Report No. 4171-ZIM

Zimbabwe
Urban Sector Review

February 1, 1985

Eastern Africa Projects Department
Water Supply and Urban Development Division

FOR OFFICIAL USE ONLY

Document of the World Bank

CURRENCY EQUIVALENTS

Currency Units = Zimbabwe Dollar (Z$)

Z$1 = US$ 1.30
US$1 = Z$ 0.77

Names of Cities and Towns that have been Changed since Independence

Former Name 1/	New Name
Chipinga	Chipinge
Fort Victoria	Masvingo
Gatooma	Kadoma
Gwelo	Gweru
Hartley	Chegutu
Marandellas	Marondera
Que Que	Kwekwe
Salisbury	Harare
Shabani	Zvishavane
Sinoia	Chinhoyi
Umtali	Mutare
Wankie	Hwange

ZIMBABWE

URBAN SECTOR REVIEW

Table of Contents

This report is based on the findings of an urban sector mission which visited Zimbabwe from August 16, 1981 to September 5, 1981. The mission consisted of Messrs. P. Patel (Mission Leader) and J. Racki (EAPWU); Mr. G. Beier and Ms. J. Kozlowski (URBOR); Mr. E. McKay and Ms. E. Bachrach (Consultants); and on a separate mission, Mr. R. Barrett (Consultant). The principal authors of this report were G. Beier(URBOR) and J. Racki(EAPWU). Ms. Koeppel (URBOR) provided editorial assistance.

The report has been discussed with the Government of Zimbabwe (Ministry of Finance and Planning, Ministry of Housing, Ministry of Local Government and Town Planning) which has endorsed its main conclusions while offering corrections and other comments on various portions of the text (Green Cover Version, Report No. 4171-ZIM). These corrections and comments have been incorporated in the present report. It has not been judged useful, however, to update the report to account for changes since the mission. In the judgement of the authors, the description portions of the report remain generally valid.

Chapter **Page**

Table

Page

Figure

EXECUTIVE SUMMARY

1. Zimbabwe has nearly 7.7 million citizens of whom approximately 95% are black and nearly 5% are of European origin. Most whites (86%) live in urban areas and most blacks (80%) live in rural areas; but the urban population, 23% of the total population, is predominantly black (82%).

2. Blacks living on communal lands (50% of the total population) constitute the poorest economic class, producing less than 5% of GNP. The communal lands lie largely in agriculturally poor natural regions. The better lands form private farms, owned predominantly by the white population.

3. Population is growing fast (3.5%). An estimate of urban growth rates of 7% per annum has been adopted as a working hypothesis. Despite reservations regarding the estimate, for a number of reasons (paras. 1.10 to 1.12) 7% is considered sound as an order of magnitude. Given current densities in the communal lands, major investments in the agricultural sector (in particular addressing the problems of the communal lands) are of high priority. To the extent that 7% growth rates do occur, in the context of relative success with the implementation of the agricultural investment program, increases in incomes in the communal areas can be expected. Should the agricultural program move slowly, and taking into account the experience of other African countries after independence, urban population growth rates of up to 10% cannot be ruled out.

4. The urban areas are unlikely to generate employment growth of 7% per year at levels of productivity and incomes comparable to the present, and consequently average urban incomes may actually fall. Almost certainly, a larger low-income urban group will emerge. Policies to attract foreign capital and support by the international community for industrial investment, including investment in the nascent small-scale business subsector, could be very important in keeping unemployment (and very low-income employment) down.

5. The pattern of urban locations is quite favorable; no town is disproportionately large and several widely dispersed towns have shared in employment and population growth. Services in the communal areas are underdeveloped, implying a need for increased services there, but the major urban investments should be in the existing towns, particularly because they are sufficiently dispersed to serve the urban needs of the main concentrations of the rural population.

6. In the process of urban development, Central Government has adopted a regulatory role, leaving most of the management to local

governments, while facilitating local investment by providing significant loans and some planning and management support. As regulator, the Central Government, through the Ministry of Local Government and Town Planning (MLGTP)[1/] examines local government budgets and, for Harare and Bulawayo, approves local governments' market borrowing. MLGTP also approves master plans of cities. Central Government is an important lender to local governments for low-income housing and related infrastructure, and for other major infrastructure investments. These loans account for about half the investments made by the cities of Harare and Bulawayo and a much higher proportion for smaller towns. Management support includes assistance in physical planning as well as assistance (largely confined to Harare and Chitungwiza), in design and construction of low-income housing. In this activity, the former MLGH pioneered important advances in design and standards of construction. Government also finances and manages primary education nationwide, including the urban areas. From this discussion it can be seen that the primary responsibility for most development activities is carried by the cities themselves, with Government playing the role of supervisor, lender, and advisor.

7. Zimbabwe's cities and towns have coped successfully with the demands that have been placed on them. Financially they have been self-sufficient on current accounts, and they have financed most urban investments from a combination of savings and borrowing. They have been responsible for a wide range of services including housing, sewerage, water, roads and road maintenance, clinics and community centers, local police and fire protection, maintenance of parks and public places, markets and slaughterhouses. The towns are in good physical shape; no major urban areas are without high standards of infrastructure (e.g., waterborne sewerage, individual water supplies). Housing shortages exist for lower-income households, but these have for the most part been reflected in overcrowding rather than squatting or illegal subdivision.

8. Notwithstanding their past success, there can be little confidence that cities and towns can adequately cope with the much more rapid urban population growth that impends, unless innovations are adopted. The most acute problems will probably emerge in the servicing of land for low income housing and in the financing of new low-income housing stock (given the anticipated fall in average incomes in the cities, issues of affordability will require that least cost housing alternatives be emphasized in place of more expensive solutions), as well as in the maintenance of municipal fiscal solvency. Despite sound financial practices on the part of the cities, increasing difficulties can be expected. In part the difficulties will be a consequence of a lower tax

---

1/ The Ministry of Local Government and Town Planning (MLGTP), was recently established out of the former Ministry of Local Government and Housing (MLGH).

base resulting from decreasing average urban incomes, coupled with rapidly growing demand for urban services. To this however, must be added an emerging trend towards service delivery obligations being transferred from central government to the local authorities without any additional revenue sources being identified for the cities. Even with reasonable growth from past levels of government investment in the urban sector (which cannot safely be assumed, given Government's other investment priorities) it will be necessary to mobilize private savings (within the constraints of scarce aggregate resources) in order to meet the housing needs of new urban households. The institutional infrastructure exists to do this, in the form of well-developed building societies.

9. Other subsectors will also feel the strain of rapid population growth. Maintenance of the present high standards of health care and education, for example, will require rapid expansion of facilities and will result in escalating recurrent costs. The fact that these services will command high priority for public spending reinforces the proposition that housing and related infrastructure must tap private sources of finance. It also emphasizes the importance of revisions to the current levels of services provided.

10. With rapid population growth, and the possibility of the emergence of a larger low income, marginally employed group, it cannot be assumed that past fiscal procedures will be adequate. Collection of rates and service charges may become more difficult, and the structure of revenues is not particularly buoyant. Hard political decisions will have to be made frequently, for example, to raise rates or to raise important charges to keep pace with inflation. Alternatively, cities might seriously consider some form of indexing of important rates and charges.

11. The development of urban employment has in the past determined the population growth of towns directly, in that employment was a condition for legal residence. With the repeal of restrictions on settlement, this link is broken, and it is now possible for population growth to outstrip employment opportunities. The chance of maintaining high employment ratios rests largely on the prospects for rapid growth in manufacturing and construction. While the former is seriously constrained by foreign exchange shortage, construction is relatively insensitive to this constraint. Zimbabwe has a large, well-developed and vigorous domestic industrial sector, which is apparently willing to invest and which has recovered very rapidly from the war. Support for this sector, in the form of loans for imported capital, spares and critical materials, would almost certainly have a high payoff in growth and employment in the present situation. Small scale manufacturing and other small-scale business is comparatively undeveloped, and the supporting institutions necessary to its development are just being formed. The potential exists for rapid growth, albeit from a low base, if support systems, including physical planning to provide advantageous space, can function efficiently. Construction

activity will depend largely on success in implementing the low-cost housing program, discussed in paras. 7 and 8 above.

12. Urban transportation, considered solely as a response to the need for movement that springs from present urban spatial patterns, is in relatively good shape. Efficient bus services provide relatively cheap mass transport, supplemented by illegal taxis, cycling, walking, legal taxis and private automobiles. Policy problems are arising concerning fares and the question of how to handle illegal taxis, but these can be solved by administrative decision. Transport infrastructure is, by and large, more than adequate for the present needs, but some road bottlenecks exist and footpaths and cycling paths are inadequate.

13. The serious problems with urban transport are those that relate to the larger problem of urban spatial planning. Currently, the cities are structured inefficiently, with segregated areas for blacks which impose transport costs that are higher than necessary. With the anticipated growth of population there is a chance to redress past inefficiencies of spatial planning if a rational physical planning policy is adopted which, among other things, attempts to minimize transport costs. To date no plans of this type have been prepared, and both the cities and the Central Government (MLGTP, Physical Planning Department) have few staff trained to incorporate transport planning into physical planning. It must be emphasized that this is a new activity for Zimbabwe; planning urban spatial development to minimize transport cost is a fundamentally different activity from planning transport investment to accommodate a predetermined spatial structure.

14. Among institutions that could manage urban investments, the municipalities themselves stand out as the most logical candidates, on the grounds of experience, past success, and the absence of well-developed and stable alternatives. Every attempt should be made to stimulate the growth in their capacity to implement urban investment programs. In the short run, this will require an emphasis on training, to replace staff lost by migration and transfer to the private sector, and to increase the size and competence of staff in step with the growth of urban populations.

15. In their attempt to support healthy and orderly urban growth which is necessary to prevent rural overcrowding, external assistance should focus on industrial employment creation as a first priority for urban assistance. This implies supplying foreign exchange for industrial imports and supporting the new institutions designed to foster the small-scale business sector. In the short run, investment amounts for the latter will be minor but substantial technical assistance would be useful. Support for urban infrastructure investment should focus particularly on low-income housing and related infrastructure. Zimbabwe's cities and towns have ample experience in this general area, including experience with a wide range of housing types and standards. It is, therefore, not overly ambitious to aim at getting up to scale in the short term so that house creation equals housing needs in all urban areas. This will, however,

require policies that encourage private sector savings institutions to enter the low-income housing field. Urban transport investment, by removing some important bottlenecks, would also improve cities' efficiency at relatively low cost. Planning assistance, for long run spatial/transport efficiency, is also required immediately.

16. In connection with urban infrastructure investment, the training of municipal staff will be required to maintain the municipalities as effective institutions. This training should include heavy emphasis on on-the-job upgrading of skills and responsibilities. The skill nucleus exists and the operating procedures are generally adequate; the problem is scale.

17. The rest of this report is organized into six chapters. Chapter I describes the broad, long run context of urbanization; rapid population growth; a good spatial distribution of towns, well dispersed over the heavily populated areas, a vigorous and comparatively large industrial sector with fair prospects for generating employment, and a disadvantaged communal lands rural sector, where half of the total population lives at very low-income levels. The conclusion of Chapter I is that it is necessary to prepare to cope with rapid population growth of an order of magnitude of 7% per year in the towns; if this urban growth can be dealt with successfully--largely a matter of whether employment can be generated and living space expanded fast enough--incomes in the communal areas may be increased.

18. Chapter II describes the system of local government and the supporting institutions at the center. The system is seen as being in transition, with central institutions changing rapidly and local governments faced with the need to restructure themselves and train mid-level and higher level personnel to replace migrants and leakage to the private sector. Local governments have inherited a fiscal and administrative system divided on racial lines, but otherwise appropriate to their urban development mandate. As in most countries, however, the revenue base of cities is not very buoyant. Continual adjustment of rates and charges will be necessary. If this can be done, there are good prospects that local governments can continue to be strong and reliable development agents.

19. Chapter III examines the processes and programs for urban development, beginning with sections on financing and land which show that both resources are adequate only with careful attention to standards and management. A section on basic needs shows that urban residents are well serviced compared both to rural areas and to other countries at similar stages of development. A section on government policy toward urban investments shows that, except for education, the center has left most urban investment to the cities themselves, and the cities have followed financially sound practices in managing expansion. Thus the cities are in good physical shape. It must be remembered that cities have had the benefit of slow and controlled growth; with this in mind, the last section of this chapter discusses impending stresses with more rapid growth and the

need for an innovative approach to financing important urban investments. Business-as-usual will fail in the new, more dynamic situation although it succeeded in the past.

20. Chapter IV discusses housing and housing finance. The central theme of the chapter is the need for increasing the scale of operations in order to cope with rapidly expanding, relatively low-income, populations. Production on a larger scale, with no real prospects for rapid increases in public funding, requires new sources of finance, of which the most probable are the building societies. A larger scale program will also demand attention to questions of standards, particularly economizing on land use, as well as introducing lower levels of infrastructure provision.

21. Chapter V looks at urban transportation and finds little wrong with the present system of moving people from place to place, and almost everything wrong with the locational structure of urban residence and employment, largely due to past planning which worked from a first principle of racial separation and paid little or no attention to transport costs. The immediate needs are for: (i) policy decisions to assure continued smooth functioning of the transport system; (ii) minor physical investments to complement a basically adequate transportation network; and (iii) a whole new approach to spatial planning which places transport cost in the perspective of locational considerations.

22. Chapter VI describes the recommended strategy for urban development. It is itself a summary of themes running through the report (and reported briefly in paras. 1-14 above).

PREFACE

1. Throughout this report references are made to smooth-functioning cities, highly developed municipal institutions, and adequate urban infrastructure. However, the major task of reordering priorities and addressing the unmet needs of the majority of the population will place tremendous demands on the institutional and physical framework of the country. How these demands are met, what institutional capacities emerge, and what investment strategies are introduced, will have critical bearing on the future conditions of the urban areas. The emphasis of this report is therefore on arriving at recommendations that can be implemented in the near term, and that will have significant policy and program impacts. To this extent the report does imply that Zimbabwe may be able to weather the major shocks that impend for the urban sector--very rapid population growth and a growing group of relatively poor urban residents--without major social and economic disruption.

2. Nevertheless, any review of Zimbabwe's prospects generates a certain unease, largely because of the experience of other African countries in attempting to grapple with the problems of rapid post-independence urban population growth. Roughly speaking, the tour of African cities outside Zimbabwe leaves the general impression that their cities, some of which were in good physical and financial shape a couple of decades ago, now face tremendous difficulties. With this in mind, warnings are sounded so that Zimbabwe can avoid the mistakes of many other developing countries.

3. Our recommendations are, indeed, quite conservative, stressing the need for adaptation or innovation where this appears necessary, and the need for alert maintenance of existing practices where such maintenance will not be at all automatic. However, in order to ensure suitable caution, it may be useful to record here some of the most common pitfalls that have beset most African nations at a similar stage in their history:

(a) Failing to predict rapid urban growth and to plan for it. Few major cities were able to imagine or grasp doubling in size in ten years. Yet almost all of them have. Many of them doubled again in another ten years. (These concerns are reflected throughout the report but specific references are made in paras. 3 and 8 of the Summary as well as 1.02 to 1.10.)

(b) Failing to preserve financially healthy cities. Common errors are to pre-empt historical revenue bases (e.g., Kenya, Nigeria and many others) or to increase drastically financial responsibilities of cities without adding any new tax base. (This is covered in paragraphs 7 and 8 of the Summary, as well as throughout Chapter III.)

(c) Lagging employment growth, post independence periods are inevitably disruptive, and the common experience is for interrupted or slow investment in productive sectors at the time of greatest need for work--during the initial population surge (paragraphs 4, 10 and 14 of the Summary, and Chapter I, address these concerns);

(d) Failure to project income distribution and plan for it. Like Zimbabwe, many nations had high employment ratios and few very poor families in the cities at independence. Thus they failed to plan for a level of urban services sufficiently cheap to be affordable to the incoming migrants. (This is discussed in paragraphs 1.53 to 1.57.);

(e) Political problems in day to day financial managment of cities. Most nations have found it difficult, for example, to levy adequate charges for sustained development of water supplies, waste disposal and so forth. Inadequate charges lead to lagging services which make collection still more difficult, and so on in a declining spiral. (These concerns are touched on in paragraphs 2.36-2.39, 3.16 and 4.06(e).);

(f) Confusion of standards. This is a corollary to (a) and (d) above. One cannot expect that emigrants will have a sophisticated sense of what is economically possible by way of service provision. Therefore a strong political demand arises for standards of service that are unattainable. The most common result is high standard services for a few, no services for the many. This in turn accounts for the aforementioned physical problems--unserviced and sometimes virtually unserviceable squatter settlements, with overcrowding in the planned and unplanned areas (paragraphs 3.12, 3.13, 3.18-3.21, and 4.30-4.32 include references to these issues);

(g) Overcentralization. While it is incorrect to assume categorically that decentralized decision-making is preferable, examples abound of new central institutions biting off far more than they can chew, with the result that the decentralized institutions atrophy and the centralized ones take decades to mature, while services deteriorate. Common examples are National Housing Corporations and ministerially managed water systems. There is also a very close correlation between centralized decision-making and internal concentration of urban growth, which many nations find undesirable (references to this issue are found in paragraphs 1.20, 1.21 and 2.31-2.39); and

(h) Failure to innovate. It is particularly tempting before crises develop to assume that what worked in the past will continue to work. The converse is also a problem. Frequently new approaches are introduced (or old ones discarded) without a proper

evaluation of the costs and benefits. The best that can be hoped for is that past experience has formed the base which, correctly modified, can cope with the future.

4. Nothing in the above catalogue is meant to be a projection of Zimbabwe's experience. Zimbabwe today is unique and in many ways--industrially, agriculturally, institutionally--much stronger than other African countries were at independence. Virtually all of the pitfalls can be avoided by prompt attention, now, to the urban problems that are, as yet, incipient.

I. Urban Development and Its National Context

1.01 This five-part chapter examines the macro aspects of urbanization in Zimbabwe, explores the role of existing urban centers in Zimbabwe's economic development and suggests reasons for devoting more attention to urban development policy and strategy.

1.02 An estimate of a 7% per annum urban population growth rate is used throughout this report as a working hypothesis. Obviously it is particularly difficult at this time to arrive at a definitive estimate of future population increases in the cities. For the reasons discussed in paragraphs 1.10 to 1.12, however, 7% per annum growth seems to be a reasonable prediction.

1.03 Urban growth rates of an order of magnitude of 7% have serious implications for the cities. If costly and intractable problems in the urban areas are to be avoided, or at least contained, a priority of Government of necessity will be the urgent development of suitable policies and investment strategies for the cities in order to anticipate and accommodate the massive demand for services and facilities that is likely to occur.

1.04 Given the probability of a 7% growth rate for urban areas, progress with investment in the agricultural sector (both in the commercial farming areas viz-a-vis resettlement, and in the efforts to increase productivity in communal areas) is critical and consequently a high priority. A sustained and successful program of rural investments may reduce the future urban growth rate somewhat, although it will in all likelihood remain within the order of magnitude indicated above. There is moreover the danger that should these efforts move slowly or meet with limited success, even greater increases in urban population than 7% will occur.

1.05 A major factor in any urban investment program in Zimbabwe is that of constrained overall financial resources. Taking into account the limited resources available, and the importance to be accorded the rural sector, it is essential that urban policies and investment strategies be developed which will efficiently address the tremendous demands generated by growth rates of the orders of magnitude anticipated in the above estimates.

1.06 Section A of this chapter examines the demographic background to urbanization and projects future growth on the basis of past trends, present population estimates, and the likely effects of changes in the law and administration that came about with independence. It concludes that urban population growth rates of 7% to 10% per year are not unlikely in the

1980's. Section B describes the present spatial pattern of cities and the forces at work to influence the future pattern of urban development, while Section C examines the emerging spatial strategy of the Zimbabwe Government. It appears from this discussion that Zimbabwe has an urban structure that will permit decentralized development and that emerging Government policy is generally supportive of urban growth. Section D summarizes the macroeconomic background to urban development, and describes the role of urban growth and employment in any reasonable scenario for income growth that is well distributed over the entire population. It concludes that a 7% growth in urban population is likely if good progress is made with increased productivity in the Communal Areas during the 1980's, while a rate of 10% would not be unrealistic if the incomes of those who remain in these areas are to improve and in the event that investment programs for the communal lands move slowly.2/ Section E examines the prospects for urban employment and concludes that employment growth may well fall short of that required to absorb all the rural to urban migrants in high productivity employment.

A. Demographic Background and Projections

1.07 The first government census in 1901, counted a white (European origin) population of 12,600 and estimated the black population at 700,000. The first census which included black Africans was in 1962, and another, in 1969, still serves as the latest reliable population data source. Pending results of a census planned for 1982, estimates of population size and location must be based either on increasingly long projections from the 1969 census or on other evidence.

Table 1.1: Census Counts, 1969

Africans	4,818,000	95%
Europeans	228,044	4%
Asians & Coloreds	23,525	1%
	5,069,569	100%

1.08 In 1969, the population growth rate was estimated at 3.5% per year, with those under 15 years of age accounting for 53% of the total. This proportion is unlikely to change until the birth rate declines through effective family planning programs or because of other causes.

1.09 In 1981, the total population was about 7.7 million, of which about 95% were black and the remaining 5% were mainly of European origin. Of the total, about 1.8 million (23%) live in urban areas, and while the

---

2/ Prior to independence the country was divided into two roughly equal areas; the white reserve, located around the line of rail and including the towns and the bulk of the fertile lands, and the rest of the country, referred to historically as Tribal Trust Lands (now renamed Communal Areas), where the bulk of the black people lived. Laws permitted black residence in the towns and in white rural areas only when tied to employment.

urban population is 82% black,3/ only 20% of the blacks (as compared to 86% of the whites) live in these areas.

1.10 During the next two decades, it is estimated that urban areas are likely to grow more rapidly, averaging about 7% annually (against a 3.5% rate for the general population). It is expected that about half of the urban growth will be caused by migration from rural areas and half by natural increase, and will be most rapid between 1981-1990, perhaps as high as 10% per year (Table 1 of Annex 3 lists the urban areas, and indicates past and projected growth rates). The reasons for such an explosion include:

(a) prior to independence, legal movement of blacks to towns was tightly controlled;

(b) partly as a result of restrictions and partly for purely economic reasons, the present urban population has a high proportion of working males whose families are prime candidates for migration;

(c) continued very rapid population growth strains the capacity of communal land, where most Africans live;

(d) demobilization of military personnel will probably result in the settling of perhaps as many as 70,000 families in or near towns because of Government programs;

(e) average incomes for blacks in urban areas are much higher than in communal trust lands, and opportunities are perceived to be greater; and

(f) many temporary urban residents returned to their family homes in rural areas directly after the war, responding to the new Government's promise to distribute land; however, they may return to town after occupying land or if they do not acquire it.

1.11 Except for the demobilization, the same phenomena occurred in most of the countries neighboring Zimbabwe at the time of their independence, invariably producing a spurt in urbanization in the decade which followed. In Tanzania, Kenya and Zambia, the percentage of urban population in total population has doubled since independence. In Kenya, from 1969 to 1979, existing urban centers grew at 6.9% per year and the number of centers classified as urban increased from 47 to 90. The primate city, Nairobi, experienced a sharp increase in growth for about seven years before tapering off, and smaller towns grew still more rapidly, particularly in the second phase of growth, because of their links to rural areas and their rural market support functions. In Zambia, where 40% of the population lives in urban areas, growth rates soared at independence and immediately thereafter; from 1963-1969, urban growth averaged 10% per

---

3/ Estimates of the black urban population may be quite inaccurate. Lodging records, employment records, and housing waiting lists appear to indicate higher populations than do estimates based on extrapolations from census data.

year and continued at 6% during the 1970s. Much of the increase is attributed to migration from rural areas to the two principal cities, Lusaka and Kitwe. Both Malawi and Tanzania, though less urbanized at independence than Kenya or Zambia, experienced rapid urban growth after independence.

1.12 Given a similar situation in Zimbabwe, annual urban growth is projected at 7-10% for the next few years, and thus urban population is expected to double by 1990 and triple by 2000. This will exert tremendous pressures on urban services. Migrants to cities are typically of family forming age, and family size will remain large in the first generation. Thus, they will have many needs and high expectations for single family housing, schools, clinics and other facilities.

B. The Spatial Concentration of Population and Economic Activity

1.13 The bulk of Zimbabwe's population lives in rural areas, but they produce relatively little of the total output of the economy. About 50% of the population live on communal lands and 27% live on privately owned farms. Agriculture and forestry, the main economic activities of rural area residents, produced 14% of 1980 GDP. Of gross agricultural output, 20% was produced on communal lands, while 80% was produced on privately owned rural land. Agriculture on private farms is, however, comparatively high cost, using many purchased inputs. In terms of value added (the GDP concept), communal lands, with their lower purchased-input technology, produced a higher share--about 31% of agricultural value added or 4.3% of GDP.

1.14 Until now, income distribution has been skewed largely along racial lines. The very large, low productivity, low-income population in the communal lands comprises the bottom half of the income distribution in Zimbabwe, earning about 4.3% of GNP--a stark representation of economic dualism based on historical neglect for development and on reservation of the better lands for white ownership. In the privately owned rural areas, income of the 330,000 low paid laborers and their dependents, who make up the bulk of the population of these lands, was not much higher than that of communal land residents prior to independence. The largest share of agricultural income accrues to the owners of the 6,300 private farms.4/

1.15 About 23% of Zimbabwe's population, a large portion of which are wage earners, live in towns of 15,000 persons or more. In 1980, 68% of wage employment and 82% of GDP were concentrated in non-agricultural sectors, and the bulk of this activity was urban. Of total wage employment, for example, 45% of the persons employed were concentrated in eight major towns, and they earned 70% of all wage incomes. Nearly two out of five in the major cities, and more than one out of four for all cities for which data are available are wage earners.

1.16 For a country at Zimbabwe's level of development, the spatial distribution of towns is unusually favorable. All towns of 15,000 persons

---

4/ Farm employment has declined recently due to two upward revisions of the minimum wage, although hired agricultural labor is now enjoying a higher living standard than the average for communal lands. At the same time, profits of farm owners are correspondingly reduced.

or more lie on a main line of rail or on relatively short branch lines and, for the most part, the main towns are well disbursed. With the exception of Wankie, a town that is far from the main centers and in a sparsely populated region, none of the main towns is at an overwhelming disadvantage, relative to national markets. Although Harare and Bulawayo are preferred for manufacturing geared to domestic markets, location on the rail line between these towns is also favorable. Fairly small natural advantages, for example, in raw material supply, would offset the market advantages of the two biggest towns. Further, an important portion of the country's manufacturing industry is geared to exports5/ and some of the towns located nearer to ports or to raw materials, like Mutare and Kwe Kwe, have natural locational advantage over even Harare and Bulawayo.

