developing world. Still, the intensity of public

investment (in relation to agricultural GDP) is five times higher in industrial countries (World Bank, 2008).

In the face of acute government financial constraints to fund research, formal partnerships between research institutions, the private sector and farmers' organizations offers an alternative source of funding as well as an opportunity to bring farmers' voices into the research decision-making process. The Zimbabwe government recognizes the importance of farmers organizing themselves into unions and specialized commodity associations for research, extension and marketing,⁵² while Tawonezvi and Hikwa have been strong advocates of the active participation of farmers who press for the type of research and extension from which they would benefit most. They also believe that, 'It is necessary now more than ever to involve universities, the private sector and farmers in order for research to be demand-driven' (2006: 209). Forming such coalitions between research institutions, producers and the private sector around particular commodities or value chains may be the most effective way to engage the government and donors to boost research. If government could be persuaded to contribute its extensive facilities for research throughout the country, donors may be willing to upgrade these facilities to enable the research coalitions to meet the recurrent costs of research through levies and other contributions.

Zimbabwe's commercial farmer associations have traditionally formed their own research organizations, such as the Tobacco Research Board, and forged funding arrangement with government and researchers. For example, the Zimbabwe Tobacco Association agreed to pay 63 percent of the annual tobacco research budget raised from a levy on the tobacco sales of its members (Cole and Cole, 2006). Perhaps even more extraordinary was the development of the Rattray Arnold Research Station by the Zimbabwe Seed Maize Association from the levies paid by seed maize producers from the proceeds of their sales.⁵³ When the Zimbabwe Seed Maize Association subsequently became incorporated as The Seed Company Ltd a tripartite agreement was

⁵² See Clauses 126 and 127 of STERP (Zimbabwe, 2009).

⁵³ The Zimbabwe Seed Maize Association subsequently became incorporated as The Seed Company Ltd.

formed between the company, the research station and government, which allowed the government to make extensive use of the research station's findings. The government was also assisted in extensive testing by the Agricultural Research Trust farm which was established by the commodity associations of the Commercial Farmers' Union for independent evaluation of varieties used by its members (Havazvidi and Tattersfield, 2006).

Members of smallholder organizations should also start contributing towards adaptive research, testing and dissemination as they begin to commercialize. In this way they will have a greater say in the type of research from which they are most likely to benefit. This research should go further than the technical aspects of food production and include agricultural economics and marketing research. Pro-poor research needs to also examine how farmers within the communal farming system can become more technically efficient, as well as monitor how the system itself is being transformed. This requires research into evolving land tenure arrangements and market incentives that could transform smallholder agriculture into a more pro-poor and commercially sustainable sector.

Extension

The public financing of orthodox methods of agricultural extension, such as the training and visit (T&V) system, has come under scrutiny and severe criticism (Anderson *et al.*, 2006). The main problem has been the lack of resources and incentives for extension staff, as well as their poor record of accountability to farmers. Moreover, extension workers rarely keep abreast with emerging technologies or innovative extension approaches. As a result there is little evidence that their work has made any meaningful impact on productivity. Yet the Zimbabwe government has been burdened with the huge cost of maintaining a massive extension system which is not financially sustainable. Typically, extension staff remain confined to their offices when funds for fuel and transport run out early in the financial year.

For reasons not dissimilar to the problems besetting research, the private sector has the potential to make a significant contribution to extension. Whereas Zimbabwe is hamstrung with innumerable funding priorities but scant resources, agricultural companies are likely to have access to resources as well as strong incentives to reach out to farmers. There are broadly two ways in which this may happen: by direct marketing and through contract farming.

Companies, eager to market their products – such as seed, fertilizer, chemicals and equipment – are excellent extension vehicles for technological change and innovation diffusion by the supply of their products to communal area farmers. In Mangwende communal land, for example, about 42 percent of maize producers had adopted maize hybrids in 1975. With the introduction by The Seed Company of a range of smaller pack sizes, the proportion had risen to 77 percent by 1980, and by 1985 about 99 percent of growers purchased hybrid seed (Mashingaidze, 2006). More recently, cotton and tobacco contract schemes have seen companies advising growers on the use of new varieties and techniques – from land preparation and planting dates, to the application of chemicals and fertilizers and harvesting techniques – to improve yields for the mutual benefit of the companies and smallholders alike. As incomes improve and demand grows, linkages to industry will see an increasing variety of goods and services being offered to farmers.

