

**The Effects of Economic Structural Adjustment Programme and the  
Shelter Development Strategy on the Housing  
Construction Industry in Zimbabwe**

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Dissertation submitted in partial fulfillment of the requirement for the degree of  
Doctor of Philosophy in the School of Architecture, Housing and Planning,  
University of Natal, Durban, South Africa.

April, 2001

[KGM]

## Acknowledgements and Thanks

My acknowledgements and thanks go to the following people who helped in the research. Short of their contribution, this research would not be complete.

- **Professor A.A Adebayo** supervised this dissertation. His guidance went beyond the normal call of duty.
- **Mr. F.H.C Mazando**, a supportive friend whose advice on the political and economic status of Zimbabwe today was useful to the research;
- **Mrs. Junah Mpofo**, whose insights and knowledge on Building Societies in Zimbabwe were cardinal to the research
- **Mr. Arnold Muganhu**, whose help in field research was invaluable.
- **Dr. M.T. Musarurwa** whose analytical advice on ESAP gave a comprehensive, understanding of the situation in Zimbabwe under ESAP.

Additionally, thanks to **Mr.M.C.R Vengesayi, P.M. Nhekairo, Mr.G. Fleet** and **Mr. L. Chirombo** for the financial support in my educational endeavors.

[KGM]

Dedicated to the memory of my beloved late mother Elizabeth and brother Taurayi.  
**And to the "Greatest" Woman Alive, Lillian!**

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## **Abstract**

The motive behind this dissertation involved the scholastic empirical testing of the impacts of development policy, pursued at macro-economic level in housing and construction industry in Zimbabwe during Economic Structural Adjustment Programme (ESAP) between 1990-1995. It further explores the understanding of the variety of interconnections between macro-economic in light of structural adjustment and Shelter development Strategy.

The introductory focuses on conceptualisation of the dissertation in relation to contemporary policy and academic debates. A historical review of both macro-economic and shelter industry management policies experienced in Zimbabwe prior to ESAP are examined. Architecture structure of the adjustment programme specifically in the in creating an enabling environment in respect to the overall macro-economic reforms in relation to the shelter industry is sketched.

Party Two deals with housing and Zimbabwean construction finance both prior and after ESAP, comparison with other African countries is reviewed-positive impacts of liberalizing a sophisticated financial sector, limited impact in attracting foreign investment and negative impact of reduced government investment on the housing construction industry.

The final section deals with the impact of adjustment and shelter strategy on job creation and income levels. Also focuses on the responsiveness of the construction supply to adjustment and enablement policies.

The development of ideas surrounding this research and methodology of fieldwork are also discussed. Conclusion and recommendations are drawn to fulfill the dissertation-Scholarly.



**PART ONE**

# 1.0.0 CHAPTER ONE: INTRODUCTION AND PROBLEM FORMULATION

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### 1.1.0 Introduction

Third world countries, particularly those in Sub-Saharan Africa, entered the mid 1970s and early 1980s in serious economic and development crisis. Whereas, sub-Saharan Africa had managed to record unprecedented annual development growth rates in the 1960s and early 1970s (6,4 %), the mid 1970s began to see a reduction in this figure (3.2 %), and by the mid 1980s the figure had fallen to negative rates averaging -1.5 % (World Bank, 1987, p.16)

The Sub-Saharan Africa development crisis is well manifested in the region's huge foreign debt, rising unemployment, high infant mortality rate, and a reduction in the per capita income and Zimbabwe is no exception. These problems persisted into the 1990s, eventually culminating into serious social and political disorder in the region. Although the explanation for this crisis has always been to try and trace the origin of the malaise to the 1974/5 fuel crisis, there is now a growing school of thought that believes that the fuel crisis of the mid 1970's was only a 'tip of the ice-berg', and that more needs to be done to the internal structures of these economies, if this situation is to be remedied (Campbell and Loxley, 1989; Cornia *et al*, 1992; Killick, 1982).

In an effort to arrest the above crisis, which is by no means restricted only to the sub-Saharan regions, billions of dollars in both local and foreign resources were poured into these countries, but little or no meaningful progress was recorded. In the more recent past however, researchers and policy makers began to question the use of past development strategies to arrest the situation and in the process developed Neo-Liberal development strategies. Neo-Liberal development strategies for ailing and former commandist economies<sup>1</sup>, are seen as a positive contribution to domestic job creation, increase of incomes, stimulation of savings, facilitation of domestic production and saving of the scarce foreign exchange (Woodfield, 1989, p.46-49).

The withdrawal of the government from direct provision of construction services, market prices, liberalized trade and exchange rates, the break down of state monopolies and the removal of subsidies has meant that the private sector takes the leading role in shelter provision. In this new shelter and construction paradigm, democratization entails the empowerment of the general public to make their own decisions on matters affecting their shelter needs, either through direct consultations or through their elected officials. The creations of an enabling environment, on the other hand entails governments removing regulatory and bureaucratic obstacles that have hitherto impeded development or discouraged the public, more so, private sector initiatives in shelter and construction industry development (UNCHS, 1996, p. 337 – 338). To this end, it is not surprising to see the tying of development aid and loans by the Western World and the international financial institutions to democratic and economic reforms in the Third World.

Events in Zimbabwe have followed more or less the global phenomenon described above. The turning point in fully embracing the Economic Structural Adjustment Programme in Zimbabwe came with the change of heart by the

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<sup>1</sup> Commandist economies refers to national economies which are centrally planned and controlled by the Government

government in 1990. Thus the shifting role of government in shelter provision from “provider” to “supporter” as embedded in the afflicted programme, Shelter Development Strategy.

### **1.2.0 The Problem Statement**

Zimbabwe today, is a nation near economic “abyss” and “catastrophe”, mainly blamed on the imposition of the Economic Structural Adjustment Programme (ESAP). Balleis (1993) agreed and stated;

The main government (Zimbabwean) policy of the 80s was Growth with Equity. We experienced a modest economic growth, increased communal farmers in production and an expansion in social infrastructure.....With ESAP comes a big change in emphasis. Growth still figures in every government statement, but equity no longer mentioned. Is government no longer concerned to share the wealth created in the country fairly among population groups? Can we really talk of meaningful growth when equity is the loser?

The programme was designed to foster long-term growth to the national economic development. One of the key parts of the economy identified as an economy stimulant was the Construction Industry vis-à-vis Shelter Development Strategy. It is suggested that the contribution of the construction industry, in relation to shelter was vital in achieving the objectives of ESAP where the government shifted from being the “provider” to being the “supporter”. It is this kind of approach to change of Socio-political and political Ideology that the then, Socialist Zimbabwean government took. How then did this affect the measurable contribution of the construction industry in the light of shelter provision?

The problem at a broad level therefore, relates to the effects of ESAP on the contribution of the construction industry to national development in relation to shelter development for the Zimbabwean people.

### **1.3.0 The Research Questions**

The research explores the hypothesis of the effects of ESAP on the contribution of the construction industry to the national development in relation to shelter development. This research therefore, is focused on answering the following questions;

- Did the construction industry improve its results measured in terms of shelter development outputs?
- What effects did ESAP have on the contribution of the construction industry to the overall national development vis-à-vis shelter development?
- What role did the government play in realizing the objectives of ESAP and its intended role in the construction industry, vis-à-vis shelter development?
- To what extent and effect is the contribution of the construction industry measurable?

#### 1.4.0 Structure Of the Study

This thesis is structured in three main parts: Part one covers the introduction and theoretical framework. Part two deals with the field data and analysis and Part three covers the research conclusions and recommendations.

**Part one:** Begins with chapter one, which serves to introduce the subject matter under discussion and explains the methodological approach and strategy chosen in meeting the stated research aims and objectives. It is followed by the literature review, chapter two, which sets the context and literature in which the research lies. Considering the vast amount of literature available on shelter and development issues, the literature review is deliberately concentrated on the Less Developed Countries (Third World) and Sub-Saharan Africa in particular. The literature review has been arranged so as to trace the historical development of shelter strategies from social housing and the welfare state system, through self-help programmes and right up to present day shelter enablement policies.

The literature review also covers macro-economic aspects of the construction industry in Sub-Saharan Africa. In this way, the chapter leads the reader to the reasoning behind present day Neo-Liberalist shelter development strategy. The chapter ends by looking at rival theories, dominated by the Neo-Marxist philosophies and other liberal criticisms from independent minded researchers and scholars. Having devoted chapter two to contextualising the literature within which the research work lies, chapter three then introduces the reader to the background information on what led to present day shelter and construction industry problems in Zimbabwe draws conclusions as to the reasons why this should be so. This information is meant to help in relating the new strategy of reforming the industry under Economic Structural Adjustment to Shelter Development Strategy (Enablement) in subsequent chapters.

**Part two:** Contains the main thrust of the research work, where the field and secondary data is processed and analyzed. It contains four chapters, arranged in such a way as to deal with the different specific areas of the Zimbabwean construction industry market and the resultant macro-economy in relation to the study. Chapter four deals with government efforts in creating an enabling environment through legislation, whereas chapter five looks at efforts applied to the construction investment and finance markets with a view to stimulating construction supply. Chapters six and seven focus on the Zimbabwean construction labour market and the supply levels respectively, in view of the imposition of both the Economic Structural Adjustment Programme and development Shelter Strategies.

**Part three:** Finally, summarizes the research findings from chapters three to seven, and then draw conclusions as to how the application of the two Neo-Liberal policies have affected the Zimbabwean construction industry contribution vis-à-vis Shelter Development Strategy and ultimately the rest of the economy.



### 1.5.0 Study Aims and Objectives

From the literature review in chapter two, it will become quite clear that the strategies of Economic Structural Adjustment and Shelter Development Strategies are relatively new and untested strategies; these are strategies that have to be tested on the ground to ascertain their validity. Pugh (1989, p.249) has stated that Neo-Liberalist principles on which these two strategies are based not only lack empirical evidence to support their postulated claims, but also are also "foreign" to Third World countries;

The new theory of housing was based upon Neo-Liberalist political economy with emphasis upon individualism; free markets and the user pay principle. The new theory was formulated intellectually in the early 1970s, without any really convincing practical experience in the actual urban setting of the developing countries... the theory had to be adjusted and broadened in the light of practice (Pugh, 1989, p.249).

In an effort to contribute to the body of knowledge and hence to the global debate on the true effects of the Economic Structural Adjustment Programme and Shelter Development Strategy on the construction industry contribution and the resultant national development, this study therefore, aims at validating and exploring the two policies of this school of thoughts through a case study in Zimbabwe. Zimbabwe being a Sub-Saharan African country that has applied both strategies in an effort to sustain its construction market and foster national development will be taken as a case study to validate the theories in the two strategies. This proposition is based on findings by most researchers, that investing in the construction industry leads to economic growth (Moavenzadeh, 1987, p.97-86; UNCHS, 1996, p 224).

This research project further aims at drawing the attention of scholars, policy makers, bureaucrats and implementers of policy to those aspects of these Neo-Liberal policies that are working and fulfilling their desired results and to the ones which are not. To meet these study aims; the research sets out the following objectives:

- 1. To evaluate the construction industry audits contribution to national development in Zimbabwe through making comparison to the construction industry output and other construction indicators prior to and after the application of ESAP in relation to Shelter Development strategy;
- 2. To document the transformation of the Zimbabwean construction industry in relation to the macro-economy, in the light of the imposition of the Economic Structural Adjustment Programme on the Shelter Development Strategy.
- 3. To understand and analyze the policy, design and implementation of the Economic Structural Adjustment Programme in relation to Shelter Development Strategy.

This study focuses on national development issues primarily under the construction industry in relation to shelter development strategy. In other words, this study examines the direct impact of the structural, fiscal and monetary changes made in Zimbabwe under the strategies of adjustment and



shelter development, and the resultant changes effected on the construction industry.

To answer the key study, the dissertation studied the contribution of the construction industry before and after the application of the two aforementioned strategies i.e. job creation, increased national income, increased housing stock and Gross Fixed Capital Formation [GFCF]).

\*By verifying the conditions under which the strategies relating to Economic Structural Adjustment Programme and Shelter Development Strategies produced the postulated results in the Zimbabwean construction industry, inevitably in the process which Crano and Brewer (1986, p. 15) have called theory purification: purifying the theories pertaining to Economic Structural Adjustment Programme and Shelter Development Strategies under local Zimbabwean conditions. Theory purification involves the act of refining and/or recasting a theory in the light of new findings on the ground.

### **1.6.0 Study research method**

The two main aims of the dissertation are;

- a. Analysis and comparison of the Zimbabwean construction industry before and after the application of the Economic Structural Adjustment Programme vis-à-vis Shelter Development Strategy.

To meet this objective the study relied on measurable economic indicators (variables) of the Zimbabwean construction industry, such as employment figures, Value Added, number of new construction firms, amount of exports and the Gross Fixed Capital Formation (GFCF).

- b. Evaluation of the effects of the two Neo-Liberal strategies above on the Zimbabwean construction industry through responses from the construction firms concerned in relation to shelter provision.

This information is currently not available as published data. To meet this particular study aim, a sample survey was conducted on the Zimbabwean construction industry to solicit views on what effects ESAP in relation to Shelter Development Strategy had on construction businesses.

The study was conducted in three of Zimbabwean cities: Harare, Bulawayo and Mutare, each having very distinct economic bases and characteristics from which a general pattern on Zimbabwe was drawn. In this respect, it was important to include all categories of firms in the construction industry to avoid any biases on the results obtained.

Given that the two strategies of adjustment and enablement under study are mainly supply oriented theories, taken was the view that the best way of testing the effectiveness of the two theories was to see how construction supply constraints were removed or minimized by the application of these two Neo-Liberal strategies. In this connection therefore, contractors, construction

consultants, construction material manufacturers and suppliers were chosen as the target group (respondents) for answering our survey questions. Importantly, the fieldwork data was confined to urban shelter development. It should be noted however, that this position does not ignore the steps taken under the two strategies to stimulate demand. Resources (time, financial and human) were not adequate to cover both sides of the market. Besides, improved supply is said to induce demand and that the two are always related and therefore, difficult to separate in the market (Warren, 1993, p. 180-197).

### **1.7.0 Operationalization and Hypothesis Formulation**

In setting the study aims and objectives, an assessment of the effects of the Economic Structural Adjustment Programme in relation to Shelter Development Strategy on the construction industry contribution and the national development status of Zimbabwe was necessary. However, without operationalising the term “national development,” the study remains ambiguous and confusing. For the purpose of the study there is need to define “operationalize” a process Smith (1991) has defined as operationalization. To illustrate the confusion and disagreements among scholars on the common definition of national development, Agrawal and Kundan Lal (1994) attempted to define it but failed. They debated the various methods and indicators used worldwide and still could not come up with an analysis without faults or demerits. Among the many methods and indicators that they looked at were the following, Gross National Product (GNP), human and natural resources index, literacy rate, life expectancy index and industry and technological advancement. On the other hand, Todaro (1994, p. 18) has loosely defined ‘development’ as “both a physical reality and a state of mind in which society has, through some combination of social, economic and institutional processes, secured the means for obtaining a better life.”

In the context of this study however, national development will be taken to mean reduced unemployment rates, low inflation rates, high Gross Fixed Capital Formation, increased national income, increased export base for construction exports, and high rate of local materials utilization in the macro-economy. This definition has deliberately been framed in this manner so as to be identical with desired goals of both the Economic Structural Adjustment Programme and Shelter Development Strategy. Should this research project therefore, conclude that Zimbabwe has indeed experienced national development from the construction industry vis-à-vis shelter provision perspective as a direct result of applying the two Neo-Liberalist strategies, then the study will have validated the aforementioned strategies.

#### **1.7.1 The Hypothesis**

As the research is based on an already existing theory, the deductive scientific model was used to formulate the hypothesis; this is where a hypothesis is deduced from existing theories and tested against field observations, (Baker 1994, p. 41).

This research asserts that contribution and effect were manifested by ESAP on the national development by the construction industry contribution, vis-à-vis shelter provision. The hypothesis's central argument is that the imposition of the Economic Structural Adjustment Programme, with its affiliated policy of Shelter Enablement, has not only helped in increasing net construction supply, but has also helped in fostering national development in Zimbabwe.

The sub-hypothesis envisages that the application of ESAP created more job opportunities in the Shelter provision industry in both informal and formal sectors.

### 1.7.2 Concepts and variables

The process of operationalization involves the breaking down of our main hypothesis into small measurable concepts. Baker (1994, p. 115) defined concepts as abstract terms employed to explain or make sense of everyday life. As existing theories, the Economic Structural Adjustment Programme and Shelter Development Strategies undoubtedly already their own concepts. For example, the Economic Structural Adjustment Programme is often reduced to the concept of 'Adjustment', while the Shelter Development Strategy is referred to as the concept of 'Shelter enablement'. Another common concept that recurs in this study is 'Adjustment Conditionalities' or simply 'Conditionalities'. The concept of conditionalities refers to the set of conditions that were originally set by the IMF and the World Bank for recipient loan/aid countries to meet before giving them loans/aid. These conditions among other things include, foreign exchange liberalization, democratization, privatization of major public sector companies, market pricing, removal of subsidies, civil service reforms and so on.

Similarly, the postulated resultant improved construction supply and increased GDP will be reduced to the concept of national development. Therefore, the main hypothesis effectively is expressed in the following conceptual terms (expression):

**Adjustment + Shelter enablement (inputs) = National development** (Increased construction output). In-turn the three concepts above, were subdivided into smaller and measurable variables of either independent variables if they are on the left side of the equation and dependent variables if they are on the right side of the equation.

### 1.8.0 Research Assumptions and Choice of Location Samples

The argument in making generalizations from observations drawn from three cities to the rest of the country is well made by Edmund Leach when he argues that:

It is assumed that a social system exists within a somewhat arbitrary geographical area; the population involved in this social system is of one culture; the social system is uniform. Hence the anthropologist can choose for himself a locality of "any convenient size" and examine in details what goes on in this locality; from the examination he will hope to reach

conclusions about the principles of organization operating in this particular locality. He then generalizes from these conclusions and writes a book about the organization of the society considered as a whole (Hamel et al., 1993, p.4).

The limitations against gathering data from the whole of Zimbabwe are well known: namely financial, logistic and time constraint. The collection of data was done in the three cities of Zimbabwe, namely Harare, Bulawayo and Mutare. This decision was taken against the greater temptation for the researcher to restrict the collection of data to the city of Harare only, the researcher's hometown, which is also the financial hub and Capital City of Zimbabwe.

The decision to pick on all the three major cities of Zimbabwe was based on the fact that 70% of all construction firms registered with the Ministry of Public Construction & National Housing are in these cities. Also note that all the three cities have their own distinct roles and characteristics, such that the omission of any one of them would have skewed the results. For example, restricting the study to Bulawayo, Zimbabwe's industrial hub city, would have raised questions like, 'aren't the results not only peculiar to this city because of its dominance by the manufacturing industry?' In the same vein, picking Harare, the administrative capital of Zimbabwe, would have skewed the results to one side or the other. By having the study conducted in all three cities, such pitfalls were avoided. Another very important reason for picking these three cities lies in the fact that the two theories under study are based on urban world phenomenon. Since the three cities under study account for 56.9 % of Zimbabwe's urban population and 22.1% of the total population, there could have been no better choice of location than the three cities (percentages calculated from Central Statistical Office, 1991). Although figures are not available for the percentage share of the Gross Domestic Product (GDP) produced in these three cities, it is reasonable to say that the bulk of Zimbabwe's GDP is produced here, if the roles played by these three cities are anything to go by.

### **1.9.0 Summary**

The main aim of this chapter was to introduce and give a brief background on the research project, and to state the aims and objectives of the research/study.

Set out In Chapter Two is an explanation of the research methodology adopted and the reasons and circumstances that led to these choices, given the environment on the ground.

## 2.0.0 CHAPTER TWO: RESEARCH METHODOLOGY

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## **2.0.0 Introduction**

In this chapter a foundation is laid through setting the research methodology, guidelines, parameters and definitions of research used to conduct the study.

The various aspects of this foundation are dealt with in the following manner:

- The survey research approach;
- Quantitative Analysis, Qualitative Analysis, and Field surveys.

### **2.1.0 The survey research approach-Methodology**

In approaching the research questions and validation of the hypothesis, there are a number of research approaches utilised. Explicit details of the results of this research are set out in chapters Seven, Eight and Nine.

The importance of research strategy or methodology to science whether social or natural cannot be over emphasized. The method employed in finding out knowledge is of crucial importance in scientifically validating the research project. Baker (1994, p. 37) argues that science is simply doing empirical research;

It is based on observable evidence (what the field researchers saw, answers to questions, reactions to experimental stimuli), which has been carefully recorded and presented so as to make it as close to the actual observation as possible. This attention to recording and presenting the observations carefully and precisely is a part of the art to make these studies scientific. Science depends on a logical and rational system of rules for thinking and using language; therefore, precision in the measurement of what is being studied and clarity in the presentation of data are both necessary.

Similarly, Smith (1991, p. 35) in tracing the importance of methodology to research argued that;

Science is a series of methods for knowing, rather than simply believing or opining; it is an attempt to learn, using research methods, how and why things fit together... Theories are abstractions- that is, ideas in the scientist's head concerning how to organise the empirical generalisations he or she observes... A theory is correct if it should produce hypotheses that are supported through observation... the process of observing instances that confirm or disconfirm hypotheses requires some means of precisely and explicitly measuring the variables in the hypotheses so that other trained scientist can replicate the work.

In appreciation of the importance placed in the systematic collection, arrangement, and analysis of data in research as emphasized above, this study was guided by the survey research study approach. The mode of

gathering research data in social survey research is usually done through personal interviews or mail questionnaires. The survey research approach uses a set of questions on a number of chosen respondents (sample) considered representatives of the individuals, group/s or organizations under the study. The intention in conducting the interview or sending the mail questionnaire to the respondents is to elicit specific information from them.

A representative number of responses are gathered from a chosen sample from which results can be aggregated and then generalized to the rest of the working population. The results obtained at the end of the survey can then be used to develop, support or refute a theory (Baker, 1994, p. 10). It should be made very clear though that generalization is only possible if the sample under study is representative of the working population to which the research wishes to make generalizations (Smith, 1991, p. 125).

In the survey research as in most research strategies, the most important source of information comes from respondents themselves. In this case, the respondents were sampled from shelter construction firms. It is important however to realize that, events in the Zimbabwean construction industry, measured in the Economic Structural Adjustment Programme in relation to Shelter Development Strategy are dynamic and therefore constantly changing. In this regard keeping abreast of the latest developments in the subject matter is fuelled by constant reference to local newspapers, Financial Gazettes, Statistical Bulletins, Government and World Bank annual publications. Agencies like the Zimbabwe Investment Centre and the ministry of Finance, ministry Lands, Local Governments and Rural Development were also intensively utilized.

### **2.2.0. Quantitative and Qualitative Analysis**

Although there are a number of research strategies to draw from, there are only two main methods of analysing social research data; qualitative and quantitative analysis. But as most writers have rightly pointed out, these two methods are not mutually exclusive. To the contrary, the combination of both methods in a single research study complements each other (true in this research) in their weaknesses and strengths. For instance, Bryman (1998, p. 61) argues that the most fundamental characteristic of qualitative research is in its express commitment to viewing events, action, norms and values. While, on the other hand, the quantitative method has been credited with rigour and reliable data that is systematically collected and can be readily checked by other researchers (Bryman, 1988, p. 103).

The distinction between quantitative and qualitative data is often related to questions of subjectivity and objectivity in dealing with the data. There is a tendency to assume that quantitative data is more objective because it consists of "hard facts", while qualitative data is more likely to be subjective because of the individual bias and subjectivity of the collector (Conyers & Hills, 1984 P.100). For these reasons, the use of both methods to balance the scale of accuracy was unavoidable in this research.

It is important however, to note that the choice of the research method to be employed is dependent solely on the research questions raised in the

research or on the issue been investigated. Research studies dealing with attitudes, social process or values are best dealt with through qualitative methods and those that deal in variables like gender or class involving large populations reduced to samples, are best dealt with through quantitative methods. By way of definition, Strauss and Corbin (1990, p. 17) have defined the qualitative research method, as "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification". By the same token, we could define the quantitative research method as any kind of research that produces findings by statistical procedures and other means of quantification.

There would appear to be a general consensus among researchers that research studies dealing with socio-economic and political conditions are best dealt with through qualitative research methods. For instance, Baken and Van der Linden (1993, pp. 7 & 8) criticized the World Bank (and indeed the IMF) in its quantitative methodological approach in evaluating land market in an enabling shelter environment. They argued that the mere collection of economic figures without analysis of the contextual factors and related rational economic behaviour gave rise to conflicting results. Malpezzi (1994, p. 461) a former World Bank economist concedes to their arguments by advocating for more contextual analysis when studying structural adjustment related policies.

The Neo-Marxist school on the other hand has always relied on qualitative research methods in its analysis of human relations and in understanding the inherent contradictions between the proletariat and the bourgeoisie (Shaw 1975). The Neo-Marxist school tends, therefore, to be very wary in using quantitative analysis in social sciences. The use of both qualitative and quantitative methods in this study, therefore, will eliminate the arguments against findings, which were predominately based on quantitative methods and any criticism from the Neo-Marxist school.

Within this goal of research generalization, are two sub-conditions to be fulfilled; generalization across subjects and condition replicability. Generalization across subjects refers to generalizations that are applicable irrespective of the subjects; for example in this study, generalizations would apply to all construction firms; small, medium or large and formal or informal construction firms, hence the inclusion of all these types of firms in the study. In other words if this study was to find that only "certain subjects", e.g. informal and small scale contractors, had responded as postulated in the two theories and the rest did not, then our theories would have failed the generalization across subjects test. Notwithstanding this, it is important to note that certain postulations refer only to specific subjects, for example the aspect of intensive employment creation is a specific element that is tied to small scale labour intensive construction firms and would not therefore, apply to large and capital intensive firms.

**Triangulation of research data;** was used to check the reliability of data sources. Using this method, data from various sources (i.e. published documents, government and private media information, local and central government sources) was used as a check against our findings. This was done to test the reliability of the data and any differences (if any) would be identified and explained.



### **2.3.0 Field survey**

The field data was gathered using structured survey interview in two months, with possible responses given in a form of multiple choice, to reduce the rate of non-responses and time taken in conducting the interview. The survey document (questions) was deliberately framed in a clear, unambiguous manner and with non-technical terms. This was intended to reach respondents who could not be reached at the time of the research. Respondents who were found to be very busy or away from station, could be left with the documents so they could fill them in their own time.

However, personal interviewing was always preferable to the questionnaire form, as it always accorded the researcher the opportunity to record the respondent's unsolicited answers. The disadvantage of leaving the survey document with the respondents was that it required the researcher to make a second visit in order to collect it, and many a time two or three visits had to be made before the document was answered. With most construction firms dotted around the periphery of the three cities under study and without any research assistants, revisiting one or two firms greatly increased the travel cost and time. Subsequently, the practice of leaving the survey questions to be filled by the respondents had to be abandoned during the pilot survey stage. A copy of the survey questions is attached, as appendices at the end of this thesis.

#### **2.3.1 Sampling Procedure for Survey Respondents**

The foregoing sub-sections emphasized the need to make generalizations out of the study to the rest of Zimbabwe, based on the observations from the three (sample) cities. The prerequisite in meeting that goal is ensuring that the sample chosen is truly representative of the total population. This process should also involve the different strata of respondents. For example, it is known that the construction industry in Sub-Saharan Africa and Zimbabwe in particular comprises of two very distinct forms of contractors, namely the formal and informal sectors which can be further subdivided into large, medium and small scales sectors. In this connection therefore, it is imperative that the sample respondents be representative of this stratification. To ignore this general rule, would offer the study criticisms of the wrong level of analysis where information collected at one level of abstraction is used for another level with the basic assumption that the data would hold.

Having stratified the working population, the initial intention was simply to randomly sample the respondents from the different strata, using the register at the Ministry of Public Construction & National Housing. In this way each construction firm in the three cities had an equal chance of been picked as one of the case studies therefore biased selection of respondents or cases was avoided. It should be noted however that, in the field, this proved difficult for reasons explained in the Pilot survey, and therefore required the use of the snowball sampling method.

The snowball sampling method is based on the principle that the researcher builds on the sample size, having interviewed earlier respondents with the characteristics sought by the researcher, through introduction to their colleagues or business associates [as was the case in the field survey] (Baker, 1994, p. 165). Mindful of the need to maintain the stratification of construction firms at different levels, the researcher made sure that the chosen strata were kept.

To supplement the responses from the survey questions, some respondents were picked by the researcher based on their working expertise to give their own views in an unstructured manner. These were chosen using the expert choice sampling method, which is a scientific but subjective sampling technique in which the researcher used expert/professional judgement in picking those individuals considered representative experts on the subject matter in society (Baker, 1994, p. 163).

Among those picked for these in-depth and unstructured interviews was Mrs. J.Y. Mporfu, Director of Investment at CABS (Central Africa Building Society).

### **2.3.2 Pilot Survey**

Prior to conducting the main survey in this study, a pilot survey was conducted in the three chosen cities between the 6<sup>th</sup> of June and the 15<sup>th</sup> August 2000. The main reason of conducting this pilot survey was to test the suitability of questions, form, and manner of conducting the survey.

A list of all contractors, consultants and manufacturers/suppliers numbering 480 in total, registered with the Ministry of Public Construction & National Housing was obtained from which a sample of 30 contractors, consultants, manufacturers and suppliers/traders was chosen. The 30 samples comprised 10 from samples from each of the three cities. Unfortunately, only the postal address is shown on this list as the contact address because the intended respondents could only be contacted by post, except for the few in which the researcher was able to locate 14 on their business premises.

Two weeks after posting the self- introductory letter, a copy of the survey questions and a self-addressed envelope, there was no response from any of the firms to which the letters were sent. There were 17 in all but only 3 responded towards the end of the field trip. This resulted in the need to change the survey strategy in the field, from random sampling to the snowball sampling method. The snowball sampling method was based on the 14 respondents that answered the pilot survey questions and a number of known construction consultants introducing their business associates and colleagues in the other sectors i.e., contractors and material suppliers.

### **2.3.3 Main Survey**

The main survey forms the backbone of the empirical research and validates the study: The Effects of Economic Structural Adjustment Programme and the

Shelter Development Strategy on the Housing Construction in Zimbabwe are set out in Chapter Seven and Eight. Explicit details and results of this research study are analysed in depth in chapters Seven, Eight and Nine.

#### **2.3.4 Research Limitations and Problems**

The major problem encountered during the course of the fieldwork was the reluctance by most parastatal companies in responding to the survey questions. This was mainly due to the fact that most of them were lined up for privatisation and were therefore, not allowed to divulge company information to the public. Most of them did ultimately respond on condition that the information given would not be made public until after the companies had been sold or that the information would not be attributed to the responding officers.

The second problem concerned "white" businesses. At the time the fieldwork was conducted, there had been some racial tension between Whites and Blacks. This was following some political tension and the Land Invasions towards the Zimbabwean Parliamentary Elections 2000. There was a noticeable reluctance and fear by most White businesspersons in the three cities to talk about their businesses notwithstanding the effects of the Economic Structural Adjustment Programme on their businesses

To a lesser extent, there was also a lack of understanding of academic research among most respondents who for one reason or another were sceptical of where their responses would end up. This scepticism was not only among the less educated respondents but also among the elite of society who, by virtue of their job positions, were expected to toe party and government lines although they had their own opposing view.