1.17 The relatively advantageous location of the secondary towns is reinforced by a widespread scattering of industrial infrastructure. For example, virtually every town has surplus land developed for industries. Thus, for most manufacturing purposes, the decision to locate in a secondary town would not entail any delay or necessitate any special infrastructure investment.

1.18 The location of towns relative to the concentration of rural populations is also fortunate. The areas of greatest rural density occur around Harare, Mutare, Masvingo and Zvishavane, and in a band stretching from Mutare through Masvingo. The areas that are far from the towns, in the western portion of the country, have relatively sparse rural populations.

Table 1.2: Wage Employees and Urban Population in Selected Towns, 1980

	Bulawayo	Masvingo	Kadoma	Gweru	Kwe Kwe, Redcliff	Harare	Mutare
Total Wage Employees (000's)	133.0	9.6	8.5	24.9	17.5	254.5	22.2
Total Population (000's)	373.0	25.0	33.0	72.0	71.0	654.0	64.0
% of Town Population in Formal Wage Employment	0.36	0.38	0.26	0.35	0.25	0.39	0.35

Source: Monthly Digest of Statistics, Central Statistical Office, July 1981.

5/ Manufactured exports, calculated as the sum of SITC Category 6, "Manufactured goods classified by materials"; Category 7 "Machinery Transport, Radio/TV, and Electrical Equipment"; and Categories 8 and 9, "Miscellaneous Manufacturers, N.E.C.," totaled $369 million in 1980. Value added in manufacturing was $996 million in 1980.

1.19 The secondary towns, such as Kwe Kwe, Mutare and Gweru, appear to be viable, and can be expected to absorb a good share of the urban influx. Comparing the wage employment growth rates over the last decade, only Kadoma (of the towns for which data are available) grew much more slowly than Harare and Bulawayo, while for the two years ending March 1981, only Masvingo records a slower rate.

1.20 Not much can be concluded about future growth patterns from the evidence of the last two years, since it is such a short period of recovery from the recession and dislocation of the war, but the continued expansion of secondary towns across a wide geographical area--with no well-articulated decentralization policies--is consistent with the experience of the previous decade, and there is no reason to expect the pattern will change, as long as urban development continues to rely heavily on decentralized decisions, in largely independent towns.6/

1.21 Although there is a desire on the part of some Government officials to create new towns in the communal lands, this is unnecessary and undesirable. The impetus for new town development arises from the fact that the present towns grew up to serve the white modern community and in the communal lands, which lacked integrated markets, no urban development took place. There is, however, already a strong and fairly well-spread pattern of towns, and there is no apparent need for more towns to serve as centers for production for national or international markets. The heaviest concentrations of populations in communal lands are located near the present urban axis; it will be much easier to move the people to the town than to move the towns to the people. Diverting investment in communications and other infrastructure to new town sites, where population growth might or might not occur, would be a high risk strategy at this time, when it is virtually inevitable that present towns will have to absorb a rapid influx. Finally, from experience in one country after another, the process of trying to build new towns, which do not arise spontaneously, is known to be very difficult, expensive, and usually ineffective.

1.22 On the other hand, the quality of life in communal areas is quite poor, and services such as education and health care, stocking and retail trade, and repair and light manufacturing and processing for local markets, are sorely lacking. These must be developed. They will indirectly contribute to the growth of production in communal lands, which will in turn become better integrated into the national economy. In the long run, some towns in communal areas may eventually expand in response to local advantages such as for processing of raw materials or for agro-industrial activities. These developments are unlikely to have a significant effect on the growth of employment or populations in existing larger towns because they will not compete directly in production for non-local markets and they will absorb relatively few people.

6/ Should the pattern of administration change drastically with Central Government taking greater control of urban investment, some centralization of location of population should be expected, on the basis of experience worldwide.

Table 1.3: Growth in Wage Employees in Urban Areas 7/

	Bulawayo	Masvingo	Kadoma	Gweru	Kwe Kwe, Redcliff	Harare	Mutare
Growth 1979 over 1969, Percent	25	77	10	35	40	37	27
Growth 3/81 over 3/79 Percent	8	-a/	9	7	21	8	17

a/ negative.

Source: Monthly Digest of Statistics, Central Statistical Office, July 1981.

C. Locational Policy and Long Run Urban Development

1.23 At the present time there is no clear strategy for the location of industry or growth of particuar cities; rather, there is an active discussion among policy makers about what the goals of such a strategy should be and a less active discussion of means of influencing industrial location and growth. Among the goals that are widely held are the following:

(a) To slow down the growth of Harare and, to a lesser extent, Bulawayo, in favor of growth in smaller towns. As discussed above, the spontaneous growth of towns has been fairly widespread and employment in Harare has grown about as rapidly as in the rest of the larger towns. Neither Harare nor Bulawayo is large by the standards of major cities in countries at a similar stage of development. Nevertheless, there is a concensus on the desirability of limiting Harare's growth. The Government attempts to persuade firms that apply for foreign exchange licenses to import capital goods to locate their plants outside the Harare region. This policy is flexibly administered, with Government taking into account present location and the comparative costs of various locations. As long as foreign exchange for capital goods imports remains scarce, this lever will be available.

(b) Spreading the benefits of urbanization to the communal lands by creation of service centers in all parts of the country. The development of service centers concentrates on two types of activity: at the lowest level, the formation of business

7/ The source data exclude employees in mining, agriculture, and private civil engineering.

centers, and at a slightly higher level, the development of centers for both business activities and the localization of governmental services. Strategies for the development of business centers, which are envisioned as very small marketing places, have yet to be evolved. The Government has more direct influence for developing higher level service centers, in that the localization of Government services--schools, clinics, district government offices, extension offices, and the like--will serve as a nucleus for development. Acquiring land for private commercial use in communal trust areas, and conveying secure tenure to private shopkeepers or small service enterprises, is likely to be a problem in the evolving service and business centers. The process of alienating such land from the tribal trust, and conveying title, is not yet established.

(c) Stressing development of towns nearest to concentrations of rural population. This policy would imply rapid development of the Harare group (Harare itself and Bindura and Marondera) and of Mutare, Zvishavane and Masvingo. The latter two are at a transport disadvantage, being at the end of short branch lines off the main line of rail. Except for suasion in the capital import process described above, there are currently no special mechanisms for increasing the growth of these particular towns.

(d) Changing the spatial and economic pattern of development within cities. Towns will be growing very rapidly during the next decade and it is obvious that this growth cannot replicate the spatially segregated intra-urban patterns of past development where low-income housing was located in special areas, isolated from the town centers. The historical pattern of housing was accompanied by a pattern of land use for industry which was centralized in one or a few locations in each city and was concentrated on medium- and large-scale formal sector activities. The same was largely true of commercial areas; although some informal and small-scale retail outlets were located in high density areas, the major formal sector retail establishments did not penetrate these areas. The major changes required from past spatial practices are: first, to foster development of high density, lower income housing in the general neighborhood of the economic cores of cities; and second, to promote the development of employment opportunities, including both formal industry and commerce, and emerging small-scale businesses, near to present concentrations of high density, lower-income housing.

(e) Acceptance of urban growth. Unlike many countries, Zimbabwe does not appear to be evolving a policy to limit the growth of urban areas in general. Indeed it seems to be universally recognized that with present services and technology, the communal lands are seriously overpopulated already, relative to their land base for agriculture, and that to raise per capita incomes in these areas will require, in addition to rural development initiatives, both rural to urban migration and movement into less densely settled rural areas. Thus it is accepted that cities will grow rapidly

and must prepare to accommodate more people. No specific goals have been developed for the speed of urbanization.

1.24 The above discussion of spatial policy is a summary of various views held more or less firmly, and with various emphasis on particular aspects, by the many policy makers concerned. They are a reasonable set of locational goals that deserve support; neglect of any one aspect, or over-concentration on any one spatial goal would be economically and socially undesirable. Rather Zimbabwe's urban sector must move ahead on a very broad front. Business center and service center development in rural areas is required to bring education and health services, and small-scale processing, repair and commercial activities to the communal lands. This will require widespread Government investment and rapid evolution of land policy. At the same time, towns and cities must accelerate investment to cope with the influx of population and to change the pattern of racial isolation, moving toward a more economical and socially desirable spatial structure.

D. Macroeconomic Background to Urban Development

1.25 The extreme duality of Zimbabwe's economy--high average incomes in urban areas and for the owners of farms in modern agricultural areas, and very low-average incomes in communal lands and for agricultural labor on modern farms--presents the country with immense challenges.[8/] There must be rapid urban employment growth, improvement in productivity in communal lands, and resettlement into under-utilized lands outside the communal areas. It is pointless to debate whether an urban strategy, or a communal areas strategy, or a resettlement strategy is best, since all are necessary. This section attempts to provide some perspective on the balance of development efforts which will be required if reasonable growth of incomes is to occur on a broad front.

Agricultural Growth and Labor Absorption in Rural Areas

1.26 Zimbabwe's potential for employment growth in the agricultural sector arises from two main sources: technological improvement in communal areas will increase labor use per hectare, and more intensive use of part of the privately owned lands may allow some movement of labor from communal lands. It is important to realize, in the context of the short run discussion of urban development, that the potential of both of these sources is limited, and that employment outside of agriculture will have to absorb a major portion of the labor force increases if Zimbabwe is to achieve a reasonable growth of income for the families in the bottom half of the income distribution.

1.27 The challenge facing Zimbabwe in attempting to increase employment and incomes in communal areas is formidable. For the most part, these lands are located in areas of unreliable rainfall, making intensive

---

8/ With recent increases in the minimum wage, the conditions of hired labor on modern farms have been improved, at some cost in terms of numbers employed.

cultivation dependent on very good management. The largest concentration of communal areas is in Natural Region (NR) IV which is mainly suited for grazing cattle following present practice, but which could be made more productive with intensive soil and moisture conservation.9/ It is characterized by rainfall of 450-650 mm per annum, but it is subject to drought and long dry spells, even in the wet season. The next largest area is in NR V which has low and erratic rainfall but is suitable for extensive ranching. Possible improvements in this area (and NR IV) include tap-rooted legumes as fodder and forage crop. NR V also has areas suitable for irrigation and extensive farming. Comparatively smaller areas of communal land, classified as semi-intensive farming areas (NR III) have rainfall between 650-800 mm per year. With moisture conservation methods, i.e., planting crops in a contour furrow and keeping weed competition under control, cotton and oriental tobacco can be grown in this region (and in parts of NR IV). Other crops such as maize and groundnuts can be grown under careful management. The communal areas also include part of NR II, (7% of total communal lands) where the combination of soils and climates makes intensive farming possible. With the advantages of better infrastructure and closer proximity to the urban center, these lands are already highly developed. NR III is likely, therefore, to be more important for further development.

1.28 It is probably inevitable that for the next few years the growth of incomes in communal lands will lag behind population growth and labor force growth.10/ In the extensive farming areas and semi-intensive ones, because of limited cropping capacity of the lands using present common practices, prospects for high-density high-income farming are poor, and there appears to be a concensus that even present population densities are too great in the sense that residents have not produced a subsistence income without leading to land degradation. Improved practices, as discussed above, may change this substantially. It is probably still true, however, that increased population on most communal lands, arising from population growth in excess of the rate of migration out of these areas is likely to result in low-productivity work at the margin. Thus comparative earnings between urban and rural areas will continue to be important determinants of migration rates.

1.29 In the part of the agricultural land that is privately owned there is scope for considerable intensification. Currently this land, situated mainly in the intensive farming and specialized farming zones and comprising the bulk of these zones, has population densities of about one person per nine hectares. Increased employment could, in principle, take the form of greater wage employment on commercial farms as well as more widespread ownership of farms. In fact, wage employment will probably increase very slowly, or not at all, because of rapid increases in agricultural minimum wages, and resettlement will be the main tool for

---

9/ The observations in this section are taken from agricultural zone maps and maps of communal lands, prepared by the Ministry of Agriculture. These maps are not reproduced here.

10/ Macroeconomic planners for the Central Government appear to recognize this fact. In discussions of the macroeconomic assumptions of the forthcoming National Plan, rates of agricultural income growth of 1 and 2 % per year were considered as the highest that could reasonably be targeted for communal lands in the five-year plan.

densification.[11]

1.30 The long-term plan for land redistribution has a target settlement of 120,000 families by 1990, of whom 70,000 are to be settled on currently under-utilized rainfed land and 50,000 on newly irrigated land.[12] Assuming that these ambitious resettlement plans are realized, they would contribute substantially to holding down the rate of population growth of communal areas in the next decade. If urban growth rates of about 7% do occur, the possibility of significant income growth per capita in the communal areas may take place. Table 1.4 shows the combined results of urban population growth of 7% per year from the 1981 base, and of reaching the decade targets for resettlement. If resettlement and improved communal land productivity fall short of targets, faster urban growth can be expected.

1.31 Recall that this scenario makes two assumptions: (i) that the resettlement target will be met; and (ii) that urban population growth of 7% is likely.

1.32 If urban growth of 10% per year takes place over the next decade, and resettlement targets are met, then communal land populations could decline significantly, to about 3.0 million persons by 1990, under the same demographic assumptions. The link between urban growth and average income growth of the population remaining on communal lands is thus strong and direct.

Table 1.4: A Scenario of Population Stability 1981-1991

Population of Communal Areas, 1981	3.9 million
Natural Growth in Communal Areas Population, 1981-1990 a/	1.5 million
Resettlement of Communal Areas Population in Irrigated Land & Land Outside Communal Areas	0.7 million
Net Migration from Communal Areas to Towns, 1981-1990 b/	0.9 million
Net Growth in Communal Areas Population on Unimproved Lands, 1981-1990	-0.1 million

a/ Natural population growth of 3.6% per year in all rural areas, 3.25% in cities, weighted average--3.5%.
b/ This will produce a 7% rate of growth in towns for the period 1981-1990.

11/ Wage employment in agriculture, at an annual average, has declined in the recent past, from 335,000 in 1979 to 327,000 in 1980, and 294,000 in 1981, in spite of rapid growth in output in the commercial farm sector (Monthly Digest of Statistics, October 1982.)

12/ Other higher targets have been suggested subsequent to the mission's visit. The targets cited here appear to be reasonable, and we continue to use them for purposes of illustration.

E. Growth of Urban Employment

1.33 The creation of urban employment commands a high priority among government planners, and the link between it and income growth in communal lands can only add to this emphasis. Thus, in the discussion of targets for the five-year plan (the plan was not yet in effect in early 1982), the need to expand employment underlies the high target rates of growth for the manufacturing and construction sectors. Preliminary discussions indicated that annual growth targets of value added of 11% and 15% were being considered for the two sectors, respectively. At this stage, these targets had not been incorporated in a national macroeconomic framework, and adjustments based on shortages of financing or of foreign exchange are to be anticipated.

Growth in Manufacturing

1.34 Growth in manufacturing in 1980 was spectacular;[13/] output increased 14.9% and employment, on a yearly average basis, increased by 10.4%. It contributed 26% of GDP and accounted for 30% of GDP growth. For 1981, manufacturing output increased by 9.9% over 1980. Employment in 1981 was 8.6% above that of 1980.[14/]

1.35 The rapid growth of manufacturing was largely the result of fuller use of capacity in place. In the future, however, growth will be closely related to the rate of investment, as the spare capacity is not sufficient to produce much growth in output beyond the levels already achieved. Although no statistics on the rate of capacity use are available, industrialists, bankers, and the relevant Government ministries interviewed, believed that excess capacity was largely exhausted. A study of business activity by Zimbabwe University School of Business produced results consistent with these judgments. Of 94 replies to a questionnaire, 71% of businesses stated that they were working at or above target capacity; 50% said it would not be practical to increase production without new investment; and 75% intended to make capital investments within the next six months.[15/]

13/ Discussion of the manufacturing industry, as it now exists, is overwhelmingly concerned with the medium and large scale, formal sector industry, informal manufacturing being quantitatively unimportant.

14/ Monthly Digest of Statistics, Central Statistical Office, October 1982. Index of Volume of Production in Manufacturing and Index of Employment in Manufacturing.

15/ Business Opinion Survey, University of Zimbabwe, Department of Business Studies, June 1981. The responses were for the business situation in March-April, 1981.

1.36 Investment in manufacturing also recovered in 1980, but it did not reach a level which is likely to sustain rapid manufacturing growth. Although at $79 million, investment was up by 35% in constant prices over its depressed 1979 rate,[16] this was only equal to 10% of GDP originating in manufacturing. This raises two questions: (i) what growth rate of manufacturing output can be sustained with this level of investment; and (ii) can the rate of investment be increased?

1.37 Zimbabwe's Incremental Capital-Output Ratio (ICOR) for manufacturing, calculated for the period 1971-74, is remarkably low, the average for the period being 1.76.[17] (The period 1971-74 is perhaps the last "normal" one for the economy, before the international economic sanctions against trade with Rhodesia produced a telling effect.) If this low ICOR is still a reasonable estimate for the manufacturing sector, investment at the 1980 rate would produce growth of about 6% per year. But the ICOR is likely to be higher than this for several reasons: (a) an ICOR of 1.76 simply looks too low, relative to ordinary experience of other nations where ICORs in the range of 2.5 to 3.5 are most common; (b) relative prices of labor and capital have changed drastically. Pre-independence wage rates for black industrial labor, the bulk of the labor force, were artificially depressed.[18] Wages in the post-independence period are being artificially elevated by rapid increases in minimum wages; and (c) the manufacturing sector has become much more diversified in the last decade, responding to sanctions. It is probable that much of this expansion is into areas where manufacturing is relatively inefficient.For all of these reasons, one might expect higher ICORs in the 1980s and hence lower sustained growth, unless industrial investment can be accelerated.

1.38 The prospects for acceleration of manufacturing investment are poor because of shortage of foreign exchange to import capital goods, ambiguous government policy toward foreign investment and manpower, and mixed attitudes of businessmen toward investment.

1.39 Foreign exchange shortage, which is likely to persist, constrains

---

16/ Real growth rates calculated from Gross Fixed Capital Formation (National Accounts Concept) and implicit GNP deflator, as they appear in Monthly Bulletin of Statistics, Central Statistical Office, January 1981.

17/ Average ICOR calculated as the sum of investment (GFCF) in 1971, 1972 and 1973, divided by the increment to output with one year's lag; e.g., the sum of increases in output in 1972, 1973 and 1974.

18/ Such common practices as holding all black labor at a low-grade level, in spite of experience and skill development, and the lack of any effective unionization kept wages low relative to skill levels and productivity.

investment.[19] Allocations of foreign exchange for manufacturing investment are running at about $20-25 million per year. Historically, the "equipment and machinery" component has been about two-thirds of manufacturing investment, and the import content of equipment and machinery is known to be high although no direct statistical evidence is available. To generate a $79 million investment with $25 million imports, roughly the 1980 performance, is thus a remarkable achievement. It is hard to explain such a large domestic content and extremely hard to predict that this can be increased. It thus appears that further growth in investment will require increased imports.

1.40 The Government has now published policy guidelines regarding foreign direct investment in manufacturing, and the effect of this should be positive in the present context in Zimbabwe. The foreign sector requires reassurance, and perhaps even strong positive incentives, to re-enter the Zimbabwe market. The clearest policy statement so far, the guidelines, although generally positive in tone, fall short of laying out a blueprint of what is permitted, what is encouraged, and what is guaranteed. The result may be that, while foreign investors express interest and probe for possibilities, only limited amounts of significant direct foreign investment will take place in the near future.

1.41 The attitude of domestic entrepreneurs to new investment and reinvestment appears to be ambivalent. On the one hand, the business attitude survey (discussed in paragraph 1.35 above) showed a strong bullish streak, with a large proportion of firms planning expansion. On the other hand, businessmen and private bankers, in various interviews, voiced important reservations, among which the most important appeared to be concern over continued availability of current imports, concern over the cost and availability of skilled labor, and a vague concern about government attitude toward, and understanding of, private business. As an example of the last point, a recent general price freeze which few businessmen cited as a crippling blow to profits, was often cited as a worrying precedent; businessmen questioned whether it was necessary, and whether such a blunt instrument of policy should be applied in any situation short of emergency.[20]

1.42 It is impossible to evaluate and add up the effects of something as vague as "general business attitudes." They do not appear to have been

---

19/ Government policy discourages investment, by withholding foreign exchange allocations, when a proposed manufacturing enterprise does not have a positive foreign exchange balance, that is, when annual debt service on the imported capital and purchase of imported current inputs will be greater than exports.

20/ At the time of the Bank's visit to Zimbabwe, the price freeze had only a few weeks to run and was viewed as more of a nuisance, postponing needed price adjustments, than a disaster.

a binding constraint on investment in the recent past. Objectively, one can observe that the foreign exchange allocation for investment is oversubscribed, by a factor of 2 or more, according to government officials who manage the rationing process, and we can conclude that foreign exchange shortages, rather than business caution, have limited investment. Whether the willingness to invest will continue, at rates high enough to sustain rapid growth, cannot be predicted with confidence.

The Possible Emergence of Small-Scale Manufacturing

1.43 Prior to independence, several factors militated against the emergence of new small-scale manufacturing, with the result that there are very few small firms and an insignificant informal manufacturing sector in Zimbabwe's towns. Urban physical planning, which isolated the black community, prevented the modern and dynamic city cores from incubating new, small firms. The urban residency restrictions and housing restrictions, which demanded formal employment as a condition of eligibility, discouraged potential black self-employment and informal sector employment. Furthermore, the scarcity of all resources during sanctions, with the official and ad hoc rationing that this necessitated, worked in favor of the established firms with access to the rationers.

1.44 The weakness of Government institutions to support small-scale and informal manufacturers parallels the very limited capacity of the sector. Central Government has two small enterprise advisory agencies, each with an annual budget of about $60,000 and both headquartered in Harare. The staff are inadequate in number to have an important effect on the growth and efficiency of the small-scale sector in the country as a whole. A development finance company with small business as its target clients, operated from 1979 to 1980, starting with an initial capital of $3 million. Its method of operation was direct retailing of loans to small businesses. Operations were suspended at the end of one year, before the DFC had established any clear record of performance. A fourth institution, a cumbersome guarantee system for bank loans to small businesses, has been in operation for about two years. Since the scheme depends for its operation on direct evaluation of each loan application by the agency, and lending by commercial banks at their discretion after recommendation by the agency, this scheme has had very high costs per dollar lent, and cannot approach either self-sufficiency or an adequate scale of operations in its present form. Headquartered in Harare, with a small staff and very little provision for transportation, this scheme has had almost no effect outside the Harare region and limited effect even in Harare. A new development assistance corporation is being formed, which will incorporate the advisory services and may also supply loan capital to new and small businesses. At the time of the Bank's visit, this institution was newly approved in principle, and neither its operating principles nor its level of capitalization had yet been defined. Even at present, however, the formation of this agency is important as a symbol of Government support and its willingness to risk capital and manpower in attempts to generate new growth in emerging businesses.

Growth of Construction

1.45 The growth of the construction sector in 1980 reflected the overall economic recovery, but growth was well short of the Government's preliminary target rate, 15% per year, for the five-year plan period. The value of building work done, in current dollars, increased by 18% and civil engineering by 16% in 1980. In real terms, these are increases of 9% and 7% respectively for building and civil construction.[21] Zimbabwe has achieved much higher output of the construction sector in the past. Real values of building and civil works done in 1980 were 56% and 71% respectively of 1974 levels. The growth in construction of buildings was probably concentrated in the industrial and commercial construction, with little or no growth in residential construction.

1.46 Demand growth may be sufficient to induce faster growth in the construction sector. Building plans approved in 1980 were 50% higher than building work done; the industrial and commercial subsectors led in this planned building, with residential construction relatively depressed. Building plans, combined with other qualitative indicators thus seem to indicate some acceleration in commercial and industrial building. There is not much prospect for growth in high-income residential construction. At present, high-income houses are available for purchase at prices equal to only 60% to 70% of their cost of replacement, and construction will not be profitable until the backlog of supply, caused by migration of high-income families, is absorbed. On the other hand, low-income housing and middle-income housing could both experience very rapid growth.

1.47 Assuming an average household size of six persons, the projected urban population growth translates into a rate of urban household formation that increases from 30,000 households in 1982 to 70,000 in 1990. At present, about 11,000 units are added to the low- and middle-income housing stock each year. Growth at 20% per year in this construction in the 1980s would result in an average production, for the period 1982-1990, of 30,500 units per year--enough to provide housing to two-thirds of the new households.

1.48 In order to convert the need for low-cost housing to an effective demand for low-cost housing, two conditions must be met: urbanized land must be increased very rapidly; and a mechanism for making building loans for medium- and low-income housing must be evolved. This subject is discussed in detail in Chapter IV of this report.

21/ The use of the implied GDP deflator to arrive at real increases in value of work, as done here, may overstate real growth, as the cost of building materials increased faster than the general price level. Using the building material price to deflate construction output would, however, understate growth quite drastically, as materials are only one element of costs.

Table 1.5: Low-Cost Housing, Imports and Domestic Inputs

Item	% of Cost	Description of Materials	% Imported	% Domestic	% of Total Cost Imported
Total	100.0	-	-	-	7.6
Labor	30.0	-	0	30	0
Materials for:					
Foundation and floor slab	8.7	concrete, block	0	100	0
Super-structure	17.2	blocks, beams slurry	0	100	0
Roof	8.9	asbestos cement, softwoods	0	100	0
External doors, frames, window frames, iron-mongery	7.3	iron or concrete sections	0	100	0
Internal plumb-ing sinks and cisterns	7.1	asbestos cement dolomite cement clay	0	100	0
Drains	3.6	cement	0	100	0
Glazing	2.0	glass, putty	100	0	2.0
Paint, cemwash lime	2.3	imported pigments otherwise domestic	25	75	0.6
Internal partitions	3.1	cement, softwoods	0	100	0
Electrical installations	7.2	imported copper, plastic, parts, domestic wire, sheeting, switch manufacture	50	50	3.6
Miscellaneous	2.7	say, half imported	50	50	1.4

1.49 Construction is relatively insensitive to the foreign exchange constraint (see Table 1.5). The primary industrial inputs for building, cement and steel, are domestically produced and both of these industries had substantial excess capacity in the boom year, 1980. About 40% of cement and 20% of steel capacity were unutilized in that year; 60% of steel output and a small percentage of cement output were exported, and diversion to domestic use is possible as demand increases. More generally, the construction industry in Zimbabwe is not import intensive. Table 1.5 presents estimates for import content of Government's low-income housing construction. As is readily observed from the table, actual house construction is virtually import free, except for electrification which will not be completed in all houses. The preparation of land, because of requirements for heavy equipment, requires more foreign inputs, but on balance the foreign exchange requirements are still modest, and should not seriously constrain employment.