Extension may still be publicly funded, but the government should move away from its sprawling, costly and inefficient organizational structure and develop a more professional, cost-efficient and focused approach to extension, applying innovative techniques and working closely with the private sector and farmer organizations. Public funding could, for example, flow through farmer organizations and commodity associations, which may in turn contract out extension services to private providers and NGOs, as in Uganda's National Agricultural Advisory Services. Commodity associations in particular could promote farmer interest groups around a specific crop and livestock activity and develop marketing partnerships with the private sector (World Bank, 2008).

7.2 A GROWTH AND POVERTY REDUCTION MODEL

There is increasing evidence that a ‘smallholder agricultural growth and poverty reduction model’ is likely to be centred on those commodities with high income elasticities and values. Mellor (2000), for example, investigated three major sources of growth in agriculture: yield-enhancing technology; increased land area; and a change in the composition of output to high-value commodities. Of these, he finds particular merit in the production of high-value commodities – especially horticulture and livestock, which he believes can generate strong growth of between 4 and 6 percent. And, because the agricultural sector in low-income countries is so large, it adds immense purchasing power to small farmers. This, he argues, offers huge potential for poverty reduction because it is the expenditure of the smallholders’ increased income on locally produced, labour-intensive, non-tradable goods and services – expanded housing, personal services, increased primary education, health services and local transport – that drives employment creation in the non-farm sector. With this spurt in employment growth, labour markets tighten quickly in the local non-farm sector, causing real wages to stir and rise. That is why, claims Mellor, poverty declines so rapidly with increased agricultural output.

There is undoubtedly a high-end market opportunity to exploit in order to realize this growth potential in agriculture. Fruits and vegetables are one of the fastest growing agricultural markets in developing countries, with production increasing by 3.6 percent a year for fruits and 5.5 percent for vegetables from 1980 to 2004. Exports of horticulture, livestock, fish, cut flowers, and organic products now make up 47 percent of all developing country exports, far more than the 21 percent for traditional tropical products such as coffee, tea, and cotton (World Bank, 2008). Yet, as the opportunities open for these exports, the sanitary and phytosanitary standards governing international trade – imposed for reasons of food safety or to protect domestic agriculture from imported animal or plant diseases – are becoming increasingly stringent.

These grades and standards make it more difficult for smallholders acting alone to participate in these markets. How then can smallholders with limited resources and expertise share in the gains of high value commodity production? The answer would seem to lie in contract farming, discussed earlier, where companies provide the capital, inputs and extension advice to contracted out-growers for production. Companies also provide processing facilities and access to international markets for smallholders’ produce. Indeed, there are many examples of successful corporate-smallholder partnership in Africa. These vary from dairy projects in Kenya, forestry projects in South Africa, and tobacco production in Malawi and Mozambique. Until recently, Zimbabwe had developed smallholder grower partnerships in such diverse areas as horticultural, cotton and tobacco production, and ostrich farming. Of these, cotton remains one of the most successful contract farming schemes in the country. Some 400,000 cotton farmers are aggregated in smallholder farmer associations across the country by Cotto (Leared, 2009), and the government is pushing for an increase in contract farming.⁵⁴

Leared (2009) has called for the concentration of scarce capital, skills and services in agricultural clusters or ‘agri-hubs’ to create a corporate-smallholder model of production. A commercial farming operation would form the core of such a hub, which would service a substantial out-grower scheme. The rationale and benefits of agri-hubs would be to reduce transaction costs, achieve economies of scale, and link smallholders into the agricultural value chain by providing them with financial services, farm inputs, transport and logistics, processing and marketing, and in some cases storage and post harvest management. More specifically, the agri-hub would offer smallholders the best chance of success by providing them with access to, *inter alia*:

- Planning, agronomy and extension services, plus in-house training programmes for the long-term transfer of skills;
- Seasonal and developmental finance – implemented and monitored by the scheme;

⁵⁴ See Clause 117 of STERP (Zimbabwe, 2009).

- Technological advances (seeds and fertilizers) – at the right price in the right pack sizes and on time – and appropriate mechanization; and
- Basic health and education facilities to farming families.

In short, the agri-hub concept would serve to link land, capital and people in a sustainable, equitable and competitive manner.