There was also a problem related to logistics. As already mentioned, there were very few responses through the mail and those few responses came at snail's pace. The other logistical problem was that some telephones were either not listed or outdated. Another major problem that was faced in the field involved bureaucratic problems in collecting vital information. Most Government agencies would not release vital statistical information. For example, efforts to obtain detailed information on the number of houses sold by the three city councils of Harare, Bulawayo and Mutare either on cash or credit basis were to no avail.

Financial constraint was one of the biggest blows to the researcher as the scholarship was withdrawn, as a result of falling of the Zimbabwean currency and shortage of foreign currency, untimely, two weeks before the fieldwork started.

#### **2.3.5 Data analysis**

The survey data compiled from our survey questions was coded on an excel spread sheet, and processed using a Windows statistical analysis Package e.g. Minitab, but as already explained, the study relied on a number of data sources, hence the processed quantitative data coin our software package

had to be analysed and interpreted against the other data sources using qualitative analytical methods.

#### **2.4.0 Summary**

The main aim of this chapter was to explain the research methodology adopted and the reasons and circumstances that led to these choices given the environment on the ground for research and the Zimbabwe Shelter Construction sector.

Set out In Chapter Three, is the conceptualisation of the chosen research study in the broad literature available. \*

## 3.0.0 CHAPTER TWO: LITERATURE REVIEW

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### **3.1.0 Introduction**

Having set the study aims and objectives in the previous chapter, this chapter sets the literature context under which the research study falls. The Shelter and Development paradigm within the context of construction industry has taken different twists and turns in the last five decades<sup>1</sup>. It first took international prominence in 1976 with the Vancouver Conference and has constantly undergone practical and theoretical changes since then. The latest changes are under Habitat II (UNCHS 1996).

It must be stressed however that, Habitat II in itself did not introduce new strategies or policy changes to shelter and development as earlier defined under the Global Shelter Strategy. What Habitat II conference did was to reaffirm, integrate and consolidate previous international and isolated conference resolutions containing enabling shelter and development strategies. The main international conference resolutions that have now been integrated into the shelter, construction industry and development paradigm are the Fourth World Conference on Women (Beijing, 1995), the World Summit for Social Development (Copenhagen, 1995), the International Conference on Population and Development (Cairo, 1994), the World on Environment and Development (Rio de Janeiro, 1992) (UNCHS, 1996; UNDP, 1996). By integrating all the international conferences, Habitat II consolidates shelter with economic, social and environmental development. The intention in this chapter is to trace the historical and theoretical reasoning behind this global and integrated sectoral approach to tackling shelter development issues.

### **3.2.0 Contemporary Third World Development Problems**

Third world problems are varied and complex. However, for the purpose of this study, restriction is given to construction industry and shelter development issues. Nevertheless, remaining aware of the fact that other apparent unrelated Third World problems ultimately have a bearing on shelter development strategies. The root cause of most Third World problems, in which Sub-Saharan Africa seems to be the leader, stem from a combination of high population growth rates and lately the high death rate of the working class as a result of the AIDS pandemic and decreasing national incomes. The high rate of urbanization in the Third World has also meant that urban areas have taken the beating of these shelter and unemployment problems. For instance, there were only 12 cities with populations over 10 million in 1992, this figure is expected to rise to 21 such cities by the year 2 000, 18 of them being in the Third world (The Courier, Jan-Feb., 1992; UNCHS, 1996).

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<sup>1</sup> At the time, it was referred to as the housing and development paradigm.

Although the problems of rapid urbanization are still well appreciated, there is now growing recognition that Third world urbanization presents its own unique economic contributions to the region's battered economies. The World Bank estimates that up to 80% of the GNP in the Third World is being produced in same urban areas (UNCHS, 1996; Courier No.131, 1992). The World Bank and United Nations further argue that Third World urbanization creates large markets for agricultural produce from the rural areas, hence stimulating rural agriculture (The Courier, Jan-Feb., 1992). This thesis in no way supports rapid Third World urbanization per se, but aims at taping the positive aspects of urbanization whilst trying to solve its associated problems of transportation, congestion, housing shortages, squatting and urban pollution (UNCHS, 1996).

Decreasing national income and the corresponding increase in foreign debt has increasingly meant less investment going into improving, let alone maintaining the basic infrastructure in the face of massive urban population increase. With the formal public services unable to cope with demand due to reduced Government spending, the private (and mainly informal) sector has now become the key provider of urban services. Mashamba (1997) supports this by stating;

This phenomenon has given impetus to the Neo-Liberalist thesis that the private sector (and especially informal sector) can do much more, given the necessary Government backing and enabling business environment. Bearing in mind the indebtedness of most of these Sub-Saharan countries, the current global trend which is basically pro-private sector and anti-increased public spending, finds fertile ground in most of these countries.

It is important to mention at this juncture that both the Economic structural Adjustment Programme (ESAP) and Shelter Development Strategy advocate a multi-faceted approach in tackling Third World problems of unemployment, inflation, reduced income, housing and debt crisis (UN [Woodfield], 1989; Tipple, 1994b; World Bank, 1983; 1993a; 1993). The traced contemporary problems of the third World would also have an influence on Zimbabwe's decision to take the Bretton Woods' "prescription" of Economic structural Adjustment Programme (ESAP).

### **3.2.1 Third World Debt Crisis**

The Third World debt crisis is a widely debated subject. It is therefore, not the intention of this study to repeat the debate. However, it is important to contextualise the Sub-Saharan Africa debt and relates it to the shelter problems faced by most countries and also relates it to the role of the International Financial Institutions (IFI) in trying to solve these problems. The Economic Structural Adjustment Programme was initiated as a direct response to the debt crisis that hit most Third World countries in general, but especially those of Latin America and Sub-Saharan Africa. The origin of this debt can be traced to the

1970s, when oil prices rapidly increased amid low prices for most primary materials which these countries were exporting (see debt-to-export ratio in table 2.1). To balance their accounts, most Sub-Saharan countries resorted to excess borrowing from both commercial banks and the IFI (Todaro 1994,). Sub-Saharan Africa's debt is smaller than most other regions in the world. But what makes its debt a peculiar problem is that, while the region's debt is growing quickly, its capacity to service the debt is diminishing more quickly. This is well illustrated in the table below which shows, that between 1975 and 1993 the region's outstanding debt grew from US\$14.9 billion to US\$137.4 billion, an increase of more than 800% (see table 2.1). At about the same time its share of debt-to-service ratio<sup>2</sup> grew from US\$14.4 billion (in 1980) to US\$24.6 billion in 1993. With most of their resources committed to debt servicing and repayment, most Sub-Saharan countries resorted to deficit financing with the concomitant result of high inflation and debt perpetuation<sup>3</sup> (Sparr, 1994).

**Table 3.1 Growth of African indebtedness**

	1975	1980	1985	1990	1993
External debt [billion of dollars (US\$)]	14.9	55.6	64.7	126.1	137.4
Debt-service payments [billion of dollars (US\$)]	14.9	55.6	64.7	126.1	137.4
Debt-to-Export ratio (percent)	N/A	92.5	189.0	234.9	219.6
Debt-service ratio (percent of exports)	N/A	14.4	27.6	25.5	24.6
Debt-to-GDP ratio (percent)	N/A	28.3	46.6	62.2	57.4

**Source: Todaro, 1994 p. 460**

The case study country, Zimbabwe, had and by 1998 an external debt (ZCTU, 1999) estimated at Z\$90 billion. With low debt servicing capacity this thesis traces the bearing this has on the construction industry consequently on the shelter provision.

### **3.2.2 The Role of the International Financial Institutions**

The two main players in international financing: the World Bank and the International Monetary Fund (IMF) are both products of the Bretton Woods conference of 1944 (The "Bretton Woods twins"). Although these two financial institutions have different specific aims and objectives, they were designed to

<sup>2</sup> Ratio of external debt to gross domestic product (GNP)

<sup>3</sup> Refers to a situation where a country borrows to service past debts.



complement each other on matters of financial and monetary aid to member countries. The IMF is now more concerned with stabilization policies. On the other hand, the World Bank is concerned with the Economic Structural Adjustment Programme (Sinha, 1994). The “ Bretton Woods twins” were created with the initial purpose of mobilizing international capital, both from private institutions and member country contributions for rebuilding the ravaged countries after the Second World War. The basic principle of operation is that the share capital in these two institutions is structured in such a way that any risk or loss is shared among its member countries proportionate to their shares. Membership in both institutions is open to all members of the UN, although a country has to be a member of the IMF before becoming a member of the World Bank (The World Bank, 1976).

Having successfully helped the developed countries rebuild their countries after the destruction of the Second World War, the focus of these two institutions is now on using their expertise and experience to help Third World countries attain similar status. In helping member countries, it must be emphasized that the two institutions operate more or less like private banks. A member country intending to borrow must provide some form of assurance that the loan will be repaid. However, unlike private banks, “the Bretton Woods twin’s” main focus of operation is on budget financing and developmental assistance to member countries.

Another striking feature of these two institutions, beginning in the 1980’s, has been the variable interest rate loans they give, as opposed to the fixed interest loans in the past. This development has been necessitated by the increasing role of mobilized private capital from the commercial banks and other private financial institutions (Todaro, 1994; Nowzad, 1982). This means that not only is the nominal debt for Third World countries increasing, but the real cost has increased considerably due to fluctuations on the global financial markets. For instance, between 1974 and 1982 alone, Nowzad cites interest rate rises of about 250% (from 7% to 17%) on the international capital markets. To find an answer to its “stagnant” economy in 1990, Zimbabwe turned to the “ Bretton Twins” for help under their Structural Adjustment Programme.

### **3.3.0 The Economic Structural Adjustment Programme (ESAP)**

The term structural adjustment first gained world prominence in April 1980, when the World Bank gave a \$200 million loan to Turkey, with conditions that were meant to support structural reforms in the Turkish economy. The reform structures agreement between the Turkish Government and the World Bank were mainly focused on the area of developmental policy and economic structures designed to sustain the Turkish economy in the short and long terms (Reed, 1992). After this record signing, most other Third World countries

followed the Turkish example and signed similar loan agreements with the World Bank and the IMF.

What made the advent of the Economic Structural Adjustment lending so different from previous lending agreements of the World Bank and its affiliate, the IMF, was the emphasis placed on the strict adherence to the loan condition clauses (adjustment conditionalities). In the main there are six standard adjustment conditionalities to which a country intending to borrow from the "Bretton-Woods twins" will be expected to agree. These conditionalities are best summarised by Read (1992) as follows:

- **TRADE POLICY**- adopting a competitive real exchange rate and lifting export restrictions to encourage exports: reducing quantitative restrictions on imports, and cutting tariffs to strengthen the international competitiveness of domestic industry.
- **FISCAL POLICY**- Reducing and eliminating fiscal deficits by contracting public expenditure, increasing prices in the public sector to cover costs, raising revenues, reforming the tax system to improve the efficiency of raising revenue: and creating new sources of revenue.
- **PUBLIC ENTERPRISE POLICY**- Cutting public investment and shifting resources to infrastructure and social sectors, reforming public enterprise to improve efficiency and profitability, closing or privatizing unprofitable public enterprise to reduce the government fiscal burden.
- **FINANCIAL SECTOR POLICY** - Restructuring institutions to facilitate resource mobilization, improving regulatory framework to restore public confidence, relaxing interest rates ceilings and reserve requirements: and diminishing the role of credit allocation to provide incentives for efficient use of resources.
- **INDUSTRIAL POLICY** - Reducing protection to make the industrial sector more competitive internationally: liberalizing price controls to improve resource allocation: providing investment incentives for producing domestic value added: devaluing the currency to develop an export-oriented strategy.
- **AGRICULTURAL POLICY**- Adjusting exchange rates and removing industrial protection to eliminate the bias against agriculture; liberalizing agriculture prices, funding agriculture research and improving infrastructure of the poor countries because the poor nations need large injections of foreign capital to get out of the poverty trap. It argues that Third World countries have low savings relative to national income ratio, hence a low rate of capital accumulation with the resultant low productivity in the national economy. If this prognosis is right, then there is every justification for Third World countries to borrow from International Financial Institutions and to open up their economics to foreign multi-national firms to fill the capital shortfall. The Far-East Asian economic miracle of the 1980s using Western money may be a valid case in point to validate this theory (World Bank, 1993b). The Neo-Marxist school however, is not convinced about the need for injecting international capital into Third

World economies. They argue that the trend only goes to perpetuate the dependence syndrome of Third World countries on the developed countries (Amin, 1976, see also Mandani, 1991).

With the changing nature of World economic problems from basic unemployment and inflation to economic stagnation it became almost inevitable that classical Keynesian economics had to be replaced with a more appropriate economic theory of addressing the new problem. Classical Keynesian economics had basically been about solving the aggregate unemployment and inflation problem through the manipulation of Government budget (spending monetary policy) and taxes (fiscal policy). Under the Keynesian economic model, unemployment was seen as a direct result of a deficiency of aggregate demand, and hence the prognosis that by increasing aggregate demand (by way of increasing total Government spending) and lowering taxes to induce private spending, demand compared to aggregate supply) Government would reduce its total budget (spending) and in manipulating monetary and fiscal policy under this regime (Mashamba, 1997). It can safely be said that this model relied largely on Government intervention in the market for its success.

Today however, the economic problems have somewhat changed, there is not as much unemployment or inflation as during the great depression of the 1930's. Today's economic problems combine both unemployment and inflation (supply and demand) coupled with the debt crisis (for most Third World countries) thus rendering the Keynesian model irrelevant (Todaro, 1977). The perceived failure of the Keynesian model to solve contemporary economic problems led to the rise of a new economics model called Neo-Liberalism. Neo-Liberalist economists view national economic problems both in the developed and Third World countries as arising mainly from internal and external rigidities in these countries. The rigidities are said to be found in the institutional and structural arrangements of the country's economics, hence the usage of the term Economic Structural Adjustment when addressing the "rigidities"(Mashamba, 1997).

Looking at the structural adjustment changes proposed by the World Bank and the IMF in their adjustment lending agreements to the Third World, it would be argued that they have identified the following as being the main "rigidities". Protectionist tendencies, active participation of Government in the Market, and deficit budgeting. Like Neo – classical economics, the structural adjustment strategy argues that public sector spending is largely responsible for rising budget deficits, hence the rising debt in most Third World countries (Sinha, 1994). To remedy this situation, Neo-liberalism advocates limiting Government participation in the economy to the mere creation of the so called, " enabling environment" and further advocates the promotion of market forces in determining prices and resource allocation.

While traditional classical and Neo-economists Like Adams Smith, Alfred Marshall, and Stuart Mill were the protagonists of market forces, they were

mindful that limitations of market forces in social and moral issues could be addressed by the market as well. At least that seemed to be the position until the United Nations Children's Fund (UNICEF) in 1987 presented their critical report "*Adjustment with a Human Face*" (Cornia *et al*, 1987) on the negative effects of economic structural adjustment. Since then, the World Bank and the IMF have included the Programme of Action in mitigating the Social Costs of Structural Adjustment (PAMSCAD) in their adjustment programmes. These social action programmes are however, considered outside the realms of central Government and are therefore, left to the Non Government Organizations (NGOs).

There can be no doubt about the political and Socio-Economics consequences that economic structural adjustment has brought to those countries that have "opted" to implement the programme. Countless examples from the affected countries show such, among them the Zimbabwean food shortage of Summer 1993. The fears for social and political backlash when implementing structural adjustment programme has resulted into the insistence by the World Bank and the IMF on the conditionalities clauses.

### **3.3.1 Economic Structural Adjustment, Shelter Development, and the Construction Industry**

How then does this Neo-Liberalist development theory affect shelter provision and construction industry? It has already been seen that the key objective of the Economic Structural Adjustment Programme aims at restoring economic growth and sustaining long-term national development; achieving positive balance of payments, generating employment opportunities, increasing national income, increasing fixed capital formation, and improving shelter provision (UNCHS, 1996-7). The above attributes have all been highly associated with the construction industry. Consequently, the protagonist of the Economic Structural Adjustment Programme have argued that the investment in shelter will stimulate the construction industry, which will in turn contribute to national development (Woodfield, 1989). Although the Economic Structural Adjustment Programme advocates reduced government expenditure, it seeks to promote private sector investment in the construction industry to take the place of a large percentage share of public sector investment.

As a consequence of the six conditionalities of the Economic Structural Adjustment Programme and in line with the Neo-Liberalist economic philosophy, the housing sector and the construction industry in general are affected as follows [ summarized from Van Huyck (1987), UNCHS (1996) and World Bank (1993a)]:

1. State housing allowances and subsidies have to be reduced and eventually eliminated, but in the meantime they should be target-oriented.

2. Public services like water, electricity, and sewerage should be priced at market rates and housing policy measures like rent control should be done away with, not only to recover costs but also to increase the revenue base of the Government.
3. Loss-making construction and housing-related public-controlled companies should be sold off or privatized.
4. Construction material companies previously enjoying foreign trade protection should lose that privilege in a measure meant to promote efficiency and lower costs in the housing market.
5. The role of the Government in the housing market and construction industry should be reduced: from direct participation to operating the regulatory framework and easing the supply markets (enabling). This entails an enabling environment for private sector investment in the housing market.

Given the reduced role of Government in both the housing sector and the construction industry under the Economic Structural Adjustment Programme, it then becomes very clear why private sector investment, both local and foreign is pivotal to the success of this programme. In recognition of this fact, the protagonists of this thesis place an important role on the part of the host Government to put in place rules and regulations that will be seen to facilitate, promote and protect the private sector. Mashamba (1997) strongly agrees by stating that:

The strategy of creating this environment in the housing sector, in which the public and more especially the private sector are able to carry out their intended business objectives, is what has become known as the "Enabling Shelter Development Strategy.

This study traces the trends and effects of the government's shift as required by the conditionalities in Shelter Development strategy.

#### **3.4.0 The Construction industry in Sub-Saharan Africa and its Role in National Development**

Before discussing the relationship between the Enabling Shelter Development Strategy and the construction in great detail, a brief profile of the structure and the role of the construction industry in national development in Sub-Saharan Africa is explored here. Studies by various researchers have shown that there is a strong relationship between shelter and the construction industry on one hand and the level of national development on the other [Edmonds and Miles, (1984);

Rodwin (1987); Meen, (1995)]. Edmonds and Miles (1984) and UNCHS (1996) have further argued that the importance of the construction industry in any country is not only in terms of the products it produces, but also in the amount of public investment (50-80%) it consumes; its high share of Gross Fixed Capital Formation (over 50%) and the percentage of employment in the industry. Klaassen *et al* (1987) and Spence *et al* (1993) have argued that investment in housing is a major catalyst in stimulating the construction industry and ensuring sustained long-term development. Their argument is that, increased housing spending leads to increased building of housing, consequently creating more job opportunities within and outside the direct construction industry. They go on to argue that increased housing spending increases aggregate savings and hence reduces disposable income leading to reduced inflation.

Edmonds and Miles (1984) also found that, the Value Added by the Construction industry (VAC) varies from country to country depending on Gross National Product (GNP). They found that the percentage value added in construction is on average higher for countries with a higher GNP/ capital than those with a lower GNP/capital. Table 3.2 also shows that Value Added as a percentage of Gross Domestic Product (GDP), Gross Fixed Capital Formation (GFCF) per capita, investment workplace and employment per 1,000 population all increase in a country's Gross National Product. This explains the low percentage contribution of the construction industry to the national economy in Sub-Saharan Africa (Zimbabwe included) as compared to the percentage contribution in developed countries.

**Table 3.2 Characteristics of the construction industry**

GNP per Capital (US \$)	Type	Number of countries	VAC per capital (US \$)	VAC as % of GDP	GFCF per workplace (US\$)	Investment per workplace (US\$)	Employment per 1,000
<500	A	30	13	4.66	19.5	6.518	3.6
500-999	B	23	44	5.62	99.7	10.974	9.1
1000-1999	C	22	87	6.08	197.9	15.437	15.3
2000-3999	D	15	239	7.49	490.6	23.571	25.2
4000-8999	E	14	466	7.36	861.2	33.787	25.4
>9000	F	12	919	7.80	1,672.1	57,489	26.9

**Source: Edmonds and Miles, 1984, p7**

The structure of the construction industry in Sub-Saharan Africa is very varied and tends to vary from country to country. In general terms however, the industry can be divided into formal and informal sectors.



**(a). Informal sector:** Comprises mostly of small sized and family construction companies working with both the formal and mostly informal sector. As was the case in Zimbabwe (see chapter one), the informal sector had advantages over the formal construction sector. For example, Korboe (1993) showed how the informal construction sector in Ghana was able to build a “bedsitter” at one-sixth the cost of building the same unit by the formal construction sector. In economic terms however, relationships in the construction market are classified under (i) Demand and (ii) Supply

**(b) Formal sector:** Comprising mostly of large international and local public and private construction companies working on large projects. Like the formal construction sector in Zimbabwe which is developed on the model of its former colonial master: Britain, the same can be said for most other countries in Sub-Saharan Africa. The formal construction sector tends to cover projects in all areas of the construction i.e. industrial plant, buildings (including housing), roads and general infrastructure. Because of the huge investment needed to buy plant and machinery, especially for civil engineering projects, most firms in this sub-sector tended to be public sector or private limited firms. Grimes (1976) has however, argued that the tendency to use capital-intensive techniques was largely because of the overvalued exchange rates, subsidized interest rates and other distortions in these economies.

### 3.4.1 Construction Demand

Generally in any country, (Zimbabwe included) the demand for construction goods and services can be grouped into two main classes:

- 1. Building works:** This sector groups all construction works involved in the building of houses, offices, schools, clinics, hospitals, factories, and so on. This is where the private sector investment has traditionally invested.
- 2. Civil engineering works:** of which infrastructure (provision and repairs) is the main component i.e. road works, water and electricity reticulation, sewerage and so on. It is not surprising therefore, that civil engineering works have traditionally been undertaken by the public sector. But with the promotion of the private sector in the provision of public services, under the Economic Structural Adjustment Programme, this has resulted in the entry of the private sector into this area.

Reduced public sector budget for capital programmes resulting from the debt crisis and the application of Economic Structural Adjustment policies in most Sub-Saharan countries has resulted in drastic reduction in construction demand.

Private institutions and individuals have also tended to cut back on their spending on construction goods and services because incomes have equally fallen, (UNCHS1985 and1996). The thesis traces whether this scenario is “totally” true for Zimbabwe.

### 3.4.2 Construction Supply

There are four main factors of production on the supply side of the construction industry:

- (a) Construction;
- (b) construction finance;
- (c) Capital or machinery; and
- (d) labour.

Various studies have found that construction materials tend to be the largest single input for most construction works in Sub-Saharan African, accounting for over 50% of the total construction cost (Edmonds and Miles 1984; UNCHS, 1996). The high percentage contribution for materials cost is attributed to the high percentage of imported construction materials in Sub-Saharan African and the rest of the Third World (UNCHS 1985). This will explain attempts by most of these countries to reduce the amount of imported construction materials used.

Construction labour is another vital component on the supply side of the construction market. The construction labour component comprises unskilled, skilled and professional workers. Large and public construction projects normally tend to require professional manpower of architects, engineers, quantity surveyors, and building surveyors. Small and private construction works might not require all these professionals (Edmonds and Miles 1984). This is because formal public construction works and finance regulations have strictly laid down procedures for awarding and implementing contracts which require the services of these professionals. Construction works in the informal (and mainly housing) sector however, do not follow these procedures and can be carried out by less qualified workers. This is found to be true under the Zimbabwean situation.

Construction plant or machinery is another expensive component that adds to the total cost of most public construction works in most African countries. Again this is attributed to the expensive and imported plants used on large public construction sites. The situation is made worse by the fact that most African governments demand that contractors own large construction stock to be eligible for government construction contracts (Edmonds and Miles, 1984). To counter this, there is now a growing call to substitute the amount of machinery used in these projects with local and cheap labour (Edmonds and Miles, 1984; Strassmann and Wells, 1988). Lastly, for any construction to take place there must be money (construction finance) available to employ the above construction factors.



### 3.4.3 The Informal Sector Construction Industry

In Sub-Saharan Africa the contribution of the construction industry is less documented and therefore, less appreciated because most construction activities tend to be in the informal sector (UNCHS, 1985). Despite this lack of appreciation, the informal construction sector has only become more accepted with the advent of ESAP and the Enabling Shelter Development Strategy. In most Sub-Saharan countries, this sector has always played a key role in shelter provision for most informal households. For example, in the 1970s the informal construction sector was the main sector in building houses in the squatter upgrading and site service schemes that took place in these countries, including Zimbabwe and Zambia (World Bank, 1983; Martin, 1975, Schlyter and Schlyter, 1980).

Similar examples in other Sub-Saharan African countries can be cited. For instance, Moavenzadeh (1987) found that in Kenya, 60% of GFCF in the shelter market and 16% in the rest of construction market was provided by the informal sector. In Cote d'Ivoire the informal sector accounted for 60% of the workers in the whole of that country's construction industry (Moavenzadeh, 1987). In most of the other Sub-Saharan countries including Zimbabwe such accurate data on the informal construction sector is not available. The advent of ESAP in Sub-Saharan Africa has only added to the significant role played by the informal sector of the construction industry, as the formal construction sector (which was largely public owned) is constantly being reduced in a quest to save costs (UNCHS, 1996).

The informal sector construction industry has been credited with using less or no imported construction materials therefore, saving foreign exchange and promoting locally produced construction materials (UNCHS, 1996; Moavenzadeh, 1987). This is so, because the informal construction industry is predominately concerned with building houses for the urban poor. For example, research by Wells (1995) in four selected Third World countries, found that there was a high rate of locally produced building materials used in housing construction for both walls and roofing. Wells (1995), notes that the small price difference between traditional organic materials is one factor that encourages the greater use of locally produced materials than conventional materials as illustrated in table 2.3.

Similarly, Klaasen *et al* (1987) went further to show that local informally supplied construction materials require labor intensity in their production and processing, this enhances local employment (see table 2.4) which is beneficial to the community.

**Table 3.3. Materials used in some selected urban housing**

Walls Material	Zimbabwe	Tanzania	Malawi	Ethiopia	Bangladesh
Poles/bamboo/grass/straw	N/A	18	1	3.5	53
Poles and mud	5.1	45	15	80	N/A
<b>Roofs</b>					
Poles/bamboo/grass/straw	1.5	20	34	20	40
Iron sheets	N/A	67	61	77	40

Source: Wells (1995), p76

**Table 3.4 Source and Labour intensity of various construction materials**

Materials	Source of Materials place	Source of materials (Sector)	Labour intensity in production and processing
Mud and wattle, sun-dried clay blocks	local	informal	high
Murrain-enforced blocks, black cotton bricks	local	Informal or formal	high
Stones	local	Informal or formal	high
Timber	local	Informal or formal	High intensive use of skilled labour
Precast concrete panels	Local or imported	formal	Medium
Cement blocks with a chemical additive	Local or imported	formal	low

Source: Klaassen *et al* (1987), p45

Although no recent research has been carried out on the informal sector in Africa, it was estimated in the mid-1970s that a typical African country informal sector employed about 60% of the urban labour force (UNCHS, 1996). In recognition of the various problems faced by the informal construction sector and on the other hand in appreciation of its valuable contribution to economies of Third World countries, the UNCHS (1985) has suggested the following measures to improve its efficiency;

1. Promoting the formation of organizations and associations within the informal sector and using such organizations as a medium of information flow to the sector in particular and as a mechanism for providing support to requisite areas in general.

2. Integrating institutional arrangements in the informal construction sector with the overall machinery for planning the construction industry.
3. Strengthening the capacities of existing institutions or associations in the information, training, and basic administration practices.
4. Designing a focal agency to co-ordinate activities in the informal sector and setting out broad policy guidelines.
5. Expanding the use of non-conventional approach in government construction programmes for the low-income population.

The pivotal role of these recommendations if implemented by any country, Zimbabwe included, will mean trying to redefine the “thin line” between the formal and informal construction sectors. Furthermore, the struggle to turn the large informal sector created by redundancies back into mainstream formal sector cannot be ignored in this aspect.

#### **3.4.4 The Construction Industry and Housing Provision**

Although shelter construction and repairs constitute only a part of the many roles of the construction industry in the Third World, Moavenzadeh (1987) has estimated that 35-40% of construction demand is for housing, 22-27% for non-residential buildings and 35-38% for civil engineering works. With 40% of most households in the Third World unable to afford a house from the formal construction sector, the task of providing most housing has fallen on the informal sector (Moavenzadeh, 1987). Apart from the inability to pay for the housing, most poor urban households in the Third World cannot afford a house in the formal sector because of the scarcity of land, the inability to get mortgages and the high costs of commuting to places of employment with the formal housing sector (UNCHS, 1996). The continued rise of urban areas in the Third World, especially in Sub-Saharan Africa has meant that housing demand in the informal sector continues to be the key stimulant for informal housing construction market. For instance, the UNCHS (1996) has estimated that while annual formal new housing in Africa is usually between 2 and 4 units per 1000 inhabitants, in the informal sector it is likely to be between 15 and 30 units per 1000 inhabitants. This estimation only goes to demonstrate the pivotal role the informal housing construction industry plays in Sub-Saharan Africa.

### **3.5.0. Housing (Shelter), the Construction Industry and Development Paradigms**

As already stated, the research is on "the effects of the Economic Structural Adjustment Programme and the Enabling Development Strategy on the construction industry (supply-side of the market) National development in Zimbabwe falls under the paradigm of "housing" and "development." The shelter and development paradigm deals with the relationship between shelter policy and provision and their effects on national development. Klaassen *et al* (1987) have best illustrated the national development impacts of housing on the rest of the economy; the direct and indirect impacts of investment in housing on the formal and informal employment markets both in the construction industry and other related industries. Furthermore, the interrelation between the formal and informal shelter companies, their net effects on local construction supply, pricing and macro-economic changes are by and large influenced by economic, social and spatial factors in the shelter sub-market. For example, demand for shelter at the top of the diagram results in both public and private sector investments in shelter, which in turn trigger off reactions or movements in formal and informal construction labour and materials markets. The resultant increase in housing stock ultimately has influences on the social and economic welfare of the citizens through higher productivity at work, better health, and higher incomes brought about by renting and subletting and higher taxes for the government.

In tracing the historical development of this paradigm in the Sub-Saharan continent we can see three very distinct housing and development schools of thought:

1. Social housing and the welfare state
2. Self-housing programme
3. Enabling Shelter Development Strategy

#### **3.5.1. Social Housing and the Welfare State System**

Social housing and the welfare state system is the name given to this school of thought that sees the role of housing in national development more under social than economic terms. This school was particularly popular in the 1960's, termed the decolonisation decade, when most Sub-Saharan African countries gained their independence (Zimbabwe excluded). Most of these countries set out interventionist policies meant to raise the living standards of their people in the shortest possible time. Housing, water and education among other things, were rightly regarded as basic needs of each and every citizen and the responsibility

of satisfying these needs was literally taken up by the newly created Governments themselves. Large public sector construction companies were set up to fulfil that role. The general national development policies tended to follow what has become known as "redistribution with growth and basic needs" (Burgess *et al*, 1994). The overall objective was to eradicate poverty, inequalities and unemployment, and at the same time achieve positive economic growth.