Growth of Mining Employment

1.50 Prospects for employment growth in mining are still unclear. At the time of the Bank's urban mission, prospects appeared good. In the immediate postwar period mining employment increased rapidly--by 14% between December 1979 and December 1980--when it stood at 9% above its previous historical peak. From December 1980 to September 1981, however, employment growth was only 3% and since that time the mining sector appeared to have gone into a deep slump. Although this may be a cyclical phenomenom, it would be hard to project much employment growth in the near term.

Service Industry Employment

1.51 With one important exception, domestic services, service employment can be expected to grow fairly rapidly, reflecting increased Government services, particularly in public administration, health and education. Employment in domestic service can be expected to contract, however, because of rapid increases in the minimum wage. This trend is already visible in the statistics; domestic employment dropped by 5% between September 1979 and September 1981. (In fact, this continues a slow downward trend in domestic employment that began as early as 1975 and apparently has other causes in addition to the minimum wage.)

The Range of Prospects for Urban Employment

1.52 Even with much more intensive study, it would be impossible to project urban employment, with any confidence, given the many uncertainties in the Zimbabwe context. It may be worthwhile, however, to attempt a summing up of the prospects as they appear at this time:

(a) Formal manufacturing employment, which accounts for 23% of non-agricultural employment, has fair to poor prospects. Recent investment, constrained by foreign exchange has only been about

10% of output, and this is unlikely to support growth of more than 3-4% per year in output. Employment growth has been about two-thirds as rapid as output growth. The main hope for more rapid employment growth in formal manufacturing is that the investment rate can be increased;

(b) Informal employment starts from a low base, for both manufacturing and service industries, as does the small-scale sector in general. Increments to employment in the informal sector are nevertheless likely to be large, as it serves as an employer of last resort, and formal employment is not likely to absorb the growth in the labor force;

(c) Construction, which accounts for 6% of non-agricultural employment, may grow very rapidly, assuming that low- and middle-income housing needs can be met; this is possible, but will require evolution in policies and programs. If low-income housing needs are not addressed on a very large scale, employment growth in construction will be limited. (The range of growth might be between 7% and 15%, largely depending on low-cost housing solutions.);

(d) Mining and domestic services, which together account for 57% of urban employment, may well stagnate or decline; and

(e) Other urban services, 17% of non-agricultural employment, will probably continue to grow fairly rapidly.

1.53 On balance, urban employment growth prospects are not positively favorable, because the largest employers (manufacturing, mining, domestic services) do not appear to have strong growth prospects. Increased availability of foreign exchange and clarification of Government policy could, however, significantly improve the outlook for manufacturing. In spite of good prospects among the smaller employers (construction, other services), therefore, total employment growth in relatively high productivity jobs might fall well short of that needed to sustain average urban incomes in the face of rapid rural-to-urban migration.

Conclusions

1.54 Continued high birth rates and migration to urban areas will produce rapid urban population growth in this decade. This has been universally observed in similar countries following independence and the repeal of prohibitions on migration. Growth rates of 7-10% per year can be expected.

1.55 In view of the unfavorable short run employment prospects in many of the agricultural lands, a rate of urban growth in the neighborhood of 7% appears probable. The migration that this implies would stabilize rural

population in communal lands, assuming that agricultural investment programs reach their targets, and this should permit some per capita income growth in communal lands.

1.56 From a rough analysis of urban employment prospects, it appears that formal employment growth may fall well short of 7%, and thus that many of the migrants may have to be absorbed in low productivity activities or simply be unemployed. This will, in turn, result in lower average urban incomes and a larger group of urban poor, which must be taken account of in government planning for urban services.

1.57 If manufacturing investment can be accelerated, and if construction of low- and medium-cost housing is facilitated, the result should be a mitigation of the negative income effects of rapid migration. Both of these results depend heavily on the evolution of favorable Government policies.

II. Local Government Institutions and Staffing

2.01 The system of local government in Zimbabwe is in a period of transition. While a number of changes have been initiated in the two years since independence, there is still a great deal of continuity with the past and further change is likely as time goes on.

2.02 The post-independence Government inherited a highly fragmented system of local government, with the usual urban-rural distinctions overlaid by divisions along racial lines. The country was divided territorially into "European" and "African" areas. Urban areas were run by elected white municipal councils with a high degree of local autonomy, while the black population was concentrated in separate "African townships" administered by the municipalities under the supervision of the Central Government. In the rural areas, the white-owned farmlands had independent, elected rural councils, while for the black Tribal Trust Lands and African Purchase Lands, African councils were appointed by and answerable to Central Government. Each area so defined was supposed to be financially self-supporting, with public services provided only to the extent of revenues raised in that area.

2.03 The Government is now working to build a local government system which represents and serves the population as a whole. Two important steps have already been taken toward accomplishing this:

(a) The Ministry of Local Government and Housing (MLGH) absorbed the former Ministry of Internal Affairs which previously administered local government in "African Areas". The MLGH was divided, in April 1982, into two ministries: the Ministry of Local Government and Town Planning (MLGTP) and the Ministry of Housing (MOH). Both of these new ministries have nationwide responsibilities; and

(b) Unitary city councils have been established in urban and rural areas, and legal provisions for separate administration of African townships have been repealed.

2.04 The Ministry of Local Government and Town Planning is the main Central Government institution in charge of programs affecting local government, except for housing programs. This Ministry's urban responsibilities include physical planning, supervision of local government budgets and administration, promotion of local government and staff training, and provision of financial assistance to local authorities. The MLGTP is also supposed to coordinate with other ministries involved in activities relating to local government and to work with the Ministry of Finance and the Ministry of Economic Planning and Development on the provision of government grants and loans to local authorities.

2.05 The Ministry of Housing inherited the housing functions of the old Ministry of Local Government and Housing. The most important of these is administering the local government areas housing fund, which was

formerly used for housing in African township areas, and now finances low-cost housing in general. Another is operating the Housing Development Services Branch, a unit within the old MLGH which offers technical assistance and construction supervision. Other functions are being developed in the new MOH.

2.06 In general, Government policy with regard to local government includes the following:

(a) priority to developing the rural areas, with relative de-emphasis of urban areas;

(b) priority to providing social services, especially education and health, to the entire population (free-of-charge to low-income people);

(c) financial self-sufficiency of local government services with no comprehensive system of revenue sharing or other unrestricted grants (exceptions are education and health services);

(d) central control of most major sources of revenue, including the income tax and the sales tax, with no programs to devolve new revenue sources to local governments; and

(e) central regulation of all credit resources, for the purpose of ensuring that government borrowing needs are met and that funds are directed to priority sectors.

2.07 Despite the various changes, the urban local government system still reflects one important division of the past. Although the urban areas now have elected city councils with black majorities, the former African townships (now called "Local Government Areas") continue to be administered separately and to be financed out of separate accounts within the municipal budget.

A. The Former System of Urban Local Government

2.08 The system of local government inherited from the past regime is very much a product of the territorial, administrative and financial divisions which resulted from the policies of racial separation. All land was divided into "European" and "African" areas. All cities were designated European areas, although separate "African townships" were established within them to house the bulk of the urban black population. A group of such townships, outside Harare, was subsequently incorporated as the separate town of Chitungwiza.

2.09 The various urban areas had separate systems of local administration. The white population enjoyed a large measure of local autonomy under its elected Urban Councils. The African townships (which housed the black population) were administered by a separate department of the municipal government, which was supervised by the Central Government. In the 1960's, the Government moved to establish township boards as lower-tier local governments with certain assigned responsibilities, but

they never acquired any significant decision-making power or even any strong popular support.

2.10 The territorial and administrative divisions were reinforced by corresponding divisions in the system of local finance, which was governed by the "principle of self-financing." Thus, the extent of public services in each area was limited to the amount of revenues collected locally to support them. This principle was built into the structure of the municipal budget, which had segregated accounts; white areas were financed primarily out of the Rates Account, (mainly derived from property taxes) which was the basic source of funds for general administrative purposes. Because only properties in the white areas were assessed, the funds raised from rates were used only for public services in those areas. In the African townships, administrative, housing, and public services were financed mainly from the African Affairs (Housing) Account, which obtained its revenues from the rents and service charges collected in these areas and from the African Beer Account, which drew from the profits of the local authorities' monoply on the manufacture and sale of "opaque" beer in the African areas.

B. The Present System of Local Government

2.11 Urban areas are run by different types of urban councils--municipal councils, town councils, and local boards--which have varying degrees of responsibility. They are administered under the Urban Councils Act.

2.12 As opposed to the past, there are now unitary councils with elected black majorities; however, due to restrictions on the franchise tied to property, there are white representatives as well in the largest cities. Legal provisions relating to African townships have been repealed, and these sections of the cities are referred to as "local government areas" or "high-density" areas. The former European sections are called "low-density" areas.

2.13 The transition to unitary city councils appears to have proceeded reasonably smoothly in Harare and Bulawayo, but less so in Mutare. On the newly elected councils, the ratio of black members to white is about 5:3, and in all cases there are some council members who were in office previously and thus can provide some continuity and experience. Council staff provide background information to aid new members and also function at times in a training capacity. All the city councils have experienced significant losses of trained staff, but the situation has been particularly serious in Mutare, where virtually all of the top staff resigned in the early months of the new council's operation.

2.14 The eleven municipal councils have a broad range of powers and responsibilities: they provide basic services, such as water supply and sewerage and solid waste disposal, and emergency services, such as ambulances and fire brigades; they construct and maintain public buildings and infrastructure, such as roads and bridges; they provide planning, control building, and maintain parks and other public amenities. In addition, on achieving municipal status a council is granted the state land

within the council area and assumes full responsibility for town planning and the costs thereof, for maintenance and construction of national roads within the council area, and for the costs of housing development services provided by the Ministry of Housing.

2.15 The three town councils have most of the powers and responsibilities of municipal councils, but they are not required to construct or maintain national roads and do not have control of state land. They lack full planning powers and are not responsible for costs of planning. The two local boards have only such powers as are delegated to them under warrants issued by the MLGTP.

2.16 Some local government areas also contain lower-tier local government bodies called area boards, which are the successors to the township boards established before independence. Area boards still have very limited powers and little public support, since they are seen as remnants of the past. At present, officials are debating whether these are needed, now that there are unitary municipal councils and, if so, what powers they should have and if they should be extended to all areas of the city.

2.17 The city councils have well-developed administrative structures which handle the wide variety of functions they are supposed to perform with reasonable efficiency. Charts A, B, and C (Annex 4) show the organization of the Harare, Bulawayo and Mutare city councils. With the exception of Harare, each is headed by a town clerk and all have at least five basic functional divisions which include: (i) finance, budgeting and accounting under the city treasurer; (ii) construction, operation and maintenance of infrastructure and basic services (including water, sewers and roads, for both the high-density and low-density areas) under the city engineer; (iii) provision and distribution of electricity services under the city electrical engineer; (iv) municipal hospitals and clinics, refuse collection, food inspection and licensing of premises selling food throughout the city under the medical officer of health; and (v) the administration of all of the local government areas, the management and maintenance of the housing projects located there, collection of rents or mortgage payments and other charges, the administration of local markets, and the provision of community (social) services under the housing (community services) director.

2.18 The fact that the low- and high-density areas are still administered separately points up a basic feature of municipal organization which thus far remains unchanged under the new unitary city councils. The former are served by the general administrative apparatus of the council as a whole, while the latter are placed under the jurisdiction of the department in charge of low income housing. Each low-income housing area has its own budget and administrative offices which are responsible for government activities in that area. While these offices have direct responsibility for the functions listed above, they also oversee the provision of other public services, such as road maintenance and water supply, even though the actual work is carried out by the specific functional departments of the city council.

C. Functions of the Central Government's Urban Ministries

2.19 The Ministry of Local Government and Town Planning and MOH perform control and administrative development functions, allocate Central Government financial assistance to cities, and provide direct staff support for housing programs and physical planning. The Central Government's urban policy is reflected in these activities, rather than being explicitly stated in clear policy documents.

2.20 Examination of local government budgets and approval of borrowing, appointment of outside auditors and examination of annual audited accounts (that is, all exterior financial control functions) are performed by MLGTP, which also advises on day-to-day administrative and legal issues facing local authorities.

2.21 Central Govenment assistance for development of urban local government institutions takes two main forms: (i) training, for which a wide array of technically-oriented programs (e.g., architecture, accountancy, engineering) are planned; and (ii) general assistance and advice to local government units in the old African township areas. At present, these development programs are themselves developing through the efforts of the Department of Local Government Promotion and Training in the MLGTP, and though their substantive contribution is still minor, they may eventually have major impacts on staff availability and even on the efficiency and methods of local government.22/

2.22 Financial assistance to cities, in the form of loans for general infrastructure and for low cost housing, are controlled by the MLGTP and MOH respectively, which also consolidate the municipalities' request for loan funds and serve as advocates for the municipalities in the Central Government's budget and planning process. Similarly, these ministries act as liaison units for municipalities in the planning of investment by other government ministries which will affect local governments.

2.23 Physical planning is, by law, the responsibility of municipal councils and town councils but, in fact, only the three largest cities have the capacity to do physical planning, and the rest rely on MLGTP, Department of Physical Planning. This department is clearly overextended, being stretched over all urban and rural local governments, with a mandate to concentrate heavily on regional planning and the development of rural areas.

2.24 Finally, MOH, through its Housing Development Services Branch (HDSB), provides a full range of services for local governments in the implementation of low cost housing programs. The HDSB approves all low-cost housing projects (their minimum function), but they have also, in

---

22/ For example, this department is making a conscious major effort to involve the residents in the local government political decision-making process. This department is, however, focusing most of its effort on rural local government.

various projects, provided technical services, approved and awarded contracts, and supervised construction.23/

2.25 The functions of the central ministries, as described above, evolved during a period (and were appropriate to a period) of administratively strong municipal governments. The Central Government, committed to a shift in priority to the development of communal areas, can hardly be expected to absorb successfully any greater activist role in urban area administration. The urban administrative systems must be prepared to continue to take the main resonsibility for Government services in their areas.

D. The Financing of Local Government

2.26 Financial assistance to local authorities in Zimbabwe is quite limited. No system of revenue sharing exists, and only modest grants for general administrative purposes are given--and these are restricted. There are no subsidies for local public services, nor is the Government willing to permit local authorities to subsidize such services as public transit. Local borrowing is strictly controlled.24/

2.27 With regard to categorical grants, the largest by far are for primary health care, while others are provided for construction and maintenance of major roads and are made in lieu of rates on Government-owned buildings. (Block grants are provided to rural councils for road development.)

2.28 Government loans are made to local authorities for capital projects, mainly low-income housing and related infrastructure and also, general infrastructure works such as water and sewerage schemes. Funds are provided on a project-by-project basis, with the Government approving the projects financed. In fact, all borrowings by local authorities, whether from the Government or from other external sources, must be approved by the Government through the Ministry of Finance. Only Harare and Bulawayo have been permitted to borrow in the money market.

2.29 The sources of local government capital financing have included the following:

23/ For lack of clear policy directions on low-income housing types and housing design, the activities of HDSB have, in effect, made policy as they built houses. They are not, however, a policy organization in principle, and their influence may be declining as they have recently suffered heavy losses of senior management.

24/ Annex 5, Table 1 shows the three year plan for capital expenditure in the urban sector developed by the Ministry of Economic Planning and Development. Tables 2 and 3 highlight the major categories of Government financial assistance, broken down by type of local authority, where possible. Table 2 shows grants and loans to local governments by the MLGTP; Table 3 shows grants from other ministries.

(a) from Central Government loans:

(i) a building fund for housing; and

(ii) general development loans for infrastructure.

(b) from external sources:

(i) stock issues; and

(ii) loans from private sources (building societies, banks, insurance companies).

(c) from internal sources:

(i) African Beer Funds;

(ii) Services Levy Fund;

(iii) Capital Development Funds (infrastructure); and

(iv) Endowments.

2.30 Recently the Government has asserted more stringent controls over local borrowing and reduced the financial resources available to local authorities, consistent with its policies of centralizing control of borrowing and allocating funds to priority areas. Loans from internal sources (i.e., loans between one special fund and another) within the same municipality, remain under the control of the local authorities, so long as they comply with Government regulations.

2.31 Zimbabwe's cities have well-developed public services and have reasonably sound financial systems. They produce detailed budget estimates and accounts and maintain strict control over expenditure. Moreover, the principle of full cost recovery is stringently applied to services that can be run commercially, such as water supply and waste disposal, and tariffs are raised as necessary to keep pace with costs.

2.32 The system of municipal finance has changed very little as budgets continue to be composed of the same segregated accounts. The low density areas are still financed out of the rates account, while the high density areas are financed out of what is now called the housing (local government areas) account, whose sources are mainly rents and supplementary charges[25/] collected in those areas. Each local government area has its own individual account. Both the rates account and the various housing (LGA) accounts also receive the proceeds of certain general municipal taxes collected in their areas, including fees for business and liquor licenses and for motor vehicle licenses.

25/ Collected on the basis of charges on each plot, these are intended to cover the costs of administrative and other municipal services not financed through specific accounts.

2.33 Local government areas also continue to finance their social services by the African Beer Account, which gets its revenues from the profits made by the municipality on the manufacture and sale of African beer. In this manner, up to 50% of the annual profits may be used to finance low income housing, on a revolving fund basis, while the rest must go for social services in the current year. Any use of these funds which does not directly conform to the regulations must be approved by the MLGPP.

2.34 The largest portion of municipal revenues flows through accounts established for the purpose of financing (and collecting income from) the provision of basic services. Each city has separate electricity and water accounts, and Harare has just established waste management and sewerage accounts, as well. These accounts are funded by tariffs levied by the city council which are intended to cover the full cost of the services and which are generally raised as necessary to keep abreast of costs. In most cases, utilization is individually measured and billed.

2.35 The primary structural weakness of the urban local governments is the division in fiscal accounts carried over from the past. The separate financing for general administrative purposes between the rates account and the housing (LGA) account, basically corresponds to the division between high and low income areas. (Historically, the division was between areas represented on the council, where municipalities had unfettered rights to set charges, and unrepresented areas, where charges were set ministerially.) The case for maintaining separate accounts is weak. It grows weaker as housing is converted from rental housing to ownership, and new housing is added on an ownership basis. Procedures to abolish the housing (LGA) accounts are under active discussion and draft legislation has been prepared to permit municipalities to unify their accounts.

2.36 Direct Central Government support for urban areas, such as lending for low income housing, is going to be even less adequate to meet the demand in the future than in the past, and alternative means must be found to mobilize resources. Clear policy directions, which go beyond urban problems per se, and overlap with those of general development (handled by the Ministry of Finance and Development Planning) must be evolved quickly. Some possible alternatives are discussed in the following chapters.

2.37 There is also a danger that by the focusing on the communal lands, the Government could undermine the financial stability of the urban local authorities by cutting back on their resources at exactly the same time they are under strong pressure to supply more public services and take on additional responsibilities. Until now, the Government has been disinclined to recognize the relationship between urban and rural development and the likelihood that large numbers of people will migrate from the communal lands to the urban areas in search of better economic opportunities. It is vital that the cities continue to receive loan support to cope with the demands for housing and other public services that these population movements are bound to generate. However, in this context, the limited resources available in the economy generally, and the priority placed on investment in agriculture (particularly resettlement and the communal areas), also emphasize the importance of low cost policies and programs in the urban areas.

E. Staffing of Local Government Agencies

2.38 Changes in policy, in political leadership, and in the structure of agencies have all contributed to rapid turnover of staff in the important local government agencies; however, problems are most acute at the central ministry level. Within the MLGH, the ministry was changed at independence, along with a major reorganization, as discussed above and was changed again in the second year after independence. The ministry was divided in two a few months after that. At the senior staff level, the permanent secretary and a deputy permanent secretary have recently changed. Within the HDSB, the low cost housing arm of MLGH, the director and deputy director have also changed within the last year. Besides engendering continuity problems in ordinary operations, this series of changes had until recently resulted in a virtual moratorium on major policy decisions.

2.39 Turnover at lower staff levels within MLGTP has been less extensive; thus, the ministry retains a nucleus of technical staff that appears to be adequate to the central function in urban areas--that is, to guide and assist the local governments who in turn bear the primary responsibility for most investment decisions and day-to-day operations. Problems are more likely to occur with rural local governments, where a major reconstruction and reorganization is in progress and where MLGTP has critical technical and political leadership responsibilities. The Ministry of Housing, when established, was left with very few staff, and is faced with the prospect of gradually finding suitably qualified people--a process that will take time and which may require substantial technical assistance inputs in the interim.

2.40 Within the various local governments, there can be no question about the severity of losses of manpower who have emigrated or moved to the private sector since independence and who are still leaving local service. The major losses are of professionals, supervisors, and journeymen; where they remain, often in key posts, they tend to be over 55. There are certain key posts which must be filled to keep essential services going, such as electricity supply, water and sewerage purification, and treasurers' departments. However, given the pool of educated people and the excellent formal training resources in Zimbabwe, this should be a relatively short term problem, although it will probably be necessary to staff some of these posts temporarily with expatriates.

2.41 In the long run, the local governments will require more than routine training and professional advancement, at all levels, to make up for the ongoing loss of personnel and to cope with the unusual rate of superannuation that will take place over the next few years. Most of this training can occur in Zimbabwe, using local government staff as the main instructors in an on-the-job context. Since the major municipalities are very differently equipped to do this, some sharing of training functions will be necessary. In particular, Harare and Bulawayo, which have the largest, most sophisticated and greatest number of highly qualified staff, will be in a position to assume the burden of part of this training, not only of their own staff but also of key members of the smaller cities' local government establishment.

2.42 Harare is particularly well equipped to provide on-the-job technical training since the nucleus of training programs already exists. A Sewerage Works Operation Course, a two year on-works program combined with a two month intensive preparation for examination, has been operating since 1960. This course is already open to candidates nationwide. A similar Water Works Operations Course was started in 1979, but is so far open only to Salisbury employees. This is the best such course currently available in Zimbabwe, and it could be expanded to accept other cities' candidates. (Once the courses are successfully completed, staff can move to higher level positions, such as Assistant Superintendent or Superintendent.) Harare also has a course, started in 1980 for attendant/operations in sewerage and water works, which is aimed at upgrading long term laborers.

2.43 In the past, in the mechanical engineering fields, Harare has traditionally relied on journeymen training systems which were supervised by the polytechnics and previously qualified journeymen from outside the council. As a result, the city now has virtually no training experience in these fields but it is currently constructing a major new workshop which could also supply ample training facilities. Because of shortages and because the former system is not big enough to replace all those who migrated within a reasonable time, the city must provide this training. To do so, Harare will need assistance to guide senior mechnical staff in training techniques; given this assistance, and using space in the new workshop, a training program could also train other cities' personnel if some way can be found to finance it.

2.44 Bulawayo already has a senior training officer who has completed a review of senior staff with a view to preparing a management development program. Along with Harare, Bulawayo will probable undertake a broad range of training programs, for its own purposes, in several fields. Because the City Treasurer's Department is presently quite adequately staffed, with serious on-the-job training programs under way, it is probably worth considering concentrating the training of municipal financial staff from all the councils (with the possible exception of Harare) in Bulawayo. Local councils all appear to need additional training for revenue staff, accounting technicians, financial officers of lower ranks and for higher-level staff as well (even at the chief financial officer level, important towns such as Mutare are presently using expatriate, temporary contract officers). If arrangements could be made, Bulawayo might be able to expand its training program to fill the most urgent of these needs.

2.45 This on-the-job training will not solve the problem of initial qualifications for accounting technicians, for which neither the University nor polytechnics have a course. Similarly, training and certification in municipal accounting, public finance, and municipal law is currently unavailable in Zimbabwe. Therefore, a Zimbabwe Institute of Municipal Treasurers and Accountants is being formed to define and certify qualified professionals. This will help to at least identify training requirements for the profession and steer potential students going abroad into those areas. Overall, however, a serious prolonged shortage of senior staff should be anticipated, and in this very crucial field of municipal management, a liberal acceptance of qualified expatriates will probably be

required for several years.[26]

2.46 In housing, the municipalities have little staff who are qualified to assist in programs other than the traditional contractor-built, city-supervised construction of low cost units. A variety of skills are required to assist self-help efforts and small contractors; community workers, architects, liaison officers, demonstrators of building techniques, and specialized financial staff--all of whom contribute to the technical assistance team needed to support housing efforts on the scale and type necessary in the future. Although Harare already has an ongoing program of noncontractor, low income housing, with a full technical assistance team, this nucleus is very small relative to future needs, and there are unresolved questions of departmental jurisdiction and control. While extensive training of housing staff is necessary, it awaits major decisions on housing policy, discussed in later chapters of this report.

26/ For example, Harare was in the process of recruiting four senior accountants/auditors to fill crucial vacancies and train academically qualified counterparts in April 1982.

III. Urban Development Processes and Programs

3.01 This five-part chapter examines the programs and procedures of the important agencies that contribute to the urban development process. Section A examines the public urban investment process and describes the recent program. It also projects Government's urban investment, according to the interim three-year public sector program, and compares planned investments to estimates of needs. Section B discusses the three main urban land concerns: (i) is sufficient land readily available for urban expansion; (ii) who owns the land; and (iii) and how appropriate are the present standards for land use with regard to low-income housing, where the main growth in demand for land will occur. Section C examines the adequacy of urban services to meet the basic needs of residents. Section D describes government urban policy. Section E discusses possible innovations for urban investment and their financial consequences.

A. Public Investment for Urban Development

3.02 Urban infrastructure investment and urban public housing are financed by the individual municipalities through current surpluses, past savings, borrowing in the local private market (limited to Harare and Bulawayo), and borrowing from the Central Government. No system of general revenue sharing exists, although the Central Government makes small capital grants for the construction and maintenance of some national roads and in lieu of rates on government buildings. These are an insignificant part of local capital expenditures, totaling $1.0 million in the 1981/82 budget.

3.03 Health and educational infrastructure, along with recurrent educational costs, are financed by the Central Government which also administers public education directly through the Ministry of Education. Recurrent expenditures on health are financed partly by the Central Government budget through grants by the Ministry of Health to local authorities, missions and other voluntary organizations. This grant totaled $33 million in the FY81-82 budget. The Central Government also finances part of the capital cost of health programs (1981/82 budget for assistance to municipalities, $3 million).

3.04 Further, the Central Government provides loans to local governments for low-cost housing and related infrastructure and for general infrastructure investment. Requests for these loans, channeled through the Ministry of Local Government and Housing, are approved in the yearly budget process of the Central Government and, in the case of low-cost housing, are administered by the National Housing Fund (formerly the Local Government Areas Building Fund).