Leared seems to have in mind the development of agri-hubs in the commercial-resettlement areas of Zimbabwe. The challenge therefore is to weigh the prospects and possibilities of projecting these 'beachheads of growth' into the communal areas. In doing so, agri-hubs have a striking resemblance to the 'growth point' concept developed by the Tribal Trust Land Development Corporation (TILCOR) in the 1960s and 1970s, and adopted by its successor, the Agricultural and Rural Development Authority (ARDA) after independence. A growth point consisted of a core estate located on irrigable soil on which capital and expertise were concentrated to develop a large scale commercial farming operation in the communal areas. Out-growers were located on the periphery of the core estate, which serviced their needs. Growth points were also to serve as top-tier centres of urban growth in the communal areas which not only included shopping, administrative, agricultural, health and educational facilities, but also 'a variety of small-scale industrial and commercial enterprises which will provide the basis for self-sustaining growth' (Zimbabwe, 1981b: 40).

ARDA, which currently consists of 30 estates that covers 293,000 hectares of mainly communal farmland, was described by one official as having 'been reduced to a mere shadow of our former self'.⁵⁵ Another report described these estates as 'dormant'.⁵⁶ ARDA therefore epitomizes the inefficiencies of state farming. Large areas remain unutilized, scarce resources are wasted, and there are few incentives, risks or accountability to perform effectively. Its losses have been a net drain on the exchequer. An opportunity therefore exists for the government to convert the ARDA estates

into agri-hubs in communal areas. Once clear plans, transparent processes and competitive tending procedures are firmly in place, the ARDA estates could be sold to commercial agricultural consortiums to promote sustainable corporate-smallholder partnerships that produce high value crops for export. However, such agri-hubs need not be limited to ARDA estates, but could be initiated in any one of the hundreds of rural service centres in the communal areas – within the parameters of a well-conceived regulatory framework and democratic decision-making processes.

7.3 AGRICULTURAL MARKETS, FOOD SECURITY AND PRICE VOLATILITY

Agricultural economic reforms in the 1990s saw the successful privatization of the Dairy Marketing Board and the Cotton Marketing Board, but the GMB remained firmly in state hands. Indications are that the inclusive government intends to move away from the state subsidized inputs and market controls on the purchase and sale of agricultural commodities. As part of its recovery programme (STERP), all inputs are to be made available through the market (Clause 92), and the deregulation of marketing will allow farmers to sell their produce on the open market (Clause 109). To ensure that farmers receive competitive prices for their produce, a commodity exchange is to be established (Clause 128). While deregulation removes GMBs monopoly on grain purchases, it will remain the purchaser of last resort (Clauses 111).

The notion that the GMB should be the buyer of last resort appears to be widely accepted, but as argued earlier, there are dangers inherent in governments' ratcheting up floor prices. Even when organizations such as the GMB are tasked with running commercial operations to maintain strategic reserves and price stability, their interventions are often poorly timed, and sometimes subject to inefficiencies, corruption and vested interests, resulting in huge fiscal costs (World Bank, 2008).

⁵⁵ *The Herald*, 17 April 2009.

⁵⁶ *The Standard*, 10 December 2006.

As liberalizing trade can be a source of ‘quick wins’ for reducing price volatility, the government should rather consider strengthening regional trade links. South Africa, for example, decided against holding a food security reserve. Instead, it responds to food emergencies by buying private stocks and importing from the world market (Coulter, 2005). Similarly, during poor seasons when grain is in short supply, high maize prices would be buffered by Zimbabwe allowing private imports of maize from South Africa and elsewhere. The government for its part could assist the most vulnerable groups with vouchers or cash transfers to buy food.

To support trade mechanisms in smoothing out maize price volatility and to provide a simple floor price system to protect the poor, Coulter and Onumah (2002) have proposed the setting up of a regulatory framework for a commercially based ‘warehouse receipt system’ (WRS) for the storage of maize and other grain crops. Essentially, the WRS works by enabling farmers to store their grain with warehousing agents when production is high and prices depressed. Once stocks decline and prices rise again, farmers can off-load their grain at a higher price. One of the benefits of the system

is that the farmers’ warehouse receipts of grain deposits can be used as a negotiable instrument and as collateral with banks for farm loans. Warehouse receipts could also be used for trading on the new commodity exchange.