Although housing was never explicitly cited as being a vehicle to meet the stated national development objectives, it was implicitly seen as a medium for raising productivity amongst the "well" housed workers and those engaged in the construction industry (Mashamba, 1997). Due to the vast numbers of people in need of housing and other construction products, rapid industrialisation of the construction industry was regarded as the key to meeting the set national development targets.

### **3.5.2 Rapid Industrialisation**

Decades of colonialisation had left the former colonial states heavily dependent on the industrialised nations for most of their construction goods and services. Colonies were taken to be mere sources of raw materials for industries and workers in the developed West and as markets for finished goods (Yue-man Yeung). However, with the attainment of independence, the new states attempted to reverse this trend by setting up their own industries. The basic objective was to create jobs for the locals and save foreign exchange on imported goods and services. To facilitate this objective, import tariffs were introduced as a measure designed to discourage imports as part of a strategy of import substitution (Mashamba, 1997).

Unfortunately, the mode of production chosen for these new local industries was basically capital intensive, relying mostly on Western technology, semi-processed raw materials and capital goods. This development has now been criticised by the Neo-Liberalist and other economists for contributing to foreign exchange losses mainly due to payments made to expatriate workers and spares and maintenance costs needed to run these capital-intensive industries. The other detrimental effect brought about by these Western-oriented industries was the marginalisation of the local crafts-based industries and their products. Locally produced construction materials like timber, door and window frames and bricks, which had been produced by the local domestic industry and craftsmen before, were replaced by colonial- type metal frames and concrete blocks (Chakwe, 1983).

The reliance on Western labour, technology and semi-processed raw materials inevitably meant that, with the collapse of these countries' economies, large public construction industries and companies could not sustain themselves any longer. With foreign exchange generally in short supply and the little that was



available going to servicing debts, production capacities went down resulting in chronic shortages of building materials and longer time building spent on construction sites (Fewings, 1991). This scenario resembles that of Zimbabwe in the first decade of independence. Conventional housing became expensive and out of the reach of ordinary urban dwellers such that most resorted to building and living in the so-called squatter settlements which they built using traditional methods and materials (Wells, 1993; 1995). This phenomenon was particularly true in the case of Zambia (Mashamba, 1990). Zimbabwe anti-squatter policy has managed to prevent this scenario.

### **3.5.3 High Housing Standards**

Years of colonial rule have also seen a perpetuation of a dual housing system by both the British and the French colonial governments. Housing was provided on the basis of race, with the Whites being provided with housing built to colonial standards whereas the locals were provided with mere modifications of their village huts (for example, the male hostels built for migrant male labourers in Zimbabwe during colonial era). With the departure of the colonialists the new bureaucrats and the technocrats simply copied the standards that had been reserved for whites and adopted them as minimum housing standards for both public and private housing (Grimes 1976). There was no evaluation of these standards as to their appropriateness for local conditions or factors. High housing and civil engineering standards with their concomitant formal construction practices also effectively eliminated the participation of the indigenous (or informal) contractor or builder in the construction process of these houses and public infrastructure (UNCHS, 1985).

It was not until Turner (1972; 1980) began to research and write on the adverse effects of setting high housing standards on the national economies did Governments slowly begin to relax high standards on housing. The entry of the World Bank into Third World housing market and its support of Turner's findings on the need to rethink high housing and infrastructure standards added weight to Turner's theories and saw a turn around on this subject. The World Bank actually went further than Turner in it's criticism by stating that high housing standards were not only siphoning the little available public resources, but also benefiting only a handful of people (World Bank, 1983). This can be interpreted as a call for visitation of building codes to reflect local conditions like that of Zimbabwe.

Turner (1972) best summarised the notion that the bureaucrats and the professionals in the Third world had when he wrote.

"the standards the objectors have in mind however, are not something which can be achieved with available resources but rather, represent the objectors own notion of what housing ought to be."

This phenomenon was /and is still a challenge to the Zimbabwean construction industry and government as a “supporter” (e.g. architects and engineers).

#### **3.5.4 Housing Subsidies and Allowances**

At the time of independence, very few natives in the former colonies had adequate education, let alone good paying jobs to enable them to afford the high standard of housing that was being produced mainly by the public sector. Housing allowances and subsidies thus had to be introduced or perpetuated by the Governments to assist the "urban poor" to foot the housing bill. Unfortunately, it turned out that these housing allowances and subsidies were actually biased towards the middle and high-income groups, rather than the low-income groups as was the original intention (World Bank, 1983, p.3). Housing allowances were fixed as a percentage of one's income, so that people with high incomes got more allowances than people with low incomes. With housing subsidies tending to rise in proportion to the value of the house, this was in no way assisting the poor because both housing allowances and subsidies were certainly benefiting the rich more than the poor. It is also noted that due to rigidities in the banking systems at the time of independence, the framework was biased towards one race as seen in Zimbabwe.

The other form of Government subsidy for housing was in the form of rent control; where Government legislation was enacted to limit the rent payable for certain types of housing. The intention here, was to "protect the poor households" from unscrupulous landlords, who would otherwise charge very high rent at the time of acute housing shortages. But, as Malpezzi et al (1990) and Malpezzi (1994) have found, this practice only discouraged more investment in the housing market due to curtailed profits and further contributed to the housing crisis.

At the other extreme, Governments actually went to the extent of forming their own consultancy, construction and housing finance companies as a way of reducing housing costs. The rationale behind this was that middlemen were partly to blame for the high housing costs due to their excessive profits, and that once they were cut off this would reduce costs. Once again, this was not to be as Government subsidies and trade protection to these state housing companies turned them into mal-administered and inefficient companies which consequently increased costs and erratic supply of housing (Chakwe, 1983).

### 3.5.5 Self-help Housing

Continued economic decline, rapid population increase and the continued oil crises in the early 1970's led to a complete rethink on the Third World housing and development paradigm. National incomes from the export of primary goods was not only falling but also more and more of this income was going into repaying the increasing foreign debt. Consequently, less and less money was made available for public services and housing in the Third World. A tendency of moving away from social housing and the welfare state system to some form of cost recovery slowly grew. The Turner school was not only having a positive impact on Third World housing policy, but also on the World Bank urban lending programme. With the World Bank entering the Third World housing market through their urban lending programme, which was predominantly a pro-Turner approach, low housing standards and the concept of self-help were quickly spreading through the Third World (World Bank, 1983).

A notable contribution of the World Bank to Turner's ideas on self-help was the inclusion of economic sustainability within the self-help housing programme. The programme was based on the principle of full cost recovery designed to sustain long-term maintenance and repairs. It was also envisaged that full cost recovery would also ensure that individual self-help projects were replicated to other residential areas and towns/cities. In the same vein, the programme provided for small-scale business plots within the projects to ensure that local residents had sufficient economic outlets to generate enough incomes for house loan repayments. These business outlets included among other things, market stands, small-scale industries, and basic service industry (World Bank, 1983). One of the weaknesses however, was that the industries that were created under this programme were never fully integrated with the established formal industry, and were not really accepted as part of the national economy.

Turner successfully publicised the self-help housing concept based on his experiences in Latin America where he had discovered that the urban poor were already building their own houses with little or no state help. The key to this concept was the progressive renovation or improvements that the urban poor were constantly making to their houses within the course of time. From these observations, Turner went on to develop the prognosis that housing should be regarded as an activity rather than a commodity or product, and hence its value could not be judged on material quality, but rather in the fulfilment that it brought to its owners (Turner, 1972).

The significance of the self-help housing on Sub-Saharan Africa and its construction industry was that self-housing relied by and large on the informal house builder. For the first time, the informal contractor was officially recognised for his role in contributing to national development (World Bank, 1984; Martin 1976; Rakodi 1980). In Zambia, for example, formal institutional finances were for the first time made available to households using informal sector contractors,

although the practice was never carried through after the upgrading scheme. (Martin 1976). Self-help also saw the active participation of women in house building alongside their men folk. While in some countries, self-help housing has had the effect of increasing local and traditional construction materials; in Zambia there is very little evidence of that as most households used modern construction materials (Schlyter and Schlyter, 1979, Rakodi, 1980)

Not all housing scholars and researchers agreed with this self-help housing concept. Among the notable ones being Burgess (1977), a Neo-Marxist who has extensively criticised the Turner school. Burgess' line of argument was that the idea of letting the poor build their own housing without Government funding was a capitalist plot to exploit the poor and a negation of government responsibility (Burgess, 1977). More liberal scholars like Marcuse (1992) and Tipple (1994) have argued against some form of self-help on different lines. Marcuse (1992) has argued point by point against conventional self-help housing as advocated by the Turner school. In summary, Marcuse (1992) dismisses the notion that self-help housing can contribute significantly to national economic development and economic redistribution of wealth. He also highlights the failure of regular maintenance and repairs under this programme as one reason why self-help will not work (Marcuse, 1992). His other point is that self-help housing lowers standards is an argument that goes against current housing theories. Tipple (1994A) on the other hand criticises the practice of households having to physically build their own houses as being wasteful in that once the house is built the skills and experience gained in the process are left unexploited.

### **3.5.6 Reduced Housing and Infrastructure Standards**

Given the numerous research results showing that high housing and infrastructure standards were a major factor raising housing costs, the World Bank urban lending programme of the 1970's was deliberately designed on the basis of low infrastructure and shelter standards. Building on Turner's concept of housing as an activity, it was envisaged that these low infrastructure and shelter standards could be improved over time at affordable costs to both Governments and the households. The other advantage of low infrastructure and shelter standards was the fact that small local construction companies could be awarded contracts to undertake their construction (World Bank, 1993). Rather than provide the conventional fully serviced plots and finished housing units, the World Bank changed the strategy to providing semi-serviced plots: with shared stand pipes, main road provision only, street lighting and ablution blocks, depending on whether the area was a site and service or squatter upgraded settlement.

### **3.5.7 Cost Recovery and Project Replication**

The inclusion of the principle of full cost recovery in the World Bank's self-help housing programme marked the beginning of the end of social housing and the welfare state system. As already stated, this principle was based on the need to ensure prompt repayment of the World Bank loans without much recourse to state funds. The second reason was based on the revolving fund system, in which the same money would be circulated from one housing project to another, within the same town and in between towns. Unfortunately, party politics and the lack of administrative control failed to ensure that the housing loans were repaid on time or repaid at all (Bamberger *et al*, 1982; Keare & Paris, 1982). The host governments ended up having to repay the loans to the World Bank, adding to the already massive foreign debt. A situation was meant to be avoided in the first place.

### **3.5.8 Squatter up Grading Projects**

It should be noted that there were two components to self-help housing:

1. Squatter up grading
2. Site and service

Squatter upgrading schemes involved the provision of basic infrastructure and services to urban low-income areas which were already in existence, albeit not legally recognised by the authorities. The theory was that once these "squatter" settlements were up-graded by way of basic infrastructure, services and housing loans made available to the households, the residents would have a sense of security that would further encourage them to improve their houses.

In Zambia's case, it is demonstrated that the path to success of this scheme was the cost recovery exercise, and when this failed the whole project failed as well because there was no long-term maintenance and repairs carried out. As a result, within a short time period, the up-graded settlements reverted to their previous status of lack of piped water, street lighting, surface drainage and garbage collection (Bamberger *et al*, 1982). Unlike most Southern African Countries, Zimbabwe was/is anti-squatter.

### **3.5.9 Site and Service Schemes**

Unlike the squatter upgrading schemes, the Site and service schemes were new creations in their own right. They were developed from non-settled areas. In Zimbabwe, for example fully serviced plots were initially provided before the government introduced semi-serviced plots (basic site and service). In basic site and service, plots were semi-serviced with low basic infrastructure and services



just like in squatter upgrading schemes; except that there were only allocated to residents upon the successful completion of their servicing. They were however, to suffer the same predicament as the squatter upgrading schemes by slowly degenerating into unserviced areas for lack of regular maintenance and repairs.

### **3.6.0. The Shelter Development Strategy and Its Linkages to the Construction Industry**

The failure of the self-help housing programme to eliminate the urban housing crisis and to make a significant contribution to Third World economics, led to the World Bank and the United Nations Commission on Human Settlements (UNCHS) making more radical policy changes to their urban development programmes. The major point of departure was the decision to move away from the sectoral housing programme to a more integrated development policy, in which housing would play a part. In a paper, entitled "*Effects of Economic Conditions on Human Settlements*", the Centre for Building and Planning of the Department of Economic and Social Affairs of the United Nations, argued that no significant process could be attained in the area of shelter without corresponding increase in the productivity levels. This was a realisation that improvements to shelter could only be brought about by a corresponding increase in people's income and general economic welfare. It further argues that attaining high production levels in the construction industry was a sure way of achieving this, as this would bring about variety and abundance in building materials. It would also lead to reduced housing costs, increased housing provision and increased job opportunities (UNCHS, 1976; World Bank, 1993a).

Since the above strategy first caught the World's attention when it was presented at the Vancouver Conference in 1976, there has been much consolidation done to the theory by both UNCHS and the World Bank. The new global theory on housing is basically drawn from past experiences and mistakes, as admitted by the World Bank in the paper "*Learning by Doing*" (World Bank, 1983). The culmination for the search of a more practical shelter policy came with the declaration of 1987 as the International Year of Shelter for the Homeless (IYSH) and Habitat II in June 1996 in Istanbul, Turkey. In addition, a shelter policy document "Global Shelter Strategy (GSS) was produced outlining the mechanisms and instruments required in fulfilling the global goal of shelter for all by the year 2000. The World Bank and UNCHS work very closely together on Third World housing because of their identical views on how best to solve Third World housing problems viz.: the Enabling Shelter Development Strategy.

For instance the Department of International Economic and Social Affairs of the United Nations summarises the main objectives of the Enabling Shelter Development Strategy as follows:

To improve urban residential conditions and in so doing, generate higher levels of capital investment, expand labour-intensive employment opportunities, and

generally protect the position of vulnerable groups during periods of economic stabilisation and structural adjustment. Among the main advantages of the proposed approach is the fact that it can be implemented with little recourse to institutional support, public funds or foreign exchange. (The United Nations; Anthony Woodfield, 1989)

The above quotation, together with the similarities and references to the economic structural adjustment conditionalities, is a testimony of the close collaboration between the two institutions in this area. It can be said therefore, that the signing of the economic structural adjustment lending inevitably leads to a policy of enabling shelter development by way of following its conditionalities. It is also true that some countries follow the shelter development strategy without necessarily having economic structural adjustment lending agreements. Suffice to say that the enabling shelter development strategy would theoretically operate very well in an environment of structural adjustment where the socio-economic and political machinery has already been put in place.

In essence, the basic argument for this "new" approach is that private enterprise and the general public climate best suited to providing shelter efficiently and equitably [given the right environment (an enabling environment)] is created by the government. The role of the Government is therefore, restricted to the creation of a conducive environment and provision of public services. These services entice/facilitate the private sector to mobilise private finance and resources for shelter and infrastructure provision. This calls for the redefinition of the Government's role in the shelter sector, from provider to enabler (facilitator). This is what led to the global shelter strategy known as the Enabling Shelter Development Strategy. It is important to mention that the Enabling Shelter Development Strategy does not only deal with housing per se, but includes other infrastructure facilities such as roads, water, electricity reticulation and sewerage. The Enabling Shelter Development Strategy therefore, effectively involves both the building and civil engineering facets of the construction industry.

Mainly, the enabling shelter development strategy (UNCHS, 1996; World Bank, 1993; United Nations, 1989) calls for the host Government to:

1. Transfer the financial responsibility of shelter provision from the public sector to the private sector through market forces. This entails the abolition of the project-based approach and adoption of the programme approach, where the World Bank in conjunction with the host government would stop funding specific shelter projects and fund macro-economic programmes that would enable private investment in the housing market.
2. Raise government revenue by ensuring all collectable taxes and levies from the housing sector are collected and that full cost recovery of all infrastructure and utility services provided is attained.
3. Reduce public expenditure, through the elimination of housing subsidies and housing allowances.
4. Promote private investment in the housing market, through the

elimination of regulatory complexities, i.e. rent controls, and the privatisation of public enterprises. Public enterprises are accused of inefficiency, brought about by over protective governments whose rent controls are counter productive to the housing market (Malpezzi *et al*, 1990).

5. Liberalise the land market so as to facilitate land supply. Shortage of land for housing has mostly been attributed to government bureaucracy. The removal of these bureaucratic practices is seen as a possible solution to the problem.
6. Enhance productivity and reduce the cost of shelter by encouraging small-scale contractors who are likely to use local building materials and labour intensive building techniques.
7. Facilitate employment creation in the housing sector by promoting labour intensive building techniques and supporting the creation of housing affiliated industries like building materials, furniture etc.

Looking at the main aspects of the Economic Structural Adjustment Programme and the enabling Shelter Development Strategy above, the two bear a striking relationship. The main relationship between structural adjustment and the shelter enablement is in their emphasis on reduced government involvement in the local economy, reduced subsidies, and their support for a viable economy dominated by the private sector. Both strategies are strong advocates of increased domestic demand resulting in increased local production, and in our case increased construction output. The advocacy for a viable private sector market in an effort to stimulate the local economy in both ESAP and the enabling Shelter Development Strategy is because Neo-Liberalism is another common denominator between them (United Nations, 1994). It is no wonder that most Sub-Saharan African countries that have applied the Economic Structural Adjustment Programme have also applied the Enabling Shelter Development Strategy in an effort to maximise their economic effects (UNCHS, 1996).

In Ghana, preliminary research on the impact of economic structural adjustment and the Urban Management Programme show substantial gains in economic growth, although housing investment per se has not contributed very much to that growth. This is because reduced government spending on current and capital expenditure has had the effect of slowing down economic activity as more people get retrenched from the public service and public enterprise resulting in reduced national income. Reduced income coupled with increased housing rent and price also meant reduced local and central government revenue as more and more tenants failed to pay their bills (rent and service bills). The anticipated large growth in the private sector has not taken place as expected therefore failing to absorb the large numbers of retrenched public workers and unemployed youth (Hutchful, 1987; Ghana Rep. of, 1987; World Bank, 1994).

Studies carried out in Nigeria by the Centre For Settlement Studies And Development (CASSAD, 1991) found that the imposition of the Economic

Structural Adjustment Programme did not encourage investment in housing, but in short term businesses like taxis and trading. The study found that although substantial ground had been gained in import substitution for finished building materials, there was still a large component of imported raw materials. As a result, the cost of building materials was always increasing, between 100% and 800% within a decade (1977-1987). Tight monetary and fiscal control brought about by the economic structural adjustment were also found to be impediments to housing investment as interest rates went up by as much as 15%, making mortgage borrowing expensive and out of reach for most people. The study recommended that the private sector be given the "right climate to be able to deliver housing to all classes of people and for all tastes." The CASSAD study did not however, find this "right climate" but called for further studies both in scope and geographical coverage to generate findings.

### **3.6.1 Employment creation**

Employment creation is one of the pinnacles of the enabling shelter development strategy, and it was hoped that this could be achieved through the creation of labour intensive construction building activities, both on and off site (Spence *et al*, 1993; Tipple, 1994b). As already observed, the experience under the era of industrialisation contributed to urban unemployment, as most industries relied heavily on mechanised and expatriate human labour. But under the enabling shelter development strategy, the concentration on labour intensive technologies is intended to create more jobs by absorbing mostly unskilled urban labour force. Moavenzadeh (1987) has drawn on the experiences in Mexico, Brazil and India to demonstrate the effects of investing in the construction industry on the local and national job markets. For example, in Mexico in 1970, he demonstrated that the ratio of direct to indirect employment created as a result of investment in construction was between 3:2 and 5:2, whereas in Brazil's Rio de Janeiro, one job was created indirectly for every three jobs created in the construction industry. In India, another Third world country, Moavenzadeh (1987) further illustrated how an investment of US\$ 1 million in the construction industry was able to generate 624 person-years in on site employment. About 70% were unskilled labourers. The industry also generated about 1000 person-years in indirect employment in building related industry (Moavenzadeh, 1987).

In Nairobi, Kenya, the same strategy was put to the test in the Koma Rock Housing Project for 1 700 middle-income households organised by the Kenya Building Society using international financial support. In this project, the organisers deliberately specified fibre concrete roofing tiles as the roofing material with the sole objective of promoting on site small-scale fibre concrete roofing enterprises. Indeed, during the 14 months construction period 1.2 million

fibre concrete roofing tiles were produced by the 120 employees in the resultant small-scale enterprises. Two-thirds were from the low-income women's co-operative (Cambridge Architectural Research, 1993). Another practical example is from Bulawayo, Zimbabwe where the city council was involved in training school leavers in building skills and helped them form small-scale Building co-operatives (10-12 members). It is reported that these building co-operatives have built most of the recent low cost formal houses in the city and that this has enabled the Co-operative to pay wages to their members that are substantially more than the private sector pays. These Co-operatives only need \$600 for start up capital compared to between 10 to 100 times the amount required in the ordinary building business (Brock and Moyo, 1993). In both cases however, the writers do not give the enabling macro-economic environments that were created by both Governments to enable the small-scale building enterprises to flourish. Although in both Kenya and Zimbabwe favourable financial assistance was rendered by the German government and the World Bank respectively. This leads to asking whether foreign financial assistance is a prerequisite to the initial set up of these small-scale enterprises.

### **3.6.2 Forward and Backward Linkages**

Apart from the direct economic impact within the construction industry itself, investment in it has been found to generate increased demand for products from other industries within the economy. For instance, the decision to invest and the subsequent building of houses in a country would entail increased demand for products and services like paint, timber and wood products, glass, iron and steel, cement, water supply, sewerage capacity and many others (Spence *et al*, 1993). The measure of the aggregate demand created in the economy is what is termed backward linkages. In most cases the aggregate demand of the products and services will typically be the same in most countries. However individual proportion of contribution of each product and service will tend to vary from country to country, as Moavenzadeh (1987) has shown through the two cases from Kenya and Mexico (Table 3.5 and Table 3.6).



**The Table 3.5 Construction sector purchases from other sectors: Kenya, 1976 (per thousand Kenyan pounds of gross output)**

<b>Sector</b>	<b>Increase in intermediate output</b>
Mining	42
wood furniture	7
paper and printing	26
petroleum products	92
rubber products	7
paint and detergents	14
other chemicals	17
non-metallic products	86
metals: machinery	156
transport: bus and rail	14
electricity supply	5
Construction	119
Trade	47
transport services	17
Restaurants and hotels	12
financial services	30
business premises	5
<b>other intermediate</b>	<b>713</b>
wages and salaries	233
other inputs	54
<b>total primary inputs</b>	<b>287</b>
<b>gross output</b>	<b>1000</b>

Source: Moavenzadeh, (1987), P 81

**Table 3.6. Construction sector purchases from other sectors per thousand Mexican pesos of gross output: Mexico, 1970**

Sector	Increase in intermediate output
Quarrying	12
wood processing/other wood products	45
oil refining	18
other chemicals	17
Rubber & plastic products	11
Glass	4
Cement	29
non-metallic mining products	103
basic iron and steel	63
non-ferrous metals	7
Furniture	3
metal structure & other metal products	38
Equipment	12
Electricity	3
Trade	78
Transport	38
Financial & other services	20
other intermediate	9
<b>total intermediate</b>	<b>510</b>
Wages	304
<b>gross value added</b>	<b>490</b>
<b>gross output</b>	<b>1000</b>

**Source: Moavenzadeh, 1(1987), p82**

Forward linkages on the other hand refer to the resultant aggregate demand generated as a direct result of the production of the aforementioned intermediary goods above. Unfortunately, as Moavenzadeh (1987) has argued, forward linkages in the construction industry are more difficult to establish than backward linkages. This is because no clear empirical method exists for the calculation of the relationship between the commercial buildings/house/or civil engineering structures and the social and economic benefits owing to the activities they shelter or serve. Klaassen *et al.* (1987) have expressed similar difficulties in trying to find an empirical method of calculating forward linkages, but they still insist that forward linkages do exist in the construction industry. Two linkages are traced in this study for the Zimbabwean situation.

### 3.6.3. The Multiplier Effects

A number of different scholars and researchers have shown that direct investment in shelter results in income multipliers of about 2 which means that for every pound (dollar/rand) spent on shelter, there is resultant income of two pounds (dollars/rand) generated in the national economy. Klaassen *et al.* (1987) have further argued that this income multiplier varies depending on the source of the inputs used in the production process of the goods and services. Tipple (1994d) has simply defined the income multiplier effect as “a ratio of change in national income to the initial change in sectoral investment.” He further goes on to argue that income multiplier effects are largely dependent on the marginal propensity of buying local goods as opposed to buying imports.

If indeed this is true, then it should follow that investment in shelter for the urban poor, which tends to rely mostly on local produced and recycled materials, should have an even higher income multiplier than housing investment for the middle and high income groups (United Nations, 1995). For example, Fernandez-Wagner (1994) has shown through a matrix that in Latin America high to low-income households have a strong tendency of using informal self-help builders than contracting the formal building or construction companies. Similarly, the matrix shows that very high to high-income households utilise more formal construction materials and construction companies than the middle or low-income households. The strong linkage among the various “actors” is shown through the size of the lines linking these “actors” in this case. Therefore, a thin line between two groups shows very little linkage. For example, there is very little linkage between the formal building companies and households with low-income or extreme poverty. The promotion of locally produced construction materials, both under the structural adjustment programme and enabling shelter strategy, can only go to support the efforts of raising national income, especially household income. This would contribute to raising the Gross National Product. The question to be answered is whether or not this faired well in Zimbabwe?

### 3.6.4 Community Enablement

The elimination of government invention in the urban housing marketing and central planning tendencies under Economic Structural Adjustment and enabling Shelter Development Strategy, led to a new thought focussing community planning, design and implementation. Without having to go back to the “inventionist” era. The Neo-Liberals reassessed the position of the community in meeting their basic shelter needs within the realms of the free market concept, and developed the theory of community enablement.

Community enablement is best defined by Burgess *et al.* (1994.) as “strategy adopted by central and local government to co-ordinate and facilitate the efforts

of community and neighborhood-based organizations to initiate, plan and implement their own projects according to the principles of self-determination, self-organization and self-management“. Community enablement has since been enhanced as an important component of shelter enablement, especially in taking care of the vulnerable groups in society, after the World Conference for Social Development in 1995 in Copenhagen. What is new in this concept of community action is the shift in terms of the organization structure and power base of the community based organizations. Control and management has moved away from central planning (under the previous system) to the grass-roots in the community itself. The role of government (both local and central) has been minimized to policy formulation with the Non-Government Organizations (NGOs) Community Based Organisations (CBOs) undertaking the actual groundwork. Grants and any form of assistance to these communities are thus channeled through these organizations. The premises for this operational arrangement is that these community organizations are better placed than governments to effectively help the (urban) poor, especially vulnerable groups like women. It is argued that the advantages in using NGOs and CBOs are that they;

1. are low in the cost of operations
2. are grassroots oriented and thus know the conditions of the community best
3. plough back the profits into the community hence raising the economic based of the community
4. teach appropriate skills to the community
5. are mostly non-partisan (Urban Edge, Oct. 1989)

In the shelter sector, community enablement calls for the full participation of the community in the decision making process affecting their housing, shelter provision, improvement and maintenance. To this end, UNCHS and the international community have mobilised themselves in assisting local NGOs and CBOs to achieve that goal. International aid funds for this scheme now work directly with community organisations through business activities. To this end, UNCHS and the World Bank have helped set up shelter related businesses like brick making, clay tile making, crushed stones sales, and fibre cement roofing sheets in different parts of the World. Besides giving high priority to profit, all these business tend to rely on traditional/appropriate technologies; local raw materials, labour- intensive processes and small scale operations, which are encouraged under the Economic Structural Adjustment Programme and the Enabling Shelter Development Strategy.

Despite a seemingly success story, others are not entirely convinced that the theoretical benefits are really being enjoyed on the ground and would like to see empirical research carried out to verify this thesis (Burgess *at al*, 1994).

**Gender Empowerment:** is another concept that has recently been added to the shelter development paradigm after the Beijing Women's Conference and the Copenhagen Social conferences. Irrefutable data now exists to prove that most women, especially in Sub-Saharan Africa, do not have the same access to shelter resources as their male counterparts (UNCHS, 1996). The Copenhagen Social Development summit of 1995 actually went further to identify most women in the Third World as constituting the bulk of the disadvantaged and vulnerable groups that had no access to shelter. To eradicate these negative trends, the Enabling Shelter Development Strategy now has a deliberate policy of targeting women in its shelter strategy in the hope of not only giving them access to better shelter but also giving them an opportunity to better themselves economically (UNCHS, 1996).

**Sustainable Development:** The protagonists of the enabling shelter development strategy claim to have developed their strategy within the realms of global sustainable development. There are three components of sustainable development namely Economic, Social and Environmental sustainability. Each component is concerned with present and future methods of sustaining national development. According to the World Commission on Environment and Development, "sustainable development is development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (FINNIDA, 1991).

Although sustainable development first gained World prominence in 1987, with the report by the World Commission on Environment and Development, "*Our common future*", it was only in 1992 at the Rio de Janeiro Conference that countries appended signatures to their commitment to attaining sustainable development. The Rio Conference was based on the recognition that rapid population increase, high technology and mass production were increasingly depleting the natural resources and that, unless something was done immediately, the future was going to be bleak (see also Wells, 1993,1995). The plan of action adopted by the United Nations Conference on Environment and Development is contained in a document called Agenda 21, of which chapter 7 is devoted to human settlements.

Agenda 21 does not in any way introduce new concepts to the global shelter development strategy. On the contrary it reinforces the same views bearing in mind sustainable development (Urban directions, 1993). Having seen the emphasis of enabling shelter development strategy on the use of local raw materials, like timber and stone, it is not difficult to imagine the possible environmental impact given the millions of homeless people in the Third World. Agenda 21 sets the following environmental guidelines<sup>5</sup> for the construction industry in order to attain sustainable development:

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<sup>5</sup> The economic and social guidelines are mostly covered under economic structural adjustment and shelter development strategy hence are not to be repeated here.



1. Provide technical support and economic incentive to small scale and informal sector builders that use local traditional construction methods.
  2. Adopt standards that promote energy efficient designs and sustainable use of resources.
  3. Promote the free exchange of information and develop databases on environmental and health aspects of construction.
  4. Discourage the use of materials that create pollution during their life cycle.
  5. Promote recycling of energy-intensive building materials and energy conservation in the production methods.
- (Urban Directions, 1993; UNCHS, 1996)

From a different perspective, this advocates for localized- environmental sensitivity approach to shelter provision while creating employment at the grassroots level in the community.

### **3.7.0 Rival Shelter and Development Models/Theories**

So far we have looked at the Third World housing and development paradigms mainly from a one -sided point of view, i.e., the Western model. In reality however, the Third World was always divided into the Eastern and Western camps, between those that followed Capitalist and those that followed Marxist economic and housing principals. The dichotomy was not always as clear as black and white. Some countries had a mixture of both principals, Zimbabwe being one of them. Similarly on the housing front, not all researchers and scholars were/are divided into the capitalist and Marxist camps. Some are liberal, and accommodate both philosophies, coming up with their own brand of housing and development models.