3.05 Although the National Housing Fund is the source of "loans from Government" to the municipalities, the main source of these funds, particularly in recent years, has been the savings of the private sector borrowed by the Fund for onlending. During the FY78-81 period, the National Housing Fund increased its holdings by an average $18.5 million per year, financed primarily by loans from building societies and insurance companies, accounting for 68% and 29% of the expansion respectively. Government savings were an insignificant source during this period.

3.06 Table 3.1 shows loans for low-cost housing to local authorities for 1979-1982 and the projections of the draft interim Public Sector Investment Plan for 1982-1984. Details on the breakdown of projected loans by city were not yet available.

Table 3.1: Loans to Local Governments for Low-Cost Housing and Related Services
(000's)

		ACTUAL a/		PLANNED b/	
	1979/80	1980/81	1981/82	1982/83	1983/84
Bulawayo	4,000	7,000	6,000		
Masvingo	309	535	1,920		
Mutare	1,500	1,300	1,690		
Harare	-	585	3,750		
Chitungwiza	10,526	6,887	14,669 c/		
Other	4,108	6,525	6,928 d/		
TOTAL	20,443	22,832	34,957	40,000	50,000

a/ Source: Former Ministry of Local Government and Housing.

b/ Source: Ministry of Finance and Economic Planning, Draft Interim Investment Plan.

c/ Includes $8.0 million originally sanctioned in 1980/81 and lent in 1981/82.

d/ Includes $3.0 million originally sanctioned in 1980/81 and lent in 1981/82.

3.07 The trend in government loans for low-cost housing appears to be positive (see Table 3.1) but this may be misleading for two reasons. First, new loan approvals in 1981/82 were only $24 million, as compared to

$34 million approved in 1980/81. Although the carryover of loans to 1981/82 makes it appear that sanctions were increasing, they were, in fact declining.27/ Second, there appears to be little confidence that the loans included in the 1982-84 draft interim plan will materialize. The draft plan is not yet official, and even when it is approved as a plan it will not be a budget allocation; MLGTP, MOH and Ministry of Finance officials were reluctant to predict actual loans, cautioning that the amounts in the interim plan should be treated as the maximum.

3.08 The expenditures on low-cost housing by the individual municipalities are determined by the municipalities themselves, with only the loan portion subject to direct Government determination, and records on the expenditure on low-cost housing from local government resources exist only in local final estimates.28/ There are no aggregated estimates for past or future expenditures built up from individual municipality plans. However, the Ministry of Finance and Planning estimates that, during the 1981-84 period, municipalities will contribute about $11 million per year from their own resources and borrow (from non-Government sources) an average $11.0 million for a total of local resources of $22.0 million per year.

3.09 It should be stressed that investment projections for low-cost housing are approximate at best and actual expenditures may be considerably less. To begin with, other priorities may dictate a reduction in government loans. Also, in the generally tight financial market, municipalities may find it difficult to borrow for housing, even if the Government permits them to do so. Furthermore, profits of the African Beer Account, the main source for municipal revenue for housing, are declining because of stable prices for beer and increasing costs, at the same time as demand for social services, which are also financed with these funds, are increasing. Harare, for example, subsidized the welfare account (which used to be financed from the beer fund, with money left over for housing investment) from general rates in 1980/81, rather than having a surplus from the beer fund for housing investment. Similarly, in both Mutare and Masvingo, profits from the beer fund declined in 1980/81 to a point that they covered social service expenditures with scarcely any surplus for investment.

27/ The new loans approved in 1981 were only about half of the loans requested by the local governments, which prepared their bids under instructions to construct housing at a rate that could begin to reduce the backlog of housing demand.

28/ MLGTP keeps no records on local government expenditures by function.

Table 3.2: Possible Sources of Public Sector Financing for Low-Income Housing

	1981/82	1982/83	1983/84
Government Loans	34.9	40.0	50.0
Local Resources and Non-Government Loans	18.6	24.4	21.5
TOTAL	53.5	64.4	71.5

Source: Draft interim Public Sector Investment Plan, Ministry of Finance and Planning.

3.10 The adequacy of the projected low income housing investment can only be judged in relation to the anticipated need, which in turn depends on the housing demand backlog and the growth in population. As shown in Table 3.3, financial resources are not adequate to provide housing to fill the anticipated needs if past practices are continued. This raises two related questions: (i) can standards be changed to make housing cheaper; and (ii) can new financing be found?

Table 3.3: Housing Needs, Their Costs Under Current Government Programs and Government Funds Available

	1982/83	1983/84
Estimates of Government Funds a/ ($ millions)	64.4	71.5
Housing Needs (number of units) b/	30,000	33,000
Total Costs at Various Government Standards c/ ($ millions)		
1. Standard Housing	155.4	196.5
2. Core Housing	109.2	138.1
3. Ultra Low-Cost Housing	86.7	113.0
4. Site and Services with Wet Core	64.7	81.8
5. Site and Services with No Superstructure	53.1	67.1

a/ From Table 3.2.

b/ Assuming population increase 10% per year and 6 persons per household, 1 unit per household.

c/ See Chapter V for description and complete cost analysis of types. Costs are estimated as of mid-1982, and increased by 15% in 1983/84.

3.11 At this stage in the development of Government policy, practical guidelines on standards are lacking. Municipalities, with assistance from the Housing Development Services Branch had in the past developed standards that were commensurate with the goals of the past; i.e., to house a limited number of black people, who were employed as a condition for eligibility for the program, in houses that they could pay for, over time, from their wage incomes. The common solution was to build somewhat less housing than required, in segregated areas, using contractors to produce a limited range of house types. Acceptance of this housing, and of its location, in the sense of effective demand, was not a problem since there were no alternatives for the bulk of the black population. Cost recovery was a relatively minor problem since the rentors of housing were regularly employed, and municipalities could match the ability to pay of families on the waiting list to the housing type and cost.

3.12 The problem of low cost housing is changing dramatically and the standards and methods must also change. First, the target group for new housing will be growing much faster and increased financing must be found. Second, many families will have lower or more irregular incomes since formal sector employment is no longer a condition for urban residence, and a wider range of housing options, some of them much cheaper and more flexible, will have to be evolved.

3.13 The search for acceptable standards within realistic cost limits will be complicated by some of the residual problems of the old housing policy. The system of concentrating housing for black people in relatively large areas isolated from city centers and from industrial areas will no longer be politically acceptable, but the modification of this policy (e.g., infilling in smaller areas and scattering of industrial locations) may incur larger land and land servicing costs and, at any rate, will require amended planning. There is also a problem with the housing types themselves. Although they are relatively efficient and realistic, in terms of cost, for a wide range of incomes, they are associated in people's minds with former governments and they encounter political resistance in the context of rising expectations. It will be a major challenge to preserve the good features of low-cost housing, its affordability and replicability, while gaining political acceptance for it.

3.14 At the same time that workable standards are being evolved, new financing mechanisms will be required. As discussed above, the municipalities were the financiers of low cost housing, generally holding the housing themselves and renting it out at cost-covering prices, and more recently, selling it to residents and serving as mortgage holders on a long-term purchase contract. With the increased migration, the municipalities will not have sufficient capital to finance housing and other sources of long-term loan funds must be sought. Chapter IV of this report discusses this problem in some detail. Table 3.3 shows the extent of the problem.

3.15 Historically, infrastructure that was not related to low-cost housing was financed from a combination of sources: municipal savings, usually accumulated into special funds (about 45%); Central Government loans (25%); market borrowing (25%); and Government grants, primarily for health services (5%). According to the interim public sector investment plan, the Central Government will double its loans for general infrastructure investment from $14 million in 1981-1982 to $29 million in

1983-1984, and the local contribution will remain approximately stable at $23-24 million. The special funds for water, sewerage, and electricity have been managed on commercial principles and have yielded financial surpluses, i.e., some funding for capital investment after payment of interest and amortization on investments. These surpluses have largely disappeared. Thus, even with increased loans, shortages of financing for infrastructure investment may emerge.

3.16 While the past record of operations gives grounds for limited optimism about general infrastructure funding, there is an impending danger which has not yet become obvious. As cities grow very fast, a good part of that growth will be poor people, particularly to the extent that urban employment fails to keep pace. It is going to be harder to collect from these people, who will have few funds to spare and very little experience in market behavior in general and in paying for government services in particular. Furthermore, the political problem of raising rates as necessary to account for inflation, or for long run increasing costs, is likely to become more difficult. While it is impossible to solve this problem in advance, cities can prepare for it by planning greater collection efforts and by considering some form of automatic price increases for servicing, such as indexing tariffs to some key cost. The universal experience, throughout Africa and beyond, is that with the rapid population growth phase apparently well-functioning financial systems can break down very quickly.

3.17 It should be noted that primary infrastructure is already in place at a high standard. Water and sewerage reticulation is complete, even in the low-income areas.29/ Major surplus capacity exists in most of the municipal streets; investment can be devoted to removing a few bottlenecks and improving traffic engineering. Thus, Zimbabwe is in the unusual situation, for a country of its income level, of requiring infrastructure investment only for the increment of population, starting from a solid base. And most of the incremental investment will be covered in the housing and related services category in connection with low-income shelter projects.

B. Urban Land

3.18 Zimbabwe is unusual in that most of its urban areas have adequate land, owned by the municipalities, to accommodate the expected rapid increase in populations over the next few years. If 100 persons can be housed per hectare developed,30/even Harare, the most land-short of the municipalities studied, could accommodate its growth of population on vacant land currently owned by the municipality, assuming half of it was devoted to low income housing, for three or four years. This implies that

---

29/ Parts of all major cities operate on septic tank systems, because of extremely low densities. This does not present the municipalities with investment problems, however, because they need not be sewered until densification begins in earnest, i.e., not in the near future.

30/ This density could be achieved, for example, on single family (5 persons) plots of 250 square meters with 50% net residential use.

Harare should begin now to acquire additional municipal land to prevent disruption of its low-income housing program four years hence. Under the same assumptions, Bulawayo and Mutare have enough municipal land for about 18 years, and land supply in Masvingo is not a constraint in the foreseeable future.

3.19 Profligate use of urban land could, however, lead to land problems in the largest cities in a short time. For example, net residential use in Harare's housing programs was only 35% because of large reservations for schools, other community facilities, and roads. If this were continued with plot sizes of 350 square meters, Harare would run out of vacant, municipally-owned land in a little over two years, and Bulawayo and Mutare would run into land shortages in about nine years, again assuming that 50% of urban vacant land currently owned by the municipality is available for low cost housing and that population grows at 7% per year. The other minor town studied, Masvingo, cannot anticipate a land shortage, even with very large plot sizes and low net residential land use. In summary, only Harare faces a land shortage problem in the near future; with more economical planning standards and a high proportion of land devoted to low income housing, land problems would not appear even in Harare until late in this decade (see Table 3.4).

Table 3.4: Availability of Urban Land in Selected Municipalities

	Harare	Bulawayo	Mutare	Masvingo
Total Municipal Area (hectares)	54,000 a/	53,300 c/	11,000 d/	7,000
Undeveloped Land (hectares)	7,930 a/	13,687	7,500 d/	5,200 e/
Owned by Municipality (hectares)	3,810 a/	11,509	2,000 e/	5,200 e/
Annual Additional Demand for Land for Low-Income Housing	549 b/	320 b/	59 b/	19 b/

a/ Includes approximately 10 km^2 of land (Parkridge Fountainblue area) which is presently being acquired by municipality and which will be brought into city boundary.

b/ Five year average, assuming 7% per year growth in population, and assuming gross densities of 100 persons per hectare.

c/ Includes 11 km^2 of municipality-owned land, currently outside municipal limits, which will soon be incorporated.

d/ Excludes 48 km^2 which are too hilly to be developed; 110 km^2 are estimate of total useable land.

e/ Rough estimate; accurate land use and land tenure maps not available. In the case of Mutare, this is a minimum estimate.

3.20 Adequate land changes the emphasis of land use planning for low-cost housing, with development cost being much more important than land cost for the next decade, except in Harare. If it is acceptable to trade off plot size against service standards, for example by substituting latrines for waterborne sewerage, standposts for house-connected water, and unsealed roads for sealed roads, the smaller municipalities could offer a wide range of plot options. (Without a service/plot size tradeoff, big plots would be too expensive from a development cost, rather than a land cost, point of view.)

3.21 Adequate land will also ease the fiscal problem in most cities. Profits from already owned land, incorporated into the price of serviced plots, can be an additional source of revenue for financing further development. Only in Harare must the price of land immediately be ploughed back into acquiring additional land.

C. Basic Needs and Service Standards in Urban Areas

3.22 Services to meet basic needs in urban areas, where coverage is reasonably comprehensive, must be viewed in the context of the serious deficiencies in rural areas. While there have been disparities of standards in the towns, the much larger imbalance is between the towns and communal lands, and the attention of Government is largely focused on increasing rural services to remedy this imbalance. Some examples of rural service levels provide useful perspective on the cities' problems. In education, 80% of rural primary teachers lack formal teaching qualifications and the dropout rate in primary schools is 45%. In health care, 200 rural clinics (versus 300 presently existing) will be required to provide a clinic for every 20 square kilometers of inhabited rural space, (roughly the standard of such neighboring countries as Kenya) and it is estimated that as many as 60% of the rural clinics are inoperative or seriously hampered by war damage or loss of personnel in the war or the subsequent emigration. Preventable diseases remain very important; measles and diarrheal diseases are two of the three leading causes of death among black Zimbabweans. In water supply and sanitation, 99% of water supply in communal areas comes from boreholes and handpumps, and pit latrines, where they exist, are the only system of human waste disposal; waterborne diseases are still very important health problems. Adequate nutrition cannot be taken for granted in communal lands; a local health and nutrition survey in the Kwekwe communal area in 1972, found 20% of children below normal height for age.

3.23 Compared to the rural problems, the urban service problems appear relatively tractable. The urban basic needs challenge is to prevent serious deterioration in standards of service, while catering to a rapidly growing population primarily through the introduction of lower levels of service. Problems of intra-urban distribution of services--across races and income groups--are discussed (below) by subsector; it emerges that, even historically, the differences were largely of quality beyond the "basic needs" standard of service.

Education

3.24 Zimbabwe compares favorably with other African nations at independence in basic education infrastructure and academic quality, as well as enrollment records (see Table 3.5). The high primary enrollment ratio places Zimbabwe in the top third of African countries. With a rural dropout rate of 45%, the 78% enrollment rate in primary schools implies almost universal urban primary education. Secondary school enrollment rate is low, only 8%.

Table 3.5: 1980 Education Statistics

	Enrollment	Girls as % of Total	Blacks as % of Total	% Age Group Enrolled	Teachers	Schools
I. **Primary**	1,236,000	47	97	78	28,162	3,161
a) public	205,000	49	87	(ages: 6-12)	5,398	212
b) private	1,031,000	46	99		27,764	2,949
II. **Secondary**	74,300	73	73	8	3,737	200
a) public	37,950	52	52	(ages: 13-18)	2,027	74
b) private	36,350	95	95		1,700	126

Source: IBRD, Education Sector Memorandum for Zimbabwe

3.25 Both public and private schools for primary and secondary education are registered and aided by the Government, which finances salaries and provides boarding grants through the Ministry of Education and Culture. MOEC also runs the eight primary teacher training colleges and one secondary teacher training college (in 1981 there were 3,610 teacher-trainees) and provides non-formal courses and community development programs for about 40,000 persons. About 150 private centers, including those run by the Adult Literacy Organization, enroll an estimated 100,000 students in functional literacy, basic education and skill training programs.

3.26 Skilled worker and technician training, administered by the Ministry of Manpower Planning and Development, is mainly provided through the "apprenticeship" system and financially supported by employers' payroll taxes and workers' salary levies. The training programs include technical education in polytechnic schools, followed by practice on the shop floor under the supervision of highly skilled, registered staff. In 1980, 2,440 industrial students were enrolled in the two polytechnics. The quality of training is high due to the job orientation of the curricula and the excellent qualifications of the teachers. At present, about 4,800 former

polytechnic students are going through practical training in industry in seven main categories of programs covering 80 trades. There are also courses in commerce and secretarial skills (enrollment 3,300), adult education (460), and administration and management (760) at private institutes.

3.27 The major issue facing the urban education sector in the next decade is how to expand services and maintain the high quality of education in the face of growing demand and during a period when the main educational priorities will inevitably be rural. In the past, it was common for rural children to live with relatives in the city to attend school, but typically only one child at a time was sent from a rural family. Whole families will now be migrating, primarily to seek employment, but also with high expectations to receive urban quality education.

3.28 There are proposals that municipalities be required to absorb the burden of financing urban education. Such a shift would require major new revenue sources, on the order of $30 million for primary education alone. To shift the education burden without providing a major new revenue base would produce disastrous fiscal results for cities.

Health

3.29 Each of the major urban areas has at least one major hospital (about 250 beds each) and Harare and Bulawayo each have two. The population to hospital bed ratio is 300:1 in urban areas. The hospital system does not differentiate between income groups or racial groups. Outpatient services are free to the lowest income groups and provided at a nominal charge ($0.40 per visit, with free medicine) to all.

3.30 Existing urban health care disparities are largely in the preventive health field, and in the field of education in nutrition and hygiene. No separate data are available for urban areas, where standards are surely higher than average, but according to the Ministry of Health, for black Zimbabweans as a whole: (i) 90% of all serious diseases are preventable; (ii) measles, pneumonia and diarrheal diseases are the three leading causes of death; (iii) bilharzia, typhoid and malaria are still important diseases. Standards of infrastructure for water supply and sanitation in urban areas are high enough that, given education and care, diarrheal diseases, typhoid and bilharzia should be minor problems, as they are for white Zimbabweans, and measles can be prevented with vaccination. The big disparity between black and white Zimbabweans (albeit we cannot directly compare urban populations) suggests that "basic needs" health emphasis in urban areas should be on education for health and hygiene.

Water and Sanitation

3.31 In the cities the water supply is from piped connections and sanitation is waterborne, even in poor areas. The existing bulk water supply is sufficient in most urban centers until the mid-1980s, with sufficient scope for extension to meet demand until 1990-91. Use of safe water and better sanitation requires additional efforts to change habits through community education. The problem of continuing to meet basic needs, in the sense of physical provision of services, is exclusively one of expanding the geographic coverage of the system in line with population growth.

Other Social Services

3.32 Previous governments had evolved a system for providing other social services in African housing areas, financed by the profits of municipal beer monopolies, and administered by municipal governments with special staff and separate budget accounts (usually labeled African Welfare Funds) for each major African housing area. This system remains intact for the moment, and serves as the primary government vehicle for providing other social services to low-income groups. Individual municipalities structure these services differently, but typical family services are provided, i.e., family casework and youth work, services for school leaders, women's groups, pre-school centers, arts and crafts, parks and playgrounds, libraries, and ambulance services.

3.33 In addition to these services, the Ministry of Community Development and Women's Affairs, and almost 300 voluntary organizations, provide social services to urban populations. Descriptions of these services are beyond the scope of this report.

3.34 An obvious problem in maintaining the wide variety of social services is to continue the basic functions of the old African Welfare Funds without serious interruption during a period of rapid urban growth, while the distinctions in housing areas based on race are breaking down. The evolution of agencies toward general, city-wide service providers, and the financing of these new type agencies, are matters that have not yet been systematically addressed by Government.

D. Government Policy Toward Urban Investments

3.35 In the past, following a decentralized model, more or less self-sufficient local governments have provided most of the necessary urban services. Because municipal governments have been strong, financially and administratively, (compared to those in most countries at a comparable level of development) the policy that has developed on urban investment has been simple, straightforward and reasonably effective. Sector by sector, the approach can be summarized as follows:

(a) Low-cost housing and related infrastructure. As discussed earlier, the Central Government has been an important source of loan funds, but the local governments--which are directly responsible for these services--have financed a major portion of this investment through revolving funds. They have recovered costs and repaid government loans, usually with no burden to the general municipal fisc. Historically, there has been a shortage of low-cost housing for black migrants to towns, but the shortage was not severe by African standards;

(b) Water, sewerage and urban roads. These have been provided by local governments, sometimes with borrowed funds. Complete cost recovery is the rule, organized through special funds for water and, in some cities, for sewerage, and from the general rates account for urban roads. In general, the special funds for water and sewerage record surpluses after maintenance, operating costs, and debt service, but they need to borrow, sometimes from the

Central Government, to finance investments;31/

(c) Electricity. Although some of the local governments have, historically, supplied electricity, it is now supplied by an autonomous agency, which is self-financing, and local governments receive a small income as a franchise fee for electricity sold in the municipality;

(d) Schools. The Central Government has been responsible for construction and staffing (local governments contribute maintenance of buildings and grounds) for the primary and secondary levels. This (and the administration of health services discussed below) is an important determinant of local government financial strength; because local governments have been able to concentrate on the relatively hard sectors, where cost recovery is possible, they have also been able to remain financially sound; and

(e) Health services. The construction and staffing of hospitals and clinics have been responsibilities of the Central Government. Local governments contribute funds for maintenance, medicines, and other non-staff operating costs and, in return, collect a nominal fee. This fee ($0.40 per illness) bears no relation to operating costs, so that the municipal input into health services must be financed from local rates.

3.36 Virtually all of these policies are now subject to intense discussion and reconsideration. The most important change being contemplated is to shift the burden of education to the municipalities. In the absence of important new sources of revenue, this would probably wreck the finances, and (indirectly) severely damage the administration of local government. More generally, a system of local governments that functions fairly well is a very important asset as Zimbabwe enters a rapid growth period. Strains will be inevitable; housing, infrastructure of all kinds, and simple administration will all come under heavy pressure because of accelerated urban growth. These unavoidable pressures should be taken into account before increased burdens are placed on municipal governments.

E. Financial Pressures and Innovations

3.37 The most serious financial problem now confronting urban Zimbabwe is the funding of low-cost housing and its supporting infrastructure, and the related problem of extending urban services to a rapidly growing low-income population. If the municipalities' basic responsibililty remains the same, financial adjustments will have to be made. A series of

---

31/ To date, user charges have been adequate, adjusted when necessary and, apparently, reasonably apolitical. The one exception is public transport where, in the past, fares covered cost. Now there is pressure to maintain low fares in the face of rising costs. Cities have proposed fare increases which have not been allowed by Central Government, possibly a good example of the advantages of decentralized decisions.

financial adaptations are being discussed, the most interesting of which are discussed below.

3.38 It has been proposed to tax all areas of each city under a general rate fund. Until now, there have been two separate tax systems in municipalities: one which applies to high-income, low-density areas where property taxes are the main revenue source, and another which applies to low-income areas where a combination of profits from beer monopolies and flat charges on plots provide most of the revenue.[32/] The proposal to unify the tax systems is based on long run fiscal arguments and on social considerations.

3.39 The initial fiscal consequences of unifying municipal tax structures would be minor; most properties in low-income areas are of comparatively low value, and at present rates their property taxes would generally fall short of the flat charges which are now levied. It would probably be necessary to continue a system of minimum charges, expanded to all plots in a municipality and, on top of that, a rate based on the value of property. In the short run, it would be necessary to adopt a rough method of valuation of property in low-income areas. There is a good deal of uniformity of design and construction standards, since these houses, or at least their cores, were built initially to government specifications, so it should be possible to calculate approximate values on many houses by assessing a few types. Beyond that, exceptionally well developed properties could be individually assessed.

3.40 In the long run, uniting the rate fund will have major fiscal payoffs. The present low-density, high-income areas (the currently rated areas) will be a rapidly declining portion of municipalities, and if new properties are not assessed and taxed, the rate fund will be unable to sustain the financial burdens of city growth. Moreover, growth is likely to take a much different form in the future; in newly urbanized areas, income levels and building standards will be diverse, as the old mass-produced approach to low-income housing is abandoned in favor of more flexible forms. Arguments of equity seem to demand that these unequal properties be taxed according to their value, which is not possible under the old flat rates.

3.41 The social argument for unifying the rate fund, eventually if not immediately, has to do with equal treatment of all citizens and with gradually removing the barriers between the formerly all-white, exclusive, upper-income group and the rest of the citizens. To an outside observer, the continuation of a fiscally segregated poorer class already seems an anachronism.

3.42 A second major innovation under discussion is to channel private savings into low-cost housing and, if possible, into the provision of indirect loans for expansion of infrastructure into new housing areas to allow the cities to concentrate their debt carrying capacity on the

---

32/ Both areas pay service charges for water, electricity and sometimes for sewerage, and in low-cost areas, the house rents are service charges which cover maintenance, administration, interest, and debt repayment.

necessary expansion and deepening of trunk infrastructure. This use of private savings, however, competes with other priorities, such as financing public sector deficits, and will inevitably be somewhat restricted by these needs.

3.43 The municipalities are faced with a large and probably irreducible infrastructure-extension expense.[33/] We have seen (Table 3.3) the financial consequences for the municipalities if they also attempt to finance housing (at various standards) for populations growing at 7% per year. The fact that municipalities ultimately recover costs from charges, rents and mortgage payments, will not solve their short run financing problem, in spite of the fact that it makes them creditworthy, because the source of borrowed funds for both housing and high-standard infrastructure is simply not in sight. A way must be found to convert private savings, which have not ordinarily gone into the low-cost housing market, into a source of long-term financing for this segment of housing demand. One possible mechanism is discussed in detail in Chapter IV of this report.

3.44 A third major, and necessary, innovation is to alter land use standards in order to increase the net residential area for each hectare of new land that is urbanized, and to increase the number of plots per net residential hectare. Comparatively speaking, this is a simple improvement, requiring only administrative decisions to implement it. At present, new residential areas are being developed that assign only 35%-40% of the gross area for housing, largely because of very generous allocations for school and other community facilities. The same functions can be performed on much less space, leading to significant economies, net residential areas of about 0.55 to 0.60 per hectare urbanized is a reasonable target, and plot sizes of about 200 square meters appear to be reasonable in the Zimbabwe context, compared to current plot sizes of 300-350 square meters.

3.45 Increased net residential land per hectare, and smaller plots, would lead to a major reduction in development costs per plot. At 350 square meters per plot and 35% net residential use, a hectare yields 10 plots. At 200 meters per hectare with 60% net residential use, a hectare yields 30 plots. The difference in infrastructure costs per hectare is comparatively trivial.

33/ It is unlikely that drastic reductions in the infrastructure package (e.g., piped water to individual plots, waterborne sewerage, sealed major streets) will be politically accepted, and at Zimbabwe's high average urban income level, drastic erosion of these standards would only be desirable to serve the lowest income group of households. However, it must be emphasized that with the projected drop in average urban incomes, the phasing in of reductions in service levels will increasingly become necessary.

IV. Housing

A. Policy Considerations

4.01 Because national investment priorities have shifted away from the urban sector following independence, and since the rate of urban growth is expected to accelerate dramatically, current housing policies must be reassessed. This is essential if Zimbabwe is to maintain an effective shelter strategy in the face of limited resources and, at the same time, avoid the burgeoning of unauthorized squatter settlements, the costly experience that has occurred in other East African cities after independence.