Should the government still insist on establishing a food security reserve and act as a buyer-of-last resort, commercial warehouses could do so on behalf of government. Coulter (2005) suggests that warehouse operators would simply issue a receipt for grain deposits. The government would then buy the receipts at the floor price, plus carrying costs. The key is to make the reserve as small as possible and to set the floor price just high enough to allow most smallholders to break even, but low enough to avoid it being used frequently. Apart from significantly reducing the cost of managing national food reserves, the warehouse system allows both the government and international food aid agencies to manage food stocks using receipts without having to invest substantially in warehouses themselves. Since there would be little justification for retaining the GMB, the Zimbabwe government might consider auctioning off the GMBs assets to privately operated warehouses.

Section 8

Structural Transformation

The second transformation process, mentioned in Section 6, is structural transformation. Here we examine how the process of transformation works, how it worked in China, and how it might work in Zimbabwe and, in the long term, how it could significantly reduce poverty. With these changes come the evolution of a more unimodal agrarian structure that provides a ladder of opportunity for the poor, as well as changes in spatial patterns that would see the emergence of small towns servicing a more prosperous rural hinterland.

8.1 THE PROCESS OF STRUCTURAL TRANSFORMATION

The concept of structural transformation, which Colin Clark credited to the observations of 17th century economist Sir William Petty, is that as countries become more economically advanced, ‘the numbers engaged in agriculture tend to decline relative to the numbers in manufacture, which in turn decline relative to the numbers engaged in services’ (Clark, 1957: 492). The repeated confirmation across countries and over time, that growth is associated with a reallocation of economic activity away from agriculture to one predominantly driven by manufacturing and services has elevated the concept of structural transformation to one of the most robust stylized facts of development (Syrquin, 1989, DFID, 2005).

This transformational process is set in motion by two economic principles. The first, known as Engels Law, holds that agricultural goods have a relatively lower income elasticity than manufactured goods, meaning that as people’s incomes rise, their demand for manufactured goods rises relative to food. Since the demand for labour is derived from the demand for goods and services, more and more labour will be demanded for the production of manufactured goods relative to agricultural goods. Over time, as development proceeds, an ever increasing proportion of a country’s population will therefore be engaged in manufacturing and services, as opposed to those engaged in

agricultural activities. This process is given added impetus by a second economic principle, the positive relationship between the rate of growth of industrial output and the rate of productivity growth, known as Verdoorn’s law. The most likely explanation for this phenomenon is the increasing economies of scale that are possible within the industrial sector, the agglomeration effects or ‘clustering’ of complementary industries located within the same town or city, as well as the competitive and innovative business environment of cities.

It is not just that higher demand for manufactured goods and the higher levels of productivity in the manufacturing sector enables manufacturing to grow faster than agriculture, but it will drive the overall growth in an economy. The operation of these two economic principles thus draws people away from farms and smallholdings and into factories, offices and shops. It is for this reason that only 6 percent of the work force, on average, in OECD countries is employed in agriculture. By contrast, in Zimbabwe – in common with other developing countries – about 70 percent of the population is still engaged in agricultural production. It also means that although agriculture’s output increases in absolute terms, its contribution as a proportion of total GDP declines.

8.2 CHINA’S TRANSFORMATION

Although many countries have been through or are going through a process of structural transformation, China provides a radical contemporary example of how it has worked and its impact on poverty reduction. Its reform, known as *Gai Ge Kai Feng*, roughly translates into ‘change the system, open the door’, and means changing the incentives and ownership to a private enterprise system and liberalizing trade (Dollar, 2008). It therefore welcomed direct foreign investment that brought technology and management skills to build capacity for Chinese workers and firms.

When China started to reform its collective agriculture, it was largely a rural country in which 80 percent of its vast population lived in the rural areas. Today, only 60 percent do so. It is estimated that 200 million people relocated from the rural to the urban areas. The first lesson from China, therefore, is that the process of structural transformation is driven by very high rates of economic growth in the industrial sector of the economy. Although agriculture notched up impressive rates of growth of 6.3 percent annually between 1991 and 2005, it still lagged behind industry, which grew consistently above 10 percent per annum. It was this large productivity gap that acted as a centripetal force, pulling rural migrants into higher productivity urban employment. Because migrants are now more productive and earn more, they have been an important source of growth and poverty reduction for China. The share of the population living beneath the poverty line in China declined from over 60 percent at the beginning of economic reform in 1978 to just 7 percent in 2007,⁵⁷ which in global historical terms represents the most successful rates of poverty reduction ever.