#### **3.7.1 The Neo-Marxist School**

The Neo-Marxist school despite the apparent demise of Marxism, remains the most renowned critic of the Economic Structural Adjustment Programme and its affiliate, the enabling Shelter Development Strategy. Drawing on the writings of its founding fathers like Marx, Lenin, and Engels, the Neo-Marxist school sees the Economic Structural Adjustment Programme as a late twentieth century Neo-imperialist plot to plunder the Third World countries similar to the primitive nineteenth and early twentieth century plunder of the colonies.

The new global economic order is seen as a prerequisite to the expansion of capitalism, the search for profit. Amin (1976) argues that market expansion beyond national borders is inherent in capitalist societies. They search for profits through expanding markets in developing countries to sell their goods and use these countries as cheap sources of raw materials. Proponents of the Neo-



Marxist theory further argue that, having lost the developed a model: The Neo-colonial Dependency Model, to argue their Third World market through decolonialistion in the 1960's, the debt crisis of the 1970's presented the Western Capitalist order with yet another opportunity to bring the Third World under its economic hegemony. The Neo-Marxist school argue that the Economic Structural Adjustment Programme and its affiliated programmes like the Enabling Shelter Development Strategy are designed to perpetuate underdevelopment in the Third World and have case (Todoro, 1994).

The withdrawal of housing subsidies to the poor, the principal of full cost recovery and market pricing through reducing public service employment (where most poor work) are further manifestations to the Neo-Marxists that the Economic Structural Adjustment Programme and its sectoral programme of enablement are only profit driven. They bear no human or development considerations. To a Neo-Marxist, housing is a basic need and hence a basic right of each and every citizen. Therefore, it is the state's responsibility to provide housing as opposed to the private market sector. By placing housing on the market, the Neo-Marxist school of thought argues that, housing is being treated as a commodity rather than being placed in its rightful place as a social service.

Recent trends however, point to the fact that Neo-Marxists now agree that housing has a role to play in the macro-economic equation of a nation's economy. For instance Mathey (1985) admits that the state's role in housing provision, using industrialised building technology, was uneconomic as it relied on imported components and was highly capital intensive rather than labour intensive, hence contributing to unemployment. He therefore, proposed a more labour intensive labour approach in the production of houses, although still rejecting the notion of self-help through an individual but favouring the collective type of self-help. His reasoning is based on the thesis that self-help is done outside normal working hours, its contribution to economic growth is never taken into account.

The Neo-Marxist school also dismisses the Neo-Liberalist's theory that central planning, bureaucratic system and highly industrialised housing provision are costly, inefficient and mismatch people's needs. They demonstrate that self-help housing is cheaper than official housing and attribute this fact to the self-help builder who builds to avoid the exploitative capitalist land market by squatting or building in the urban fringe; avoids building materials monopolies by using his own made materials or throwaways and avoids the exploitative labour market of subcontracting by using cheap and unprotected labour. To the Marxist therefore, self-help lowers the building costs not because it bypasses the state bureaucratic system but because it bypasses the exploitative capitalistic market. In Rod Burgess's own words,

"Thus it is not the absence of a technocratic and bureaucratic system or the legal housing norms, or the sequence of building operations, that have

cheaped his house, it is merely the fact that he is operating in a different sphere of circulating capital that covered by the petty-commodity production of housing. He has not escaped capitalism.... he is merely in another part of it" (Rod Burgess, 1977).<sup>6</sup>

In purely housing terms, the principle of common ownership as a means of production meant placing the decision of housing provision, its allocation and pricing, in the hands of the central and local government (and co-operatives). In extreme cases, especially in the early years of socialism in the Eastern Block, all the supply factors (land, capital and labour) of housing were in state control. Later on, some form of individual private controls were exercised depending on the individual states (for details see Trialog, (1985) and Turner *et al*, (1992). Strict central planning controls ensured that the building regulations were enforced. The absence of a capital market also saw to it that no private housing construction was possible. With the central planning authorities firmly in charge of setting building standards, the actual construction, maintenance and allocation of housing, there was little room for individual interests. Families were often forced to share flats and houses based on the authority's judgement on the best way of meeting the housing needs. The resources available at rent were set to reflect political or social circumstances (symbolic rent) rather than demand and supply. Marxists are also against the policy of home ownership as they argue that private property tends to divide society into tenants and owners, thus exacerbating the class conflict in society (Merrett 1982). There is no evidence however, to support this view. On the contrary, home ownership especially when council houses are sold to the public, tends to help the under-class own their own houses.

In socialist states, the quest for rapid industrialisation, heavy burden of welfare services and limited financial resources meant neglecting the housing sector altogether. This point is well illustrated in the Guinea-Bissau case, where the socialist government there invested heavily in its agriculture and industrial sectors at the expense of urban housing. With no private housing market to fill the void created by the government, the shortage of urban housing soon became a national crisis (Davila, 1987). The net result of this form of practice was that there were massive shortages of housing in almost all socialist states. Most scholars including Turner *et al* (1992) have attributed it to the following;

1. The absence of a capital market meant that individuals, most of whom earned very little wages to save and had no access to capital for house building<sup>7</sup>.

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<sup>6</sup> Note that this theory was being advanced to counter John Turner's theory of autonomous/self-help housing in Latin America.

<sup>7</sup> Although in principle private ownership in housing was banned, individuals were allowed to build and own houses as long as they did not seek to private capital from it.

2. The setting of symbolic rents meant that the governments were not able to recoup their investment to replicate the housing construction process, let alone take care of maintenance. In the end, less and less housing was made available whilst the need for it was going up, opening the system to corrupt practices.
3. Centralised planning, design and housing construction without the consent or consultation of the households led to unsuitable houses being built; the typical socialist concrete high rise tower blocks.
4. State control and protection of the construction (housing market) is said to have killed off the competitive urge of the construction industry hence eliminated the incentive to maximise profit that could have been used to reinvest in housing and national income.
5. Inefficiency in the housing market is blamed on state intervention and state control of the housing market, although Baken and Van der Linden (1993) have argued that this phenomenon (inefficiency) is equally prevalent in housing markets of advanced capitalist states.

No doubt, the Neo-Marxist school has made a positive contribution to the housing and development debate. However its greatest weakness has been its failure to offer an alternative model in the wake of the crippling Third World debt and the resultant economic structural adjustment programme and enabling shelter development strategy.

### **3.7.2 The Moderates (or Liberals)**

For the purposes of this thesis, moderates are referred to as that school of thought which does not agree in totality with Economic Structural Adjustment Programme and the Enabling Shelter Development Strategy nor with the Neo-Marxist school. They could be said to be in-between the two opposing theories. Ironically, the dominant voice in this school has come from the United Nations' own agencies e.g. UNICEF, which produced a very critical document on the economic structural adjustment programme and the negative effects it had on the vulnerable groups, especially women and children. Although it did not call for the total abandonment of structural adjustment, it was very critical of the low levels of investment in areas of social development, especially health and education. The full findings were published in a book entitled *Adjustment with a human face* (Cornia *et al* [UNICEF], 1987), which had an adverse influence on subsequent programmes of the World Bank and the IMF. The major criticism was against the drastic cuts that were being made to social services and the effects this was having on the "poorest of the poor" in society. It further warns of the creation of a poverty trap if corrective action were not taken soon. The response from the two

international financial institutions was prompt and the social action programme was born.

There is now vast literature that shows that the immediate net impact of the Economic Structural Adjustment Programme on poor households in urban communities of Africa is to further reduce their incomes. Even the UNCHS (1996, p.116), in supporting Adjustment policies, have conceded that ESAP has had negative effects on poor urban households.

Although there have long been serious problems with urban poverty in the Southern Hemisphere, it was only in the 1980s that it was given more attention as economic crises and the impact of structural adjustment increased the number of households with incomes below the poverty line and increased the intensity of their deprivation (UNCHS, 1996).

Such findings have only reinforced the arguments against the removal of government benefits (subsidies) to the poor in the hope that the market will take care of them. Research by Hardoy and Satterwaite (1981) also dispels the criticism that public agencies have failed to provide adequate housing to the public, especially the poor. In a study of seventeen countries drawn from the Gulf region, Africa, Asia and Latin America, they found that only Singapore had almost solved its housing problem with two-thirds of the housing stock provided by the public housing body: The Housing and Developing Board. They drew the conclusion that it was not so much the operation apparatus that mattered but the state of the economy in the success of housing provision. In their comparison of the seventeen countries they found that only Singapore, Mexico and Tanzania had comprehensive settlement policies and political will to tackle housing problems, but yet only Singapore had nearly achieved that using the public enterprise. In the other sixteen countries, the informal sector seemed to fare better. Singapore's economy was then, (1960-1978) the fastest growing amongst the seventeen, at 7.45% per annum.

Week (1993) is another prominent development economist critical of economic structural adjustment and its effects on low-income countries. Writing in the FAO Journal (Ceres, No. 143, September-October 1993), Week (1993) argues that the economic structural adjustment has failed to achieve its intended targets in most of the low-income countries despite the World Bank's policies (The Courier, 1994, p.64). Sinha (1995) has also argued "the outcome of stabilisation and structural adjustment policies, largely based on the neo-classical economic rationale, was justifiable neither in terms of the analytical nor the historical literature". He further goes on to demonstrate how the contradictions in policy and the ideological nature of the host countries have "inhibited successful implementation and accentuated poverty and inequity in developing countries". Sinha also questions the theory of free trade as applied to developing countries. He notes that all developed countries only adopt free trade upon reaching technological maturity, a factor missing in developing countries. He then

wonders, “Why the change in principle?” He is equally unconvinced on the conditional devaluation as he argues;

Currency devaluation in countries dependent on imports of food, machinery and intermediate goods, raised cost of production and the living costs, thus furthering inflationary pressures. Even if such devaluation raised prospects for increased export earnings, a part of the stimulus effect was to undercut by the increase in production costs. Besides the very act of devaluation imposed on debtors an enlarged burden of debt repayment and servicing. Consequently, International Financial Institutions policies became an exercise in debt enhancement rather than debt reduction. Above all, devaluation results in increased costs of living, drastic reduction in government expenditures, and reduction in wages (Sinha, 1995).

This study seeks to explore if truth can be found in this particular condition on the effects of ESAP on the contribution of construction industry vis-à-vis Shelter Development strategy.

### **3.7.3 Provider and Supporter Paradigms**

In as much as government can do to scale up the supply of affordable shelter to low-income people, two distinct paradigms have been operative. The first-provider paradigm is the one that has been dominant in housing history (Hamdi, 1990). It is the one most governments and most housing managers advocate. In the mid- 1980s it privately became popular in Zimbabwe. The second, Supporter paradigm is favoured mostly by fund providers and academics. It is mostly required by multilateral agencies since it takes control of housing production. This paradigm is the one the Zimbabwe sought to follow by adapting the Shelter Development Strategy under IMF conditionalities. Thus, the Zimbabwean government had to police the legislature, at the same time be the policy framework maker and enforcer for the private sector’s working environment in the shelter provision. The objectives intended by Zimbabwean government were to:

- Allocate resources for people to organize their own shelter.
- Decentralize resources to support local enterprises and homeownership.
- Fragment shelter production and support smaller builders.
- Integrate development activities and link shelter to larger urban systems of employment and production.

The methodology to be employed to achieve these objectives was:

- Build programmes and allocate resources for small projects.
- Manage resources to increase volume.
- Build fast by building incrementally.
- Promote variety, improvisation, infill sites and services.

The Zimbabwean government had its targeted key actors. These were NGOs, CBOs, Small contractors, Informal and formal Community developers, consultants, families and government agencies. This study will closely examine how this paradigm will work on the Zimbabwean scenario under local social-economic and political climate in regard to IMF conditionalities.

### **3.8.0 Summary**

This chapter traced the origins and context of the current global phenomenon of Economic Structural Adjustment Programme and the enabling Shelter Development Strategy and discussed the postulated national development gains in the construction industry, supposed to accrue to the countries applying them. Preliminary research in some countries does not give conclusive results to generalise the implications of the aforementioned policies and does not give insights of what the future for Sub-Saharan African housing and construction industry holds in light of the Neo-Liberalist policies being applied.



## 4.0.0 CHAPTER FOUR: ZIMBABWE BACKGROUND

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#### **4.1.0 Introduction**

The previous chapter examined how the linkage between the construction industry, shelter development strategy and national development has evolved worldwide in the past few decades. The focus of this study is on Zimbabwe, which is the case study, relating the same linkages and factors that led to their adoption and implementation. In this regard, importance is attached to the Zimbabwean political and socio-economic environment, especially the construction market and its shelter-sub market. By contextualising the Zimbabwean environment with the rest of the World and the global phenomenon of structural adjustment and shelter enablement, pitfalls other researchers may have fallen into are avoided. Baken and Van der Linden (1993, p. 8) argued that the absence of the context of the home country when applying and analysing housing policy is one of the fundamental flaws of most scholars and institutions, including the World Bank. They rightly observed that:

...many World Bank consultants set out from a one-sided technical viewpoint: they assume that internal coherence and integrity make their plans self-validating. They largely ignore the fact, however, that the main actors in urban development may be have in ways, which are not in keeping with the technical logic of their plans, but which, nonetheless are quite coherent in view of the specific local political and social-economic situation.

This chapter traces the historical background of Zimbabwe as it relates to the study-the effects of Economic Structural Adjustment Programme on the contribution of the Construction Industry to national development in relation to shelter provision. Government concerted effects: political, social, housing policies, constraints and housing strategies before the implementation of the structural adjustment are closely analysed.

#### **4.2.0. Political Factors**

##### **4.2.1 Colonial Legacy**

The declaration of Unilateral Declaration of Independence (UDI) in Rhodesia by Ian Smith on the 11th of November 1965 and the economic sanctions that followed had the effect of exposing Zimbabwe's economic vulnerability. Colonial integration of Zimbabwe (formerly Rhodesia when under British and autonomous rule) into the global economy and the manner through which this was done explains much of Zimbabwe's continuing economic struggle in the global market.

The main feature of the colonial economy was the creation of disfunction between production and consumption. That which was integral and organic to domestic organization of economic life and reproduction of social life was forcibly disrupted, and a hiatus created between production and consumption, as well as

between economic production and social reproduction. The best resources of the land-agricultural products and minerals-were exploited and exported; whilst the local population was left to fend for itself to the best it could, using second or third best resources. The population was fragmented with the bulk of the people living off marginal lands in rural areas while the able-bodied; mostly men were integrated into commercial, mining and urban economies (Yash Tandon, 1999)

Unarguably, the long lasting effects of the UDI would be carried into independence and affect the total landscape of government development policies, including the focus of study –construction industry vis-à-vis shelter provision. For instance Ballies (1996) stated;

a dual economy developed along racial lines, one economy for the whites in urban areas and commercial farming areas with well developed infrastructure and high incomes, and the other for the blacks, a subsistence economy of low income in Tribal Trust Lands.....The racial and economic inequalities were translated into social inequalities, including unequal access to health, housing and education for the blacks.

This scenario at independence created challenges to the newly elected majority government of Zimbabwe in redressing the situation; this study traces one of them namely, shelter provision.

#### **4.2.2 Policy at independence**

In April 1980, Zimbabwe was declared independent under majority rule after sixteen years of struggle. The ZANU-PF (Zimbabwe African National Union-Patriotic Front) party under the leadership of Robert Mugabe had won the first democratic election in Rhodesia in what was announced all over the world as a landslide victory. ZANU had been fighting a war for a socialist Zimbabwe. After coming to power the policy developed was pragmatic, emphasising the reconciliation between blacks and whites. The Lancaster House Agreement preserved certain rules for governing the country during the first decade of independence (Schlyter, 1990, pg. 197)

The policy conducted had been a balance between meeting the great expectations of the African population and mitigating the whites' fear of change. The concern was that if the whites lost too many privileges they would leave the country, and take much-needed capital and economic, as well as academic know-how with them. The view of housing as a social right was declared by the Minister of Housing in 1981: "The first democratically elected government of the Republic of Zimbabwe vowed to assure its people of shelter, food and clothing. These need not be elegant; it is enough that they are the kind that permit human dignity and human life. Nobody, we say, should be allowed to be so poor as to starve, live in open field or go naked" (Zvogbo, 1981). The governmental responsibility of housing was also stressed. It must be clear that society as a

whole owes the poor a duty or obligation to live in environments that are not merely dignified but are conducive for better health and better life (Schlyter, 1990).

Putting a stop to speculation in housing and land emphasis on industrialisation to solve housing shortages were two other elements mentioned as socialist housing policies. These elements have so far, not been included in the Zimbabwean housing policies for reasons which will be discussed later. Instead of industrialisation, building brigades have been presented as the socialist way of increasing housing production.

### **4.3.0 Economic Factors**

#### **4.3.1 Pre-ESAP Economic Policies-Post-Independence**

At independence in 1980, the new Zimbabwean government was committed to establishing a socialist society based on a state-led interventionist and planned strategy of conscious transformation. The government began with a clear appreciation of the state of underdevelopment and the level of economic inefficiency existing in the economy. Indeed, the initial policy documents such as Growth With Equity (GOZ, 1981) and the subsequent plans indicated that the government was in principle, committed to promoting economic development more-or-less along the lines defined here.

While notable advances were made in the social sphere, particularly in the provision of health, education and welfare support for vulnerable groups, very little economic progress was achieved by the so-called socialist initiative. Although, the government was able to regulate and intervene in the economy, it did not transform inherited economic structures and their attendant inefficiencies (ZCTU, 1997).

By the end of the first decade of independence, it was clear that the government was neither promoting socialism nor economic development. Over this first decade, gross domestic product (GDP) grew at an average annual rate of 3.2%, just about the same level as population growth during this period (ZCTU, 1997). Formal sector employment either remained stagnant or only increased slightly over the period, while youth unemployment rose. The main reasons for the poor performance of the economy were:

- Government did not have a comprehensive development strategy to deal with the inherited structural rigidities, instead focused on the short term imperatives of stabilisation.
- Depressed state of investment arising from excessive regulations and controls that were not transparent and the lack of a strategy to harness the potential of the non-formal sectors.

- Government diverted enormous resources to counter the effects of not only drought, but also destabilisation emanating from the then apartheid South Africa, especially as regards the conflict in Mozambique which blocked Zimbabwe's key trade routes to the sea.
- Resources were deployed in the social sector where they had a long gestation period.
- Huge resources were pumped into parastatals in a non-targeted manner without any performance criteria to ensure that these were productively utilised.

Lack of Investment was one of problems. The socialist rhetoric and strict investment regulations were seen as absolutes to new foreign investment. In fact new investments were scarce not just in Zimbabwe but all over Africa during the 1980s. (Balleis, 1996). Shortage of foreign currency slowed down capital investment (equipment in construction and materials).

Budget deficit due to the growing number of civil servants was another problem. Government spending had continuously grown from 30 percent in 1980 to 44 percent of the GDP by 1990. The public debt of the central government rose from US\$1.8 billion in 1980 to US\$10.4 billion in 1990 (ZCTU, 1993). This was a big growing problem that needed to be arrested in time.

The economic crisis deepened and proved increasingly intractable as the new decade of the 1990s dawned. The government succumbed to pressure from the World Bank and the International Monetary Fund who claimed that the fundamental problem in Zimbabwe was the pervasive government regulation and intervention in the economy (Kanyedze, 1997). In 1990, the government signaled its fundamental shift in policy by adopting the policy prescriptions of the Bretton Woods Institutions. This shift is what the study traces to evaluate its impact on the contribution of the construction industry vis-à-vis shelter provision.

#### **4.4.0 Social Factors**

##### **4.4.1 Rapid Urbanisation**

Urban living has always been controlled in Zimbabwe. In 1894, a Town Management Ordinance gave powers to the governing body of an urban area to set up and control native location (Cormack, 1983 p.78). From 1945 onwards, local authorities were obliged to set aside land and to provide housing for all Africans working in the towns, except those provided for on approved private premises. The townships being built were technically within the white areas, and thus Africans were living in them not by right, but by privilege (Schlyter, 1990).



The settlers and this view legitimised the poor housing conditions as they regarded the urban Africans as (temporary) migrant labourers. The policy was to regulate the flow of male migrants according to availability of employment and prevent the accumulation of unemployed poor people in the city. The men were supposed to work in the town for some years and then go back to their families in the reserves. Still by 1958, fewer than half of all employees in the formal sector were living in houses to which they were allowed to bring their families (Patel 1984).

Influx control kept the rate of urbanisation relatively low and the growth of squatter areas which accelerated in neighbouring African countries during the 1960s was prevented. Only with the intensification of the liberation did the implementation of influx control break down. The existing housing areas became heavily overcrowded and some squatter settlements developed. In 1978, 16.8 percent of the total African population (7 million) was living in towns. In 1982, the total was about 20 percent, almost half in Harare. After the war some refugees returned to rural areas, but the rapid movement into towns did continue. Many women brought their children and joined their husbands in town (Schlyter 1990).

At independence the urban population was increasing at about 5.4 percent each year. Harare was estimated to have half a million inhabitants. Another 200,000 people were estimated to live outside the city boundary, in the suburb of Chitungwiza and in the unplanned area of Epworth. Case studies in some townships indicated these figures to be a gross underestimation. As there have been few reliable figures, growth rates are also estimates. It is clear that the Harare region was growing more rapidly than other urban centers, with growth rates estimated to be between 7.5 and 11.5 percent (Schlyter, 1998). The high rural-urban migration that followed immediately after independence increased the urban population in some towns by as much as 100% in less than 10 years (MPC&NH, 1990). This had the effect of stretching government resources in areas like schools, clinics/hospitals and housing, which were then provided either at subsidised rates or free of charge.

#### **4.4.2 Pre-Independence Housing Policies**

In Zimbabwe the land policies of colonial government was articulated through the Land Apportionment Act No. 30 of 1930 and Land Tenure Act of 1969. The pre-independence housing policies included the following:

- i. Rental Housing schemes for Africans in urban areas.
- ii. Segregated Housing areas with Africans staying in High Density Townships and others staying in Low-Density areas.
- iii. Housing finance institutions catered to whites only.
- iv. No Housing Policy for the Rural Areas.



The above policies were a reflection of the segregatory land tenure system of the colonial government which allowed Africans to stay in urban areas as contractual migrant labour. Initially such policies led to the erection of hostels designed only for single male workers who were expected to vacate the housing provided and go back to “the Tribal Trust Lands” at the end of the contract (MPC&NH, 1983).

In rural areas the lack of assistance from the colonial government culminated into the emergence of unplanned settlements and the prevalent use of non-durable building materials. The abolition of the segregatory Land Tenure system at independence resulted in:

- A high rate of rural to urban migration leading to an unprecedented increase in the demand for housing in urban areas.
- An overwhelming demand for homeownership housing schemes which would enhance security of tenure.

All these called for a quick review of the Housing Policy for the government of Zimbabwe in order to cope with the demand.

#### **4.5.0 Socialist Housing Policy of the 1980s**

At independence, the new Zimbabwean government had to face an acute and growing shortage of urban housing. In March 1981, a five -year development programme for low-income housing was presented. Projections of urban - population growth and estimations of the backlog were used to calculate housing demand in the years to come. The Government promised to provide decent houses by increasing construction activities. Exact figures were published for the number of houses to be built and to what standard. Water, sewerage, drainage and roads were to be provided for each house (Schlyter, 1990). The fact that the needs were grossly underestimated is perhaps less serious than the overestimations of the administration's and the building industry's capacity and availability of resources. Five years later it was apparent that the first plans had been over-optimistic; instead of an increase in building activities, house completion figures had severely decreased.

Initially, housing was under the responsibility of the Ministry of Local Government and Housing. The minister declared housing a social right and governmental responsibility. It seemed that organisational problems delayed further formulation and development of policies. First there was a change of ministers, and then a split amalgamation of the new Ministry of Housing was to be built up. Furthermore, there was another amalgamation of two ministries. So from January 1984, the responsibility of housing fell on the Ministry of Construction and National Housing (MPC&NH, 1983).

The responsibility for the implementation of housing policy lay with the local authorities. Compared to other African countries, at independence, Zimbabwe had a well-established local administration (Jordan, 1984), which was an important asset. The administration was however, divided among racial lines despite a great effort put forth to bring former African areas and white areas under one administration; the "one city concept". Naturally, this had delayed the development of an efficient and creative administration of new housing projects (Schlyter, 1990).

In all urban housing the question of land is fundamental and cannot be separated from the land question in the whole of the country. The Lancaster House Agreement stipulated that private ownership of land should be maintained in Zimbabwe. If the government wanted to gain control of land, the owners had to be compensated at market prices. The government for example, had purchased urban land in low-income areas of Epworth and Kuwadzana; but with the limited resources available, such isolated measures did not permit the build-up of a sufficiently large land reserve for development and thus did not influence market prices. According to World Bank (1985) estimates, Harare would run out of municipally owned land in little more than two years. The Bank recommended smaller plots and acquisition of additional land.

Finally, the economic situation constituted a major constraint for construction activities. Initially half cut, the governmental housing budget and future funding was earmarked for rural areas (Schlyter 1990). Primarily, this decision only affected loans, but then the budget for wages and subsidies had to be reduced as well. The government was only committed to local resources. However, dependency on international funding makes it difficult, if not impossible to follow an independent housing policy. The number of units built with governmental funding decreased from 12000 in 1981 to 3 000 in 1984 (Zimbabwe, 1986). The output in fact was cut only by 50%, taking into account the fact that the units being built were now larger-four room units instead of the former two-room units. Interestingly, between 1980 and 1982 people objected to the size of low cost units and a minimum size was introduced. Plots had to have a minimum of 300 square meters and houses a minimum floor space of 50 to 60 square metres, with provision for extension. This is an interesting parallel to South Africa, whose policies have produced dissatisfaction with size and is a clear argument that these sorts of policies do not work (ibid). The government of Zimbabwe also vetoed the idea of core housing, as it did not meet people's needs; another area of dissatisfaction that appeared in South Africa.

#### **4.5.1 Homeownership and Restrictions on Rent**

One of the first actions taken by the revolutionary authority (Ministry of Local Government and Housing) was the Housing and Building Regulations (Tenant's

Rent Restriction) of 1980, intended to prevent exploitation of the poorest members of the society. Rent in high-density suburbs was limited to a maximum of Z\$8 a month. However, the regulation proved impossible to enforce, and it can only be speculated whether this regulation helped strengthen the position of the tenants vis-à-vis landlords. The housing shortage was so desperate that many tenants (lodgers) were prepared to pay up to five times the maximum rent.

Private property in the form of home ownership was not only tolerated but actively supported and represented the cornerstone of national housing policy. Among the first measures taken by the new Government was the conversion of rental housing into home ownership in order to grant great security to those living in urban areas. This symbolic step was important because before the 1970s Africans were forbidden to own land in urban areas. (Schlyter, 1990).

#### **4.6.0 Three Strategies of Housing Production**

Aided Self-help, building brigades and co-operatives were represented as three strategies of housing production for making housing affordable.

**1. The aided self-help:** this strategy is part of a wider housing strategy of homeownership. The pre-Revolutionary Glen View experience was regarded as positive. There, many large houses containing rooms for tenants were built to cater for the increasing population and housing demand. Officially however, the idea of one-family housing was maintained. The self-help housing strategy totally dominated the production of housing in the Harare region.

**2. Building Bridges:** in the Zimbabwean situation, “battalions” of labourers were trained on construction sites (informal). These provided labour at a minimum wage in the construction of housing. The Government presented the concept of building brigades as an offensive innovation in 1981. After independence, politicians responsible for housing made a worldwide tour to study different housing strategies. They were startled by the chaotic urban housing situation of many African countries. Particularly, they did not like the panorama of the large squatter areas and were not impressed by the upgraded “shanty townships” all of which represented a standard they did not want to accept for Zimbabwe. (Schlyter, 1998) They were impressed however, by the suburbs of Havana and elsewhere in Cuba, where the Cubans proudly claimed success in building through brigades.

Subsequently, the idea of the Cuban building brigades was adapted to Zimbabwean conditions. Two major categories of brigades were sketched: the construction brigades, and the building materials production brigades. In Cuba the brigades were first and foremost a way of solving the problem of labour shortage which was at that time, the most serious constraint in housing



production. In Zimbabwe however, there is no shortage of labour seeing that unemployment is one of the largest problems (Schlyter 1990). The Zimbabwean building brigades therefore did not aim to overcome a shortage of labour in the construction industry.

From the beginning it was a bit unclear what the Zimbabwean building brigade really represented. In 1981, the Minister wrote, "Any family in need of but unable to afford a house will have to join a brigade. Together the brigade members will donate their labour". In the end, instead of the brigades being units for collective self-help, they turned out to be units of waged workers within the local administration. In theory, through the brigades, the state avoided leaving the public to 'whims and appetites of private enterprise' (Zvogbo, 1981). By competing with the construction industry, the general price level of construction was supposed to be kept down. In some parts of the country, the brigades became active in actual construction of housing, such as Gweru, unlike Harare where self-help schemes dominated the scene. In Harare however, few of the house owners built their own houses because it was cheaper for them to engage small private builders to build in stages (Schlyter 1990).

**3. The Co-operatives:** this was a Marxist ideology of community participation in provision of labour for social right. Even as building brigades had little impact on the housing situation in Harare, the strategy of co-operatives never really got off the ground. In the transitional national development plan for the period 1983 to 1985, published in May 1983, the strategies of aided self-help and brigades were stressed but co-operatives were not even mentioned. Nevertheless, in various contexts, politicians continued to talk about the three strategies, including co-operatives. But interviews with relevant authorities in 1987 gave no evidence of any support to housing co-operatives. Like other entrepreneurs, small builders were free to apply for registration as co-operatives, but few did so because there were almost no direct benefits to be gained (Schlyter 1990).

By 1986 in Chitungwiza, a number of groups of residents applied for housing co-operatives. One group wanted to take a loan as a co-operative from a building society in order to improve their individual houses. The other group was originally formed around a housing improvement project, but extended their objectives to include income-generating activities and thereby had to comply with requirements for producer co-operatives. They intended to produce building materials for their own needs and for sale. The profit would then go into housing improvement (Zimbabwe, n.d.a).

These groups strongly showed the felt need for housing improvement and its capacity to organise the community. But in practice they met many hindrances. Their initiatives were frustrated by long waiting lists and by lack of advice. Thus members were demoralized and non-members were discouraged from applying. Schlyter, (1990) and Wazara (1999) agreed and stated:

“...the requirements are too technical for ordinary person who make up the cooperatives...”

The failure of co-operatives is in part attributed to lack of strong policy.

#### **4.7.0 Transformation of Housing Policies from 1980 to 1990**

The major task of the post-independence government was to come up with new policies and strategies to redress the inequalities in the provision of housing and satisfying the aspirations of the people both in urban and rural areas. In line with this, the Government adopted the following policies:

- Homeownership was to be the major form of tenure with a small percentage being developed for rental purposes.
- Cost effective and labour-intensive modes of house construction were to be used in schemes funded by the public sector.
- Minimum housing building standards were required
- Public funded housing schemes in both rural and urban areas should strictly be for those without houses.
- Both the public and private sectors were to mobilise their resources to meet the housing needs in the country.