4.02 In addition, the current emphasis on reorienting urban development policies to respond to post-independence concerns for a more rational and equitable approach to investment and land use will necessarily involve housing; the major financial and physical component of urban settlement, housing will thus be a key instrument in implementing physical planning changes reflecting the new priorities. Given the reduction in public resources available for housing in a situation of rapid urban population growth, the evolution of new policies must focus on supply. Despite the inequitable practices prior to independence, the programs for delivering low cost housing were generally well conceived and efficiently implemented. It is therefore important to capitalize on the positive aspects of past housing strategies, while identifying and avoiding where possible their constraints and limitations.

4.03 The benefits of past programs, which are incorporated in continuing policies and programs, included: (i) an emphasis on local authority autonomy and capacity to identify, prepare, finance and implement housing projects; (ii) a strict policy of replicability, requiring full recovery of costs from beneficiaries; (iii) careful attention to designing affordable alternatives, with constant rationalization of construction standards and techniques. This included taking the initiative in introducing new approaches, such as sites and services; and (iv) a shift from the provision of rental housing to homeownership.

4.04 The limitations of past programs included: (i) segregated settlement patterns and disadvantageous and inefficient locational policies; (ii) housing strategies which did not foster beneficiaries' participation in program formulation; and (iii) a stratified approach to matching supply and demand which complicated administration, and which led to unpopular solutions being imposed on beneficiaries in order to achieve price constraints.

4.05 In the development of revised policies, in addition to taking into account the best features of existing programs with proven, cost-effective benefits, it is necessary to introduce new emphases and complementary elements that make the most of the limited resources

available. This would include: simplifying the current range of housing strategies by identifying the most effective programs and concentrating resources on these; expanding productive capacities by concentrating local authorities' responsibility for construction on that of infrastructure rather than houses; and identifying new sources for providing housing finance to project beneficiaries to complement the local authorities' program of focusing on urbanizing land. Precedent and momentum of present programs, as well as a philisophical commitment to delivery of a full housing package through the public sector, must be taken into consideration in a reasonable discussion of revised policies. Government's current programs include aided self help (i.e., sites and services combined with building loans), core-house construction by building brigades for later progressive development, experiments with cooperative housing, and upgrading. Within the Ministry of Housing there is considerable reluctance to simplify if it means abandoning any of these efforts before they have been adequately tested. All of these programs deliver the full housing package; concentration on infrastructure in the public sector, with private financing for housing is not generally accepted as the only, or even the primary solution, although this is accepted as one major method of housing delivery. In summary, what can be realistically expected is an open-minded investigation of several options which include full housing and service delivery, and one option which features public provision of infrastructure and private financing of house construction.

4.06 For the following reasons, a revised housing program must be developed and functioning as soon as possible:

(a) There is a real danger that a reduction in resource allocations to urban areas will affect the public sector's proven technical and managerial capacity to undertake low-income housing projects. However, if a new program is implemented in the near future, momentum might not be lost;

(b) Although a significant number of professional and management personnel have left the civil service since independence, a large number still remain. Thus, an effective shelter/urban development program would serve as a vehicle for the training and transfer of information by the remaining personnel to the new staff in professional and management positions;

(c) Because one of the lowest cost housing options (in the present program) may soon be eliminated, less units will be produced and fewer households served--unless a viable alternative is found. Ultra low-cost housing (see footnote 37) which was first provided by the former government, has met strong public resistance as it represents a link with the past and does not meet post-independence expectations. And while the house per se was structurally sound and cost-effective, it has become a politically unacceptable solution. For this reason, another housing option which is as financially sound but better satisfies public expectations must be developed. This is made more urgent by the reductions in public sector allocations to urban housing;

(d) The negative impact that delays could have on the effectiveness of the program could be avoided. Construction costs are rising at nearly 30% a year (roughly double the present inflation rate in Zimbabwe).[34/] Consequently, the combination of decreasing resources for the urban sector and rising unit costs are further eroding the ability to meet supply targets. Also, because the urban population is expected to increase rapidly (see Chapter I), new arrivals are likely to form squatter settlements (which are difficult to relocate) if no alternative housing is available. In the past, the existing housing stock served as a relatively "elastic" source of supply, absorbing new families through increased crowding. Until now, this elasticity was sufficient to avoid squatting, particularly in the pre-independence context when population movements were deliberately slowed or reversed. The existing stock, however, cannot absorb any additional overcrowding;

(e) The longstanding, financially sound practice of full cost recovery for housing and urban infrastructure may be endangered under the political pressure to provide subsidized housing; if such a course evolves, it could threaten the program's viability and ability to expand. Therefore, a housing policy which preserves the tradition of cost recovery must be designed quickly; and

(f) Although the construction industry has been able to meet past requirements for building low-income housing (and has enjoyed a fruitful exchange with the government in promoting innovative methods for reducing costs), it is now reluctant to commit resources to increased output due to uncertainties arising from fluctuations in annual supply targets (largely the result of the war) and delays in final budget allocations (pending the completion of the interim development plan). Thus, a clearly defined program would enable the industry to plan for the elements (manpower, capital, etc.) it will require to undertake construction of low-income housing developments.

4.07 In order to revise existing housing policy and develop new programs the MLGH established a special Housing Committee (within the Ministry). Following the split of MLGH into two, and the creation of the new Ministry of Housing (MOH), this task has now been assumed by MOH, and it is in large measure a question of how creatively the Ministry chooses from among existing strategies, and what key elements (in particular, the harnessing of private sector resources and capabilities) it introduces, that will determine the effectiveness and acceptability of a new program.

34/ Attributed primarily to the labor intensive nature of the construction sector in Zimbabwe combined with the series of recent wage increases.

4.08 A major factor in the formulation of new housing policy is the capacity of the public and private sector to increase supply to meet the growth in demand. Thus, the following two sections examine the issues involved in both.

B. Demand for Housing

4.09 Annual urban population growth rates are expected to average around 7-10% over the next decade, implying that, on average, 25-30,000 households will be entering the urban housing market each year for the next five years.

Table 4.1: Household Income Distribution, 1981
($ per month)

	% of Households	Cumulative % of Households
Under $56	0.5	0.5
57 - 112	7.7	8.2
113 - 169	21.5	29.7
170 - 225	28.3	58.0
226 - 281	18.0	76.0
281 - 337	8.3	84.3
338 - 393	6.3	90.6
384 - 421	1.3	91.9
422 - 562	7.6	99.5
562 and Higher	0.5	100.0

Source: Lower income expenditure survey, 1976/77, Central Statistical Office Monthly Bulletin of Statistics, January 1982, Central Statistical Office.

Notes on derivation of table and key assumptions:

(1) The income distribution derived from the 1976/77 Lower Income Expenditure Survey (Source 1) was taken as representative of the incomes of black urban households in general in 1976.

(2) The mean income of urban employees in 1981 (using data from third quarter as representative of the year's average) was calculated from Source 2 and divided by the mean for 1976.

(3) The earnings of the 1976 distribution were inflated by this multiplier.

(4) The construction of the distribution in this manner omits the small upper income group amounts to assuming that the incomes of the black urban households bear the same resemblance to the mean for all urban workers in 1981 as in 1976. This probably understates income on the lower end of the scale, since minimum wages were raised to $80 per month in 1981 (and further to $108 per month in 1982).

4.10 Currently there is a considerable oversupply of existing housing stock above the $12,000 price range. Much of this housing is on the market at about 40-60% of replacement cost--a reflection of the limited demand able to afford it. Over 95% of the urban population earns less than the $480 per month necessary to pay for a $12,000 house.[35/] For practical purposes it can therefore be assumed that about 95% of the newly formed or newly urbanized families will require low cost housing.[36/] Thus, to meet shelter needs (excluding the current backlog of over 60,000 units--a figure derived from reasonably updated waiting lists), and based on projected urban population growth rates of 8%, about 150,000 low cost units will have to be produced over the next five years--an amount almost as great as the entire stock (170,000 units) produced prior to 1980.

4.11 Within the overall need for low cost housing, past policies have attempted to provide different types of units designed to match the ability to pay of households at different income levels. Table 4.1, which presents an urban income distribution, can be used to construct an "affordability distribution" by relating it to the different housing options currently produced by the public sector (Figure 4.1). Four options are

---

35/ As shown in Table 4.1, at the 95th percentile of the urban income distribution, household income reaches $480 per month.

36/ Low-cost housing refers to housing neither currently available nor produced by the private sector, that is housing costing less than $12,000.

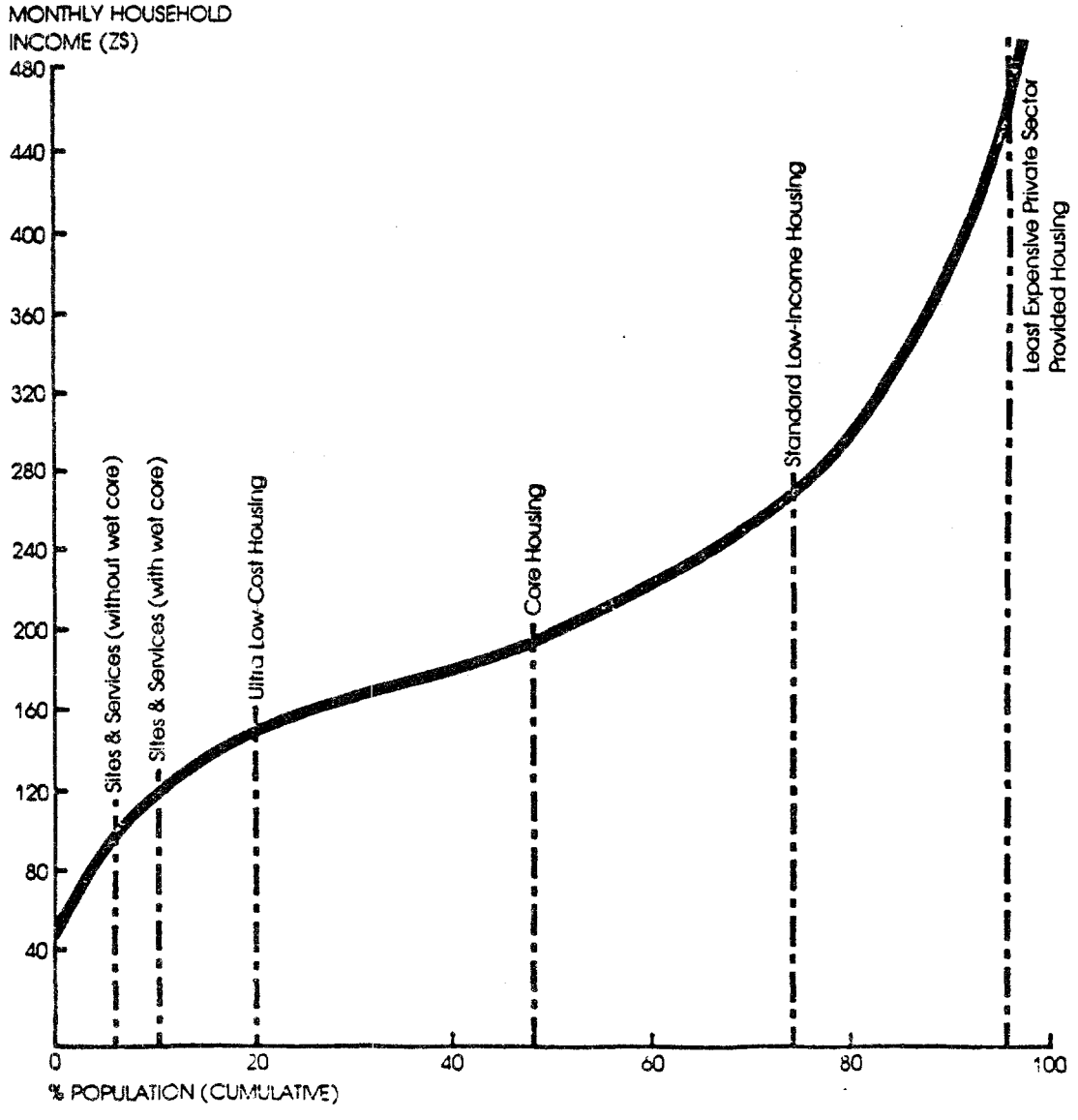
available[37/] --standard, core, ultra low cost, and sites and services--each affordable to a different income level. Planned squatting areas (demarcated plots with clusters of grouped water and sewerage facilities) have also been provided as an interim measure to relocate squatters in one settlement in Harare. Costs of these options (presented in Table 4.2) range from $5,180 for a standard unit to $2,155 for a sites and services plot with invididual infrastructure connections and a wet core consisting of a shower and toilet (squat pans). A similar sites and services plot (not currently produced) without the wet core would cost

---

37/ Standard housing units are generally detached or semi-detached, single-story, between 30-60 square meters, with one to three bedrooms, living/dining room, internal or external combined flush toilet and shower, and kitchen (often in the form of a partially sheltered cooking area). Some terrace and multi-story units were built as well.
Core housing units, introduced in the early 1960s and constructed today in even greater numbers, usually have one or two rooms each of ten square meters, a kitchen, shower/toilet, and a roof large enough for the addition of more rooms. They are generally detached, except for the toilet cores, which may share common walls with adjacent toilets.
Ultra low-cost units, designed to last about ten years, are intended to provide shelter at an affordable price until the resident can build a more permanent structure. Initially, these were constructed of standard cement reinforced with chicken wire mesh, but are now built of cement blocks with asbestos roofs and rammed earth floors. At this time, only HDSB has produced these units.
Sites and Services units, which were introduced in the late 1970s and limited to 8,000 plots in the Glenview section of Harare, include sites with an enclosed cubicle containing shower/toilet facilities. The owner is required to build a permanent structure within ten years and, in the interim, may construct a simple temporary structure. Because the program initially offered only small loans for building materials, beneficiaries had to rely on the building societies for financing; since these only provide credit for structures costing at least $6,000, most of the households were excluded. To correct this, the city of Harare is now providing loans of up to $800 for Glenview plotholders, but this is still a relatively small sum and the number of clients who can be served is limited due to scarce resources.

Figure 4.1:

Household Income Levels and Affordability of Government Housing Options[1]



[1] Based on 1982 household survey data.

World Bank—24555

Table 4.2 Costs of Selected Options Presently Produced in Zimbabwe
(May 1982 prices)

1. DESCRIPTION	A Standard low cost unit with 2 bedrooms, living/dining kitchen and toilet/shower. All rooms finished.	B Core house comprising 2 finished rooms kitchen and toilet/shower. All rooms finished.	C Ultra low cost house comprising 2 unfinished rooms plus kitchen and toilet/shower.	D Site and service comprising demarcated serviced plot and toilet/shower wet core.	E Site and service comprising demarcated serviced plot & water/sewer connections.
2. Plot size (m2)	200	200	200	200	200
3. Dwelling unit size	42	27	23	1.5	-
4. Land:					
(a) Unit cost (2$/m2)	0.30	0.30	0.30	0.30	0.30
(b) Total cost (2$/plot)	60	60	60	60	60
5. In site infrastructure (2$/plot):					
(a) Roads (residential)	276	276	276	276	276
(b) Roads (distributor)	145	145	145	145	145
(c) Surface water drainage	120	120	120	120	120
(d) Water supply	190	190	190	190	190
(e) Sewerage	271	271	271	271	271
(f) Electricity reticulation and town lighting	95	95	95	95	95
(g) Sub-total	1097	1097	1097	1097	1097
6. On-Plot Development					
(a) Unit cost (2$/m2)	83.3	77.8	65.2	N/A	N/A
(b) Total cost (2$/dwelling)	3500	2100	1500	750	400
7. Connection cost:					
Water & sewerage (2$/plot)	20	20	20	20	20
Sub-total (2$) (4b+5g+6b+7)	4677	3277	2677	1927	1577
8. Professional fees:					
(a) Unit cost (2$/m2)	0.175	0.175	0.175	0.175	0.175
(b) Total cost (2$/plot)	35	35	35	35	35
9. Physical contingencies (2$) (10% of 7)	468	328	268	193	158
10. TOTAL (2$)	5180	3640	2980	2155	1770

$1,770[38]. It should be noted that the sites and services option is relatively experimental in Zimbabwe, and has only been produced in one area (Glenview) in Harare, though on a fairly large scale (8,000 plots).

4.12 Table 4.3 indicates the affordability of the different options currently provided. About three-quarters of urban households cannot afford the standard unit, just over half can afford core housing units and about four-fifths can afford the ultra low-cost unit. The percentage unable to make payments on sites and services units is relatively small--in the neighborhood of 6%.

4.13 Conclusions based on the kind of rough analysis contained in Table 4.3 must be cautious: (i) income distribution may worsen, particularly as urban population growth is likely to exceed wage-employment growth; (ii) construction costs have risen very rapidly recently and they are likely to continue to rise faster than income; and (iii) land costs (in the sense of scarcity values) particularly for Harare, should be factored into the affordability analysis. For all of these reasons, it would be prudent to design housing programs more heavily weighted to cheaper options.

4.14 The process of tailoring costs to different income groups has had the benefit of yielding increasingly rationalized standards and materials of construction, resulting in considerable efficiencies and hence savings. However there have been several problems associated with this strategy: (i) this stratified approach is difficult to reliably implement. It requires income limits and careful monitoring of allocation procedures. Moreover it emphasizes regulation at the expense, to some extent, of focusing on production; (ii) in the effort to match supply and demand, solutions (the ultra low cost unit and, to a lesser extent, core units) have been devised which have become politically unacceptable (see para. 4.23); (iii) the pre-independence connotations (and environmental quality) associated with the repetitiveness of stripped-down mass housing are meeting increasing resistance; (iv) probably the most important constraint however is related to cost. In 1981 the pattern of public housing construction was heavily weighted (8,000 units) to ultra low-cost units (affordable at about the 20th percentile) but these will almost certainly be discontinued, as discussed above. Core houses (affordable to about the 50th percentile) were the next most commonly built (6,000 units) and standards units (affordable at the 75th percentile) constituted the

---

38/ The cost estimates given in this paragraph include a very low ($60 per plot) land cost. For Harare in the present, and for Bulawayo in the not too distant future (see Chapter III), an additional charge reflecting the scarcity value of urban land is economically required. Any of the municipalities may find it expedient to charge a price for land as a revenue device, even at present.

Table 4.3

Affordability Calculation, Government Housing Options

	Capital Cost Mid 1982($)	Costs to Plot-holders a/	Down Payment (5%)b/	Loan Balance	Monthly Payment c/	Other Monthly Charges d/	Total Monthly Payment	Monthly Income e/	Percentile f/
Standard Unit	5180	4660	233	4427	48.70	19.25	67.95	275	75th
Corehouse	3640	3120	156	2964	32.60	19.25	51.85	200	44th
Ultra low-cost house	2980	2460	123	2337	25.70	12.85	38.35	150	20th
Site & Service plots with wet core	2155	1635	82	1553	17.10	12.85	29.95	120	10th
Site & Service plot with no superstructure	1770	1250	63	1187	13.10	12.85	25.95	100	6th

a/ Exclude cost of on site water supply and sewerage and electricity reticulation. These costs (totaling $520 per plot) are recovered through service charges. (In this analysis, these costs are reflected in other monthly charges.)

b/ At present Government programs have no down payment.

c/ At 12.5%, over 25 years. This is current building society rate.

d/ Includes:

Loan Administration Charge	2.60
Sewerage Charge	2.00
Water Supply (13m3)	3.00
Refuse Collection	.60
5 amp electricity supply	6.40 or 0 with no connection
Taxes (minimum charge or rates)	4.65
	12.25 or 12.85

e/ Based on 25% of income for housing.

f/ From Figure 4.1.

remainder (3,000 units). Using the same distribution of unit types, but based on the substantially reduced 1982/83 allocation to low-cost housing (estimated at $30,500,000) only 8,500 units will be produced--half the 1981/82 output and a third of the annual effective demand for low-cost housing.

4.15 This pattern of production, while reflecting a reasonable match between affordability and housing type, falls far short of meeting growth in demand within the constraints of public sector resources. As ultra low-cost housing is abandoned, and as core housing comes under increasing political pressure, new approaches will be required. The now experimental sites and services program appears to offer a solution. The 8,000 plot pilot project (Glenview) in Harare is considered a success from several points of view: (i) after a slow start, the plots have rapidly been taken up and construction initiated on over 80%; (ii) a major constraint to startup, building loans, has to some extent been overcome by the local authority itself making $800 loans to beneficiaries; (iii) estimates of private savings mobilized under the project suggest an average ratio of almost 14 to 1 of private to public moneys invested in house construction; (iv) a large informal contractor sector has emerged, indicating a substantial capacity for undertaking projects based on the participation of small-scale builders; (v) the variety of house types constructed have resulted in an environment significantly more appealing than the monotony of past public housing projects; (vi) the quality of construction and the response to repayment obligations have mitigated concerns that these may represent problems; and (vii) the satisfaction of the beneficiaries participating in the project is having an impact on policy makers.

4.16 A shift, therefore, out of ultra low-cost and core housing into sites and services could more than double the production of housing supply within current budget constraints. The impact of alternative strategies on the growth of unmet demand is summarized in Figure 4.2. It is apparent that an emphasis on sites and services would have a significant impact on efforts to meet future growth in demand. It is also apparent however that a serviced site constitutes a housing opportunity rather than a housing option, until at least a minimal superstructure has been built. Nevertheless the type of house finally developed on each plot, and the speed of construction can be varied to suit the available resources of the particular household at any given time. For the poorest households, development will be slow and the final product may approximate core housing or worse. However, Government is not put in the position of building mass housing of a type perceived to be inferior; they can simply allow development to take place that is appropriate to the householder's ability to pay as he sees fit, thereby achieving an automatic match of superstructure provided to effective demand. As discussed in a more general context (4.05 above) current programs include several options besides sites and services, including aided self-help (basically, sites and services plus building loans and technical assistance); cooperative development; and core development by building brigades. All have advantages and adherents in the MOH and none is likely to lose momentum relative to sites and services in the short run. It is encouraging, however, that major site and service developments are being sponsored by Government.

4.17 An expansion of sites and services programs also caters to the preferences of households who could afford core housing or standard housing

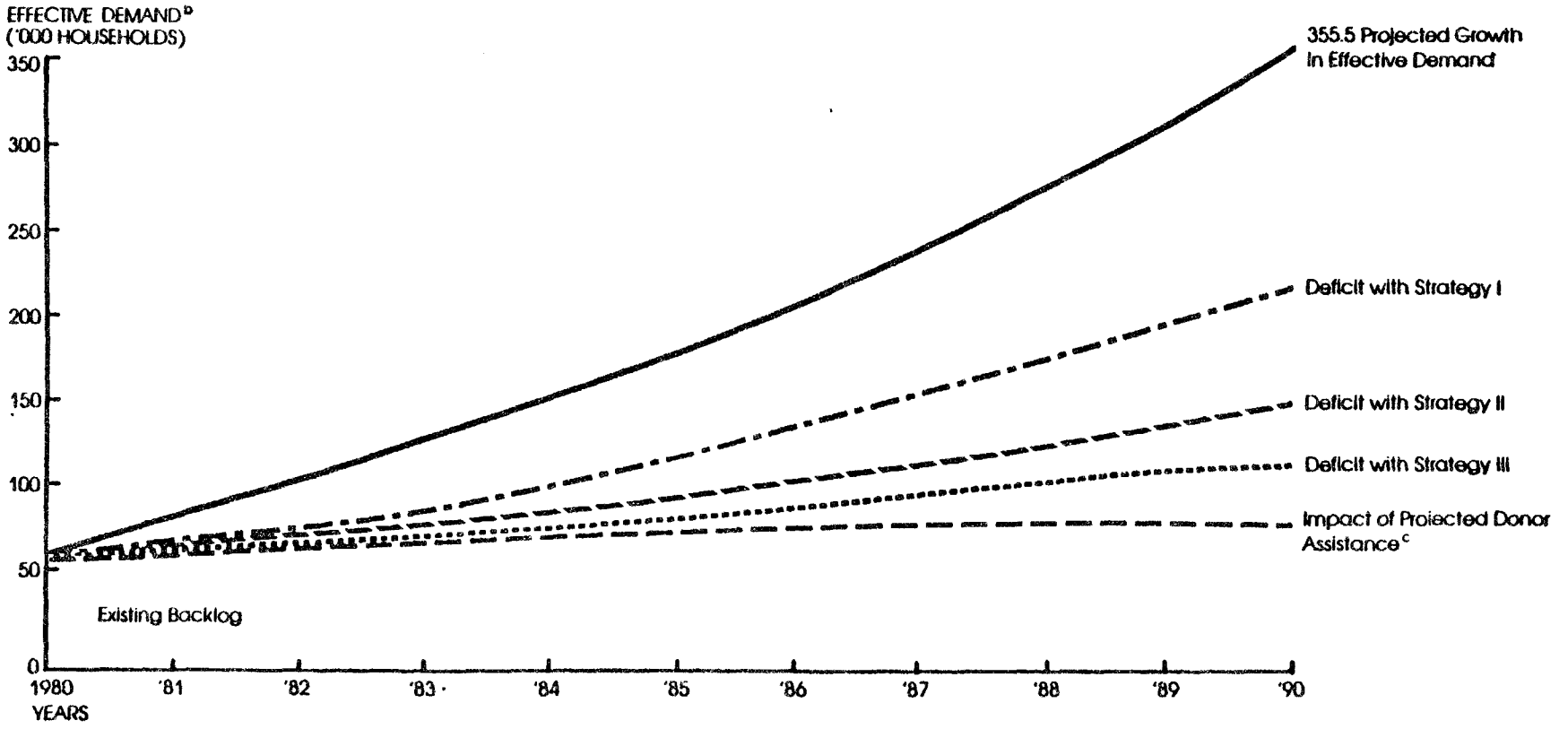
Figure 4.2[a]:

Projected Growth in Effective Demand for Low Cost Housing, and Impact of Alternative Investment Strategies on Demand[b]

STRATEGY I: Continue production with same mix of housetype options as produced in 1981 (ultra low cost 47%; core 35%; standard low cost 18%).

STRATEGY II: Distribution of housetypes based on profile of effective demand, excluding production of ultra low cost units (sites & services without wet core 4%; sites & services with wet core 42%; core 30%; standard low cost 24%).

STRATEGY III: Only sites & services (without wet core).



[a] Budget increases from 1983 assumed to be 10% over and above inflation.
[b] Effective demand for low cost housing assumed to be 90% (6th to 96th percentile — see Figure 4.1).
[c] Deficit with Strategy III & donor assistance averages 1500 units per annum (after discounting existing backlog by 1990, but with unmet demand decreasing by then).