These powerful pull factors are sometimes seen as sufficient conditions for structural transformation, suggesting that policy-makers can ignore the need for rural land tenure reform. Here, again, China's experience is instructive. Although the Chinese government disbanded its agricultural collectives by introducing a 'household responsibility system', the passage of a new property rights law in March 2007, limited farmers' land rights to renewable 30-year land-use leases. One disappointed commentator called for smallholders to be given marketable ownership rights to the land they farm:

*'If they could sell their land, tens of millions of underemployed farmers might find productive work. Those who stay on the farm could acquire bigger land holdings and use them more efficiently. Nor will the new law let peasants use their land as security on which they could borrow and invest to boost productivity.'*⁵⁸

Indeed, it has been large-scale expropriations of farmland that was acquired for housing and factory construction that rendered millions of farmers landless, while enriching those who acquired it for virtually nothing. As a result, land disputes have become a leading cause of social unrest, sparking thousands of protests across China by poor farmers outraged at the expropriation of their land for negligible or no compensation. The other lesson from China, therefore, is the need to initiate the process of granting farmers land rights at the earliest stages of reform in order to protect their land rights and to allow them to benefit from them – whether they remain farmers or decide to migrate to work opportunities in cities.

8.3 A TRANSFORMATION SCENARIO FOR ZIMBABWE

The overarching aim of decongesting the communal lands and reducing poverty rests upon a twin-track strategy:

- Initiating communal land reforms that increases tenure security to facilitate a smooth process of migration from the communal areas to non-farm work and job opportunities elsewhere
- Building a competitive economy through macroeconomic reforms, trade liberalization and an investment-friendly climate that drives productivity and economic growth to create work and jobs in the non-farm sectors.

Push and Pull Factors

In the communal areas, many households do not make productive use of their land. Although they would benefit by renting it out, they fear losing their claim over it. In these circumstances, there would clearly be a benefit both to those wanting to rent land and those wanting to rent out their land if tenure was more secure and the law did not prevent them from entering into a rent or sale agreement. The process of providing households in the communal areas with more secure tenure

⁵⁷ The World Bank's 'cost of basic needs' poverty line is based on the minimum consumption that a person needs (2,100 calories per day) plus other basic necessities of life.

⁵⁸ *The Economist*, 8 March 2007. Leader: China's next revolution (p.11).

would therefore enable the more resourceful smallholders to rent or buy neighbouring plots to consolidate their smallholding into more viable plots. Because such agreements would enable land to be more productively used, there would also be a boost in national production. Those smallholders who are able to find alternative work or employment elsewhere would be able to either rent out or sell their communal plots through an emerging communal land market. With the benefit of renting or selling their land, prospective migrants could explore alternative non-farm livelihood options.

'As opportunities in the non-farm economy increase, land markets allow households to engage in migration, specialization, investment, and intergenerational land transfer, thereby improving productivity and participants' earnings. Households with low agricultural skills are likely to be able to obtain higher incomes from off-farm employment than from farming, and thus will be better off if they rent out some or all of their land for others to cultivate.' (Deininger, 2003: 86)

The process of creating more secure individual tenure and setting up common property regimes will also gradually internalize costs and reduce the implicit subsidies enjoyed by communal households. As the cost of living between the rural areas and towns begins to narrow, so the incentives for remaining in the communal areas will decline relative to migrating to urban centres. This 'push' from the communal areas must be matched by the 'pull' of work and job opportunities from outside the communal areas. The corollary to land tenure reforms, therefore, is broad-based economic growth that drives investment and employment. This is a *sine qua non* for the transformation process because it allows urban centres to continually absorb the inflow of migrants into higher productivity jobs that reduce poverty. Without this solid growth, communal households will simply substitute rural for urban poverty in a 'migration of despair' (OECD, 2006). In particular, Zimbabwe must avoid the experience of most sub-Saharan countries over the last 40 years, where the share of labour in agriculture has declined dramatically, but which have experienced almost no growth in

per capita GDP – which is consistent with the observed urbanization of poverty (World Bank, 2008).

Supporting Policies

Macroeconomic stability and competitive exchange rates should be a central policy plank in the transformation process, not only because expanding export markets will feed back into an increased demand for local labour, but also because competitive exchange rates favour labour intensive production. Yet, while sound economic policies are a necessary condition to encourage migration to urban areas, they are not sufficient. They must be supported by urban development policies that turn non-farm activities into sustainable urban livelihoods, address the need for secure urban land rights and affordable housing, and provide social protection, utilities and services that root families in the urban environment.