In urban areas homeownership became the major form of tenure with only a small percentage developed for rental purposes. Apart from reducing the maintenance cost of local authorities, the homeownership policy provided security of tenure and acted as an incentive for the urban people to invest in housing. Subsequently all the houses built before independence were converted into homeownership houses and sold to the sitting tenants (MPC&NH, 1983).

Minimum housing building standards were introduced to ensure decent, durable and affordable housing in all new housing schemes. The standards included among other things an extendable 4-roomed core with a minimum plinth area of 50m<sup>2</sup> on a minimum plot size of 300m<sup>2</sup>(see plate 4.1).

In order to achieve affordability, cheaper modes of house construction were adopted. These included housing co-operatives, building brigades and aided self-help. Government introduced incentives for the private sector to participate in housing development. For example, to encourage greater participation of building societies in the provision of housing for all income groups, the government introduced the tax-free interest bearing class C Paid Up Permanent Shares (PUPS). The concession was agreed on condition that 25% of the money generated by the CPUPS would be channeled into low-cost housing (MPC&NH, 1983).

Although the study limits itself to urban shelter, it is important to mention that in 1982, the government introduced the Rural Housing Programme, which was designed to assist people at Growth Points, Resettlement Schemes, Planned



Villages and Communal Areas to acquire decent housing. In planned Villages and resettlement Schemes, the programme provides beneficiaries with building material loans in the form of basic building materials that cannot be found locally. The intention of these planned communities was to help these communities to grow into urban centres in the future.

#### **4.8.0 Squatter And Upgrading Of Sub-Standard Areas**

##### **4.8.1 The Demolition Policy**

After independence, the new government continued a declared demolition policy against squatters. Almost immediately after independence, the camp at Musika was cleared. Refugees were encouraged to return to their areas of origin. Many however, had no economically viable alternatives to return to and wanted to stay in Harare. Some of the families staying there were then accommodated in former single- men hostels; others became tenants or squatters elsewhere (Patel, 1984).

In October 1983, when policy discussions on upgrading and other alternatives to bulldozing begun, anti-squatter policy was reaffirmed by the President followed by a nation-wide clean-up operation initiated by the central committee of the ZANU-PF party, shanty towns accommodating about 10,000 people were bulldozed (Butcher, 1987).

Again, the squatters were urged to go back to rural areas. However many of them did not have access to fertile land, and the drought was severe during these (1983-84) years. More than 10 per cent were single women who had more difficulties in getting access to land. Some were from neighbouring countries and others lived in unregistered marriages, neither of which case was acceptable in the rural areas nor allowed tenancy in Council houses. Epworth, the largest squatter area in the region, received a substational share of families who had been pushed from place to place fleeing from bulldozers (Schlyter, 1990). This practice of demolition does not follow the enablement shelter strategy, the Zimbabwe government acted in contradiction to this strategy.

##### **4.8.2 Upgrading Of Epworth**

Not all sub-standard housing schemes in the Harare region were demolished during the first years; and one of those that remained was Epworth. In 1983, the Government declared its intention to upgrade the neighbourhood under the premises that the area was not allowed to grow any farther and that the general anti-squatter policy be maintained (Zimbabwe, 1983).

In 1983, about 28 000 people lived in an area of 3,670 hectares in Epworth and on neighbouring farmland. The state had bought the land and made it clear that the progress depended on whether outside funds could be obtained. The United States Agency for International Development (USAID) was engaged in making the feasibility study. The Ministry of Local Government and Town Planning worked out a programme for upgrading (Zimbabwe, 1984).

In 1986 almost two million dollars were provided by central government for the first stage of the upgrade (Zimbabwe, n.d., a). A main road was constructed through the area in order to provide a bus service and a delivery link with the city. Three hundred tube wells were drilled by and the community was provided with hand pumps (Morgan, n.d.a). The building of an upgradeable latrine on each of the 3 000 sites began in 1986 after thirty experimental units were built two years before. To maintain the high standard of policy, these measures were considered temporary solutions as planning for piped water, sewerage and electricity was being undertaken. A cadastral survey would permit formal plotting and finalising the process of upgrading Epworth to normal Harare housing standard (Schlyter, 1984). However, the maintenance of large plots and semi-rural conditions of the area made the second phase of upgrading once implemented, an expensive operation.

#### **4.9.0 New Township: The Kuwadzana Project**

The first large new township planned in the Harare region since independence is Kuwadzana. The area is located twenty kilometres west of the city, on a virgin farm. In the first phase of the project 3, 750 sites were provided and 7, 000 in the second phase (Schlyter, 1997). The sites were serviced with roads, public lights, schools, clinics, a post office and a supermarket. The sites were provided with water and sewerage, while electricity was provided later. Plot holders chose from services of modeled plans. The size of the core amounted to about 55 square metres and 90 square metres after completion (Harare, 1987). Appendix ii shows the popular model.

The prime political motive as Schlyter (1997) pointed out, was based on providing opportunities for the lower-income group in Harare only on a full -cost recovery basis. In line with the home ownership strategy, serviced plots were provided for self-help building. The project was funded by the USAID on a loan of US\$38 million. Plot holders had a choice of constructing their houses, but in practice small-scale builder engagement was the only viable option. When 6 000 plot-holders had begun building; only 6 had contracted building brigades (Harare, 1986). Given that almost all plot holders were employed, few if any, built the houses themselves. According to Holin (1985), a great majority of house owners were satisfied with their builders. However, in a study of women headed households, the picture is different (Schlyter, 1985). Almost everyone claimed that she was cheated due to lack of supervision. Kuwadzana became the testing

ground for the housing policy formulated by the new government. Through several studies the outcome of the first phase is well documented (Holin, 1985; Patel, 1985) and obviously influenced the revision of housing in the second phase of Kuwadzana.

#### **4.10.0 Failure by Local Authorities**

From independence to 1990 the National Housing Fund had only been advancing loans to local authorities for the purpose of servicing stands and constructing houses for the low-income people. As the MPC& NH (1995) pointed out that strategy has not been effective as some local authorities:

- Failed to utilise the funds allocated to them
- Took long to complete the construction of houses
- Failed to get the necessary borrowing power for approval resulting in such funds being returned to Treasury at the end of the financial year
- Did not have the capacity to undertake the housing projects
- Misused funds provided for housing construction

This failure is one that leaves the government vulnerable to its fundamental need to shift from being a shelter “provider” to “supporter”. Confidence in this institution is therefore unmistakably lowered and questioned by the private sector that needs much of the support in regard to policy formulation.

#### **4.11.0 Summary**

In hindsight, it is easy to criticise Zimbabwe's socialist policies and governance, and argue that this policy should not have been carried out in the first place. But as this chapter has attempted to show, the circumstances at the time, especially the Southern African political environment necessitated the line of policy action. The industrial and administrative power base of Zimbabwe was still in the hands of white settlers. It is equally important to understand that in the 1980s, national development strategies in most Third World countries and even some developed countries [as Tadaro (1997) pointed out]

like Britain were heavily biased towards rapid industrialisation and nationalisation of private property.

Although Zimbabwe was able to record unprecedented high growth rates in the construction industry and the macro-economy in the early 1980's, these high growth rates came to a halt and started a downward trend in late 1980s. Among the reasons for this downward trend was the growing tendency by the government to appoint politically, linked non-visionary party members to top

management positions in the newly established parastatals and government departments. The net effect on the economy was reduced productivity.

Worth noting is the close relationship and dependency between Zimbabwe's agriculture industry and its net effect on the construction industry. In times of low agriculture production revenue and low GNP from the agriculture industry, the construction industry also records low levels of net contribution to total GNP. This shows that the agricultural industry is one of the key determinants of the performance of the construction industry. Ballies (1996) observed that in 1980 agricultural contribution was 14 percent and in 1989 dropped to 12.4 percent of GDP while construction in 1980 was 10.1 percent and 1989 was 8.5 percent respectively.

The next chapter begins examining the measures that the government took to arrest the above situation and assesses the impact that these measures had on the macro-economy and construction industry in the face of shelter development strategy.

## 5.0.0 CHAPTER FIVE: ENABLEMENT ENVIRONMENT CREATED

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### 5.1.0. Introduction

Having outlined the research aims, objectives, approach, and the detailed steps that would be taken in conducting the field work in chapter one (of Part One), Part Two of the study begins to analyze field and secondary data. It starts with field data analysis in chapter Four, which critically looks at the various measures and legislation taken and passed by the Zimbabwean government in the five years of ESAP in an effort to "create an enabling environment" in the construction industry vis-à-vis Shelter. The prime motive in creating an enabling environment was to encourage both private local and foreign investors to invest in the Zimbabwean economy, thereby stimulating private sector construction demand. However, as the Zimbabwean government itself would be quick to admit, some of the so-called "enabling legislation" had a negative effect on the Zimbabwean economy and the construction market in particular. Some investors have been discouraged in their plans to invest in the Zimbabwean economy. Others have taken on the challenge, but only to later shy away from the construction industry altogether i.e. shelter. On the other hand, some of this enabling legislation has attained its desired aims and objectives on the macro-level and the micro-level in the shelter provision market.

Also outlined in this chapter is the context of the changes that were made to the Zimbabwean construction industry in the areas of structural, fiscal and monetary matters, within the overall framework of the Economic Structural Adjustment Programme (ESAP) and the affiliated policy of Shelter Enablement. Having said that, it must be recognised that enabling legislation is formulated with the macro-economy in mind and it is therefore, up to the construction industry to take up the advantage of this legislation to enhance itself. Shelter or construction issues can no longer be seen and tackled as unique issues in themselves. They must be tackled in association with other national matters: economic, social and political (World Bank, 1993). Therefore, shown here is the enabling environment created for the shelter development in Zimbabwe, in accordance with International Monetary Fund conditionalities.

### 5.2.0 Financial Sector Policy,

Under this conditionality the Zimbabwean government was to restructure the institutions to facilitate mobilization, restoration of public confidence, relaxation of interest rates, lending requirements and provision of incentives for efficiency to thrive in usage of resources.

**Overview:** Before the advent of Economic Structural Adjustment Programme, the financial sector in Zimbabwe was highly sophisticated in relation to those in other Sub-Saharan African countries, excluding South Africa. It comprised four commercial banks, two discount houses, three merchant banks, three building societies, three finance companies, the Post Office Savings Bank, the Zimbabwe Stock Exchange, a large number of insurance companies and pension funds, three Development Finance Institutions (DFIS) and two stock brokers (Kanyenze, 1997).



During this period, the financial sector was highly segmented by function. For example, building societies only concentrated on mortgage finance while commercial banks concentrated mainly, on short-term finance. Such a situation has not fundamentally changed. In addition, banks had a red book called the 'Register of Co-operation' whose rules had to be complied with by all the banks. The pricing of products bore little or no resemblance to the cost of supplying them. In fact, the prices of the various services were the same across the banking industry. Clients were greatly disadvantaged as financial services were given on a 'take it or leave it' basis (Zimbabwe, 1997). Financial institutions rarely ventured into 'risk management', often asking for 100% collateral security from would-be-borrowers. This often meant that lending to the more risky small-scale sector was avoided. Not only were transaction costs considered to be high, but also the sector could not furnish collateral security even when projects were sound based on financial criteria. Bank lending was geared towards the needs of 'big business' at the expense of the small-scale sectors (both in urban and rural areas). Interest rate determination was to a large extent, left to the individual institutions, but the Reserve Bank of Zimbabwe (RBZ) set the minimum lending rate. It also set a minimum deposit rate. Although most banks rarely lent money at the minimum lending rate, they were reluctant to take deposits at rates higher than the minimum deposit rate set by the Reserve Bank of Zimbabwe. Consequently, most banks were making huge profits during the pre-ESAP era even after adjusting for administrative and other costs (ZCTU, 1997).

Furthermore, because of the scarcity of foreign exchange, banks were involved in the process of allocating foreign exchange on behalf of the Reserve Bank of Zimbabwe. This had the effect of conferring huge economic rates on those officers involved in the issuing of licences. A number of companies tried to go round the stringent exchange control regulations via transfer pricing and keeping foreign exchange in foreign markets. This in turn, exacerbated the problem of foreign exchange shortage, resulting in low investment levels (Kanyenze, 1997). The conditionality of Financial Sector Policy in this case positively benefited the shelter provision sector through the new conducive business aura created after restructuring.

### 5.2.1 Reforms in the Financial Sector

Financial Sector Reforms in Zimbabwe formed an important component of Economic Structural Adjustment Programme. They included the liberalisation of interest rates, liberalisation of entry regulations and the reform of the exchange and payments system. Specific legislature which had major bearings on the construction industry, vis-à-vis shelter provision will be examined.

**Liberalisation of Interest Rate:** Following the adoption of Economic Structural Adjustment Programme, the Reserve Bank of Zimbabwe (RBZ) implemented a policy designed to link the banks' lending rates to the cost of funds. However, the use of the base -lending rate was short-lived, as the Reserve Bank of Zimbabwe moved swiftly towards liberalising both deposit and lending rates. Nevertheless, it

still maintained some differential rates on mortgage finance depending on whether the building was owner, industrial or non-owner occupied. Owner occupied houses attract lower interest rates than non-owner occupied houses. Currently, low cost owner-occupied houses (below Z\$35 000) attract a rate of 18.5 %, while the others attract a rate of 21 %. Non-owner occupied residential properties attract an average rate of 24.5%. The main reason for the implementation of such a policy was to encourage home ownership and at the same time discourage speculation. Furthermore, as a way of encouraging investment in industrial and commercial buildings, mortgage rates on such buildings were not to be as high as those on non-owner occupied residential properties. However, the rates on commercial and industrial buildings have also been liberalised. According to available data, the rates ranged between 23,5 % and 27 % as of July 1995 (Zimbabwe, 1997). In other words these incentives were to stimulate the shelter provision industry.

The main theoretical undercurrents of a strategy designed to have the determination of interest rates left to the market related to the need for generating enough domestic and foreign resources needed to finance development. There are a number of channels through which this was expected to occur. Firstly, it was expected that interest rate liberalisation would other things equal, result in positive real deposit rates. These positive rates were expected to act as an incentive to savers to increase financial savings held with financial intermediaries. The second channel through which the liberalisation of domestic interest rates was expected to increase the pool of loanable funds was by encouraging capital inflows. The return on domestic financial assets, domestic interest rates, together with the rate of return for foreign assets and expected changes in the exchange rate can influence portfolio allocation between foreign and domestic assets. An increase in domestic interest rates relative to foreign interest rates was therefore, expected to encourage capital inflows which in turn, should have augmented domestic savings, resulting in a large pool of loanable funds (Zimbabwe, 1997). These loanable funds would "probably" then be pooled into shelter.

With an increase in domestic and foreign savings, it was expected that investment would increase too. Kanyenze (1996) observed that: this was basically because the theory on which SAPs are based contends that in contrast to developed countries, one of the principal constraints on investment in developing countries is the availability rather than the cost of funds. Even if investment does not rise, it is expected that positive real interest rates would raise the average efficiency of investment. Thus, investment improves due to a quality rather than a quantity effect.

Furthermore, the liberalisation of interest rates was expected to influence production techniques towards more labour-intensive techniques like housing production (in informal sector). This is because negative real interest rates are said to artificially lower the price of capital relative to labour. Because capital is scarce in Less Developed Countries (LDCs), such production techniques are argued to be sub-optimal as labour (and not capital) is plentiful (Zimbabwe, ZCTU, 1997).

Finally, it is expected that interest rate liberalisation would result in an efficient allocation of financial resources. This is because interest rate ceilings are argued to often result in excess demand for available funds, leading to credit rationing. As

rationing is argued to discourage risk-taking by financial intermediaries, this is often said to result in concentration of lending to a few established firms at the expense of new small to medium sized firms. In principle it works, practically it was a different scenario; the benefit in construction industry was not always as intended.

**Deregulation of Entry into the Finance Sector:** Regulation pertaining to the entry of new financial institutions were relaxed following the implementation of financial sector reforms. In the event, a number of financial institutions have been or are in the process of being established. The number of Merchant Banks has risen from four to ten, with the entry of a number of indigenous banks. Furthermore, three new Discount Houses entered the market as well as a number of unit trusts. In addition, two new commercial banks have been allowed to start operating within Zimbabwe. Anecdotal evidence shows that they are at various stages of being established. It is noteworthy that setting up a non-bank financial institution is easier than starting a commercial bank. This is because one needs a desk and a telephone to start a discount house, whereas setting up a commercial bank requires substantial fixed investment. With regard to mortgage finance, a fourth building society started operations following the liberalisation of the financial sector (Zimbabwe, 1997).

With the liberalisation of entry regulations, it was expected that the range of financial products and services adaptable to changing consumer needs would evolve (dynamic efficiency). This was expected to derive from the promotion of competition among financial intermediaries and enabling them to incorporate financial innovations. It was also expected to increase market shares in their bid in that financial intermediaries would be forced to lend to the hitherto disadvantaged sectors (Kanyedze, 1997).

In addition to the above changes to Zimbabwe's financial sector, six stock broking firms were formed following liberalisation. This process has been facilitated by the liberalisation of some rules governing the Zimbabwe Stock Exchange<sup>1</sup>. In the principal of SAPs, the new (many) players meant market price competitiveness, which in turn would benefit the shelter market in its resource pools. This also entailed reduction in scarcity of building materials as many players could import them. Also many private investors would be encouraged to enter the shelter market, thereby achieving private participation as intended by the government.

**Zimbabwe Stock Exchange:** The opening of the ZSE to foreign participation whilst boosting the local base of investment created uncertainties which made the economy vulnerable to shifts in investor sentiments (Moyo, 1999). The steady growth of the ZSE was largely due to domestic investors. In capitalist societies, the Stock Exchange has always been the traditional arena for trading in existing securities. Shares are bought and sold on the stock market and ownership of industry can easily be changed by the number of shares owned. By offering shares on the Stock Exchange, it is therefore, possible for the company to raise capital for its operations. By the same token, a new company can raise its initial capital on the market by selling new issues. One advantage of the stock exchange is raising capital for

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<sup>1</sup> Currently, the Zimbabwe Banking Act as well as the Zimbabwe Stock Exchange Act is being reviewed in order to bring them more in line with the changing macroeconomic environment.



operation of business, by the same token, the shelter industry benefited both directly and indirectly.

Furthermore, rules governing the participation of foreigners on the Zimbabwe Stock Exchange were relaxed. Foreigners can now buy shares on the Zimbabwe Stock Exchange, subject to a 35 % limit on an issue, while a single foreign investor is limited to only 5% (Kanyedze, 1997). This meant that the investors had a choice of investing in any industry including the construction industry. The increased investment pool and source of funding the shelter sector would tap into foreign investment, which was as good as accessing foreign market from the domestic for shelter provision.

**Exchange and Payments System Liberalisation:** Following the adoption of the Economic Structural Adjustment Programme, the government committed itself to maintaining export competitiveness via an exchange rate policy that allowed the Zimbabwe dollar to depreciate over time. In fact, even before the implementation of economic reforms, Zimbabwe had tried to boost exports by allowing its currency to fall in real terms since 1985. Although the Zimbabwe dollar had been devalued in 1982, no real devaluation was achieved. In 1984, the Zimbabwe dollar actually appreciated. It was only after 1985, that sustained real depreciation was achieved (Muzulu, 1993). The policy was maintained in 1991, following a 17% devaluation of the Zimbabwe dollar in January 1994. The official exchange rate was allowed to slide downward in line with the market rate and by July 1994, the two rates were unified and the spread between the two rates had become even narrower. This effectively led to the establishment of an interbank market for foreign exchange, where supply and demand are the main determinants of the exchange rate (ZCTU, 1997).

Apart from encouraging exports, it was one of ESAP's expectations that an appropriate exchange rate policy would prevent leakages of domestic savings in the form of capital flight. As Chandavarkar has argued... the most operative causes of capital flight are the conjunctural ones such as persistent overvaluation of the real exchange rate..." (1990:30). In addition to such measures, government also liberalised imports, with the exception of those on the negative list due to reasons of national interest. Further liberalisation measures saw Zimbabwean residents and companies operating foreign currency denominated accounts (Foreign Current Deposit Accounts) within Zimbabwe (Kanyedze, 1997).

Additionally, foreigners now purchase shares on the Zimbabwe Stock Exchange subject to certain conditions. Remittability of dividends have been progressively raised to as high as 100% of net after-tax profits for all investors as from January 1995. In line with such developments, restrictions on access to domestic borrowing by foreigners were abolished, while export credit terms were raised from 90 to 180 days. It is clear from the foregoing that all current account transactions have been freed from bureaucratic restriction. In fact, Zimbabwe agreed to commit itself to Article 8 (full current account convertibility) of the IMF in February 1995 (Kanyedze, 1997). The liberalisation of exchange rate meant that new and old players in the shelter industry would be competitive. They could easily get foreign currency to settle their merchant accounts abroad. They could also deposit their income in any form of

currency of their choice therefore, bringing about efficiency in the shelter provision as materials and equipment would be brought into the country on time to deliver services needed.

**Lending:** In theory, low ceilings on lending rates lead to intense risk aversion and liquidity preference on the part of financial intermediaries. Thus, only a few established companies get access to loans because banks have little incentive to explore new and less certain lending opportunities. Interest rate liberalisation and the deregulation of entry regulations are therefore, expected to result in competition for market share that will then improve accessibility to credit by even the erstwhile disadvantaged groups (ZCTU, 1997).

In spite of financial sector liberalisation in Zimbabwe following Economic Structural Adjustment Programme, competition has not fundamentally improved the SMEs access to formal sector credit. Therefore, lending to the small-scale sector and female borrowers did not increase. The high inflation and high nominal interest rates in the unstable macroeconomic environment have exacerbated the problem. It has therefore, been contended that, financial deregulation has been more successful in countries that have maintained moderate inflation. Clearly, lending to the small-to-medium sized enterprises did not improve under ESAP (Kanyedze, 1997). The little improvement that has been observed mainly came through political pressure for indigenisation of the economy, rather than financial liberalisation *per se*. Another way of testing whether interest rate liberalisation led to increased lending is to run an investment model that includes interest rate as an explanatory variable.

Unfortunately, investment figures are outdated and do not cover the period when interest rates were liberalised. However, a study by Zimbabwe Congress of Trade Unions on the manufacturing sector covering the period between 1970 and 1988 concluded that there was a positive, but statistically insignificant relationship between investment and interest rates. The implication was that interest rates were not a significant deterrent to investment in the manufacturing sector in Zimbabwe during the period considered (Muzulu, 1993). These results were similar to those obtained for India and Colombia by Dailami and Guigale, (1991).

In fact, most firms surveyed argued that they depended on retained earnings. Yet it has been observed that, an economy attempting to finance growth through retained earnings cannot successfully develop (Naya and McCleery, 1994). Whether such a conclusion still stands following the liberalisation of interest rates is difficult to say, although evidence from most manufacturers now points to high interest rates as one of the major constraints to expansion projects. This view comes out in surveys carried out by the Chamber of Zimbabwe Industry on a bi-annual basis. High nominal lending rates accompanied by high rates of inflation increase the risk of borrowing. Indeed, the higher the rate of inflation, the greater its variability. This sharply increases the cost of borrowing at high nominal interest rates (Harvey and Jenkins, 1994). It has therefore, been contended that financial deregulation has been more successful in countries that have maintained moderate inflation (Cho and Khatkhate, 1989). Clearly, with regard to Zimbabwe, there is need to control Inflation if financial sector reform is to succeed in boosting lending by financial institutions.

From the discussion thus far, it can be concluded that while financial liberalisation may have been important in raising the level of savings and to some extent, lending to the small-scale sectors, it is not sufficient. Government still needs to take an active role.

Korea's' industrialisation experience is quite instructive in regard to financial policy. With the financial sector under its direct control, the government used the financial system to mobilise and allocate financial resources (Lee, 1993). All commercial banks were under government control as were Development Banks. The banks were instructed to channel an increasing amount of bank loans towards promoting export-oriented industries. When government policy shifted towards promoting heavy and chemical industries, credit allocation also became selective and was redirected to those industries. During this period, interest rates were kept artificially low, but there was no misallocation of resources. According to Lee (1993), government intervention in the financial sector is likely to be more efficient when the government is committed to economic growth and to an outward oriented growth strategy. Secondly, the government must be politically and organizationally "strong," enough to monitor and enforce contracts through sanctions. Kim and Leipziger(1992) argue that the Korean government had a clear vision of its industrial goals and an excellent ability to create institutions such as development banks, trade promotion agencies and an ability to make pragmatic decisions. Although government control of the financial sector has been loosened with financial liberalization that started in 1986, it still has strong influence over the banks' credit allocation as their personnel are still civil servants. Paisley, (1993) has concluded that "even if the Kim administration holds to the reform timetable, it is unclear when banks will ever become totally independent of government ... the situation could leave the government in firm control of the financial system" (quoted in Naya and McCleery, 1994:14). Clearly, the Korean experience illustrates that for state intervention to make a positive contribution to economic development, it needs to have developmental objectives and a bureaucracy capable of formulating and implementing policies aimed at achieving those objectives. From the analysis above, it can be argued that setting up a neutral, unbiased incentive system is unlikely to be a sufficient condition for mobilising and allocating credit.

### **5.3.0 The Fiscal Policy**

Under this conditionality the Zimbabwean government was supposed to reduce and eliminate fiscal deficit by contracting public expenditure, increasing prices in public sector to cover costs and raise revenues, reforming tax system to improve the efficiency of raising revenue; and creating new sources of revenue.

The success of financial liberalisation measures also depends on other preconditions that are necessary to support them. Financial liberalisation needs to be coordinated with other stabilisation measures. In the Zimbabwean situation, the effect of financial liberalisation on financial savings has been over-shadowed by lack of macroeconomic stability due to high government deficits. Fiscal policy influences the



level of domestic savings directly and indirectly through its influence on savings incentives and decisions of private savers (Kanyenze, 1997).

With regard to the direct effect of fiscal policy, adjustment programmes emphasise the importance of reducing budget deficits in order to increase total savings. This scenario of increased deficit and dissaving by the Zimbabwean government led to a debt trap, which in turn had serious implications on provision of services, like sewerage, water and shelter.

**Table 5.1: Contribution of Government to Dissaving in \$m (1990/91-1994/95)**

	1990/91	1991/92	1992/93	1993/94	1994/95
<b>Budget Deficit</b>	1,565.5	1,709.3	2,644.3	2,138.2	6,15.3
<b>Less Capital Expenditure</b>	857.6	1,097.7	1,422.5	1,723.8	2,990.6
<b>Dissaving</b>	707.9	611.6	1,221.8	414.7	3,624.7

**Source: Calculated from Financial Statements [(various), ZCTU, 1997]**

Since the adoption of Economic Structural Adjustment Programme, the government had been dissaving. This occurs when government recurrent expenditure exceeds current revenues so that loan capital is used for consumption purposes (Table 5.1). It is obvious that if the fiscal deficits were reduced, total savings would increase. With regard to the indirect effect, the introduction of the 30% withholding tax on interest income from savings held with some financial intermediaries may have discouraged savings. Indeed, even in periods of high deposit interest rates, the impact of the tax is to effectively lower the return on savings held with commercial banks (Zimbabwe, 1997). Less savings, meant that the families seeking shelter would not raise enough money even with government subsidies. On the other hand government dissaving meant a limited number of families would be given housing subsidies and guarantees. Also inflationary pressure would mount on the economy which would drive the cost of shelter to unaffordable margins.

**The Non-quantifiable Factors:** Such factors include the proximity of bank branches, the appropriateness of available financial instruments compared to available alternatives, cultural values, and so on. The proximity of bank branches increases savings substantially because this enlarges the catchment area and encourages savings with formal institutions. This arises from the reduction in transaction costs associated with reduced distances to banks. Furthermore, non-interest factors are important in determining portfolio allocation of savings among the various alternative forms, ranging from holding cattle to holding financial savings. The portfolio changes expected to be generated by high real deposit interest rates may not always be desirable to savers. Additionally, some cultural norms especially in rural areas perpetuate the accumulation of stocks such as cattle, where they are used as a measure of wealth. Under these circumstances, increases in real deposit rates cannot be expected to result in the liquidation of such stocks (Zimbabwe,, n.d.a). The challenge is to develop institutions and mechanisms that people can trust for intermediate savings through a formal financial system.

**Tax regime Improvements:** Low and evenly spread taxes are advocated in a Neo-Liberalist economy as they are said to be a catalyst to investment and an incentive to people to pay their taxes and at the same time encourage savings and investments. On the other hand, high and thinly spread taxes are said to discourage people from paying their taxes and discourage savings and investments, therefore denying government the much-needed public income. Like most other Sub-Saharan countries, Zimbabwe has had to depend on a small taxable base for tax collection, because very few people and companies pay very high taxes: 40%. Although there are now many small scale and informal businesses, there has been no comprehensive form of tax collection for the majority of these informal traders, businesses and self-employed persons. Some of them make more profit than some formal businesses. The study stresses the benefits of the tax reforms which, were meant to bring out the ideology of shifting government role from “provider” to “supporter” of shelter provision. Better revenue resources and collection would lead to enough revenue to support policy formulation and a balanced budget leading to better provision of services like water, sewerage and roads.

#### **5.4.0 The Public Enterprise Policy**

Under this conditionality the Zimbabwean government was supposed to cut public investment and shift to infrastructure and social sectors, improve public enterprises to efficiency and profitability, close or privatize unprofitable public companies. This part of the study traces the intended efforts and companies related to shelter provision.

**Public companies and Indigenisation:** private sector participation is important to both the Structural Adjustment Programme and the enabling shelter strategy. To this end the Zimbabwean government formed the Department for State Enterprises and indigenisation, an autonomous department of the Government established through the Privatisation and Indigenisation Act of 1991. It was charged with the responsibility of disposing of publicly owned companies, which comprised 70% of the national economy to the private sector and raise funds for public sector expenditure. Not only has Government raised money from the sale of these companies, but it has also made huge savings from the subsidies that would otherwise have been given to these companies. In the 1990s, the urgency of indigenisation came to the fore and led to the establishment of Indigenous Business Development Centre. The government policy of privatization was to be used as a vehicle for Indigenisation and empowerment for the native Black Zimbabweans. The President’s Office went on to create a Department for State Enterprises and indigenisation to show its commitment to this venture. There was a trust to go with it; the National Investment Trust (NIT) created for the purpose of building an asset base for indigenous entrepreneurs. The NIT is an instrument for buying and warehousing shares on behalf of the indigenous people. This action meant preferential treatment to emerging black Construction industry entrepreneurs (Yash Tandon, 1999).

Bond (1996) noted that: bank carried conditionalities for example, the 1991 Bank loan of \$1000 million to support the Zimbabwean construction industry carried conditionalities to the effect that black contractors get preferential treatment on major



tenders for all public sector works. The conditionality was formally introduced in 1993, and required all government construction projects below \$10 million (\$3 million later) to be contracted to members of the Zimbabwe Building Contractors Association (ZBCA) and that provisions be made on larger contracts to subcontract at least 7.5% to its members (Bond, 1996)

Privatization of much of Zimbabwean Urban form occurred via local government, and with the cost recovery discipline of private sector intermediaries such as building societies. If the intention of efficiency and profitability was achieved, the shelter sector would benefit in prices and service deliverance. For example, ZISCO's inefficiency has led to its loss of export contracts, and low steel supply on the domestic market. Zimbabwe Congress of Trade Union (1999) reported that in Fiscal Year 1997/98, ZISCO steels had a budget loss of Z\$81 Million. Contrary to advocacy of the Public Enterprises conditionality the Zimbabwean government has continued business in this unprofitable company. This brings to surface the unwillingness of the government to implement the conditionalities of the IMF.