World Bank—24556

but prefer to build a different type of house or a more expensive one. Thus, though it would present a flexible solution to the low-income housing problem, sites and services should not be confined to the lowest-income groups. The task (a difficult one) is to estimate the total demand and construct serviced sites to meet it.

4.18 The affordability of housing types, in the sense that households can, over time, pay cost-covering prices, is not a guarantee that housing programs can be successfully financed. At present, municipalities are the exclusive financing institution for low-cost housing. As is indicated in Figure 4.2, if a serious attempt is to be made to meet growth in demand, almost all government resources available for housing would have to be channeled into the servicing of sites. Consequently, this strategy depends on the participation of the private sector, in particular the building societies and possibly other financial intermediaries. The combined resources of the public sector, the financial intermediaries and the households themselves need to be mobilized if a program designed to meet demand is to be mounted. Opportunities for including the building societies in the financing of low-cost housing are discussed in the section dealing with housing finance. In addition, the potential role of private developers needs to be explored to minimize unmet demands. Cost estimates indicate that housing between $6,000 and $12,000 can profitably be produced, given appropriate government support (for example, assistance with land acquisition). Paragraphs 4.44 to 4.48 describe the past role of the private sector in developing low-cost housing.

C. Housing Supply

4.19 In the past, although the housing program was developed within a discriminatory system, authorities established rather effective approaches. Programs were constantly revised in order to develop housing options that (a) were affordable; (b) increased the supply to meet growing demand; and (c) found innovative measures to offset mounting construction costs. Also, the units were distributed relatively evenly, according to population, among the 14 main towns.

4.20 At present, there are over 170,000 low-cost units in Zimbabwe's urban areas (see Table 4.4 for the distribution of low-cost units among the 14 main towns). Nearly 75% of these units are in Harare, Chitungwisa, and Bulawayo, which together account for a similar proportion of the country's urban population. In the smaller towns, the ratios (of low-cost units to total population) are even higher than in the major cities.

4.21 The efficiencies that have developed in supplying urban services are the result of actions at both the national and local levels. At the former, the MLGH regulated the supply by allocating loan resources (to local authorities) according to population size (in the various cities) and to the soundness of the proposals, which were carefully reviewed. Also, the Ministry provided technical assistance and, where necessary, became directly involved in projects. At the local level, authorities (within a long tradition of self-sufficiency), assumed responsibility for preparing, implementing and operating housing projects and municipal services, while adhering to standards of strict financial accountability.

Table 4.4

Distribution of Low-Income Housing in the Main Towns of Zimbabwe
(as of June 30, 1980*)

Local Authority	Local Low Cost Housing Stock	Low Cost Houses Built in 1979/80	Growth Rate of Stock Through Housing Built in 79/80 (%)	Capital Expenditure 1979/80 ('000)
Harare	53,867	4,230	8	10,000
Chitungwisa	21,183	4,400	21	10,000
Bulawayo	45,000	5,100	11	12,000
Gweru	12,089	600	5	1,045
Mutare	7,171	730	10	900
Masvingo	3,106	214	7	350
Gatooma	6,000	410	7	468
Chegutu	2,792	290	10	365
Marondera	2,453	140	6	238
Kwe Kwe	6,151	419	7	970
Redcliff	572	-	-	-
Zvishavane	1,200	20	2	32
Chinhoyi	2,337	-	-	-
Bindura	1,360	50	4	100
	165,381	16,603	10	36,468

*Housing Located in Local Government Areas.

4.22 Despite the generally smooth operations, there are indications that some of the smaller local authorities had difficulty in fully utilizing their allocations, in managing the project cycle (particularly in preparing housing projects), and in addressing the associated issues of reduced standards and affordability. Therefore, while the current approach (of the local authority assuming responsibility for the project preparation and implementation) is generally effective, there is increasing evidence that the HDSB must shift its activities from building housing in the major urban areas to providing assistance to the smaller towns.

4.23 Over the years, in response to cost increases, and affordability and resource constraints, along with growth in demand, the four categories of low-cost housing options (described in footnote 37 to para. 4.11) evolved. However, until now, only in the Harare region (including Chitungwisa) were all four schemes implemented, with the other towns adopting mainly the first two approaches (standard housing and some core units). With regard to the ultra low-cost housing scheme; although these units complied with local standards with respect to room size, ventilation, and construction materials, most municipalities opposed them, as the dwellings were perceived to be unsafe and flimsy. More recently, they have been opposed for political reasons as well, being identified with the previous government, and being considered inconsistent with post-independence expectations. Thus, alternatives must be found that can reduce costs as effectively.

4.24 Sites and services projects have been limited to the Harare area (Glenview). After the plots were allocated, little permanent construction occurred and it was widely held that such an approach was unworkable. However, when it was recognized that the process had been stalled because the beneficiaries needed building loans and technical assistance, these were offered and the project made excellent progress (see para. 4.15). As a result, the approach is now widely held to have significant potential. Moreover, at present, when resources are increasingly in short supply, an important advantage to this scheme is that it can mobilize substantial additional resources, both with the direct entry of financial intermediaries into the low-cost housing market, and in the form of private savings invested by the beneficiaries in house construction.

4.25 In a departure from past practice, the Government, in recent years, has been promoting homeownership (in its low cost housing program) and the focus on the sites and services scheme is consistent with this approach. Until 1978, almost all the low-cost housing produced in the urban areas (except in Bulawayo and, to a lesser degree, in Harare) was rented; only in Chitungwisa, which is quite atypical, is most of the housing owned. But, following a shift in policy, nearly all the low-cost stock produced between 1978-1980 was for homeowners, and the total of owner-occupied units increased over 150% (with the construction of 33,000 new units) while rental housing stock increased only 9% during the same period.

4.26 At the same time, the Central Government has vigorously encouraged conversion of publicly owned rental housing stock into homeownership. But while local authorities have generally supported the policy, there has been considerable disagreement over the mechanics. The cities prefer a system in which the sale price would reflect current replacement costs while Central Government's method (which prevailed) is based on existing monthly rental capitalized over 25-30 years with a discount related to the length of occupancy. (The discount would be calculated as follows: 2% of the selling price a year for the first 5 years; 3% a year for the next 10 years; and 4% a year for the next 15 years.) The latter formula is clearly less advantageous for the local authorities, since a source of substantial revenue has been curtailed - though far less manpower will be required to operate and maintain the stock and this could, in turn, provide additional capacity for an expanded housing supply program.

4.27 Despite Central Government intentions, conversion is moving relatively slowly, as the process is administratively clumsy, particularly for the smaller towns. For example, each of the local authorities is required to submit proposals to Government for converting each housing scheme. Thus, by August 1981, Harare, the city in greatest compliance, had invited 19,300 renters to make purchase offers, of which 15,600 responded positively and 13,200 have been processed.

Patterns of Supply Increases

4.28 At the same time as the low-cost housing programs have evolved, the total stock steadily increased. The rate of increase doubled each decade over the past 30 years, from an average of 2,500 units produced a year in the 1950's to 10,000 units in the 1970's, with actual annual output reaching 16,000 units in 1979-1980 (see Table 4.4), and 18,000 in 1980-1981. Such growth implies that the system of production is well established, with substantial depth and resilience. Moreover, the high output in 1979-1980 and 1980-1981 suggests that the growth pattern can continue into the 1980's. Consequently, the projection of 20,000 new units a year over the next decade is consistent with performance to date. Moreover, if this calculation is based on the current mix of low-cost prototypes, a shift to predominantly sites and services (even within the 1981-1982 budget), combined with the establishment of effective channels for housing finance, would substantially increase the numbers which could be produced. However, any program will be contingent on changes in construction costs, manpower availability, resource allocations, institutional arrangements, and the action of the construction industry.

Costs

4.29 A comparison of unit costs for different housing projects indicates a fairly wide range on a per square meter basis. However, these differences are largely explained by the correlation between unit size and cost per square meter; the smaller the unit, the greater the proportion of the total area taken up by the kitchen and bathroom (the most costly components) and hence the higher unit costs. Other factors also influence the range of costs, including design and type of construction, scale of project and bulk buying of materials. On average, in July 1982 values, the unit cost for the superstructure varies between $65 and $85 and for the total package (including superstructure and on-site infrastructure) between $120 and $140.

Standards

4.30 Construction costs are closely linked to standards, but if current levels of infrastructure provision are accepted as given (for example, individual water and waterborne sewerage connections, optional individual electricity connections, paved surfacing for the majority of road surfaces, and a separate surface water drainage system), there is little margin for savings in construction standards, although some economies can still be achieved by changing the dimensions of the tertiary water reticulation network. This is in large measure because substantial innovations (to achieve savings) have already been adopted and additional refinements, while useful, are not likely to introduce significant further cost reductions. Consequently, the two remaining areas where change could markedly affect costs are: (a) land use planning standards; and (b) level of infrastructure provided.

4.31 In the near future, the most fruitful opportunities for savings would probably involve changes in land use, particularly with regard to plot size, the proportion of land allocated for public open space and institutional use, and road reserve requirements. Current land use practices in Zimbabwe exceed even the quite generous standards generally applied in the East African context (see Table 4.5).

Table 4.5

Land Use Standards and Density Comparison Between Nairobi & Harare

	Gross Density a/ People/Ha	Land Use Allocation (%) Residential	Circulation	Public b/
Nairobi c/	260	60	20	20
Zimbabwe d/				
In Harare	30-100	26	25	49
Outside Harare	80-130	35	25	40

a/ As compared to gross densities of around 400-500/Ha for planned low-income housing in other areas of the world (Latin America, Asia).
b/ Includes institutional and open space.
c/ These are targets currently sought in low-income housing projects in Nairobi.
d/ Based on existing regulations and practices.

4.32 Even minor modifications in standards could have considerable impact on costs. For example, to reduce circulation space from 27.5% to 20.6% (which would still allow 12-meter width in collector roads and 8-meter width in access roads) could reduce average plot development costs by 12% for 200 square meter plots. Similarly, if circulation space is 27%, to reduce plot sizes from 312 square meters to 200 square meters may reduce development cost by close to 40%. To reduce public space to the Nairobi standard would more than double residential space available in Harare projects, with infrastructure cost savings per plot in the neighborhood of 30% or more. Finally, denser development would reduce trunk infrastructure and transportation costs; these were not factored into the cost calculations above. An important aspect of new policy formulation is therefore the review of land use planning standards in Zimbabwe. The Ministry of Housing is seeking modifications in planning standards which would increase net residential land use, while rejecting a general standard of smaller plot size. (300 square meters is the planning minimum although smaller plots can be provided on request.) Given the tendency to achieve high plot coverage, with larger plots leading to larger buildings with more rental space, the concentration on increasing net residential land use is probably appropriate. Regarding changes to the level of infrastructure currently provided, it should be noted that the introduction of

intermediate technologies (for example, pit latrines and standpipes) would provide significant cost reductions. This approach is likely to be untenable in Zimbabwe in the near term, as it directly conflicts with policy and precedent. With rapid urban population growth and lower average urban incomes, however, the introduction of these technologies may eventually be necessary. Changes can be phased in as and if the need becomes evident.

D. Manpower

4.33 At present, the provision and maintenance of housing and related services are, to some extent, affected by manpower constraints; staff, in general, and skilled technicians, in particular, have moved from the public to the private sector, and personnel from both sectors have emigrated. Specifically, the Central Government has lost a sizeable number of experienced management and professional (mainly engineering) staff. Nevertheless, replacements, primarily Zimbabweans returning to the country, are relatively available and many ministries have substantially increased in size as their functions have been broadened and new recruits added. However, most new staff have limited prior experience and often do not have the training appropriate to their particular positions.

4.34 Thus, during the transition period, past efficiencies at the national level may be lost, first, as a result of the exodus of staff and second, due to the delays, as old policies are discarded and new ones formulated, and the requisite programs and strategies for implementing new policies are developed. For this reason, administrative and management training should be a high priority and relatively small investments in time and resources could yield substantial benefits. Much of the training could be done on-the-job, with additional short-term, institutionally-based courses run when needed. The more experienced staff could play an important role, both in maintaining efficiencies and in training, complementing the instructors who may need to be brought in to set up and operate the training programs. However, professional skills, particularly engineering, would involve longer term efforts and would have to be tied to university programs.

4.35 Local authorities have also lost professional staff, particularly engineers, and are having some difficulty attracting suitable replacements. Nevertheless, with the exception of the power/electricity supply sector, the remaining administrative personnel in other sectors appear able to continue effective operations. With regard to the highly trained skilled workers, the loss is more acute and is affecting operations in the council workshops and the maintenance of equipment and facilities. In addition, the problem is exacerbated by the fact that equipment is generally old and shortages in foreign exchange are limiting its replacement.

4.36 Building materials manufacturers are encountering different types of constraints. The two cement manufacturers, which operate three

factories, are considered able to meet the growing demand (cement is a major component of low-cost housing); however, transportation is a problem and has caused delays in delivery. Timber manufacturers are producing at capacity (timber is an important, though not essential, ingredient to low-cost housing) and are experiencing problems arising from outdated equipment, limited forest supplies and transportation delays, and it is likely these difficulties will persist in the near future. The single pipe factory is already over-extended and here too, outmoded plants and the lack of foreign exchange (needed to expand) are the main constraints to meeting demand. Roof sheet manufacturers seem able to maintain capacity and, if necessary, increase supply (roof sheets are the most commonly used material in low-cost housing). Difficulties are also arising with the supply of the other major component--sanitaryware--as it too is being produced at capacity level and the high foreign content (fibre glass and stainless steel) is limiting output. However, it is projected that, given the current market and the simple sanitaryware requirements of low-cost housing, the industry will be able to produce what is needed. In general, it is evident that a review of the various building materials supply constraints and an evaluation of production capacities are needed as part of the analysis for the establishment of new housing policies and programs.

E. Institutional Framework

4.37 It is the public sector in Zimbabwe that assumes primary responsibility for the delivery of low-cost housing and related facilities. The private sector, on the other hand, has mainly been involved through consulting firms, the construction industry, and a few experimental attempts by developers to provide shelter to the upper end of the low-income market.

Role of the Public Sector

4.38 In the past, with the emphasis on a decentralized system of government, local authorities - through strong and financially sound town councils - assumed the bulk of the responsibility for municipal affairs that is, for the design, contruction, operation and maintenance of primary, secondary and tertiary infrastructure and housing.

4.39 Operating within a very prescribed context of segregated settlement patterns and separate systems of resource allocation, the Central Government (chiefly through the Ministry of Local Government and Housing--MLGH) set some rates and defined some policies; but its primary function was to provide technical assistance and advice to local authorities, dispense annual budgetary allocations, review specific development proposals from the cities, and monitor performance. Regarding housing, within the MLGH this essentially regulatory function was undertaken by the Department of Physical Planning (DPP), which reviewed all proposals for specific housing projects. Given this limited flexibility, and therefore unable to pursue an ongoing process of initiating and revising policies, the Ministry tended to play a reactive role.

4.40 In 1977, MLGH's role in housing was substantially altered and extended when the Housing Development Services Branch (HDSB) was shifted from the Ministry of Public Works to MLGH. From the outset, HDSB moved aggressively into the area of policy, as well as project preparation and implementation. And even within the restrictive overall framework, a dialogue was successfully established between Central and Local government that yielded innovative housing strategies, as well as some significant policy shifts. Despite urban growth and development policies based on segregation, sound decisions were made about affordability and replicability of housing. As a result, sub-economic charges were phased out in favor of full recovery of all capital development, operating and maintenance costs. At the same time, sites and services were introduced in order to provide low-income groups with affordable shelter and greater choice. The major shift from rental to homeownership was also begun during this period (para. 4.25).

4.41 Along with formulating housing policy, HDSB also vigorously pursued its original mandate - to build Chitungwisa and other housing developments. However, while the HDSB was successful in terms of output, it is not clear that its emphasis on Harare was appropriate; the Harare City Council had a long and proven capacity to prepare and implement projects and the HDSB served to replace rather than expand existing resources. Thus a review of housing policy should include the following issues:

(a) Defining the future role of HDSB--whether it should retain the primary policy--making function it has enjoyed until now, or if it is better equipped to focus on program implementation (and have only limited input in formulating policy).

(b) Determining the nature and focus of HDSB - whether it should shift its primary attention to the smaller towns, where the local authorities' capacity to identify and implement projects is limited (and where it might become directly involved in executing projects). Also, it should establish the type and extent of technical assistance to be given to the different size towns.

(c) Establishing a policy formulating and coordinating capability within the Ministry.

4.42 In reviewing the institutional aspects of housing provision, it appears the primary role of local authorities should be retained and, where possible, reinforced. Until now, virtually all low-cost urban housing (with the exception of Chitungwisa and Parkridge-Fontainbleu[39/]) has been built by the town councils. As a result, they are generally very effective. And although there are some staffing difficulties (related to the exodus of experienced personnel), the change at the town council level

---

39/ Parkridge-Fontainbleu is a new development within Harare City Council boundaries undertaken by HDSB.

appears to be much slower than at the national level. Thus, a significantly larger number of senior staff remain, strengthening the argument for concentrating responsibilities at the local level. For this reason, the Central Government--through the MOH--should be more effective if it focused on identifying, preparing, and implementing housing projects in the smaller urban centers, where expertise was more limited. In addition, it could provide technical assistance back-up, where appropriate, as well as continue the dialogue with all local authorities in the search for improved strategies and techniques for reducing costs and increasing productivity. This is the present strategy of the MOH. Through effective strategic planning, the Ministry could also stimulate early identification of impending housing needs and encourage rapid planning and preparation of programs.

Role of the Private Sector

4.43 The different elements of the private sector--the construction industry, building societies and developers--have been involved in low-cost housing in varying degrees. A vigorous construction industry and a large number of diverse consulting firms have made important contributions to the shelter program, and exchanges between them and the HDSB led to efficiencies (in operations). Building societies, while not financing low-cost housing directly, have made significant loans to the government which were earmarked for such programs. And, in general, they have served as the underpinning of a healthy housing market.

4.44 Beyond these activities, there have been a few pilot efforts in the low-cost housing market. One large corporation attempted to build housing for its employees, but the prices were not competitive and the company lost over $400,000. At present, it is interested in trying again, but progress is being hampered by rapidly escalating interest rates, poor coordination with the public sector, and weak management. However, the major corporations, in general, represent valuable potential resources and their input should be explored. The Ministry of Housing is interested in these possibilities and working papers have been prepared to examine such issues as land pricing, debt service, and mortgage guarantees.

4.45 Only two very small projects were attempted by builders/developers and were highly successful. Developers bought serviced land at cost, received free technical assistance from the HDSB to prepare the designs, and constructed units of $70m^2$ which marketed for $6,000 in 1980 (with increased costs, similar units today would sell for between $10,000-$12,000).

4.46 Other developers have expressed interest in the low-cost market. Also, the builder who produced the units in 1980 (with his own financing) is pursuing similar projects. Thus, it has been suggested that the Government provide both undeveloped as well as serviced tracts of land and request proposals (from the developers) for specific projects, which would

include a price for the land, along with conditions of financing, pricing and allocation procedures that would meet ministry criteria (such as reaching target income groups). Such a course might, in fact, be feasible since precedent was set earlier (with the pilot efforts); for example, agreements were reached between developers and the government that satisfied the concerns of both, addressing such issues as setting of market prices, financing and mortgage guarantees, allocation procedures, limitations on "tied" housing, default procedures, mortgage responsibilities and title registration (system of deferred agreement of sale).

4.47 The benefits of private sector involvement are potentially quite substantial. First, additional resources could be mobilized that currently are not directed to housing. Second, developers could do much to help meet demand, in particular, producing units between $6,000-$12,000, while the public sector could then focus on housing between $2,000-$6,000. Estimates indicate there is a shortfall in the $6,000-$12,000 range (particularly in Harare). However, the potentially most significant role for the private sector relates to the provision of housing finance. But because the Government is now shifting away from the private sector, and is also suspicious of its motives and the benefits of its involvement, participation of financial intermediaries may be difficult to promote, despite the large resources that could be harnessed.

F. Housing Finance

4.48 As discussed in Chapter III, low cost urban housing has almost exclusively been provided by the local governments (aided by loans from Central Government and from private sources), while some employers have furnished housing to employees. The total amount of housing provided, however, is far less than what is required. Thus potential renters whose names are included on the lists of those eligible, typically wait for three or four years.

4.49 With the exception of a few pilot programs, no serviced land was available to low-income groups, nor were technical assistance or government loans available for house construction to individuals until the very recent past. Thus, private savings of low-income urban residents were not mobilized to produce housing, except to a very minor degree, when used to expand the housing built by municipalities. In fact, the first major program to sell low-cost housing rather than renting it was only begun in the late 70's (see para. 4.25); because the houses are being sold in completed form, private savings, to the extent they are harnessed, will be used solely for improvements.

4.50 A major experiment in the organization and financing of low-income housing is well advanced. As described in paragraph 4.11, a sites and services approach is being used to develop nearly 8,000 residential plots at Glenview, a new suburb of Harare. According to the criteria of efficiency and suitability for the lower-income groups, the project appears to be very successful.

4.51 The speed of progress on the Glenview project--two years from approval to complete allocation of the plots, and three years to over 90% occupancy--was extremely impressive[40/] particularly because it was a first of its kind and the managers had to overcome various start-up problems and perfect its organization as it went along.

4.52 The fact that the project is suitable for low-income groups is indicated by the demand for plots and by the very good cost recovery record. As it was designed for low-income families, applications were accepted only from households with monthly incomes between $40-$150; that is, from 38% to 138% of the current minimum wage. In spite of this restriction, demand by qualified applicants was 2½ times the number of plots available. With regard to collections on payments due, arrears of over 30 days were running at less than 3% of annual billings. Evidently, the project appealed and was affordable to the low-income groups for which it was planned.

4.53 In terms of its financial cost to the city, however, the project represents only a small improvement on past practices. In traditional projects, municipalities financed the full cost of infrastructure and housing. The only saving to the municipality in the Glenview site and services scheme was that the actual cost of house construction, in the form of building loans, was limited to a maximum of $1,000.[41/] The further extension of this system would have alternative institutions financing a larger share of the housing package.

4.54 The success of the Glenview program in getting housing built, its obvious acceptability as reflected in excess demand, its good record of collections to date, and its success in mobilizing private funds for housing, suggest that further steps in the same direction--relieving the municipalities of some of the financial burden of low-income housing construction--should be attempted. To date, most of the discussion of "next steps" has centered on the building societies involvement. While there have been some reservations about increasing their role because of their past practices, their impact on the supply of financing in this field could be enormous. In their good years, growth of assets has been in the range of $40 to $60 million per year. By comparison, government loans for low-income housing have been in the range of $20 to $30 million per year,

---

40/ The project was approved in August 1978; construction was begun in September 1978; plots were allocated beginning in March 1979 and completed, August 1980. As of August 1981, 93% of sites were occupied, all of which had at least one room completed. (The sites were prepared with a toilet core built by contractors.)

41/ No institutional program is available beyond the municipal loan program; private non-institutional sources provide the rest of building cost.

and non-borrowed resources for this purpose, raised by municipalities themselves, are about $10 million per year. Building societies could make a substantial difference. Suggestions are that they:

(a) Make additional loans to municipalities for developing low-income housing projects. This could simply represent an expansion of past practice, since the building societies have made such loans before. The loans could be used for old style, low-income housing projects or for some variant on the sites and services scheme;

(b) Make block loans to private developers who agree to develop, build, and sell housing for the low-income groups at a delivered price below some maximum, for example, $9,000. In such a scheme, the developer could be responsible for all on-site infrastructure, building to standards agreed upon with the municipality. This would involve large-scale private participation in this market for the first time, except for employee housing. Such a course would not solve the long-term financing problem unless combined with some system for loans to individuals, since developers could hardly hold long-term mortgages; and

(c) Provide loans (to individual plot holders) that could cover part or all of the cost of land, plot development, and housing. Such a move would represent an extension of ordinary building society business to a lower income, smaller borrower category.

To be effective, any of these operations by building societies would require a substantial expansion in scale and this, in turn, would require changes in recent national financial policy (discussed below in paras. 4.59-4.62).

Building Society Operations

4.55 The building societies were established under the Building Societies Act of 1965 and there are three registered in Zimbabwe, with total shares and deposits of $559 million. While there are stockholders, "profits" are retained as reserves or shared between members, through the payment of fixed interest on shares. Shares are "permanent," meaning that they cannot be withdrawn for 18 months and then only after six months' notice, or are of the "subscription" variety which are contracts to save a given amount per month for a period between two and five years. Current interest rates on these shares are 11 1/4% for permanent shares and 9% and 10 1/2% for subscription shares of 2-year and 5-year periods, respectively. Building societies also accept interest bearing deposits ranging from deposits available on demand, paying 7 3/4% interest, to fixed deposits for 24 months, paying 10% interest.

4.56 Until now, building societies have mainly provided housing mortgages for relatively high-cost housing, for a total of approximately 30,000 houses to date. The minimum construction standard unit that qualifies for a mortgage costs about $8,000, but the bulk of the loans are for much higher priced units.

4.57 Building societies have grown steadily. The table below shows the growth of main asset and liability items for five-year periods since 1965. Year to year fluctuations have been minor, except for a dramatic jump in "loans to government and municipal stock" from $77 million to $104 million in 1979. As of 1980, their total liabilities were about one-third as large as those of commercial banks and about 18% higher than those of the Post Office Savings Bank.

Table 4.6

Assets and Liabilities of Building Societies, End of Year
($ million)

Liabilities	**1965**	**1970**	**1975**	**1980**
Shares	43.8	94.5	179.1	224.8
Deposits	46.7	88.8	150.4	338.0
Other	6.3	10.5	24.8	33.5
Total	96.9	193.8	354.4	596.3
Assets				
Mortgages & Loans	71.5	147.9	280.1	424.4
Government Loans & Municipal Stocks	17.8	29.8	36.9	129.5
Other	7.4	16.1	37.4	42.4
Total	96.7	193.8	354.4	596.3

Source: Monthly Bulletin of Statistics, Central Statistical Office, January, 1982.

4.58 In the recent past, building societies have suffered from rapidly rising interest rates, as have thrift institutions everywhere that lend long term. For a decade, ending with 1980, all financial institutions had stable rates; building society rates, which were competitive, ranged from 3.5% to 6.25% on savings deposits withdrawable on demand (sight deposits) and 5-year shares respectively, and their lending rates from 7.25% to 8.5%. But in 1981, bank deposit rates increased dramatically (e.g., from

4.75% to 9.75% on 12-month deposits) and building society rates increased in line with the bank deposit rates. In April 1982, societies were paying 7.75% on sight deposits and 10% on fixed deposits for 18 months or more. Since lending rates could only increase with a lag (three-month minimum notice) building society profits were impaired.