Another central plank in the transformation process is education. Evidence shows that the younger, wealthier, better educated and more resourceful members of communal households are more likely to find suitable income earning opportunities in urban areas and generally make a success of migrating out of the rural areas. It is the inability of the many poor and uneducated to move into skilled or even semi-skilled employment that underlies the persistence of poverty and the inequality that emerges when economic growth takes off outside agriculture (Banerjee and Newman, 1993; Hoddinot, 1994; Jonasson and Helfand, 2008). This only serves to underline the national priority of educating and developing the capabilities of all children, including the poorest, and equip them to eventually escape their rural poverty.

Research by Jonasson and Helfand (2008) identifies another crucial variable in shaping non-agricultural opportunities: location. Although individual and household characteristics such as gender, education and wealth are significant factors in explaining the likelihood of engaging in non-farm employment, locational factors – distance to larger markets, infrastructure, and the level of local aggregate demand – explained more variance than household characteristics, and nearly two-thirds as much variance as individual characteristics. This

geographical concentration of economic activities assumes even greater importance when households are less able to escape poverty that relies solely on agricultural income. The authors therefore recommend that:

'... promotion of rural non-agricultural activities should be an ingredient in strategies aimed at developing viable rural economic centres, that is, small and medium sized [centres] that are "growth motors" in themselves or well connected with the broader urban economy.' (2008: 22)

These rural growth motors, they argue, could provide an attractive alternative to migration to metropolitan areas. Relative to large cities, they could also serve as places that offer lower costs of living for their residents and lower costs of production for their businesses.

8.4 SPATIAL STRUCTURE AND URBAN DEVELOPMENT

The failure of urban development in the communal areas is not simply a lack of infrastructural development, but a function of the very limited purchasing power of households within the service region of rural centres (Johnson, 1972). The subdivision of land into smaller and less viable holdings reduces smallholders' incomes and purchasing power, thus weakening their forward supply linkages into commodity markets and agricultural processing enterprises, as well as their backward demand linkages for consumer goods and farm capital. In the absence of a market for goods and services that have a relatively high range and threshold⁵⁹ there is little incentive for business enterprises to relocate to rural centres. In Zimbabwe's case, businesses are also deterred from relocating and investing in rural centres in communal areas because they cannot secure strong property rights such as freehold title over their properties, but have to rely on annual leases paid to the district administration. Without viable businesses and adequately resourced households

to meet the maintenance costs of infrastructure and services, their provision becomes difficult to justify.

Broadly, then, the very limited purchasing power of smallholders has inhibited the functional complexity of the many rural centres within the communal areas, which remain small and inert. Thus:

'Despite its intellectual appeal, the market town concept has, in general, failed because the basic strategy of growth did not provide the essential foundation of raising rural incomes. With a change in the strategy, the market town can become the cornerstone of the development effort.' (Mellor, 1976: 188)

It is precisely because communal land tenure reform provides the opportunity to raise rural incomes by the consolidation of holdings into viable farming units that it is the foundation of a spatial and structural transformation strategy.

As communal farmers begin to consolidate their holdings and increase production, their earnings and their demand for a range of goods and services rise. These then strengthen backward economic linkages for agricultural inputs, such as improved hybrid seeds, fertilizer and capital equipment to improve productivity. Smallholders will also begin to demand improved financial services, such as banking facilities both for savings as well as loans, using their secure property rights to land as collateral. A growing prosperity among farmers would also place a demand on improved social services and infrastructure: better schools and health services, along with communication, roads and water supplies. Increased local agricultural production would also open up opportunities for strengthening forward economic linkages. The private sector, for example, could establish marketing outlets or agro-industrial processing plants, whose size and sophistication could vary from small-scale processing plants, such as grinding mills, to more complex processing plants for the export of high-value goods. In this way rural

⁵⁹ In the parlance of the geographer – the *range* of a good is defined as the distance over which people are prepared to travel to buy goods or services, whereas the *threshold* refers to a certain minimum population with the purchasing power necessary to support the supply of a particular good or service.

centres could become the focal point for supplies of goods and services for farmers, as marketing and processing centres for their production, and as destinations for migrants to live and work, either by finding jobs or by operating micro- and small-scale enterprises: trading, making goods or providing services.