### **5.5.0 The Trade Policy**

Under this conditionality the Zimbabwean government had to adopt a real exchange rate and lift export restrictions, reduce quantitative restrictions on imports, and cut tariffs. The intention of the study is to seek the effects that the policy had on the shelter provision.

**The Foreign Currency Inflows:** A review of Zimbabwe's real deposit rates between 1990 and 1993 showed that they were generally lower than those in a selection of leading Organisation of Economic Co-operation Development economies (OCED). However, the situation appears to have been reversed in 1993 and 1994. But the higher deposit rates at home only become beneficial to savers if movements in the exchange rate do not erode the differential interest rates (Zimbabwe, 1997).

The evidence gathered showed that with the exception of 1992 when the Zimbabwe dollar appreciated against the pound sterling and the Japanese yen, it depreciated against all the currencies of Zimbabwe's trading partners. Results actually indicated that only in the case of savings in short-term maturities (90-day negotiable certificate of deposits, for example) in 1993 and 1994 were increases in real deposit rates in Zimbabwe large enough to make it profitable to save in the country, taking into account exchange rate movements. This, together with the liberalisation of the foreign sector, particularly the policy of allowing individuals and companies to open FCDAs within Zimbabwe in January 1994, appears to have resulted in a large inflow of foreign exchange. Foreign Current Deposit Accounts (FCDAs) deposits with commercial and merchant banks, which accounted for 3.5% of the stock of broad money (M2) in January 1994, rose to account for 8.8% by the end of that year. However, 77.7% of those FCDA deposits were held as demand deposits. Thus, the bulk of the amounts were hot money held in short-term maturities where it could not be used to finance long-term investments. It would appear that most people wanted

to take advantage of the high interest rate differentials between Zimbabwe and its major trading partners (Kanyedze, 1997).

One major unintended effect of significant foreign currency inflows through Foreign Current Deposit Accounts (FCDAs) has been their contribution to money supply growth. Partly due to the FCDAs and partly due to aid inflows associated with donor funding for ESAP, net foreign assets accounted for 75.5% of the increase in money supply in 1994 compared with a contribution of 64.3% of the increase in money supply in 1993. Such a development presents authorities with an apparent paradox. On one hand, an increase in foreign currency inflows raises a country's foreign exchange reserves, on the other it fuels inflation through its effect on the growth in money supply. The authorities have had to sterilise such inflows through raising domestic interest rates to dampen demand for credit. The problem of large capital inflows, especially if they are of a short-term nature, is intensified as the probability of abrupt and sudden reversal increases (Zimbabwe, ZCTU, 1997).

Unarguably, holding Foreign Current Deposit Accounts, in principal was to facilitate efficiency in foreign transactions of companies, which would benefit the consumers and in this study; the shelter sector. Purchase of materials and equipment that were not readily available was then made possible. The intent in provision of shelter, made deliverance faster than before.

### **5.6.0 The Financial Services and Shelter provision**

Following the removal of entry regulations, a number of new financial institutions have entered the market. With the addition of these new financial institutions, the range of financial services has also grown. Not only have financial institutions changed their attitude to clients by being more 'friendly', they have also adopted the use of up-to-date technology, such as automatic teller machines, electronic fund transfer at point of sale, and credit cards. Such changes are designed to retain old and attract new customers. The question would then be how did this enable the business environment and the construction industry in the provision of housing in Zimbabwe? This will now be examined.

The government introduced and implemented a number of policies related to housing finance in order to give the low-income groups easier access to housing loans. Since 1986, interest rate ceilings have been regulated by the Central Bank on low-income mortgages making them lower than what they would be under open operations. Government also limited the number and types of financial institutions that can offer mortgages and to date only registered building societies were authorized to issue mortgages. Government also decided to offer a variety of subsidies as a way of encouraging building societies to issue low-income mortgages. A key subsidy allows building societies to issue tax-free, Paid-Up Permanent Shares (PUPS) where building societies are required to devote 25% of the issue to low-income housing. This made low-income mortgages more affordable to many mortgage hunters in low-income brackets.

**Sources of Finance:** Finance for shelter and urban development was raised from the following main sources.

- a. Loans from central government appropriated from the annual national budget.
- b. Loans from private sector financial institutions, including building societies (principal sources of funds), insurance companies, and pension funds.
- c. Locally generated revenues from taxes and revenue generating projects operated by local authorities.
- d. Recently, from non-governmental organizations, community based organizations and local authorities.
- e. Individuals, and loans from donor agencies such as the World Bank and USAID.

**The Public Sector:** funds were and are still channeled through the National Housing Fund (NHF), which was established in 1982. The principal function of the NHF is to receive and process loans for low-cost and middle income housing from local authorities and individuals. The NHF has been effective as an instrument for encouraging low-income housing construction but the annual amounts allocated for low-income housing have fluctuated depending on the resources available to the government. In the 1994/95 financial year, Zimbabwe spent only 0.2% of the national budget on shelter which is below the annual appropriations for housing in others countries where 2-8% is the average (Zimbabwe, MPC&NH). The following reasons account for the low investment levels on shelter:

- a. The need to shift to positive rates for both deposit and lending rates
- b. The creation of a secondary mortgage market.
- c. Removal of restrictions on the opening of new financial institutions to encourage competition.
- d. The creation of a system of mortgage financing for community group groups.
- e. The restructuring of the municipal bond market to enable easier access by more municipalities.

Efforts by local authorities to find other sources had little success with respect to shelter and urban development. Reliance continued to be on the National Housing Fund and the Building Societies to provide funding.

Traditionally, local authorities performed as facilitators to make land for development available by servicing the land and then offering the land to developers. This role needed to be modified and a partnership between building societies, the local authority and the beneficiaries forged during the planning stage if the efforts to solve the low-income housing problem were/are to bear fruit. Most local authorities responded to such calls by the Ministry of Public Construction and National Housing. Included in this partnership were Community Based Organizations (CBOs) and NGOs who are increasingly playing an important role in the housing sector. They



have financial limitations and are basically new corners in the housing scene, however their role needs recognition (Zimbabwe, MPC&NH, 1998).

**The Private Sector:** At government's request, in September 1992, USAID designed the five-year Zimbabwe Private Sector Housing Program to support the Economic Structural Adjustments programme (ESAP) and to assist the government in enacting policy changes in the housing sector. The programme focused on eliminating obstacles to sustaining production and delivery of low cost housing in three major areas: construction, building materials and construction equipment industries, the land delivery system, and the housing finance systems. The project generated a wide range of policy impacts since 1992 because of the following:

- **Increased Affordability**

Before the reforms were introduced in 1992/93, the standard house of four rooms was affordable only to 23% of the population. But following the reduced housing standard negotiated under the USAID project, 70% of the population can now afford to buy a house.

- **Increased Public Resources for Low Income Housing**

As part of policy, the Government of Zimbabwe had to redirect the National Housing Fund resources away from middle class and civil servant housing to provision of low cost stands for low-income families.

- **Increased Private Resources for Low- Income Housing**

As a result of the project, more funds were made available in financial year 1995 for low-income housing finance through local private financial institutions than the total that had been made available since independence in 1980.

**NGOs and Community Based Organisations (CBOs) :** NGOs (both funded from the West and within Zimbabwe) had been dominantly rural in the past. Only now is there a slow shift towards (e.g. with World Vision, Hivos) towards urbanisation. Through government encouragement, NGOs were increasingly playing an important role in shelter and urban development projects. They were involved in the construction of houses and provision of infrastructure for shelter projects. Also there is a diversity of organisations in public transport provision, housing supply, income generating projects and neighborhood security. However, urban civil society is generally weak when it comes to mobilising for urban development issues.

**Building Societies:** Under the Zimbabwe Private Sector Housing Programme, one of the reforms required by the project was that building societies be granted the right to issue certificates of deposit; granted by the Government of Zimbabwe in 1992. The resulting substantial inflow of funds in 1995 had enabled building societies to offer new mortgage advances totaling Z\$2.6 billion, a rise of about 19% over 1994 (MPC&NH, 1997).

Building societies' contributions to the shelter and urban sector fluctuated in response to Reserve Bank directives and regulations regarding interest rates. The trend pointed towards increasing the level of investment particularly in low cost housing. The establishment of a new building society increased their number to four, resulting in more competition and investment on shelter and urban development.

Since the 1992/93 financial year, the volume of lending by building societies has steadily increased (Zimbabwe, 1998).

### **5.7.0 Housing Development: 1990 – 2000: The New Approaches**

The Ministry of Public Construction and National Housing took a decision to directly intervene in order to salvage the situation and adopted the following:

- a) Mass production of houses through turnkey approach;
- b) The use of affordable house designs and economical land use planning to achieve affordability.

**1. Houses Mass Production:** The Ministry planned to produce a total of 670 000 units in urban areas between 1992 and 2000; 502 500 for the low income and 167 500 for the middle to high-income groups. The tasks were to be shared between the public sector, the private sector and non-governmental organisation including housing co-operatives. The public sector alone aimed to achieve a target production of about 160 000 units during the planned period (Zimbabwe, MPC&NH).

**2. Ministry's Construction Units:** To complete the housing programmes implemented by local authorities, the Ministry of Public Construction and National Housing was in terms of section 15 (1) of the Housing and Building Act of 1979 established Construction Units to undertake the construction of houses in local authority areas. The Ministry's Construction Units had a current capacity of producing 5 000 units per annum and are at the moment engaged in the construction of about 1 200 housing/flats units throughout the country. The capacity was to be quadrupled if these Units were provided with plant and equipment such as concrete mixers front-end loaders, trucks etc. Well-equipped Construction Units coupled with increased local authority and private sector efforts were to see a significant reduction in the housing backlog by the turn of the century. Since the Construction Units operated under efficient management, the houses and flats were delivered speedily and economically. In addition the Construction Units generated employment for the local people. From July 1992 to date over 3 of the Construction Units had created over 6 000 jobs (Zimbabwe, 1995).

**3. Building Materials Mass Production:** In order to facilitate the speedy production of house/flat units the Ministry also established Building Materials Production Units to produce the basic building materials like doors, window frames, and concrete blocks etc (MPC&NH, 1998). This had not only improved the availability of building materials but had significantly contributed to the reduction in construction costs.

**4. Economical Land Use Planning Affordable House Designs :** In order to make housing affordable to the people, the Ministry adopted various types of semi-detached house and flat designs. These included the cluster houses with a minimum of 4 rooms and a plinth area of 36m<sup>2</sup> per unit. With the Cluster arrangement, the estimated savings as compared to the cost of constructing a 4-roomed detached house with a minimum plinth area of 50m<sup>2</sup> was over 30% (MPCNH, 1996). Affordability had been further enhanced by the revision of planning standards to achieve land economy. The minimum stand size was reduced from 300m<sup>2</sup>, with a frontage of 12, 5m to 150m<sup>2</sup> with a minimum stand frontage of 8,5m for the development of detached houses (see appendix iii).

The stand sizes for high density detached housing schemes now range from 150m<sup>2</sup> whilst the stand sizes for medium density detached housing schemes range from 300m<sup>2</sup> to 500m<sup>2</sup>. The emphasis was on mixed housing development. Hence, in planning for residential schemes planners were required to achieve the following Proportions (MPC&NH, 1997);

- (I) 150m<sup>2</sup> - 40%
- (II) 200m<sup>2</sup> - 40%
- (III) 300m<sup>2</sup> - 20%

The mixed development approach included the construction of Walk-up flats for both the middle and low-income families. This approach was appealing in that it facilitates cross-subsidisation within a housing scheme. The adoption of the new planning standards was not meant to reduce the cost of construction but was meant to make a significant contribution in curbing sprawl and reducing transportation and off-site infrastructure costs (MPC&NH, 1998).

### **5.8.0 Housing Demand Review and Assessment**

A study undertaken by the Ministry in 1986 to determine the impact of the housing policies on needs in Zimbabwe estimated that an annual production of 66 000 units would be required to eliminate the housing backlog in both rural and urban areas by the year 2000. However due to several constraints the target annual production was not being achieved. Available statistics indicated that, both the public and private sectors have only been able to produce an average of 15 0000 units per year in both urban and rural areas (Zimbabwe, 1997).

The failure to meet the annual production target has resulted in the total national housing backlog increasing to 668 000, broken down as follows;

- |    |                            |         |
|----|----------------------------|---------|
| a) | Urban areas (1) Low income | 375,000 |
|    | (2) Middle income          | 125,000 |
| b) | Rural areas                | 168,000 |

The revised total national housing demand up to the year 2 000 in both rural and urban areas will be over 957 000. This means that an average production of over 119 600 housing units per year was now required to eliminate the housing shortage by the turn of the century. Of the 119 600 units, the urban requirements will be 83 750 units broken down as follows: -

- a) Low income housing units: 62 813 or 75%
- b) Middle and high income housing units: 20 937 or 25%

A total of over 287 000 housing units will be required to satisfy the housing demand in rural areas by the turn of the century (Zimbabwe, 1997).

### **5.9.0 Housing Cooperatives**

Through encouragement and technical assistance from organisations such as Housing People of Zimbabwe and others, co-operatives made significant contribution to shelter programs throughout Zimbabwe. Government encouraged grassroots

organizations, especially co-operatives to approach local authorities for land to develop houses. Problems were encountered in this strategy such that by the late 1980s, few co-operatives were still operational. However a review by MPC&NH (1994) showed that activity had shown a slow revival of the co-operatives in the 1990s especially for the housing sector.

The government has recognized that the lowest income groups had taken steps to address their housing needs through self-reliance and collective support. Over 60% of housing financing comes from the people's own savings. Lack of consumer participation and information to consumers in housing policy and housing delivery systems prompted the Government to encourage and continue to support strategies that ensure more effective interaction within the civic organisations; also between civic organizations and the state in housing policy and delivery. Public relations, outreach awareness and information sharing programmes were used by building societies, banks, local authorities and contractors to reach communities and home-markers. Local authorities also revived their administrative systems to provide communities with less cumbersome procedures for those seeking or constructing their own houses.

#### **5.10.0 Infrastructure Rehabilitation**

There can be no exaggeration of the critical role-played by infrastructure in the establishment of an enabling environment in any country. Raj (1994), in a research study carried out in India, demonstrated that areas/towns or countries with good physical infrastructure facilities are relatively better equipped to attract industrial and commercial activities. The realisation of this fact by the Zimbabwean government has led to some very fundamental decisions being made during this period of structural adjustment, and notable steps have already been taken in the fields of roads, water supply and telecommunications.

These noble decisions benefited the construction industry (*vis-à-vis* housing) in more ways than one. The industry got new means of communication and delivery of services at minimum prices especially with the introduction of the electronic mail and mobile telephones on the Zimbabwean telecommunication market by private institutions. These are some factors that have with no doubt helped in enhancing business operations and opportunities. Business information is now readily available on the Internet, offering investment opportunities to investors all over the world for the shelter provision.

#### **5.11.0 Impact of Planning and Building regulations on the construction industry**

Ideally, in most developed countries, planning and building regulations are normally intended to ensure health, safety, and convenience for all residents. In Third World countries, research has shown that most planning and building regulations are



inappropriate to local socio-economic conditions. Therefore, they only contribute to retarding construction programmes and projects (Habitat, 1985a; Habitat, 1985b). There are no problems with the safety and health aspect of these two regulations, but there is every reason to question the imposition of minimum planning and building standards. They ultimately restrict the number of settlements and buildings that can be allowed to develop (Briscoe, 1988, p. 219; Gakenheimer and Brando, 1987, p. 133-134). Research in various parts of the World has shown that the imposition of high planning and building standards in the Third World, and in particular Sub-Saharan Africa has had the effect of promoting foreign imported construction materials or local materials produced by large-scale and often public sector companies (Moavenzadeh, 1987, p. 97). The promotion of the local and small-scale production industry in countries like Zimbabwe is therefore, limited by these outdated, colonial planning and building regulations.

Birkeland (1968, p.129) has argued that, rather than impose minimum standards that are a hindrance to the development of new materials and designs, planning and building regulations should consist of:

- (a) Functional requirements stated in general terms on what purposes the building or component should achieve, for example, the structure of a building must sustain the combined dead and imposed load without loss of stability.
- (b) Performance standards qualifying minimum measurable levels which must be attained, for example, the thermal transmittance of a wall.

In Zimbabwe, planning and building legislation are governed by the Town and Country Planning Act and the Local Government (Urban Building and Drainage) regulations, respectively. Both laws are basically British colonial planning and building legislation which has not been amended in to fit the era. The problem with these regulations, especially the Urban Building and Drainage regulation, which deals with materials and methods of construction, is that they are based on specifications of conventional designs rather than on performance standards. They specify materials and minimum dimensions to be used. Should new research and technology come up with better materials that can achieve the same performance standards but with less dimension, the new material fails to meet the requirements of the Act (law). For example, the building regulations on materials and construction of floor slabs specifies that:

The ground floor of every new building which is in immediate contact with the ground shall be constructed of concrete of not less than three inches thick composed of not less than one part cement to two parts of approved sand and four parts of approved coarse aggregate laid on a properly consolidated bed.

This regulation effectively limits the variety of materials and methods of construction used in the construction of floor slabs. It further hinders the future research and development of other types of materials and construction that can satisfy the same safety and health standards as provided by the above regulation. Countless similar examples exist in the Zimbabwean planning and building laws that tend to hinder the future development of other materials and construction methods. Surprisingly, very few respondents, including prominent Zimbabwean architects and engineers saw a need in making changes to these two Acts. The same applies in Zambia. An



overwhelming 82% and 83% of respondents were of the opinion that adopting appropriate planning and building regulation respectively would have little or no direct impact on their business. Maybe this only goes to validate Gakenheimer and Brando's (1987, p.140) findings that "suppliers are a clear case of vested interest in higher infrastructure standards". As is to be expected, the 10% of respondents that advocated a revision in both planning and building regulations were in the timber business and all wanted regulations changed to allow for timber houses in council controlled areas.

Another area in which change in the building regulation would help the local Zimbabwe construction industry is allowing for Clay pipes in sanitation construction, rather than insisting on Asbestos and cast iron pipes, which are costly. Allowing the use of clay pipes would encourage the small-scale entrepreneurs to venture into this production, thereby contributing to employment creation.

### **5.12.0 Partnership with International Organizational**

When engaging in international co-operation and assistance activities, the Government of Zimbabwe is guided by four main principles:

- that the co-operation does not erode self – reliance and sustainability.
- that capacity building is enhanced.
- that coverage is acceptable and benefits are equitably distributed.
- that respect for local policies and priorities is observed at all times during the duration of co-operation activities.

Key international organisations in the shelter sector are USAID and the World Bank. USAID has a private sector-housing programme – the Housing Loan Guarantee Programme – in which funds are channeled through building societies for lending to low-income families. Through joint ventures with central government the scheme's target is 45 400 houses over a period of 5 years. The World Bank, in phase two after phase 1 assisted to develop a total of 222 373 houses. Phase II, started in 1992 /93 financial urban local authorities deal with housing and other infrastructural projects (Harare, 1998). This partnership can be viewed a slow transfer government role as expected in the shelter paradigm.

### **5.13.0 Land Delivery**

It is clear from existing literature that current shelter-construction problems in most Third World countries are a result of inadequate legislation and practices to effectively distribute land to the majority of inhabitants (Habitat, 1983; Habitat, 1984; Dowall, 1991). In Zambia and Zimbabwe, the historical development of most urban low income settlements has shown that the bulk of the housing stock for the medium and low income earners is built on land acquired through the informal process, without the consent and control of the planning authorities (Habitat, 1988, p. 9; Mashamba, 1990). Other scholars have gone further to draw the conclusion that low

house production in most of the Third World countries is largely due to the insecurity in the land tenure system pertaining to these countries. Given a more secure land tenure system, these low -income earners would do much better than presently (Turner, 1989; Martin 1976). Other scholars have pointed to poor land administration in the Third World as being the other major obstacle in the housing-construction industry (Dowall, 1991, pp. 7-10).

The subject of land in Zimbabwe has always been a controversial one. Colonial policy has always been criticised for its racial bias. Post independence legislation on the other hand has been viewed as being too bureaucratic and unfavourable and least of all, incompatible with the new principles of economic liberalisation. In Zimbabwe's case it is the Lancaster House Agreement of 1979 of "Willing Buyer Willing Seller" basis. This unarguably, is one factor that as attributed to slow growth of urban areas and made land affordability unreachable to most people. The government policies on housing remained on paper as there were limited funds to acquire and offer other social services. Notwithstanding the pressure put on the peri-urban land resulting in invasion by squatters.

#### **5.14.0 Summary**

This chapter observed that, although the Zimbabwean government tried to create an enabling environment for private sector investment, as prescribed in the theories of the Economic Structural Adjustment Programme and shelter enablement, the enabling environment is far from being achieved. This has been mainly due to the fact that both private and public investment has not gone into GFCF, which has been falling. But as Zimbabwe's graduation from the Structural Adjustment Programme (ESAP) to the Enhanced Structural Adjustment Facility (ESAF) dubbed Zimprest, has demonstrated, much had been achieved in ESAP's 5 years. On the other hand, the most striking reason for some of the failures point to the lack of political will on the part of government to fully implement the Neo-Liberalist conditionalities.

The other mistake that the Zimbabwean government in its effort to create an enabling environment made, was to delay the implementation of most of these measures. There was a delay in privatising government companies and reducing deficit. It is very clear that political expediency is taking precedence over economic and developmental matters. Unless this practice is reversed, it is hard to see how long economic sustainability will last in Zimbabwe. It is doubtful whether private sector confidence will continue in view of continuing partisan political decisions at the expense of national development.

Having analysed the effects of creating an enabling environment on the construction industry vis-à-vis shelter and business as a whole, the next chapters look at very specific sectors of the construction industry, beginning with construction, finance and investment as related to Shelter Development Strategy.

## 6.0.0 CHAPTER SIX: FINANCING AND CONSTRUCTION INVESTMENT UNDER ADJUSTMENT CONDITIONALITIES

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### **6.1.0. Introduction**

The last chapter drew attention to the efforts of the Zimbabwean government to create an enabling environment. An environment in which the private sector can play an important role in the economy, both in the construction industry and the macro-economy. This chapter's attention is drawn to the aspects of the resultant liberalised economy as prescribed by both Economic Structural Adjustment Programme and the Enabling Shelter Strategy. In so doing, the chapter traces how structural adjustment and the liberalised economy have affected the investment and financing patterns in the Zimbabwean construction industry vis-à-vis shelter.

This chapter should therefore, can be read against the backdrop of the Zimbabwean capital market during ESAP. Controlled by a variety of restrictive government legislation, the situation created capital flight out of Zimbabwe. This situation was a result of the insecurity felt by most successful Zimbabwean and foreign entrepreneurs in the rigid economic climate of the 1980s. Consequently, the problem in the Zimbabwean scenario has not been so much the lack of capital for domestic investment, but the flight of capital to other countries. Capital which would have been otherwise invested in Zimbabwe (ZCTU, 1998). How did this affect the shelter provision?

Given that investment in real estate/shelter requires large amounts of money, for individuals this normally takes a lifetime of savings. A good and sound financial market is of paramount importance to the construction market. Without it, the would-be house, office and other construction product buyers would have no access to large amounts of funding to purchase or finance their construction demands. It follows, therefore, that low construction demand emanating from the lack of financial resources will ultimately result in low construction supply on the construction market (Mashamba, 1997). This chapter of the study examines financing and investment under adjustment conditionalities in the shelter provision sector.

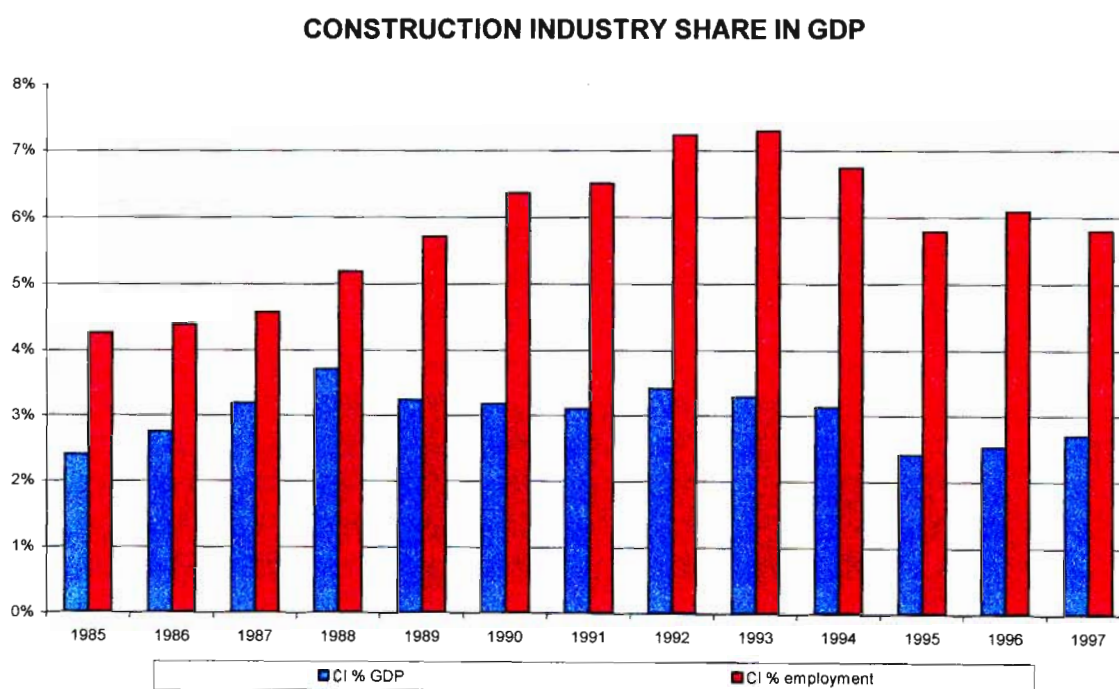
### **6.2.0 Role of the Construction Industry in the National Economy**

The importance of construction in the economy stems from three of its characteristics: firstly, its size; secondly, it provides predominantly investment goods; and thirdly the government is its largest client (Hillbrandt, 1985). To realise its importance in this role and to take advantage of the situation, the Zimbabwean government had to fully understand these factors. Importantly the intended new role, "supporter" not "provider". The government here would have to be a regulatory framework for the shelter provision industry and at the same time, meet the aims and objectives IMF conditionalities.

One of the conditionalities' aims is job creation using labour intensive means. Shelter provision, undoubtedly meets that aim. The Zimbabwean government did all it can as shown by the study prior to the revision of the national accounts in July 1997. There were many discrepancies, which particularly affected the construction sector. According to the latest Central Statistics

Office (CSO) publication, *National Accounts 1985-1997*, the contribution of the construction industry to GDP averaged about 3% in the late 1980s and early 1990s, but fell in 1996 and 1997 to 2,6% of GDP. During the ESAP period, employment grew faster in the construction industry than in the rest of the economy. Therefore, the construction industry share increased to an average of 6,7%, but then fell to -to-year fluctuations in what is probably the most volatile of the production sectors around 6% in 1996 and 1997. The averages quoted disguise some of the most considerable years in the economy. These are illustrated in the graphs in Figure 6.1. The graph in fig.6.1 shows the GDP and employment fluctuations, while the graph in fig 6.2 traces real GDP, investment (GFCF= gross fixed capital formation) and cement consumption in the Zimbabwe economy.

**Figure 6.1**

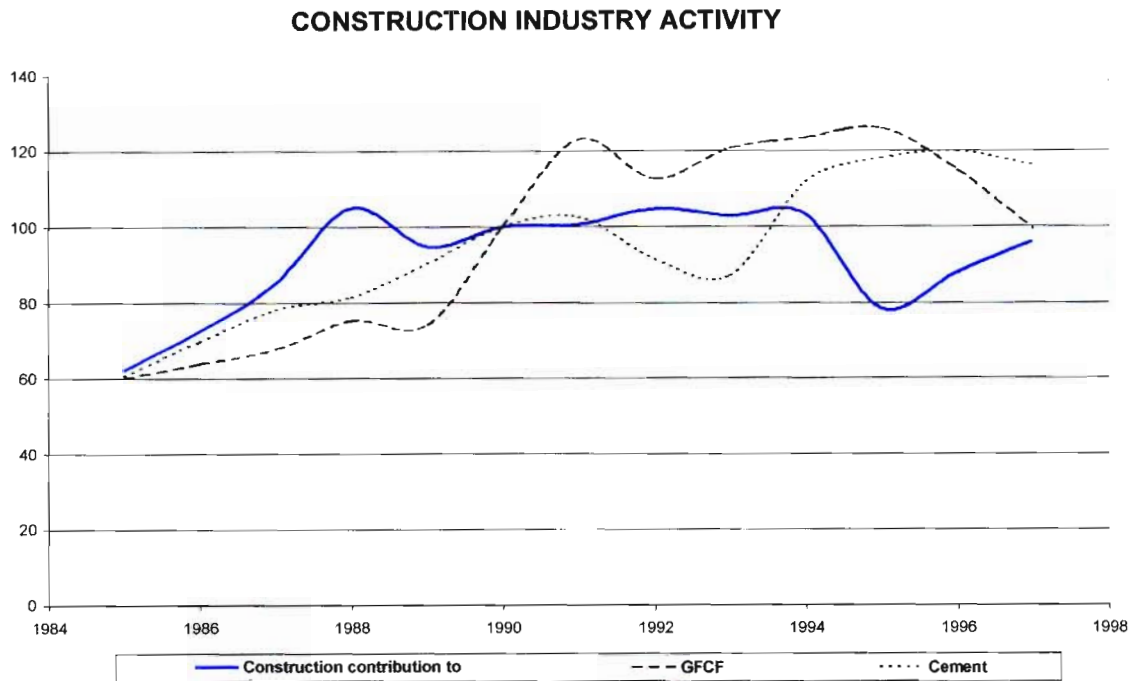


**Source: Zimconsult, 1990, p12**

Cement is a very important material in shelter provision. Its absence signifies absence of shelter provision, since the erection of any shelter structure is pivoted on its use as required by law. Also, observed was that, in line with the Trade Policy (conditionality), whenever there was a cement shortage, the government put out an Open Import General License on cement importation with no limitations in quantities imported. Furthermore, the importers could easily access the much needed foreign currency using the liberalized banking institutions in line with the Financial Sector Policy conditionality.



Figure 6.2



Source: Zimconsult, 1999, p14

**Employment:** In respect to statistics, it is unfortunate that different sources give very different numbers of employment in the construction industry. In absolute terms, construction employment in the Central Statistics Office (CSO), national accounts publication averaged 60 000 in the late 1980s and 84 000 during ESAP. According to the CSO's *Census of Industrial Production 1995/96 Report*, however, construction employment averaged 39 000 in the late 1980s and 52 000 during ESAP. A third source of employment data is the number of active contributors to the Construction Industry Pension Fund. For 1996 and 1997, the CSO national accounts publication has construction employment at 77 500 and 75 700 respectively, while the Construction Industry Pension Fund had average numbers of contributing members during those years at 32 200 and 33 100 respectively.