4.59 Another negative factor is the acute depression in high-income housing, the societies' main loan market. With the emigration and uncertainty at independence, prices in the high-income market began to fall, so that by the second quarter of 1982, it was estimated that they were trading at about 60% of replacement cost. Given the lack of demand, almost no housing of this sort is being built.

4.60 The ability of the societies to compete for deposits has been weakened by modifications in the structure of interest rates and by changes in law. While banks have been allowed to increase their savings deposit rates, with rates as high as 14% being paid temporarily by some banks, the most the societies can pay for sight deposits is 7 3/4%. In addition, post office savings, which pay 7 1/2% on sight deposits, have recently been made tax free. Thus, the societies are less attractive and deposits have shrunk by 35% from their peak in February 1981 to November 1981 (the last date for published data). Shares, meanwhile, continued to grow, so the overall liabilities of business societies decreased by only 8% during the same period.

4.61 The changes in the societies' competitive position were based on deliberate government policy. With high-cost housing, a low priority, the Government successfully diverted the societies' potential deposits to postal savings, to help finance the government deficit and to commercial banks, to finance both the agricultural surplus and directly-productive investment. Reinforcing these changes, reserve requirements of the societies have been increased from 15% to 20%. Although they hinder the societies, when seen against the background of the policy objective--to divert funds from high-cost housing--all of these actions are consistent.

4.62 Low-cost housing, on the other hand, is not only a priority but also a Government responsibility, according to traditional policies. Thus, if the building societies are to become major lenders for this market, the recent (policy-caused) erosion in their competitive position should be redressed by allowing them to pay and to charge slightly higher interest rates and by restoring lower reserve requirements.

4.63 Other changes in building society practices would have to be worked out through changes in law or experimentation. It is probable that, if many small accounts are to be serviced, increased computerization will be needed; therefore, imports of equipment will have to be allowed. Also, it will be necessary to simplify both the issue of titles and the procedures for foreclosure or to develop an alternative to foreclosure. There would also need to be a simplified system of property transfer for small borrowers who could not continue to carry their mortgages, either

because of over-optimistic planning or bad luck.[42/] Moreover, while it is unlikely that the building society could replace the municipality in most of the important administrative functions in low-cost housing development projects, the interests of the societies overlap those of the municipality in the policing of loans; i.e., inspection of progress on construction, lending of successive increments, and collections. These functions are now performed by municipalities, who benefit from a knowledge of their customers, which is reinforced in the whole process of project administration. A mechanism to avoid undue duplication of effort in loan policing is required.

4.64 With these changes in practice and law, the building societies could potentially become important sources of long-term finance for low-cost housing. Timely development of any other institution, to the extent that it could function with the routine efficiency of the building societies, is extremely unlikely. Further, the mechanism for mobilizing savings through municipal fiscal systems is unlikely to be adequate to meet the financing need, while the building societies have a long history of successful resource mobilization and a formidable infrastructure for doing so, with branches scattered through every important urban center.

4.65 A case could also be made for involving the building societies in low-cost housing simply to preserve their dynamism during the period of a depressed upper-income housing market. At present, there is no sign that the slump is abating and it may well last for years. It is not clear that building societies could survive, as mortgage lending institutions, without entering the low-income housing field in one way or another. Thus, this would appear to be an opportune time for Government and the building societies to strike a mutually beneficial bargain: Government gains if the potential dynamism of the societies can be exploited for low-income housing; and the building societies gain if they can enter this fast growing field while their main historical business is severely depressed.

G. Foreign Aid

4.66 Because of past sanctions from the international community, foreign aid has only recently begun to flow into the country, and to date only HABITAT and USAID have made resources available to the urban sector. HABITAT has provided technical assistance for several studies, including a review of housing policies and programs tied to two pilot projects, and an evaluation of urban and regional development priorities and planning capabilities, which includes manpower and training needs in the urban sector. USAID identified and appraised a $50 million housing

---

42/ In the ongoing Glenview project, discussed above, it is possible for a plot holder to cede his property rights to any willing buyer. Fairly extensive use has been made of this provision, accounting for the very low observed default rate.

project in 1980-1981 in Zimbabwe with the first tranche to be built in Harare and the second in Harare as well as several smaller urban areas.

Conclusions

4.67 Based on estimated urban population growth rates of about 7-10% per year over the next decade, there will be significant increases, averaging over 30,000 households annually, in demand for housing. This is occurring at a time of substantial emphasis on rural development in Government investment programs, with a consequent reduction in public resources available for urban development. In addition, construction costs have been escalating more rapidly than inflation generally, further eroding housing supply.

4.68 Over 95% of the growth in demand for housing comes from households unable to afford current options available in the private sector. Of the options provided under Government programs, 50% cannot afford the most expensive option (standard low-cost unit) and two of the remaining options (ultra low-cost house and core house) have become politically unacceptable in the period of post independence transition.

4.69 Consequently, the Ministry of Housing is currently faced with finding innovative ways of mobilizing additional resources on a substantial scale, as well as identifying a housing program that complements these resource mobilization strategies, and that is affordable to the broadest income range.

4.70 Considerable opportunities exist. There is a well-established housing finance market, served by three building societies. Under favorable circumstances the building societies have been capable of generating large amounts of loan funds annually. With little activity currently taking place in the high-cost housing market, a major shift in lending to small mortgages for low-cost housing, if integrated into Government policy, could result in substantial resources being made available to support Government housing programs. Similarly, an emphasis by the public sector on investment in servicing residential sites would provide more low-income households with affordable sites thereby enabling the building societies to extend small mortgages for house construction to the plot-holders. Moreover, this shift would focus the efforts of local authorities on the provision of urbanized land, a function they are best designed to perform, and one they have been notably successful in undertaking to date. In addition to the increased resources introduced through building society participation, this strategy has the potential for mobilizing the investment of savings by the beneficiaries in house construction. Experience with a pilot project in Harare indicates that the ratio of private savings to public moneys invested in construction averaged over 14 to 1.

4.71 The 1982/83 budget allocation for urban housing can be used to demonstrate the most effective utilization of above resources by comparing the impact on supply of either continuing the past program of housing provisions (within the 82/83 budget constraints) or introducing a new program of providing serviced sites. In the case of the former approach, the Z$30,500,000 budget would produce about 8,500 units. With the revised strategy, assuming a conservative estimate that for every Z$1 of public moneys invested, Z$1 of mortgage money would be provided by the building societies, and an average of Z$1 would be invested by the beneficiaries from savings, then approximately 25-30,000 units would be constructed (and the public allocation would serve as leverage potentially yielding a total investment close to Z$90,000,000).

4.72 Also identified as an important factor in improving the cost effectiveness and affordability of housing programs is changes to land use standards. This involves both the size of plots and the amount of land in any project site that is in net residential use (current standards in Zimbabwe result in only about 35% of land being in net residential use--just over half of the amount that can be achieved). Improvements could yield significantly lower costs per plot, allowing for considerable increases in the supply of plots within a fixed budget, while at the same time ensuring affordability to a wider demand.

V. Transportation

5.01 The principal objectives of this chapter are: (i) to analyze the demand for transport within the main urban centers; (ii) to examine how efficiently urban transport services are presently supplied and utilized; (iii) to list the key issues and pinpoint areas of poor performance; and (iv) to develop an investment program and policy framework to meet both short- and long-term needs.

A. Background

5.02 The total number of vehicles in Zimbabwe increased at an average rate of 7.3% a year between 1971-1978. As disruptions from the war began to affect vehicle supplies, however, the number of new registrations dropped significantly and the growth rate fell sharply, averaging 2.2% a year between 1978-1980. Once the new Government was installed, foreign exchange allocations for vehicle kits[43/] were limited and the practice will probably continue (although measures will be taken to increase the availability of spare parts). This restriction, plus the fact that the current stock is old and will have to be scrapped in the near future will most likely mean that the total number of vehicles will not expand greatly over the next few years.

5.03 On the demand side, the combined effects of the war and fuel rationing, which was imposed from February 1974 to May 1980, led to a decrease in travel; thus gasoline consumption over this period fell by 28%, while diesel consumption, which was also affected, dropped less markedly. In the past year, with the end of both the war and rationing, travel increased and fuel consumption[44/] rose by 25%, though both are expected to slow in the coming year, because the surge, responding to pent-up demand, occurred during the first year.

5.04 When compared to many other African countries, Zimbabwe's urban transport systems appear in excellent order, with relatively similar levels of service offered in a wide range of cities and towns. It is characterized by the following:

43/ The majority of vehicles enter Zimbabwe as kits to be assembled locally. Numbers and types are controlled by the Government through its foreign currency allocations to vehicle assembly plants. At present, allocations are split evenly between private cars and commercial vehicles, and of the latter, about 50% are for buses.

44/ Consumer fuel prices are at international levels ($2.90 per U.S. gallon).

(a) primary road networks are well maintained and adequate to accommodate traffic flows--except in Harare and Bulawayo during the morning and evening peak hours;

(b) traffic management is of generally high standard and equipment is well maintained, although cycle tracks and footways have been neglected in some areas;

(c) most cities and towns are served by a network of scheduled bus service that links high-density residential areas with the main employment centers;

(d) population per bus in the main centers is at acceptable levels--at about 1,500-2,000 (compared to 2,600 and 2,100 in Nairobi and Abidjan, respectively);

(e) bus fares are generally between 0.7 cents and 21.0 cents per passenger/kilometer and operating costs about 0.4 cents per passenger/kilometer;

(f) manning ratios are quite low--between 3-5 persons per bus--as compared to Nairobi and Abidjan, where they approach 5-7 persons; and

(g) spare parts are increasingly difficult to obtain but approximately 95-98% of the bus fleets operate each day.

5.05 Local authorities have traditionally had primary responsibility for urban transport, which includes providing public transport service, constructing and maintaining roads. In the larger cities, the public services are run by private operators on a profit-making basis through exclusive franchises granted by local authorities. In the smaller towns and rural areas, the franchises are controlled by the MLGH.

5.06 At the national level, the MLGTP and the Ministry of Roads and Road Traffic (MRRT) have primary responsibility for urban transport. The MLGTP supervises the activities and budget of the local authorities and provides grants to municipalities while the MRRT oversees the state road network and the regulation and control of road traffic. The latter also is responsible for enforcing load regulations, performing vehicle inspections and supplying public transport service licenses. The Ministries of Economic Planning, Industry and Energy, Trade and Commerce, Finance, and Transport and Power, are also involved through the formulation of policies concerning vehicle supply, fuel imports and foreign exchange allocations.

5.07 Zimbabwe is well served with internal and external transport facilities, with the railway and road network as the main components. The former is operated by the National Railways of Zimbabwe (NRZ), a parastatal which serves most parts of the country (all but 2 of the 14 main urban centers are on the rail line). It provides access to the sea via Mozambique, to ports in South Africa, and to Zambia.

5.08 The road network is well developed and positioned. It consists of 85,000 kilometers of roads, 12,000 of which are paved and 46,000 are gravel. All the paved, primary roads and some of the gravel roads are well maintained, though as a result of the war, other secondary roads (especially in the former Tribal Trust Lands) were allowed to fall into disrepair and are consequently now in poor condition.

5.09 Freight is carried by private companies and the Road Motor Services (RMS)[45/] a branch of the NRZ, while passenger traffic is almost exclusively handled by private operators. Regular service exists between the main urban areas and between these and the outlying villages and communal areas.

5.10 Air transport, though secondary in importance to the railway and roads, provides vital links among major cities and to other countries in Africa and Europe. The country has eight airports, of which three (Harare, Bulawayo, and Victoria Falls) handle international flights. Air Zimbabwe, a profit-making parastatal with an internal monopoly, has averaged about one million domestic and a half million international passengers a year in recent years, though the airway's freight service has been relatively insignificant.

B. System Performance and Demands

5.11 Road networks provide the only means of urban transport in the country. The main roads in all the urban centers are built to high standards (50-75% throughout the country and 90% in Harare are surfaced) and are generally well maintained, although there is currently a lack of supervisory skill and this is causing delays.

5.12 In 1980, there were just under 282,000 vehicles registered: 77% light, 6% heavy, 6% motorcycles, and 11% other types. Approximately 69% were registered in the 14 main centers, while Harare (38%) and Bulawayo (17%) accounted for 55% of the total. In the same year, in the two major cities, about 80% of the vehicles were private cars, while in the 12 other main centers, private cars represented 75% of the vehicle fleet. As in the two main cities, goods vehicles and motorcycles were the next most numerous.

Transport in the Major Cities

5.13 Harare and Bulawayo exhibit very similar characteristics with regard to transport resources and traffic conditions. In both, the main

---

45/ At present, the RMS has reduced its service (as it is operating at a loss) and it may cease operations altogether, when the present fleet needs replacing.

problems are related to spatial development and public transport supply. Also, traffic congestion is experienced mainly at specific junctions on the main roads along heavily used bus routes.

5.14 Passengers are moved by various means: buses, metered and pirate taxis, private cars and bicycles. In Harare, an average of 55% of low-income workers from the outlying areas travel to work by bus, 7% use private transport and 38% use "other modes," which mainly include walking, bicycles and pirate taxis (the latter account for about half the trips by other modes). Buses are used the most by the population in the low-income suburbs furthest from the city; for example, about 80% of those traveling to work from Chitungwiza (a distance of 24 kilometers from the city center) travel by bus, compared with 55% from Kambuzuma (just 10 kilometers away). In Bulawayo, on the other hand, due to the shorter distance involved, only about 42% of low-income workers travel to work by bus, while 30% use bicycles.

5.15 The Harare United Omnibus Company (H.U.O.C.), a subsidiary of United Transport Overseas, a U.K. based firm, provides bus service within a 26 kilometer radius of the Harare center, excluding the Communal Areas. Zimbabwe Express Motors (Z.E.M.), a private company owned by African businessmen, operates from Chitungwiza to Harare. In Bulawayo, Zimbabwe Omnibus Company (Z.O.C.), a public company with 63% private holdings, is the sole franchised operator. H.U.O.C. and Z.O.C. are the only bus companies with franchise agreements that provide for possible subsidies and the Government is currently negotiating to remove the subsidy clauses and take a 49% share in equity. Altogether, the 3 companies operate 875 buses.

5.16 The H.U.O.C. and Z.O.C. are efficiently run and offer a good level of service, while that provided by Z.E.M. has significantly deteriorated in recent months, sparking protests from Chitungwiza residents and the local council (see Annex 7 for performance indicators). Further, while the level of bus service is very good compared with other less developed countries (a population of between 1,485-2,075 served per bus), as mentioned earlier, some difficulties occur during peak travel hours.

5.17 Bus fares are based on the distance traveled. In Harare, fares range between 0.72-0.94 Zimbabwe cents per passenger/km and fares between low-income suburbs and the city center are between 13-17 cents for a one-way trip. In general, the longer routes tend to be subsidized by the shorter ones.

5.18 Bus routes in Harare and Bulawayo are principally designed for operating efficiency rather than service; for example, routes radiate from city center terminals, which in the case of Harare, are poorly located, while very little, if any, provision is made for cross center trips.

5.19 The H.U.O.C. fleet operates first and second class service: the former are more expensive and serve the European housing areas, while second class service operates from the low-income residential areas to the center, industrial areas, hospital and airport. Because of growing demand, substantial expansion of the center terminal area will be required by 1984.

5.20 Metered taxis operate from the center of the two major cities and on an average weekday, make an estimated 7,400 trips, carrying 11,000 passengers. Pirate taxis are unlicensed and therefore illegal, and have been a permanent feature of the Salisbury transport scene for more than two decades; but the fleet has recently grown significantly to about 685 vehicles making approximately 31,000 weekday work-trips (in 1978). In general, they follow bus routes, charge about two times the bus fares, serve mainly the Harare and Chitungwiza areas and have reduced waiting time for bus passengers during peak hours. However, they carry no passenger liability insurance, are generally overloaded and often in a bad state of repair.

5.21 The MRRT and MLGTP have recently proposed that local authorities be permitted to license the pirate taxis (and re-name them "auxiliary taxis") and have devised a set of regulations regarding licensing, routes, condition of vehicles, and the like. One of the recommendations, however--that they be restricted to urban areas--is unnecessary and may cause enforcement difficulties. Also, the regulations on passenger capacity, vehicle safety, driver competence and insurance, need to be spelled out more clearly.

5.22 In general, it is unlikely that the legalization of pirate taxis will have a major impact on the transport scene in the short run; however, in the medium to long run, substantial growth in the auxiliary taxi fleet is expected and such an increase could reduce the peak hour requirement for buses.

5.23 Large numbers of low-income people use bicycles to travel to work; for example, in Bulawayo, 30% of work trips from low-income areas are by bicycle. Cyclists in both major cities are served by a network of tracks, surfaced verges and hard shoulders, although these paths are occasionally incomplete, lack uniformity in standards and are poorly maintained.

5.24 With regard to pedestrian traffic, in some parts of central Harare and Bulawayo, the level is high, although compared to other African countries, there are very few long distance pedestrian movements. This is primarily due to the availability of public transport and the relative affordability of bus fares. In low-income areas, however, footways are generally non-existent; thus, many people walk on the surfaced roads, which accounts for the large number of pedestrian accidents.

Transport in the Secondary Cities

5.25 Service in the secondary cities is generally of good quality and adequate in relation to demand. Buses operate in a manner similar to those in Harare and Bulawayo: in Gweru and Mutare, buses are run by Z.O.C. and in Kwe Kwe, Redcliff, and Kariba, by United Bus Services, which is wholly owned by the UK firm. Elsewhere, bus service is provided by African operators. A significant portion, between 20-40%, of bus fleets in these cities serve the outlying districts and Communal Areas.

5.26 With regard to taxis, relatively few of either sort (metered or pirate) operate in the smaller towns.

5.27 Transport problems are for the most part minor, although improvements are required in some parts of the system in some of the towns. Mutare, for example, urgently needs a new central bus terminal, as the existing one is too small and traffic congestion results during peak hours.

Traffic Management

5.28 Although traffic is managed well and, in particular, the traffic signals, road markings and signs are well maintained in Harare and Bulawayo, the road network is not used as efficiently as it might be. For example, very few one-way streets or public transport priority schemes exist in the central areas or on the main traffic corridors. However, such measures are quite feasible, since the roads are wide, especially in the city centers, and there is ample space to provide buses with segregated rights of way.

5.29 In Harare, the traffic signals, which are designed and produced locally, are generally old but work well (whether sound maintenance practices will continue is unknown, due to staff losses). In Bulawayo, the signal system (also produced locally) is smaller and less sophisticated, and significant improvements and extensions in the city center are required. As in Harare, staff losses have occurred, resulting in lowered productivity.

5.30 Parking schemes in the main urban centers appear to be well organized and adequate to meet existing demand, although data on current requirements is sketchy in Harare and comprehensive studies are needed in the two major cities to develop central area plans. In both cities, meters are used to regulate on-street parking in the central areas and income from this source generally creates surplus revenue[46/] however, the financial aspects of parking policy should be reviewed.

46/ In Harare, difficulties in processing summonses and vandalism to meters caused the parking account to run a deficit last year.

5.31 Traffic flows on the main road network in the two cities changed very little over the 1976-1980 period and all roads show favorable volume-to-capacity ratios. Where congestion occurs, it is mainly due to poor design of intersections.

5.32 As mentioned earlier, when the war and fuel rationing ended, traffic volumes increased substantially: in Bulawayo, daily traffic entering the central area rose by 30% over a 12-month period and significant increases have also been recorded in Harare. Fuel sales across the country grew by 25% since 1980, but as explained above, it is anticipated that travel demands in general will grow more slowly during the coming years. In specific locations, however, on the roads serving the new low-income areas, traffic growth may be more rapid and some roads will require widening or dualing. Also, new radial roads may be needed to absorb traffic generated by the large housing developments being constructed in the two major cities.

5.33 Traffic problems are more severe in Harare than in Bulawayo, but in neither have they reached critical proportions (in other cities, there are very few problems). The difficulties that occur are at overloaded junctions on heavily used bus routes and are most severe in the morning peak period which is short (20-40 minutes) but represents a high proportion of the daily traffic flow.

5.34 All principal urban areas experienced a substantial increase in total accidents between 1979-1980; and in Harare, the number has been rising steadily since 1976 and compares very unfavorably with rates in more developed countries. Further, the rate of fatal accidents has increased dramatically--20% a year between 1977-1980--which is particularly alarming, since the number of annual vehicle kilometers decreased over the same period. Thus, the increase represents a real deterioration in road safety.

5.35 As a result, the Government has created a three-part program to attempt the following: (1) modernize the driver and vehicle licensing system, streamline the accident recording procedures and improve the vehicle inspection centers; (2) expand the road safety program; and (3) improve traffic law administration and enforcement and accident prevention programs. Although some of these projects have already begun, others are delayed due to a lack of foreign exchange to purchase equipment and provide urgently needed expatriate advisors.

C. Issues for Immediate Resolution

5.36 To continue the satisfactory performance of the past, the Government should immediately resolve three issues which hamper operations and threaten to produce increased inefficiency.

5.37 First, the Government must resolve policy with regard to bus fares. Until 1980, bus companies set fares, with approval of city

councils, which allowed them to cover operating costs and obtain enough capital for investment. But in 1980, when fare increases were recommended by the local councils, the Government did not approve them. Thus the cities of Harare and Bulawayo were legally required under previous agreements to subsidize the bus companies. The Government directed the councils to deny the subsidies and declared that the practice of granting fare hikes would be conditional on elimination of subsidy clauses. At present, nothing has been resolved.

5.38 Second, the Government must clarify its intentions with regard to future participation in the bus companies as quickly as possible, since the present situation has created uncertainties that are dampening investment. Also, if the Government does not allow fare increases (from which the surplus could be derived for investment), expenditures will tax the budgets greatly.

5.39 Third, policy regarding pirate taxis must be determined. The proposal to legalize pirate taxis will help fill the peak hour gap although it will take some time before the full effect of the intended legislation is known. In the meantime, steps should be taken to insure that the vehicles are safe and the growth and operation of the fleet should be monitored to determine its precise impact on transport. Further, the studies undertaken in Harare and Bulawayo, in connection with the master plan, should not preclude the integration of the taxis into the transport system. Thus, the benefits which could be derived should be assessed and guidelines for the future role of auxiliary taxis should be set.

D. Strategy and Investment Programs

5.40 In view of the generally good performance of the urban transport sector, heavy investments are not necessary in the near future, but the rapid growth and changing locational structure of cities will require, in a few years time, substantial investments. These must be planned. It is therefore convenient to consider urban transport investments in two phases. In the first phase, say over the next five years, the agencies must be created, and the staff recruited and trained, to carry out the rational planning of urban transportation systems; transport plans must be developed for the major cities; and minor investments designed to make the present system work more efficiently must be implemented. In the second phase, say from year six onwards, major investments will be required to cope with city populations, which will have grown by 70-100% by then. These investments will use the plans and principles developed in the first phase, and cannot be predicted with any accuracy until such planning is done.

5.41 Phase I activities can be classified under the headings: (i) planning; (ii) administrative changes to promote efficiency; (iii) minor investments; and (iv) training. These are briefly discussed in the sections that follow. Since later activities will be determined by the results of phase I studies, no discussion of them is included in this report.

Planning

5.42 At the moment, no clearly defined urban transport policy exists, nor is there any Central Government agency with a primary mandate for formulating, implementing and monitoring it. Instead, several ministries are responsible for the various functions. The only group that (theoretically) brings the various ministries and agencies together is the Transportation Planning Committee, which was created by the MLGH in 1971. Comprised of representatives from the MLGH, MRRT, Transport and Power, the National Railways of Zimbabwe and the Harare Department of Works, it met on numerous occasions in the past eleven years, but had little success in guiding or influencing government decisions. For the most part, it studied urban transport solutions for the Harare region, while matters of a global nature were seldom discussed.

5.43 Since there is a need to coordinate the activities of the several ministries which have some responsibiity, the Government should create a special inter-ministerial committee with broad responsibilities, chaired by a high-ranking official, with a Transport Unit to serve as the Committee's executive arm. The inter-ministerial committee could be formed by suitably broadening the existing Transport Planning Committee, giving it higher status and a greatly expanded responsibility for policy and broad investment programming.

5.44 While an inter-ministerial committee is necessary to develop policy guidelines and coordinate Central Government investment and regulatory activities, the heart of efficient urban transportation planning will be the planning activities in the individual cities. In the long run there is no substitute for detailed land use and economic plans for cities, with economizing on transportation costs as a central component of these city plans.

5.45 In the past, master plans developed for all of Zimbabwe's towns were racially segregated, resulting in unnecessary transport expenditures. In the short run, not much can be done about this settlement pattern, but planning should begin immediately to direct the growth of cities into more efficient patterns. This implies nothing less than new master plans for the major cities which have as one major focus the redressing of the inefficient locational decisions of the past.

5.46 In general even the major cities are short on planners, particularly transport planners. Transport planning skills are also lacking in the Physical Planning Department of the MLGTP. Therefore, to complete the transportation planning that is included in Phase I, temporary technical assistance personnel for both major cites and the Ministry will be required, and this technical assistance should focus, inter alia, on imparting the basic skills of transport planning to some of the general planners on the permanent staffs. For the smaller towns transport planning will, as a lower priority activity, be carried out by staff of the Physical Planning Department in connection with their continuous planning assistance.

5.47 In addition to large-scale integrated planning, various micro-scale studies should be undertaken in Phase I. Research is required to determine the highest risk groups as targets of a safety program (discussed below) and to identify the most dangerous locations and design remedies. Also, feasibility studies will be required for Phase I Physical Investments, such as creation of bus lanes, terminals and depots. And background studies will be required to design traffic management improvements. Toward the later years of Phase I, the Government should also undertake detailed study of the major investments that emerge for Phase II Implementation.

Administrative Changes to Promote Efficiency

5.48 Policies to promote efficiency can be introduced which would improve the use of existing vehicles and transport infrastructure and generate savings in foreign exchange and energy. Policies which have had the greatest impact in other countries are those which:

(a) Promote public transport modes and restrain the use of private vehicles. In major cities of Zimbabwe there is considerable scope for bus priority measures, particularly during peak hours, when mass transport should be given every preference over private vehicle traffic. Private vehicle flows have not yet reached a level however where general peak hour restraint of private transport should be considered. Moreover, until the urban public transport systems are improved, it would not be politically expedient to consider restraint measures;

(b) Spread the peak hour traffic load by staggering work hours. The benefits that would accrue include improved bus utilization, improved network utilization, savings through reducing the size of the bus fleet and savings through deferment of major road improvements. While staggered working hours would not directly benefit workers, the inconvenience of, say, an hour's advancement or delay in starting time should be minimal;

(c) Maximize the use of existing vehicles. By encouraging the use of auxiliary (pirate) taxis and car pooling schemes, the peak hour load could be shared between more vehicles thereby improving the efficiency of existing vehicles and reducing the cost of bus fleet expansion; and

(d) Encourage private investment in public transport. Over the next five years, transport costs in the Harare region alone could amount to Z$25 million. These investments could be made, as in the past, by the private sector, if the regulatory mechanisms would allow economic fares to be charged. It is, therefore, in the Government's interest to insure that its urban transport policies provide an economic climate in which private companies and individuals are encouraged to invest in public transport. Such policies, in general, are cost effective and readily implemented in the short run.