Supporting Policies

If this transformation scenario is to become a reality, certain other fundamental changes within rural centres are required: secure long term property rights, land-use planning, the provision of infrastructure and social facilities, and an elected local authority to plan, guide and control the centre's development as well as facilitate the growth of a democratic civic culture.

In order to attract businesses that are willing to make long term investments as well as smallholders wanting to diversify their livelihoods into non-farm activities, property rights in rural centres should be strengthened, preferably by converting stands into freehold title. As more companies and migrants acquire business and residential stands, a sustainable demand would be created for physical infrastructure (power, communications, roads and water) and social infrastructure (clinics and schools) at rural centres. By the same token, improved infrastructure would create a magnet for more businesses and skills to relocate at the centres. Not only would this make for the more efficient and sustainable use of infrastructure, but it would provide a basis for self-sustaining growth.

Agri-hubs could also play a vital role in concentrating agricultural skills and capital in rural centres by establishing a core estate and processing facilities for the rural hinterland. The notion that agricultural corporations should bid for and manage ARDA estates implies the need for clear policy guidelines and a regulatory framework to provide for private land acquisition in and around rural centres that can become the local engine of inclusive growth.

While the communal plots would be consolidated into ever larger holdings, the synergetic effects of private, local authority and government investment would concentrate skills and capital in rural centres.

Eventually, the complementary growth linkages between farm and town would result in a spatial metamorphosis as the distinction between farms and rural centres becomes more sharply defined. As the development of the symbiotic economic relationship between centre and hinterland matures, farm incomes should continue to rise and higher order goods demanded. The urban response would be to draw in more resources and diversify its activities, thereby increasing the town's functional complexity and lend it a self-sustaining polarity. Over time, this process will allow rural centres to develop into small towns that have the essential services to support a vibrant farming community.

8.5 An Evolving Unimodal Agrarian Structure

The development of a land market that includes communal, resettlement and commercial farmland should in the long run gradually see the consolidation of small communal plots into more viable and productive farming units, and the subdivision of larger underutilized commercial farms. The dual agrarian structure, which had made it virtually impossible for a small communal farmer to buy a large commercial farm, would gradually dissolve. In its place a more 'unimodal' structure should emerge made up of a variety of different farm sizes, but which consists mainly of small- to medium-sized family farms. Indeed, the size of farms would no longer be determined by administrative fiat, but the allocation of resources that reflects farmers' skills and their capital base. As John Bruce notes:

'Through the operation of the land market, agrarian structure changes with other transformations in the economy as development proceeds. Sizes of units increase or decrease, and distributions change depending on changes in relative factor prices and other economic changes. Interventions in land markets are not at all unusual to manage change. ... But the market is the basic mechanism.' (1990: 55)

As a national land market develops the distinction between the different types of farming systems will become more blurred. The many different farm

sizes will provide a 'ladder of opportunity' for aspiring and productive farmers to climb, either by consolidating their farms or by buying a bigger farm elsewhere. Thus, according to Hayami:

'... the agrarian structure of developing economies will gradually shift from the present bifurcated system to a unimodal structure where the middle class is dominant and in which even the landless labourers have a chance to ascend.' (1989: 753)

As this new agrarian structure emerges, the government should work towards integrating the various tenure systems into a single legal and regulatory framework and land administration system.

Section 9

Concluding Remarks

Two years after the death of Mao Zedong, China embarked on a remarkable journey of growth and transformation that has amazed the world and which saw a precipitous decline in those living in poverty. Obviously Zimbabwe is not China and must chart its own course. Although Zimbabwe is unlikely to match China's heady pace of development and modernization, it nonetheless has the human, capital and natural resource potential to grow and develop steadily to reduce poverty significantly and eventually shed its dependence on international aid. Equally important, Zimbabwe has the legal, institutional and cultural heritage to make rapid gains if it chooses to 'change the system, open the door'.

This paper has argued that one of the systems that should change is the communal land tenure system. Many of these suggestions are not new, but build on the recommendations of the seminal work of the Rukuni Land Tenure Commission that have lain dormant for 15 years. Its recommendations offered the stepping stones for extending smallholders' property rights and creating land markets to unlock the value of land. Nor are they new to a country that has benefited enormously from a history of agricultural and urban land markets, but from which the rural poor in the communal areas have been excluded. It is these markets, together with sound economic policies that enable rapid growth, that are necessary to decongest the communal areas and provide the foundation for the structural transformation of the economy.

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