Members of the construction industry tend to rely on the Construction Industry Pension Fund data for employment statistics in the industry. All construction employers are required to deduct contributions from wages, add the employer contribution and remit the funds to the Construction Industry Pension Fund. In principle this should provide an accurate picture of the number of people employed. Late remittances may distort month-to-month figures, but averages over several months should give a reliable figure. The average number of active pension contributors in 1998 was 37 200 and the average for January-March 1999 was 36 800. The Construction Industry Pension Fund figures therefore, indicate that levels of employment rose sharply in 1998 relative to 1996 (32 200) and 1997 (33 100), and have fallen back slightly in 1999. The fall in the employment figures of 1999 was mostly attributed to the political

and an unstable economic climate. The government's involvement in Democratic Republic of Congo war resulted in some important projects to be put aside as rightly observed by Zimbabwe Congress of Trade Unions:

The involvement of Zimbabwe in DRC is drainage to the country's monetary reserves. The country is spending an average of \$10 Million a month to maintain this foreign war... (ZCTU, 2000).

The picture is so different in the widespread perceptions of people interviewed in the industry that these figures need to be treated with caution. Such quibbles about the data do not take away from the impression that the construction industry makes a relatively small contribution to the national economy. However, the industry has strong linkages with other productive sectors of the economy.

Construction draws a large proportion of its inputs from local production of bricks, cement, steel, wood and specialised building materials of all kinds. There are also linkages considering the industry is relatively labour intensive (as evidenced in the construction industry where employment proportion is higher than its GDP share). Multiplier effects similar to those associated with the building material supply industries arise through the earnings of the shelter provision industry. This creates demand for a wide range of mainly domestically produced goods and services that stimulate the economy. This is in line with the shelter development paradigm.

Going beyond immediate economic issues, the real significance of the construction industry is evident when a longer-term perspective is adopted. The construction industry provides a sizeable proportion of the population with their homes and it creates the physical infrastructure which forms the basis for economic development. Hillebrandt (1985) agreed and stated:

Construction is an investment goods industry, i.e. its new products are wanted, not for their sake, but on account of the goods or services which they can create or help create.

The construction industry also shapes the legacy of architectural and civil engineering works through which future generations will assess current values and aesthetics as exemplified by the Roman architecture, such as the Coliseum.

### **6.2.1 Investment opportunities in the construction industry**

Although it has been said that the construction industry plays an important role in national development, it is equally important to note that, in a liberalised economy, individuals and institutions are free to choose what sector of the economy to invest in. This decision obviously takes into account many factors, but ultimately the investor is most interested in the rate of return from his/her investment input. In other words, the construction business is an economic activity just like any other in the economy. At the least, in terms of

attracting both local and foreign private investors. Investors, thus, always have measure investment returns in the construction industry against returns in other industries within the same economy. They also measure returns against other construction investments and other business investments in other countries. This is a measure to maximise and safe guard their investment returns. In this regard, therefore, the onus is with national Governments to create a secure and attractive business environments that best attract private and international capital to invest in their countries (Mashamba, 1997).

The Zimbabwean Government has been trying to attract capital and resources from other countries (the formation of the Zimbabwe Investment Centre in 1992), and to further channel this investment into Gross Fixed Capital Formation amid reduced public sector investment. Gross Fixed Capital Formation is a measure of additions to stock in a country. This consists of buildings, plant and machinery and includes depreciation, repairs and maintenance expenditures. Between 50 and 60 percent GFCF or investment goes to the construction sector in most countries, whether developed or developing. The percentage of the GNP in GFCF tends to increase with the increase in GNP/capita. Thus, the percentage investment in construction also rises

Among the problems facing many property developers in increasing gross fixed capital formation in Zimbabwe and indeed in many other Third World countries is the lack of financial resources stands out as the most crucial single obstacle (Habitat, 1996, p. 202). The financial market has not been well developed to deal with the domestic problems, more so with the vast numbers of individuals and households that are prepared to build structures using informal financial arrangements.

It is important, however, to make the distinction between investing in construction supply, i.e. construction plant and machinery and construction facilities i.e. schools, houses, roads, offices, and so on. To avoid that confusion we define:

- Investors in construction plant and machinery (contractors, consultancies, manufactures and suppliers) are referred to as construction investors.
- Investors in construction output such as houses, schools and so, will be refereed to as property developers.

In making the distinction between property development and construction investment it is important, however, to note that construction investment is directly related to property development. The increased property development leads to increased construction investment in the construction industry and vice versa. In other words, property investment is basically construction demand.

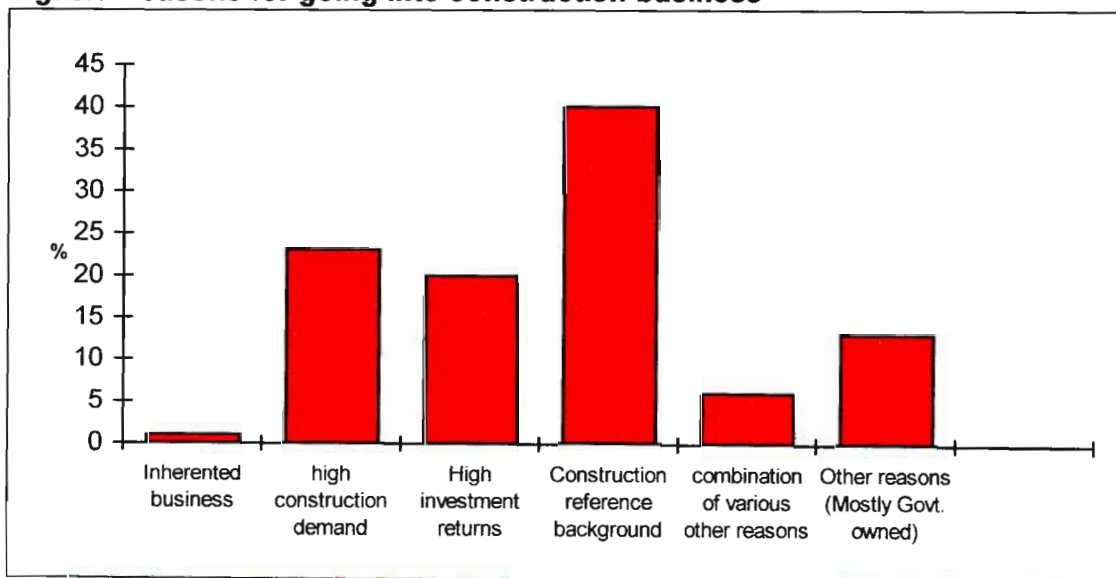
The creation of an enabling environment is important, as seen in the foregoing Chapter. However, it is equally important to note that the supporting infrastructure and institutional framework are born if some specific industries

like the construction sector can be attracted to invest in that particular economy. For the construction industry vis-à-vis housing, support structures, institutions, and facilities like sound and well-developed capital and financial markets are needed. In 1997 the Government of Zimbabwe and the Private Sector in shelter provision had the Victoria Falls Convention in which a new framework of resource mobilization and policy was debated for the performance of housing development and investment by the private sector.

The Capital and financial markets are seen as catalysts and engines for the growth of the construction industry. This point, however, should not be taken to mean that the presence or absence of a sound capital and financial market is the only significant factor in attracting and maintaining investors in the construction industry and property developers.

Investors predominantly choose the construction industry because of the background specialisation that players in this industry already possess. The industry has highly specialised and technical personnel like civil and structural engineers, architects, quantity surveyors, painters, bricklayers etc. Ideally there is no reason why we should despair because the Zimbabwe's construction industry consists of about 41% (figure 6.3) investors coming in due to the working experience they have had.

**Fig. 6.3 Reasons for going into construction business**



**Source: Mucharambeyi 2000, survey data**

This is particularly true for the consultancy and contractor sectors of the economy. In these sectors, government regulations still demand that a certain level of construction skills, be attained by the players in the company before the company can be allowed to operate. For instance, architectural, quantity and valuation surveying, structural and civil engineering, building and civil construction all need registered professionals before the companies can be allowed to formally practice. In the consultancy sector, the law goes even further to bar such professionals from being employed by non-registered



persons. Thus, all construction consultancy firms are owned by the appropriate professionals in Zimbabwe. While it is not suggested that the practice of ensuring that qualified personnel man such firms be discontinued, it is quite absurd to insist that such professionals own them. It surely would benefit the Zimbabwean construction industry if investors without the necessary professional qualifications were allowed to invest and own firms in this sector, provided they employed qualified personnel as required by the law. This would also lead to such consultancy firms being able to float their companies on the Zimbabwe Stock Exchange as a possible source of extra capital for improvements, modernisation and expansion, in line with the conditionality of financial sector policy.

## 6.2.2 Future investment patterns in the construction industry

Although it is very important to attract potential new investors to the construction industry, it is equally important to retain old and "seasoned" investors within the industry, knowing very well that other sectors of the economy provide equal if not better rates of returns to investors (Mashamba, 1997). For example similar studies were carried out in Nigeria on the impact of structural adjustment on the country's housing investment market, environmental improvement and urban productivity levels. The study found that most small scale investors had switched their investments from building housing for rent to more short-term-return businesses like commercial (trading) and transport activities (CASSAD, 1991). Similar sentiments have been expressed in Zambia by both the Zambia Chamber of Commerce and Industry (ZCCI) and the Zambia Association Manufacturers (ZAM). This is to the effect that the advent of SAP has seen more investors shifting from the productive sector to the mere trade in imported goods (Sanderson, 1993, p18-19). Although this view is not strongly supported by our field data in the Zimbabwean situation, there is still a strong case for supporting and reassuring existing construction investors. For instance, table 6.1 shows that there are serious reservations from most respondents on the future prospects of the Zimbabwean construction industry.

**Table 6.1 Respondents views on the future of the construction industry by sector in %**

Thoughts for the future	Getting worse	No change	Likely to improve	Not sure
Suppliers/Traders	24	3	30	43
Consultants	5	43	30	22
Manufactures	34	38	7	21
Contractors	18	33	11	38
TOTALS	18	31	19	32

**Source: Mucharambeyi survey data 2000**

Table 6.1 above, shows high uncertainty surrounding the construction industry, where 32% of the respondents were not quite sure as to what the



future held for them. Equally worrying, is the high percentage of respondents 49% (18+31%) in total who envisaged the current gloomy position of the industry continuing for the next five years or worsening even further. Only a mere 19% of all the respondents had positive hopes in the future of the industry. They saw the likelihood of the industry picking up. If construction investors are to be discouraged from leaving this industry and investing in other sectors of the economy, they should be encouraged and assured by the government through the necessary construction indicators, like high construction demand and low construction costs.

What is worse about this particular variable, is that both contractors and manufacturers of construction materials which are more labour intensive than consultancy and material supplying sectors have recorded lower positive expectations of 11% and 7% respectively, as compared to 30% for both consultancy and materials supplying prior. This is clearly contrary to the expectation of the Shelter Development Strategy paradigm. If these expectations were to be realised as feared by the respondents, then the programme to create more employment opportunities through the construction industry, as postulated by Tipple (1994b) and Woodfield (1989), will have been greatly curtailed.

However, when the same sample was asked whether they planned to remain in the construction business, an overwhelming 63% said yes, with only 10% contemplating leaving (see table 5.2). Given the high percentage of professionals and craftsman in the industry it is easy to understand the reluctance to leave this industry and pursue other investment opportunities, even though most of them are not optimistic of the future. We assume that this is the business they know better than any other, as one of the contractors of Kuchena Builders (2000) pointed out, "learning another trade is a suicidal career path that I would not risk".

**Table 6.2 Business plans for the next five years by sector in %**

<b>Business plans for the next 5 years</b>	<b>Remain in Construction.</b>	<b>Not sure</b>	<b>Leaving Constr. sector</b>
<b>Suppliers/Traders</b>	63	27	10
<b>Consultants</b>	79	13	8
<b>Manufacturers</b>	63	25	12
<b>Contractors</b>	73	24	3
<b>TOTALS</b>	63	27	10

**Source: Mucharambeyi 2000 survey data**

10% of the total respondents that were contemplating leaving the construction industry, it was not surprising that 93% were thinking of going into some other form of business (possibly trading), with 5% thinking of taking their businesses outside Zimbabwe. The remaining 2% just wanted to either retire or simply close down.

### 6.3.0 Building Societies

Building societies are specialised housing finance institutions, which have traditionally accepted short-term savings from individuals. They also lend funds for long-term mortgages to clients. The oldest known building society was formed in Birmingham, England in 1775.

The Zimbabwe Building Society (ZBS) came on stream in 1992 with the mission to provide housing solutions, especially to low-income families. Since that time, more than 25 000 housing units worth over \$1.6 billion have been financed by ZBS (Nhema, 1999). Over 95% of the units have been low income. Upon realising that low-income earners lacked sophistication and financial capacity to undertake housing projects on their own, ZBS went into partnership with Local Authorities and contractors to implement low cost housing schemes countrywide. The ZBS further encouraged local communities to organise themselves into co-operatives as well as to set up collective savings clubs.

#### 6.3.1 Building Societies Achievements

Since inception, ZBS has financed housing co-operative projects worth more than \$100 Million. In this study the view is that the contribution came about in line with the conditionality of the financial sector, which the building societies received well.

**Table 6.3 Breakdown of Co-operatives Contributions**

PROJECT NAME	UNITS	WORTH
1. Highfeild Housing Co-operative	240	\$21 million
2. Shungu Housing Cooperative	130	\$10 million
3. Kugarika Kushinga 4.Housing Cooperative	100	\$37 million
5. Zvichanaka Housing cooperative	100	\$7 million
6. Zvakatanga Sekuseka housing Cooperative	1-4	\$15 million
7. Trust Housing Cooperative	15	\$1 million
8. Zimbabwe Republic Police Housing Cooperatives	100	\$9 million

**Source: Social Change, 1997, p43**

### 6.4.0 Housing Subsidies

In its 1996 Survey, the Civic Housing Forum established that low-income communities already pay for 60% of shelter costs through their own savings. Initiatives such as housing co-operatives as Pay For Your House Scheme indicated that communities were willing to save for housing if schemes were viable. They were equally willing to withdraw savings if there was no transparency, with a fear that the schemes were not delivering according to their expectations. There was therefore, scope to further encourage savings and use them to finance housing.

All countries, both developing and developed subsidise housing to enable low-income groups to access them. Low-income groups could not afford the market financial mechanism. Housing subsidies are an unavoidable necessity in a country like Zimbabwe where 60% of the population earn incomes below the poverty line (Ministry of public service, Labour and Social Welfare (MPSLSW, 1996). In fact, housing subsidies existing through market mechanisms are:

- Class C tax- free PUPS - 25% money generated is to be channeled into low-cost housing.
- The National Housing Fund - to give housing subsidies and guarantees for low- income earners seeking mortgages.
- Employer tax rebates on employer supported housing schemes - to encourage employer to participate in housing provision.
- The USAID interest subsidy - government initiative with NGO to help alleviate housing problems for the low-income bracket.

#### **6.5.0 Dimensioning and Projection the Housing Problem in Zimbabwe**

Zimbabwe's urban housing deficit in 1992 was pegged at about 700 000 units. At the 1997 population growth rate comprising rural migration and household formation rate, the next ten years required some 100 000 units. By 2020 this could double to 2000 000 units. To beat this 2000 000 plus housing requirement, Zimbabwe's housing delivery systems should produce close to 100 000 housing units annually. By 1996, all systems combined, Zimbabwe could only deliver less than 20 0000 units annually. (Magwezi, 1997). A substantial proportion of this was produced by the public sector.

#### **6.6.0 Financial Constraints to Housing Provision**

##### **6.6.1 The Marco Economic Imperatives**

The vagaries of an unstable, unpredictable and insecure Marco-economic environment naturally feed into the Housing Sector. Features that are notable in Zimbabwe's Marco-economic environment, as far as housing is concerned as cited by CABS (1999) include;

- A huge budget deficit that is set to reach above 10%
- High interest rates in double figures as high as 60%
- High unemployment rates of over 50%
- Low and continually declining per capita incomes, which lead to low consumption, levels

These financial constraints create an impediment to the Shelter development Strategy already faced with huge unprecedented and miscalculated challenges during ESAP in an effort to deliver housing. Some of the constraints are;

**Institutional And Administrative Frameworks-** The inherited past institutional and administrative frameworks governing housing are fraught with confusion and duplication and therefore create huge wastage and inefficiencies. These are coupled with lack of overall cohesive legislative and policy frameworks, which resulted in a systematic breakdown in housing delivery. The same discriminatory policies used to serve the main stream; “whites”, still rule the flora today.

**Sociological Issues-**

- a. A number of daunting social phenomenon that resulted in:
  - . high expectations,
  - . lack of the regional and housing logic in housing development,
  - . lack of consumer protection,
  - . lack of protection from fraudulent suppliers and service providers,
- b. Perceptions of housing- an acute limited view of housing in the household, limits the politics of acquisition of equity and security,
- c. The prevalence of single headed families,
- d. Non-payment for services constrains and hampers the long-term viability of the public environments and sustained housing production, this scenario also prevails in South Africa.

**Low Consumer Education**

Low levels of consumer education increased misunderstanding of the development and housing issues and the number of unscrupulous operators in the housing environment.

**Complexities and the Scale of the Housing Problem**

The housing system is complex and filled with interconnections and interdependences. Housing is such a large heterogeneous commodity with rapid growth.

**Major Developers’ Lack of Flexibility**

In the design and execution of large projects in this respect, Zimbabwe appears to be lagging behind international trends where, for example, professional fees are negotiated according to the nature and complexity of a project. In Zimbabwe, professional fee scales are rigidly defined in terms of a proportion of project costs, with competition between firms being precluded by law. In a highly inflationary environment, proportional fee scales tend to give windfall returns, which developers consider unjustified. The “rule of thumb” in Zimbabwe is that professional fees add up to 17% of major project costs: this compares with a figure of around 10% for South Africa, Europe and North America. The difference of 7% could in principle be transferred to increase the workers’ remuneration on such projects without increasing the overall cost.

**AIDS pandemic**

The spread of the disease has seen the demise of many household heads, who also are part of the workforce. These individuals provide shelter for their families and maintain mortgages. In the event of illness and eventual death of these individuals, their dependents lose the shelter. Tomlinson (2000) agreed and stated:

.... In Zimbabwe more than 50% of the household are in urban, but

government lacks the resources to provide subsidies in housing. It is to be expected that the grimmest lot for HIV/AIDS victims will be found in Zimbabwe.

This is one of the challenges to the shelter provision in Zimbabwe that the government has to address to arrest the situation of an orphaned nation.

## **6.6.2 Impact of Inflation on Living Standards and Construction Costs**

### **6.6.2.1 Construction Worker Profile**

In order to obtain detailed results, Zimconsult carried out a pilot survey. Ten assistants were engaged in completing approximately 200 questionnaires by interviewing construction workers on building sites, in and around Harare. The following highlights emerged from this snap survey:

Marital status: married with 2-3 children. Most children attend rural schools (this reflects inadequacy of wages to establish an urban-based family).

- Years in industry: most respondents had between 5 and 15 years experience in construction.
- Education level: little education at entry, training on-the-job; small number with "O" and "A" levels.
- Accommodation and rentals: most people live in High Density Areas, renting rooms at \$250-\$350 per room; about 8% of respondents owned houses (a low proportion given the ability of the workers in this industry to build their own homes).
- Transport: a few walk or ride bicycles, but the overwhelming majority commute to work and pay fares averaging \$14-\$16 per day (round trip). Because most of the interviews were carried out in the town centre, the fares represent single journeys. For those working sufficiently far out of town in the opposite direction to their homes, additional bus trips would cost another \$10-\$20 (round trip).
- Food: most, but not all, employers provide morning tea, but usually nothing else (hot, black tea, not even milk and sugar). They eat little or nothing during lunch. Some respondents reported buying cokes and buns or half loaves of bread for lunch. A few employers provide mahewu or sadza.
- Pension and Medical Aid: despite the statutory provisions, pension membership is not universal; membership in medical aid schemes is the exception rather than the rule (20% of the sample belong to medical aid).

Workers are living in very difficult circumstances due to low wages, which are inadequate to meet basic needs. The breakdown of public services, particularly the health system, adds hardship to the already impoverished lives of these employees. Several companies interviewed reported having to pay for private medical care for workers because hospital treatment for illness and work related accidents is inadequate or unavailable.



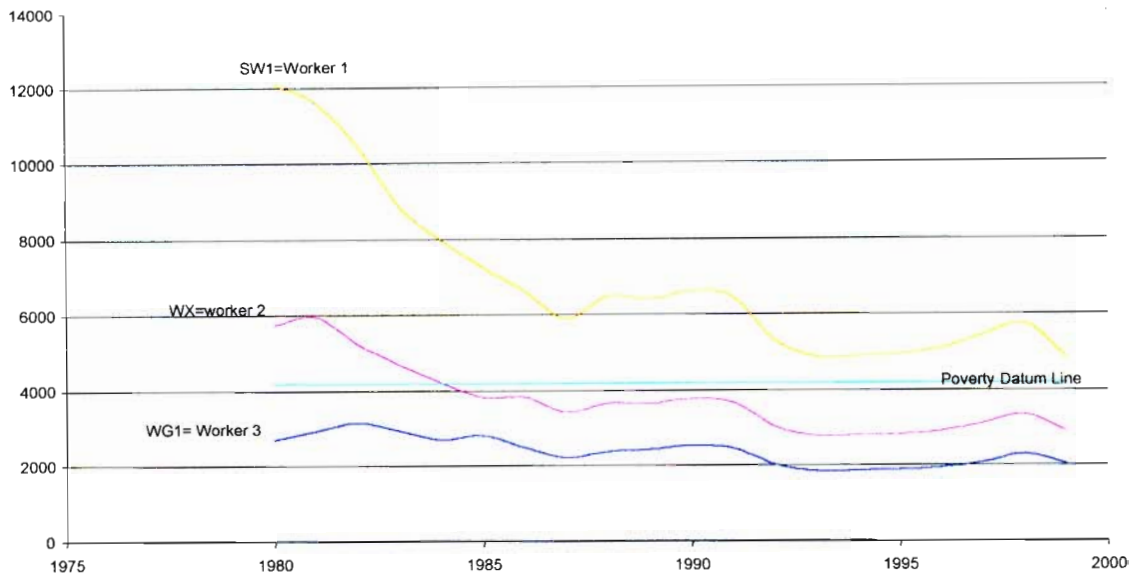
How is profile of a worker in shelter development important in this study? In line with the main objective of the SAP, long-term growth and sustainability of the economy should benefit and provide growth for the worker. On the hand, the paradigm of shelter advocates empowering the community. It can further be argued that job creation is for workers who will later seek shelter thereby creating even more jobs, especially when labour intensive methods are employed.

### **6.6.2.2 Impact of Inflation on Wages**

The purchasing power throughout the economy has fallen over the ESAP period. This is measured by “deflating nominal” wages using the Consumer Price Index (CPI) published by the Central Statistics Office (CSO). The CPI represents the cost of a fixed basket of goods (food, clothing, housing, health, education, transport etc) relative to a chosen base (CSO has a 1990 base, which means that the CPI for 1990 equals 100). By December 1998, for example, the CPI stood at 757.2: this means that to buy the same basket of goods, which cost \$100 in 1990, 1998 required \$757.20. By June 1999, it was forecast that the same basket would cost \$987.50 (the actual value was \$979.70) (Zimconsult, 1999).

Any month could be chosen as the base for the index and the values scaled accordingly. For the 1999 wage round, it is perhaps easier for real values to be defined in terms of the June 1999 purchasing power. Using this base and data on nominal wage rates supplied by the NEC, the monthly minimum real wage for three categories of construction workers (WG1, WX and SW1) are illustrated for the period since independence in Figure 5.4. The general trend has been downward, particularly for highly skilled workers whose real incomes were much higher in the early 1980s. For all grades, there was some recovery around 1988-1991 and again in 1997-1998 (the 1998 figure includes the additional \$1.50 per hour for half the year). With the sharply increased rate of inflation in 1999 (in excess of 50% p.a. since February), the impact on real wages will be very severe. The implication of the study is that employers in a bid to satisfy and keep the above profit margins would have to reduce the work force. This defeats the purpose of job creation which can sometimes also mean, slower deliverance of services to the shelter seekers.

**Figure 6.4: REAL MONTHLY WAGES 1980-1999 (June 1999 Z\$)**



**Source: Zimconsult, 1999, p16**

Figure 6.4 also shows the Poverty Datum Line (PDL) for an urban family of 5. The value (\$4174 per month in June 1999) is derived from the 1995 study by Verity S Mundy *The Urban Poverty Datum Line in Zimbabwe* (published by the Catholic Commission for Justice and Peace, Harare, 1995). The basis for the Mundy PDL is a very careful study to determine the income required for a family to live “at a level which maintains health and social decency but allows for no luxuries or non-essentials”. In addition to food, clothing, accommodation, energy and transport, the “social decency” element includes providing education for children at minimal cost and keeping modest savings for retirement. The survey was carried out for a number of different family sizes in Harare, Bulawayo and Mutare: some details are given in Appendix 2. For this study, the Harare family of 5 was used because there are more construction workers in Harare than other centres (where the PDLs were anyway found to be higher). Also the snap survey indicates that a family size of 5 is typical.

The PDL of \$4174 per month for June 1999 is calculated from the 1994 figure of \$1226.54 using the CPI. It should be noted that if anything, this update method will underestimate the PDL as experienced by low-income workers. This applies also to the use of the CPI to calculate “real” values. This is because the cost of basic commodities in low-income households has risen faster than the general rate of inflation. The 1990 “average” basket used for the CPI is thus increasingly unrepresentative of the situation for the low-income household. Even the 1994 PDL basket will have changed by 1999. The problem arises primarily because of the increase in food prices. Food comprises a larger proportion of the low-income household’s budget than the average higher-income family.

Prior to 1990, CSO had separate “low income” and “high income” price indices. Using the low income weighting structure and information from other surveys, an unofficial Low Income Price Index (LIPI) was constructed to provide an indication of the severe impact of inflation on low-income households as opposed to the CPI approach. The results are compared in terms of the number of baskets of goods, which can be bought in Table 5.4. As the LIPI used in the table is not official, its use in the negotiations could be controversial. For that reason, elsewhere in the study the conventional CPI is used to calculate real values, but it should be borne in mind that the actual situation for the workers in respect of purchasing power is even more serious than the CPI-based real values indicate. As of June 1999, using the CPI base, it emerges that wages of all grades of construction workers had fallen below the PDL. Specifically, for the three grades used in Figure 3, it is estimated that WG1’s income would be only 38% of the PDL, WX 54% and SW1 91% (as compared with 57%, 85% and 149% in 1990).

**Table 6.4**

**PURCHASING POWER USING  
DIFFERENT PRICE INDICES**

Month	Nominal \$/month	No of baskets	
		CPI	LIPI
Wages			
July 1990	\$500	5.0	5.0
December 1998	\$3000	4.0	3.4
June 1999	\$3000	3.0	2.6
Poverty Datum Line (PDL)			
June 1999	\$4174	4.2	3.6

**Source: Zimconsult, 1999, p11**

The wage figures used in the PDL proportion calculation (and generally in this report) are gross wages prior to deductions of pension contributions, National Social Security Authority, PAYE and NEC General Fund. Appendix 3 gives details of the impact of these deductions on wages prior to the \$1.50 per hour cost of living adjustment. The figures show that net wages are 16% lower than gross for a SW1 worker, 8% lower for a WX and WG1 worker. The amount a worker actually brings home is further diminished by expenses incurred at work, namely transport and food costs. These are likely to add up to least \$30 per day. Clearly unskilled workers cannot afford such expenses. Such expenses (\$150 per week) consume close to half of their net pay.

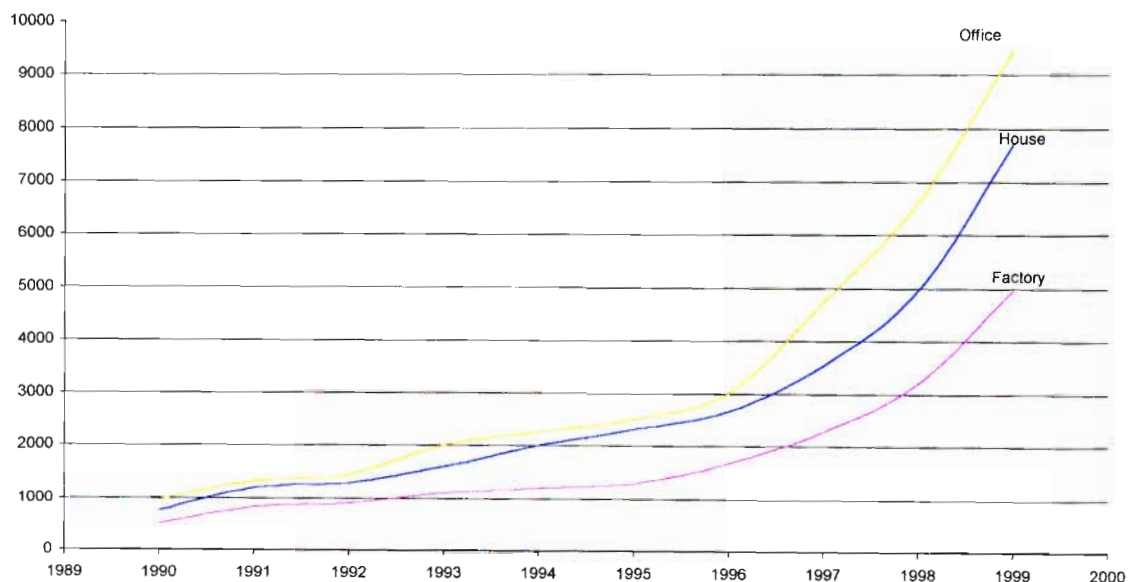
Given the inadequacy of wages, how do workers survive? As already indicated, workers frequently go without meals and walk long distances to work to avoid paying bus fares. They are forced to rent shacks close to the construction sites and take on additional work at night and during the weekend. The snap survey indicated that many workers do not live with their

families. Their children go to school in the rural areas. A study carried out in the rural areas in 1995 indicated that the rural PDL is nearly 40% lower than the urban PDL for a family of 5. The families being split between rural and urban areas may result in additional expenses. The overall level of expenses will be lower though because the cost of living in villages is lower than in urban areas. Such survival strategies may be essential in present circumstances, but none are desirable from the viewpoint of having a robust and productive construction industry in Zimbabwe. A higher living wage would allow workers to be far more productive on the job, to live with their families in towns and to build careers within stable contracting firms. Above of all, the realization of the true rewards of Structural Adjustment Programme.

### 6.6.2.3 Impact of Inflation on Construction Costs

Based on average \$/square metre construction costs across Zimbabwe for standard offices, houses and factories, the top panel of Figure 6.5 shows the enormous increase in nominal construction costs since 1990.