Physical Improvements

5.49 Physical improvements during Phase I should aim at improving the efficiency of the basic system already in place. They will include markings and signals to create bus lanes in existing rights of way, provision of bus terminals and depots, remedying high-accident risk locations through road, cycle and pedestrian network extensions and maintenance, and general improvements in traffic management.

5.50 Equipment to make these physical improvements may include traffic signals and spare parts, computational aids such as small computers to assist with land use and transport planning, automatic traffic counters and various items and vehicles to improve traffic enforcement, and training aids for road safety education and driver education.

Training

5.51 Training can be divided into two large tasks: the education (particularly safety education) of users of transportation, and the training of planners, designers, and builders of an efficient transport network.

5.52 The priority of safety training is obvious from the discussion in para. 5.33 above. Since many of the new urban inhabitants will be migrants from areas with very low-traffic risks, the costs of delay in this training could escalate rapidly if training is delayed. In addition to unnecessary fatalities, the economic costs of traffic accidents can be immense; they have reached 1 1/2% of GNP in some countries. To reverse the present trend strong Government action will be required, not only on road safety and traffic law enforcement, but on training as well. The institutions required to set up a comprehensive safety program already exist, but they will need financial assistance for equipment and for expansion of staff.

5.53 Training of Government staff in the field of transportation will involve on-the-job activities, local and overseas study in transportation planning, traffic engineering, transport economics and traffic law enforcement. Technical assistance would be required in the Department of Physical Planning of the MLGTP and the Department of Public Works in Harare and Bulawayo to carry out studies in land use and transport planning and to plan and implement traffic and public transport improvement measures. It would also be required to support the Transport Unit, and to improve road safety and traffic law enforcement.

Program Costs

5.54 A tentative estimate of program costs of $24.2 million over the 1983-1988 period has been made based on current prices, of which $12.6 million is calculated for physical improvement measures. However, since it is not yet possible to determine exactly which schemes will be included, a figure of $32.7 million is given as an upper estimate.

5.55 Table 5.1 lists a breakdown of costs according to the various components—physical measures, equipment, technical assistance and training. Although physical measures account for 52% of the basic program, the proportion could increase to 64.4%, if the upper estimate is used.

Table 5.1

Preliminary Cost Estimate (Totals)

Costs in '000's US$ - September 1981

	PHASE 1		PHASE 2		TOTALS			
Program Component	**Basic**	**Basic + Options**	**Basic**	**Basic + Options**	**Basic**	**%**	**Basic + Options**	**%**
Training	80	100	80	100	160	1%	200	1%
Technical Assistance	2,712	2,880	360	360	3,072	17%	3,240	14%
Physical Measures	3,000	7,500	9,500 (16,500)a/	9,500 (16,500)	12,500 (19,500)	68% (77%)	17,000 (24,000)	74% (80%)
Equipment	1,900	2,000	600	600	2,500	14%	2,600	11%
	7,692	12,480	10,540	10,560	18,232	100%	23,040	100%
			(17,540)	(17,560)	(25,232)		(30,040)	

a/ Parentheses —( )— indicate high range costs.

VI. Toward an Aggressive Urban Development Strategy

A. Urban Growth and Employment

6.01 The main arguments of this report point toward the need for an aggressive urban strategy. Reviewing briefly:

(a) Population growth is about 3.5% per year, and about half of the population, those in communal lands, have rather limited resources for supporting higher populations at higher incomes, because the agricultural quality of communal lands is generally poor. Even with Government emphasis on improving these lands, progress in land productivity will be slow and income increases modest. To have a realistic hope of raising average incomes on communal lands substantially, therefore, emigration from them must syphon off some of the natural population growth;

(b) There are two main outlets for surplus population from communal lands: (i) resettlement in commercial farming areas and in newly irrigated lands; and (ii) urban areas. Accepting the Government's agricultural resettlement goals as realistic projections, we find that a 7% annual growth in town population may give a constant communal lands population; and

(c) Town growth may be even faster than 7%, according to the experience of other African countries at independence, for the next few years.

6.02 To absorb the growth in population, rapid employment growth will be necessary. The elements of an urban employment strategy (Chapter I) are: (i) rapid growth of the existing industrial base; (ii) the emergence of a vigorous small business and informal sector, which will require new and extensive support mechanisms; and (iii) rapid growth in construction, which would complement the housing program required to meet escalating growth in demand. Policy decisions are urgently needed in all of these areas, and external financial assistance should also be recruited to support these areas. Institutional capabilities, policy requirements, and financial needs of these three sectors are described below:

(a) The industrial system is well developed and managed and has recovered quickly from the war, with solid employment expansion. The main requirement for the sector's future growth are increased supply of foreign exchange for the importation of capital goods and materials, and rapid upgrading of the skills of its labor force to accommodate growth and make up for out-migration. On the policy front, a foreign exchange rationing system, with potential export earnings as a key qualification for expanding capacity, is already functioning fairly smoothly. The main

policy vacuum concerns foreign investment where Government policy, though recently set out in official guidelines, is perceived to still lack requisite detail and consequently is considered not to be particularly encouraging. If the Government can incorporate more detail in its set of conditions for foreign investment, this could be an important source of foreign exchange for industrial expansion;

(b) The informal sector, and small scale business in general, suffers from long historical neglect, and from social policies which had the effect of actively inhibiting growth. Policy direction of the present Government is clear--to encourage growth--but growth starts from a low base. Statistics are lacking, but it is nevertheless clear that, compared to other countries at a similar stage of development, the small business sector is in its infancy. The main supporting agency--the Small Enterprise Development Corporation (SEDCO), which is just being formed--will have a small cadre of fairly experienced advisors inherited from previous advisory agencies. However, the Agency is taking on a huge task, and assistance in organization and technical management will initially be the most important priority since, in the short run, the technical limits to lending ability will allow only slow solid growth. In addition, financial mechanisms for channeling and collecting loans will have to be developed, and it is unclear whether SEDCO is the most suitable conduit for this activity; and

(c) The construction industry should grow rapidly as the result of increased investment in housing to serve the urbanizing population.

B. Urban Housing and Related Infrastructure

6.03 The newly formed Ministry of Housing is currently developing new policies. An important part of the policy formulation has been the review of past programs with a view to identifying those aspects worth building on. Several such elements are in place. These include: a well-developed capacity by local authorities to identify, prepare and implement infrastructure and housing programs; and an emphasis on full cost-recovery of urban infrastructure and housing investments.

6.04 In evolving new policies, it is important to address several areas of concern, including the following: simplifying the current range of housing strategies by identifying the most effective programs and concentrating resources on these; expanding output capacities by concentrating local authorities' responsibility for construction on that of infrastructure rather than houses; opening up the system of local resource mobilization by providing access to credit for lower-income families (in particular identifying suitable institutional arrangements, and identifying

settlement patterns). This includes introducing capabilities within the Central Government and the local authority to undertake local growth plans that are process oriented and that emphasize investment planning.

6.05 Annex 1 to this report estimates the required investment program, public and private, to provide housing to the urban population, assuming that the main recommendations of this report are followed.

C. Local Governments and the Current Condition of Cities

6.06 The local governments, which are financially sound and well managed, have coped successfully with most of the urban needs. Because of their long experience, they form a strong base on which to build future urban investment programs.

6.07 The infrastructure base is also strong. Individual water, sewerage, street access, and electricity are all available to virtually all urban houses. Infrastructure pricing has been calculated to cover full historical cost and cost recovery for urban services provided is exceptionally good.

6.08 While it was not possible to form a clear picture of the aggregate needs for infrastructure investment in cities (aside from that necessary for expanding the network into new housing areas), the quality of present services implies that, contrary to most developing countries, Zimbabwe has no important backlog demand for infrastructure and only the increment to population will require new investment. The financing problems should, therefore, be relatively minor in the near term until major facilities require expansion.

D. Urban Transportation and Urban Form

6.09 While the condition of urban roads is generally very good, the historical land use pattern has produced two urban transportation problems. With black people concentrated in physically separated communities, often distant from city centers and major industrial areas, commuting distances for industrial workers are long, relative to city size, and some city access corridors are congested. More generally, transportation costs are unnecessarily high because of physical planning standards, which have resulted in very low overall densities and, therefore, unnecessarily long trips.

6.10 Public transportation has been available at a reasonable standard and price, provided by private bus companies, taxis and collective taxis, the latter functioning without legal permission. Public policy toward public transportation has, historically, been facilitating; at present, however, the bus companies are running into financial trouble because regulated fares have not been allowed to increase.

6.11 Investment requirements in the transportation sector are summarized in Annex 2 of this report.

ANNEX 1

Table 1: LOW COST HOUSING INVESTMENT PROGRAM a/
(Z$ Million) b/

	1983	1984	1985	1986	1987	TOTAL
Public Sector						
Infrastructure c/	30.5	33.7	37.0	41.8	46.6	189.6
Private Sector						
Financial Intermediaries						
Government Projects d/	25.6	28.4	31.2	35.2	39.2	159.6
Private Developer Projects e/	7.2	7.6	8.1	9.0	9.9	41.8
Individual Savings f/	32.0	35.5	39.0	44.0	49.0	199.5
TOTAL	95.3	105.2	115.3	130.0	144.7	590.5

a/ Program includes provision for meeting current backlog of 60,000.

b/ In 1982 Zimbabwe dollars.

c/ Assumes average of $950/plot.

d/ Assumes average loan of $800/plot.

e/ Assumes average loan of $9000/unit.

f/ Assumes household investment of $1000/plot.

Table 1: URBAN TRANSPORT - PRELIMINARY PROGRAM COST ESTIMATES (Z$)

		Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
I.	**Training**						
A.	Land Use Transport Planning	16,000	16,000	16,000	16,000	16,000	80,000
B.	Traffic Engineering	16,000	16,000	16,000	16,000	16,000	80,000
C.	Traffic Signal Maintenance*	8,000	8,000	8,000	8,000	8,000	40,000
	Sub-total	40,000	40,000	40,000	40,000	40,000	200,000
II.	**Technical Assistance**						
A.	Land Use Transport Planning	432,000	432,000	288,000	144,000	144,000	1,440,000
B.	Public Transport Studies	240,000	480,000				720,000
C.	Road Access Studies	240,000	480,000				720,000
D.	Parking Studies	72,000					72,000
E.	Bus Priority and Traffic Management	120,000					120,000
F.	Transport Efficiency Policies*	48,000					48,000
G.	Road Safety*	60,000	60,000				120,000
	Sub-total	1,212,000	1,452,000	288,000	144,000	144.000	3,240,000
III.	**Physical Improvements**						
A.	Bus Priority and Traffic Management	250,000	500,000	500,000	500,000	250,000	2,000,000
B.	Accident Remedial Measures	125,000	250,000	250,000	250,000	125,000	1,000,000
C.	Public Transport Terminal	750,000	750,000				1,500,000
D.	Maintenance of Access Roads*	75,000	150,000	75,000			300,000
E.	Maintenance of Cycle and Pedways*	50,000	100,000	50,000			200,000
F.	Bus Depots*		2,700,000	1,600,000			4,000,000
G.	Network & Public Transport Imps.			1,600,000	3,200,000	3,200,000	8,000,000
	Sub-total	1,230,000	4,450,000	3,775,000	3,750,000	3,575,000	17,000,000
IV.	**Equipment**						
A.	Traffic Signals		1,800,000		400,000	200,000	2,400,000
B.	Automatic Counters	40,000					40,000
C.	Computational Aids	60,000					60,000
D.	Bus Depots and Workshops*			100,000			100,000
	Sub-total	100,000	1,800,000	100,000	400,000	200,000	2,600,000
	GRAND TOTAL	2,602,000	7,742,000	4,203,000	4,534,000	3,959,000	23,040,000

*Optional Components

ANNEX 3

Table 1: POPULATION OF MAIN URBAN CENTERS a/
(in thousands)

	1969	Annualized Growth Rate	1980	Annualized Growth Rate	1990
Harare	386	4.6	633	6.9	1234
Chitungwiza	-	-	374	10.0	973
Bulawayo	245	4.2	385	6.3	709
Gweru	46	3.8	69	5.7	120
Mutare	46	2.8	62	4.2	94
Kwekwe	33	3.9	50	5.9	89
Gatooma	21	3.8	32	5.7	56
Hwange	20	4.3	32	6.5	60
Chinhoyi	14	5.6	25	8.4	56
Masvingo	11	7.1	23	10.6	63
Marondera	11	6.3	22	9.5	54
Zvishavane	16	2.3	21	3.5	30
Redcliff	8	7.5	18	11.3	53
Bindura	10	5.0	17	7.5	35
Chegutu	9	4.6	18	6.9	35
	876	6.4	1749	9.6	3661

a/ Central Statistics Office census data for 1969. Estimates for 1980 are based on official assessments using housing registries data. Projections for 1990 are computed using 1980 estimates and growth rates 50% above those for the previous period. Data for Chitungwiza is not available, estimates and projections are based on official sources.

Chart A
HARARE CITY COUNCIL

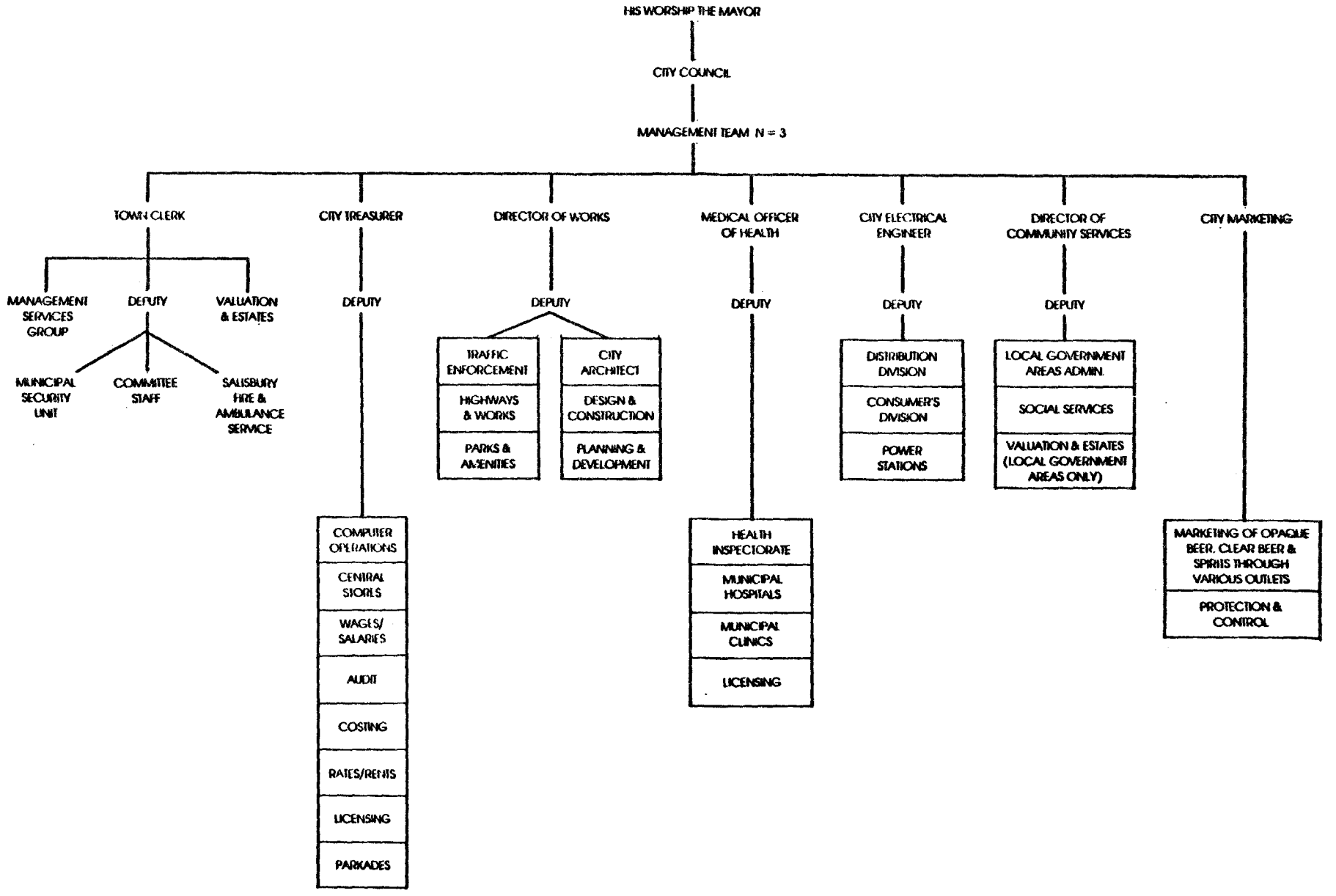
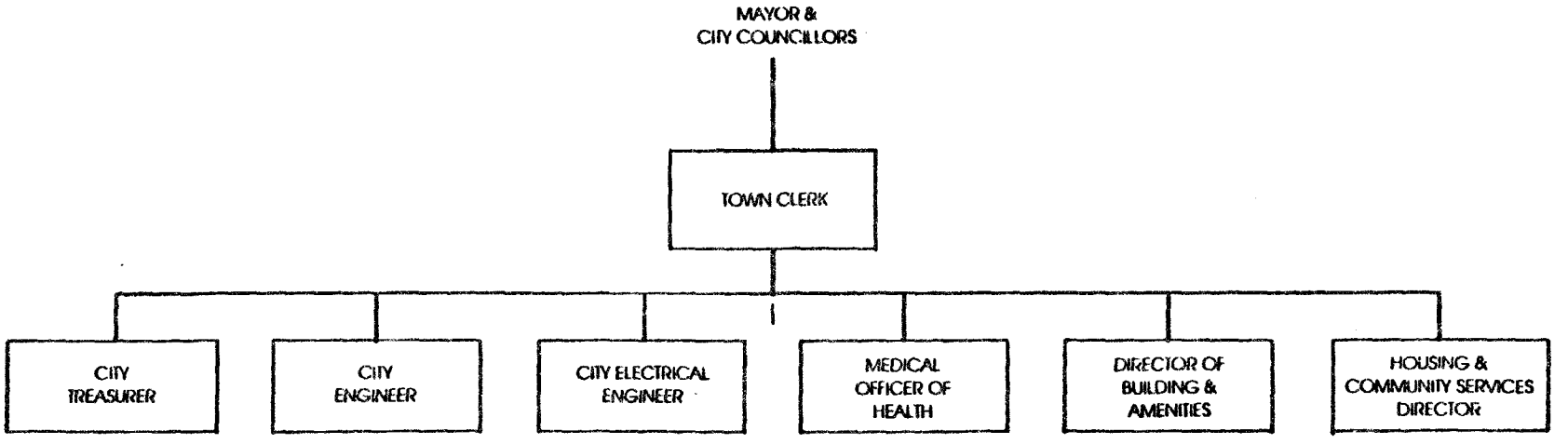
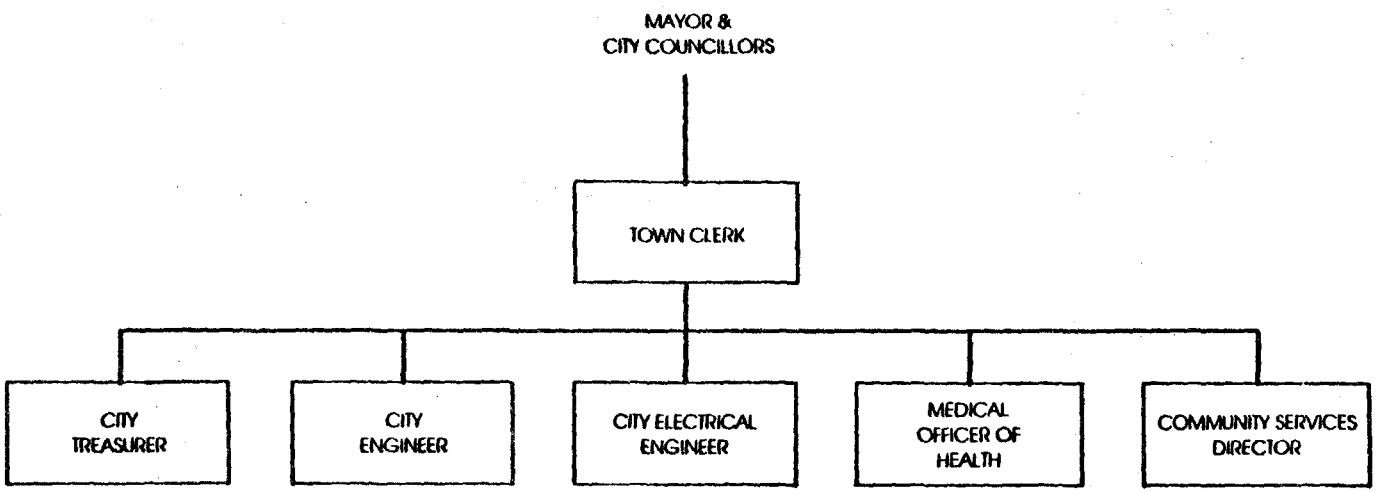


Chart B: BULAWAYO CITY COUNCIL



World Bank—24553

Chart C: MUTARE CITY COUNCIL



World Bank—24554

ANNEX 5

Table 1: THREE YEAR PLAN: CAPITAL EXPENDITURE, URBAN SECTOR (Z$)

	TOTAL $	1981-82 $	1982-83 $	1983-84 $
		(in thousands)		
A. Urban and Rural Councils				
Housing and related services				
Government loans		30,000	40,000	50,000
Own resources		10,580	11,440	12,480
To be financed (other)		13,000	13,000	9,000
Sub-total	189,500	53,580	64,400	71,480
General Infrastructure				
Government loans		14,380	19,060	29,480
Own resources		23,604	23,909	24,333
Government grant a/		3,145	2,458	2,313
Internal loan		2,000	-	-
Stock issue		14,000	18,000	22,000
Sub-total	257,212	57,579	63,427	78,126
TOTAL: Urban/Rural	446,712	111,159	127,867	149,606
B. Development of State Townships	709	649	30	30
C. Purchase of Urban Land for Ministries	610	550	30	30
D. District Development Fund	21,766	5,916	7,200	8,650
E. Provincial Building Fund (Communal Lands)				
Urban development	14,000 b/	3,000	4,000	7,000
Housing and services	21,000 b/	7,000	7,000	7,000
Construction units (equipment)	15,000 b/	5,000	5,000	5,000
F. General Infrastructure (Communal Lands)	15,000	4,000	5,000	6,000

a/ Health services.
b/ To be financed.

Table 2: GRANTS AND LOANS TO LOCAL GOVERNMENTS AND OTHER EXPENDITURES: MINISTRY OF LOCAL GOVERNMENT AND HOUSING
(Z$)

	1981-82 $	1980-81 $ (in thousands)	1979-80 $
A. Salaries, wages and allowances a/	12,210	12,427	15,768
B. Subsistence and transport	4,190	4,137	8,492
C. Other internal expenses	1,548	4,037	3,341
Training courses b/	185	19.6	19
D. Grants for maintenance of capital works	7,735	4,321	1,550
Communal lands	7,600	4,246	1,500
E. Grants for administration	8,462	4,829.6	4,040
District councils	4,080	1,260	1,050
Local authorities and others	2,500	1,776	1,426
Provincial authorities	1,320	1,600 c/	875
F. Development grants	7,515	7,593	2,110
Development of communal lands	5,916 d/	1,440	1,650
Development of other lands	400	165	150
Purchase of urban land for state purposes	550	313	100
State townships	649	1,150	210
Items not repeated		4,525 e/	
G. Loans	47,690	24,200	3,350
Local authorities: general dev.	14,690	5,750	3,100
Local Government Areas Bldg. Fund	30,000	17,400	- f/, h/
Provincial Building Fund	3,000	1,000	- g/, h/
Items not repeated (Rural Councils)		50	250 i/
H. Allowances for chiefs and headmen	1,022	828	800
I. Other	640	1,557	413
TOTAL	91,012	63,930	39,864

Notes:

a/ Reflects combined expenditures of Ministry of Local Government and Housing and former Division of District Administration with decrease in administrative activities of the latter post-independence.

b/ Shows increase due to new training programs instituted for District Councils' members and staff.

c/ Includes $500,000 for reconstruction of schools in 1980-81.

d/ Paid to the District Development Fund which undertakes work on behalf of the Government. Includes $1,187,000 to be funded from aid moneys.

e/ Items not repeated (Development: 1980-81).

Development of communal lands:	$
Airfields	25,000
Reconstruction of infrastructure	4,500,000

f/ Note to 1979-80 estimates states that Local Government Areas Building Fund loan finance will be obtained from other sources and lists under "items not repeated" (from 1978-79):
Housing schemes: Loans to Local Government Areas Building Fund $6,880,000

g/ No entry for Provincial Building Fund prior to 1980-81.

h/ The Local Government Areas Building Fund and the Provincial Building Fund are to be merged upon passage of a bill pending before Parliament in September 1981. Both provide government loans for low income housing and related services.

i/ Note to 1979-80 estimates states that this was for an interest-free loan scheme to Rural Councils in respect of outstanding rural tax on abandoned farms.

ANNEX 5

Table 3: GRANTS TO LOCAL GOVERNMENTS: OTHER MINISTRIES
(Z$)

	1981-82 $	1980-81 $ (in thousands)	1979-80 $
A. Ministry of Health			
Medical Care Services: Grants to local authorities, missions and voluntary organizations	33,453	22,175	3,500
Capital	9,054	711	444
Furniture and equipment	350	45	32
Recurrent expenses	24,049	21,419	3,024
B. Ministry of Roads and Road Traffic			
Municipalities: Construction and maintenance of approved roads	660	350	204
Rural Councils: Block grants for road maintenance, grants for approved road construction	2,230	1,990	2,020
C. Ministry of Works			
Local authorities: Payments in lieu of rates on Government-owned buildings	300	276.2	271.2
D. Ministry of Natural Resources and Water Development			
Grants to District Councils: For utilization of wildlife	650	-	-
E. Ministry of Lands, Resettlement and Rural Development			
Grants for agricultural and rural development:	24,588	15,650	2,996
ARDA	18,784	11,650	
TILCOR	5,804	4,143	
Chisumbanje Settlement Phase II		(693)	