**FIGURE. 5.5: NOMINAL \$/SQ M FOR STANDARD OFFICE, HOUSE & FACTORY**



**Source: Zimconsult 1999, pg 61**

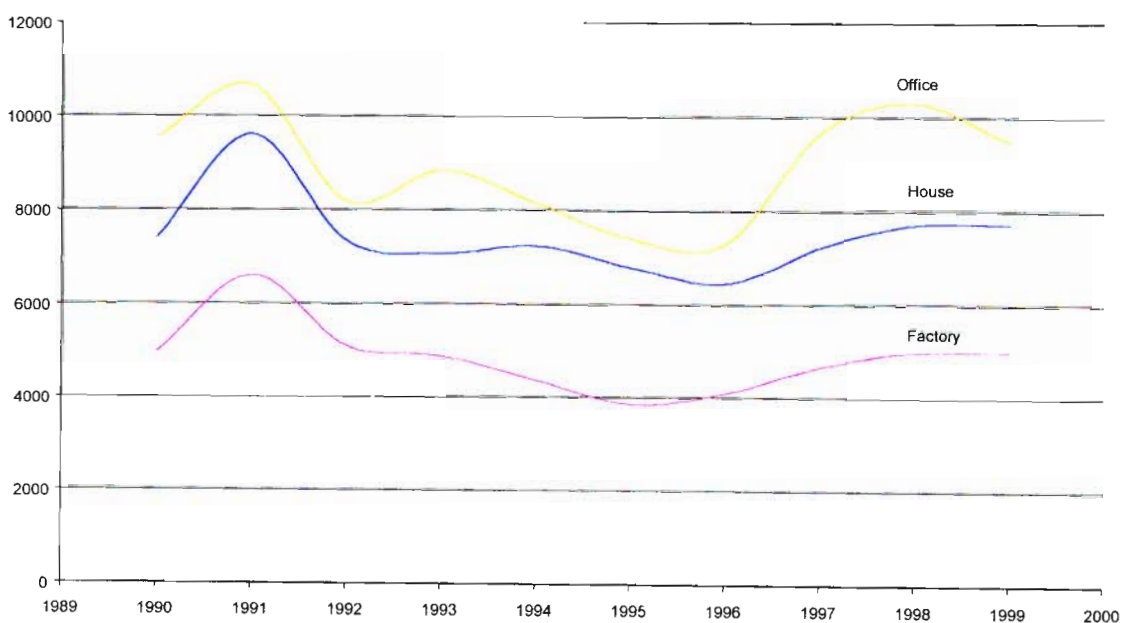
The bottom panel, however, shows that in real terms, construction costs peaked around 1991 and have since declined until recently (mid 1999). Steep increases were a consequent of the collapse of the dollar in the third quarter of 1998. The indications for 1999 are that real construction costs will fall because the general rate of inflation will outstrip construction costs. In this regard, it should be noted that since 1990, the only years in which the rate of inflation as measured by the building materials price index has exceeded the general rate of CPI inflation are 1991 and 1998 (Zimconsult, 1999).



In interviewing contractors some expressed the view that at current prices, new construction is “unaffordable”, therefore every effort has to be made to contain prices. This would include denying workers any significant increase in wages, otherwise “no new construction work would be commissioned, companies will close and men will be out of work”. This line of argument is problematic. If it were true that demand for construction ceases whenever prices increase, the industry would certainly have closed down in 1991-1993, for example, when nominal prices surged (Figure 6.5). The results were contrary (Figure 6.1). In fact, construction demand arises primarily from macro-economic and national budgetary considerations. The price of construction is a secondary factor in commissioning construction work.

The causality tends to run the other way: when construction demand (driven by high investment in the economy) is high, the price of construction increases relative to other prices (i.e. the real price goes up – 1990-1991 in Figure 6.5). Similarly, when construction demand is low, the industry becomes more competitive. Bids are cut and the real price of construction declines (1995-96). When there is a rapid surge in prices, which is presently the case, it takes time for clients to adjust to what seems to be higher prices (indeed they are in nominal terms, but may not be in real terms). There will be delays in new projects being commissioned. It is also true that, there will always be some projects which do get cancelled when prices go up significantly. The question remains as to ‘how many of these would be salvaged by keeping down wages, which are just one component of the overall costs?’

**FIGURE 6.6 :REAL \$/sq m FOR STANDARD OFFICE, HOUSE & FACTORY**



**Source: Zimconsult, 1999, p18**



In short, the above approach does not provide a sufficient argument for containing wages. The impact on demand would be marginal, while the costs for the workers and for the long-term future of the industry would be significant. Ideally wages should be raised to levels which are adequate in relation to the PDL. At the same time, there are other commitments to productivity which help contain the overall impact on construction costs.

## **6.7.0 Donor Funded Projects**

### **6.7.1 The World Bank and the Zimbabwe Urban Development Project**

The World Bank Zimbabwe Urban Development Project was effected in 1995. Its primary objective was to promote Zimbabwe's financial and institutional capacity to supply affordable housing through reform of the housing delivery systems and the housing mortgage market. This was to be achieved through concentrating low-income housing activities of local authorities on the supply of serviced land and by introducing private sector financing of such housing through existing financial intermediaries. In addition, the project was to strengthen local government institutions for the supply of urban infrastructure and to support aspects of urban development (especially transportation) where new policy directives were being formulated.

Most of the project's planning were the responsibility of the Ministry of Local Government Rural and Urban Development (MLGRUD) while responsibilities went to the Ministry of Public Construction and National Housing (MPCNH) and the Ministry of Transport (MT). A Steering Committee was instituted to provide policy guidance. The Project Co-ordinating and Monitoring Unit was to co-ordinate the administration of the loans. Plate 5.1 shows Kuwadzana 4 under construction using steel a project funded by USAID.

**Plate 6.1 Housing project funded by USAID.**



Between 1985 and 1994, the project comprised:

- a. The development of about 21 000 residential plots in Harare and three other towns with related infrastructure and community services.
- b. The provision three thrift institutions for long term mortgage finance for the construction of houses on these plots.
- c. Institutional development of various organs of local government throughout Zimbabwe.
- d. Policy and institutional development related to urban transport throughout Zimbabwe and the construction of a bus depot in Harare.
- e. Developing facilities for management of the project.

The project provided a vehicle for introducing new housing delivery systems to Zimbabwe for the low income groups through production of serviced sites by local authorities and provision of mortgage finance to low income households through local financial institutions. The people allocated with plots selected the aided-approach as the main mode of construction; i.e. owner managed building with assistance from small contractors. The project was successful in forging a link between public and private sector operations. It strengthened local government by shifting mortgage-financing responsibilities to local building societies thereby releasing public funds for other uses. Simultaneously, this reduced fiduciary risks borne by local authorities as well as extended the volume of funds available to low -income households for housing.

The project had been sustainable as evidenced by the good mortgage loan repayment history maintained by beneficiaries. However, throughout the project phase, local authorities were slow in reporting actual expenditures to the executing Ministries resulting in a lag and eventual shortfall in disbursements from the Bank. This undermined the need to focus on financial accounting and management within local authorities.

The success of this project was the provision of shelter by the Public and Private Sector in the liberalized economy in which the government was a mere regulatory board as intended by the ESAP. Furthermore, the banks as spelt in the Financial Sector Policy conditionality, fulfilled their role in the shelter market.

### **6.7.2 The USAID Housing Project involvement**

The USAID is a major instrument in Zimbabwe's human settlements sector especially in shelter provision. In 1995, noting the institutional bottlenecks to land delivery particularly with respect to registration of surveys and deeds, USAID as part of technical assistance to the Government of Zimbabwe, financed a detailed 'Management Assessment of The Department of the Surveyor General (DSG) and Registry of Deeds (RD). During year (1995), using the Zimbabwe Institute of Regional and Urban Planners, USAID

financed a study and conference on bottleneck and conflict areas for key stakeholder institutions.

The efforts of USAID were more wide spread and have a longer history than the 1995 events cited above. USAID's efforts in the shelter sector in Zimbabwe began in September 1980 with the authorization of a US\$25 million Housing Guaranty Loan (HG- 001). The loan was aimed at improving the living conditions of the low-income black population. The actual borrowing occurred in 1982 and financed 11 780 low cost housing plots, 7 680 core houses plus community facilities in Harare and Chitungwiza. Funds were also provided for technical support training; part of it in the form of a self – help housing advisor to the Ministry of Public Construction and National Housing, to advise and train staff (Zimbabwe, 1996).

The Second phase of the programme was through an additional US\$25 million Housing Guaranty Loan borrowed in 1985 for 7 443 low cost housing plots, building materials loans, community facilities and demonstration houses in Harare (Kuwadzana II) , Marondera (Nyameni) , Kadoma (Waverly ) , Chinhoyi (Chinhoyi Stream) , Redcliff (Rutendo) , Chiredzi (Tshovani ) Chipinge (Gaza) and Gwanda (Senondo). In the two phases, a total of 19 300 serviced plots, 7 500 core-houses, 17 000 construction loans and community facilities were made available. Under separate loan arrangements, a grant was provided for squatter settlement upgrading in Epworth settlement adjacent to Harare (MPC&NH, 1996).

In addition to the physical benefits, some policy changes were achieved as part of the co-operation. These included the acceptance of self-help approach to housing, lowering of housing standards and establishment of financial mechanisms to provide low-income mortgage finances through the private sector building societies. The Private Sector Housing Programme (PSHP) encompassed these developments. The policy changes were in line with the IMF conditions in the interest of benefiting the shelter provision sector.

**Interview With Mrs. Junah Mpofo:** Director of Investment at CABS (Central Africa Building Society). This interview was contacted on 12 October 2000.

**Mucharambeyi:** What is the lending landscape in the sector of the building Society today?

**Mpofo:** The prevailing harsh economic situation in Zimbabwe has had a negative effect in the mortgage lending system. The funds that Building Societies lend come from Paid Up Permanent Shares and Savings accounts which most people and organizations who have large sums of money to invest are now shunning. They prefer the Money markets where yields are higher than the traditional investments. This is causing a shortage of funds to lend on fixed properties.

**Mucharambeyi:** Are mortgages affordable and who are the main players in mortgaging?

**Mpofu:** Affordability of Mortgages continues to be a problem in these highly inflationary times. Although some Building Societies are lending with some support lending requirements attached, there are fewer people who can afford to purchase houses especially in the middle to high-class categories. Some mortgage holders are already finding it difficult to maintain their monthly mortgage payment instalments owing to diminishing salaries in an inflationary economy. Low cost housing continue to mushroom inspite of the conditions in the country. USAID and Pension Funds are funding most of the low cost housing projects and Building Societies avail finances under these circumstances (USAID & Pension Funds invest money with Building Societies and in turn Building Societies finance the project back to back or dollar for dollar).

**Mucharambeyi:** Are property prices ought to be what they are this year?

**Mpofu:** Property prices which had started recovering after a slump during the mid -year Parliamentary elections, have remained weak as a result of harsh economic conditions. The prices of most properties in Harare's up-market areas have remained stagnant despite the devaluation of the Zimbabwean dollar against major currencies. Perhaps it is proper to say that most property prices have remained flat over the election time right up to the current period. There are more properties for sale though, because most people are leaving the country due to the political uncertainty prevailing in the country. The price range for up-market property is between \$7,5 million and \$3 million. High Density property is going for anything from \$250000,00 to about \$2,2 million in some cases depending on the type of property.

**Mucharambeyi:** Could you give us an insight on company tax changes in reference to mortgages?

**Mpofu:** Over the years, mortgage interest rates have changed owing to Fiscal policy amendments to subsidise Tax Free Shares. Mortgages have gone up because the rate of Tax Free has gone up.

- |   |        |
|---|--------|
| a) 1990   | 13,25% |
| b) 1991   | 13,75% |
| c) 1992   | 17,00% |
| d) 1993(March)                                  | 17,75% |
| e) 1993(July)                                   | 19,00% |
| f) 1994   | 21.50% |
| g) 1999   | 24,50% |
| h) 2000(Aug)                                    | 26,00% |
| i) Imminent change any time (now in the making) |        |

**Mucharambeyi:** what caused mortgage freezes in Zimbabwe?



**Mpofu:** Since 1995, our mortgage lending has been somewhat curtailed due to the shortage of funds. Although some Building Societies are lending mortgages, most of them are funded by USAID and Organisations willing to place funds with Building Societies to facilitate mortgages for their employees. Some lending conditions such as Support Lending of up to 50% of amount to be granted is encouraged in order to back up applications. Again, this is difficult for first time homebuyers who will be put required to provide 25% deposit as well as 50% of the 75% remaining loan amount. However, those selling their existing homes in order to acquire better homes would not encounter such conditions.

**Mucharambeyi:** How much has your company spent on mortgages this fiscal year 1999/2000?

**Mpofu:** I can only tell you about what CABS lent in the past financial year ending 30<sup>th</sup> June 2000, as I am not well versed with other Building Societies. CABS advanced a total of \$930 million in mortgages on 1874 mortgage applications, of which 886 were for low cost housing and 466 for both high cost residential and commercial properties.

### **6.8.0 Summary**

A lot remains to be done in as much as the Zimbabwean Government is trying to promote the productive sector, especially the construction industry vis-à-vis shelter, with measures embedded in both ESAP and the enabling shelter strategy. In the short term, it appeared that the construction industry fared quite as postulated in the two development strategies. However, it is equally important to note that some of the measures contained in both ESAP and shelter enablement, that now appear to be inhibiting growth and productivity in the construction sector (and the national economy for that matter), are only meant to be negative in the short term. For instance, the liberalisation of interest rates, which resulted in increasing the cost of borrowing, is meant to stabilise in the medium and long terms. That appeared to have been achieved until the Government impeded it with Liberation War Veterans demands for gratuity payments.

The other major draw back continues to be the neglect of the broad measures of ESAP and shelter enabling in incorporating the informal sector financial market in matters of national development. Studies and practise show that this sector plays an important part in construction finance and household expenditure. The insistence on western types of security, continues to be a source of great concern in the construction market. On the other hand, it is apparent that the Economic Structural Adjustment Programme and its affiliated policy of the enabling shelter strategy have opened up opportunities in the construction investment sector. The Zimbabwean construction industry vis-à-vis shelter, has somewhat failed to take advantage of these opportunities and have squeezed them to near collapse.



Another striking feature of the Zimbabwean construction market, especially the public sector; is its reliance on donor funding even when past experience has shown that this tendency leaves the industry vulnerable to international politics, vis-à-vis Zimbabwe's human rights and governance records with the international community. As we have seen in Chapter Two and countless examples of countries being denied aid, good governance and community enablement are now the salient conditionalities for Third World (including Eastern bloc) countries to receive developmental aid from the Western World, Zimbabwe is no exception.

The labour intensiveness of the four sectors of the construction industry vis-à-vis shelter is discussed in chapter 7.

## 7.0.0 CHAPTER SEVEN: CONSTRUCTION INDUSTRY RESULTANT LABOUR AND INCOME LEVELS

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### 7.1.0 Introduction

Chapters five and six focused on Government's attempts of creating an enabling (shelter construction business) environment. Especially attempts at facilitating construction investment and finance, using measures contained in Neo-Liberal policies. It is understandable that it is not enough to simply to enact legislation that encourages and supports private sector investment without ensuring that construction demand and the other means (factors) of production are equally taken into account. Among these, labour stands out as one of the most important factors in increasing the levels of industrial productivity. In so doing, poverty will be alleviated and the average standard of living will rise.

Human resources...constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production; human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organisations, and carry forward national development. Clearly, a country which is unable to develop the skills and knowledge of its people and to utilise them effectively in the national economy will be unable to develop anything else (Fredrick H. Harbison: quoted in Todaro, 1994, pp. 363-364).

The role of labour in national development is well appreciated in both ESAP and the Shelter Development Strategy. This can be witnessed in the new labour and employment strategies contained in these two related policies, i.e., labour intensive production techniques and the Urban Management Programme. The key labour policy strategy in both ESAP and shelter enablement have been the creation of more employment opportunities and increased labour productivity through education and training. These are postulated as resulting in increased shelter construction output and positive national development. The prognosis in the Economic Structural Adjustment Programme which is elaborated in the Shelter Development Strategy, is that increased investment in shelter and the construction industry have significant impact on national incomes and the creation of employment opportunities. However, it is important to note that, before this industrial restructuring can materialise, technological and managerial changes must be effected. Once these changes have been effected, the shelter construction industry among other things should begin to substitute the bulk of imported materials with local products. The change should also ensure that some of the locally produced materials are exported to earn the country foreign exchange. Materials were also expected to be made under labour intensive methods. Produced materials were supposed to meet world market standard competition according to the Zimbabwean government.

These rather high expectations are based on various country studies that demonstrate that the income multiplier effects for the industry are normally about 2 and above, with seven to fourteen additional jobs created for every \$10,000 invested in the industry (Grimes, 1976, p. 32-34; McCuthchen, 1995; Tipple 1995). Given the high levels of unemployment and the poor housing delivery systems in most Third World countries, it is easy to understand the keen interest in validating this sub-hypothesis and to reap its reward of creating more job opportunities in the economy. Underlying this policy of job creation was the assumption of the Zimbabwean government that it would help in alleviating the abject poverty and contribute to growing the national economy. In

analysing Neo-Liberalist labour policies; the moral, social and political issues should be involved. For example, reducing the strong public service (by 25%) has the effect of saving the Government huge amounts of money and helping in balancing the budget. Nevertheless the immediate and resultant mass unemployment has the potential of igniting serious civil and political unrest in the country

Notwithstanding the moral, social and political issues raised above, this chapter endeavors to assess and focus more on the net impact of the Economic Structural Adjustment Programme on shelter provision, in creating employment and raising national income in the shelter construction industry and the rest of the economy. It goes further to look at other related Government labour objectives like gender balance and the development of a well-trained and motivated labour force in the shelter provision industry during the five years of ESAP.

### **7.2.0 New labour reforms**

As is to be expected, the implementation of the Economic Structural Adjustment Programme and its affiliated policy of Shelter Enablement have had serious political and socio-economic effects on the Zimbabwean labour market and the economy as a whole. The globalisation of the World economy has resulted in labour changes and events in other countries, especially those in the Southern African Sub-region, have had effects on the Zimbabwean labour market and ultimate labour policy. Globalisation of the national economies has integrated national labour markets into one global labour market, where international competitiveness is the operative term. In this global labour market, high labour earnings in one country can easily drive out industries to other countries with relative low wages and salaries (all other factors remaining the same). Similarly, workers will also try to migrate to those countries, which offer higher wages and better working conditions. Already witnessed, is an exodus of skilled labour from the rest of the Southern African region to the "new" South Africa, where wages and working conditions are better than elsewhere in the region. The weak infrastructure, low standard of industrial skills and unstable political climates in the rest of Southern Africa makes it hard for South African and international industries to relocate to these countries despite their low wage rates.

Considering this global labour phenomenon, its aims and objectives as contained in ESAP and the Shelter Development Strategy, the Zimbabwean government did put into place, labour policies and practises that are meant to assist in realising national development goals. Labour reforms in Zimbabwe started in 1990, with the change of name and key labour objectives of the then Ministry of Public service, Labour and Social Welfare. The role of the Ministry was now increasingly associated with increasing employment opportunities and productivity in the economy (particularly the shelter construction industry in this case). The labour ministry was also charged with the responsibility of ensuring that workers in the country have some form of social security. In an effort to increase industrial productivity in the country, the ministry was also charges with providing retraining after job loss.

The prime objective in the new government labour policies was to give workers some form of social security, minimum worker's rights and increase industry production

through industrial harmony, better education and training. In this regard, the Zimbabwean government introduced a new National Social Security Authority Act (1990), which is basic and compulsory for all (formal) workers; covering early retirement, physical and mental incapacity and funeral benefits.

Unfortunately, these new labour policies tend to benefit mostly formal sector workers. Informal sector workers continue to work in hazardous and insecure environment for less pay. It is fair to say that the non-implementation of these policies and measures in the informal sector is not deliberate on the part of the government. It is almost impossible to effectively monitor and implement such policies in this sector (Hansenne, 1991). The situation is made worse by the fact that the informal sector is usually mobile and, therefore, difficult to monitor. Despite the state intervention in the labour market, the Zimbabwean government believed in leaving day-to-day labour matters to employers and employees. In this connection, the latest Government labour policy has been in sharp contrast with previous socialist labour policies of government or Keynesian labour policies for that matter. These policies advocated Government intervention in the labour market in various forms like the adjustment of taxes and interest rates (World Bank, 1995, p. 5).

Given the position of Government, to withdraw from past interventionist strategies in the labour market, the attainment of industrial harmony in the labour market is paramount. Harmony between the employees and employers would help regulate labour price levels and stabilise the labour market. To the workers, industrial harmony entails having good working conditions, a living wage/salary, gender balance and sensitivity, a motivated labour force and some form of job security. On the other hand, the employer expects a well-trained and motivated work force with minimum work stoppages, resulting in the attainment of maximum production levels possible and corresponding profit margins. It is now a common sight to see children working with or without their parents on most vegetable vending, blocking making or welding sites in the informal sector.

### **7.2.1 The changing labour environment in the Construction industry**

The Government's human resources development policy for the rest of the construction industry (housing included) is guided by the following aims and objectives contained in the MPC&NH's 1990 human resources policy on the Construction Industry:

- Improve national educational and training systems for the construction industry.
- utilise local technical experts and contractors, as a first option, on all Government construction projects.
- create mechanisms for facilitating the participation of national professionals on major construction projects undertaken for Government by foreign contractors.
- develop a cadre of national professionals who will be competent to carry out relevant research and development work for the construction industry.
- facilitate capacity building of national professional researchers by creating or supporting the infrastructure used for research and development.



- retain technically qualified personnel in the Ministry responsible for construction by providing improved conditions of service.
- strengthen local government administration for the purposes of enforcing and monitoring construction standards and maintenance of civic infrastructure under each respective area of jurisdiction.

The human resources development policy document on the construction industry goes on to propose that all relevant curricula pertaining to the education and training of all levels of personnel in the construction industry should be reviewed in the light of modern day requirements of the Zimbabwean construction industry. It further emphasises the training of small and medium sized contractors, consultants and manufacturers and reaffirms Government support for construction research and institutions in the country. The document does not however, specify which institution/s should co-ordinate these proposed changes, or who should provide the financing. Given recent Government intentions to involve the private sector in staff training to reduce its contribution, it is important to work out such details. There is also a need for dividing the programme into short, medium and long -term targets for easy monitoring and evaluation. Unless these details are resolved sooner or later, the whole programme risks failure before it is implemented.

Unfortunately, the above postulated benefits have yet to be seen in the construction industry vis-à-vis housing and the rest of the economy. Employment levels and average national incomes continue to fall despite the five- year labor application strategy in the Economic Structural Adjustment and Shelter Development Strategy. It is important to take note, however, that the downward trend both in employment levels and incomes started with government 's socialist governance policies back in the late 1980s.

After experiencing an employment boom immediately after independence when overall employment figures rose in formal employment, Zimbabwe began to register a fall in employment levels and incomes. Admittedly, the fall in real employment figures started long before implementation of the Economic Structural Adjustment Programme and the Shelter Development Strategy. It should however, be noted that these programmes exacerbated the process. Measures in ESAP and shelter enablement to reduce the public service, privatise the large-scale public companies and liquidate ailing public companies and institutions have only added to the growing unemployment figures. Government's own figures for workers declared redundant have been very modest.

Arguably, the Zimbabwean economy has witnessed an overall rise in the informal labour market. Since no comprehensive data exists on the informal market, it is difficult to argue with certainty that it is indeed absorbing the unemployed and those retrenched from the formal market. The research study, however, will show that amidst the reduction in formal construction unskilled labour of 44% between 1991 and 1996, the informal sector labour force witnessed an increase of 80% during the same period (see table 7.2).

Clearly, the continuous decline in formal construction unskilled labour in the country in the past 20 years is a manifestation of reduced investment in the industry. Going by the high multiplier effects and number of jobs that are created for every \$10,000 spent on construction, we can conclude that the Zimbabwean economy has missed an

opportunity of creating mass employment through increased investments in the construction industry vis-à-vis shelter.

Evidently, the construction industry has had its share of the radical labour reforms programme under the Economic Structural Adjustment Programme, as revealed by Government statistics and our field data. For instance the Zimbabwean construction industry's (according to the latest Central Statistic Office (CSO) publication *National Accounts 1985-1997*) contribution to the GDP averaged about 3% in the late 1980s and early 1990s, but fell in 1996 and 1997 to 2,6% of GDP. During the ESAP period, employment grew faster in the construction industry than in any industry in the economy. The construction industry's share increased to an average of 6,7%, but then fell to around 6% in 1996 and 1997 (Zimconsult, 1999).

In absolute terms, construction employment in the Central Statistics Office (CSO) national accounts publication averaged 60 000 in the late 1980s and 84 000 during ESAP. According to the CSO's *Census of Industrial Production 1995/96 Report*, however, construction employment averaged 39 000 in the late 1980s and 52 000 during ESAP. A third source of employment data is the number of active contributors to the Construction Industry Pension Fund. For 1996 and 1997, the CSO national accounts publication has construction employment at 77 500 and 75 700, while the Construction Industry Pension Fund had average numbers of contributing members during those years of 32 200 and 33 100 respectively as illustrated in Table 7.1.

**Table. 7.1 Average Formal employment and construction labour force**

	1980s	1991-1995 ESAP	1996	1997
CSO national Accounts	60, 000	<b>84, 000</b>	77, 500	75, 700
CSO Census of Industrial Prod.	39, 000	<b>52, 000</b>	-	-
Construction Indus. Pension Fund	-	-	32, 200	33, 100

**Source: Zimconsult, 1999, p20**

In all fairness, while the formal construction unskilled and semi-skilled labour market has been declining, the informal labour market has increasingly taken over some of the roles and activities of the declining formal construction market. On the other hand, small scale and informal manufacturing firms were on average doubling their small work force. For example, Musonga building blocks, in Sakubva, Mutare increased its work force from 3 to 6 workers, and similarly Mbare Harare welding at Siyaso main market also increased its work force from only one worker to 3 workers during the same period. The increase was also encountered in other countless examples in the small scale and informal construction sectors. The Zimbabwean Government has been encouraging the growth of the informal construction market, but its failure to devise a mechanism for collecting personal and company taxes from this growing sector has resulted in the failure to realise postulated gains in Government revenue. This has also meant that the tax burden for workers and companies that have remained in the formal sector continues to grow while those in the informal sector continue evading government taxes. The solution can be found Kenya's Jua Kali where government's direct intervention into the informal

sector gave the sector credibility and awarded government control of this sector. The informal sector was finally transformed into a taxable formal industry.

Ideally this transformation in the labour structure does not in itself present any serious problems, as long as the informal sector is able to produce the same goods and services as the formal sector and the national economy grows. Otherwise, the failure of the informal sector to adequately service the shelter provision industry as the formal sector shrinks would lead to increased construction imports or material shortages in the country. Government's efforts are now more directed at encouraging the private sector initiative in creating more job-opportunities than taxing the informal sector, which is creating jobs. This is particularly true in Zimbabwe, where the high levels of unemployment and its offshoots of crime, poverty, malnutrition and political instability have reached a critical point.

### **7.2.2 Labour Fluctuations in the three cities**

It is quite clear from the study data that average employment of unskilled labour levels in the Zimbabwean shelter construction industry, were falling during and after ESAP but clearly recorded higher during that period. It is interesting, to note that the trend is not uniform in all the three cities. For instance, it was noted from (study)Table 7.2 that the greatest labour reductions of 43% workers were recorded in Harare, which is the capital city and commercial city and commercial hub of the country. This figure was followed by Bulawayo, which is the industrial city with 23% and lastly, Mutare, the forestry city recorded only 15% reduction in the workforce between 1990 and 1996 as illustrated in Table 7.2.



**Table 7.2 Labour fluctuations in the ESAP five (5) years-by location and sector**

	Mutare	Bulawayo	Harare	Totals
Small scale firms				
Workers 5 Yr. ago	256	274	444	974
Workers now	295	196	398	889
Fluctuations	+39	-78	-46	-85
Fluctuations in %	+15%	-28%	-10%	-9%
Public Companies				
Workers 5 Yr. ago	2118	0	0	2118
Workers now	463	0	0	463
Fluctuations	-1655	0	0	-165
Fluctuations in %	-78%	0	0	-78%
Private Companies				
Workers 5 Yr. ago	1276	432	5456	7164
Workers now	2030	297	1492	3818
Fluctuations	+754	-135	-3965	-3346
Fluctuations in %	+59%	-31%	-73%	-47%
Government				
Workers 5 Yr. ago	18	1481	1026	2525
Workers now	317	1184	2066	3567
Fluctuations	+299	-297	+1040	+1042
Fluctuations in %	+1661%	-20%	+101%	+42%
Total fluctuations in %	-15%	-23%	-43%	-32%

**Source: Mucharambeji 2000 survey data**

The summation that the least number of redundancies was recorded in Mutare comes as a total surprise, considering the low-performance of the Forestry industry on which the construction industry in Mutare is heavily dependent. The low performance of the industry was further compounded by the delays in privatising the forestry industry. The effect was the suspension of major capital projects in the area pending the final sale of the industry. Under these circumstances, the expectation was that the highest shelter construction labour reductions would be in Mutare. There can only be two explanations for this turn of events, one of which is that the non-traditional construction market in Mutare had steadily emerged and replaced the dominance of the forestry industry as a major construction consumer. If we consider the of sale of council housing and Zimbabwe National Railway housing to its sitting tenants, then a clear picture surfaces. The sale of public houses led to the new homeowners making improvements, alterations and extensions to their newly acquired houses; these activities stimulated construction in the city. This is clearly evident in the number of new block work security fences in areas where the council had sold its houses. Informal contractors played a major role in erecting these fences.

The other explanation is that, both Harare and Bulawayo are the main provincial capitals. They had/have a higher number of public sector companies and government departments than Mutare. The shedding of "excess" public sector labour prescribed under ESAP had seen more workers lose their jobs in these two cities. This however, was not the case in Mutare, as explained in the next section. On the contrary, the public

sector, especially the local and central Governments, had been increasing their technical manpower levels during the five years of EASP, thus giving more credence to our earlier explanation.

### **7.2.3 Labour fluctuations by size of company**

Having looked at the labour fluctuations in the Zimbabwean shelter construction industry by location (City), an assessment of labour fluctuation by the size of the company is explored in this part of the study. We take a look at small scale and private companies, which tend to be small in size, and the large public sector companies and government departments, which tend to be larger. The aims and objectives of the Economic Structural Adjustment Programme and the Shelter Development Strategy were to scale down operations of the large public construction companies and promote the emergence of small and private construction companies. In this regard, Government's plans were being fulfilled in that the study data shows that the small-scale construction sector registered the lowest reduction in labour levels, compared to the medium and large sized public sector institutions. The city of Mutare actually witnessed a 15% increase in employment levels for the small-scale construction sector (see Table 7.2). In his work, Briscoe (1993, p.283) has suggested that large scale construction companies are best able to specialise and therefore more likely to have higher productivity levels than small scale companies. But given Zimbabwe's unemployment situation, the Government is interested in creating more job opportunities in the economy and is, therefore, prepared to forgo some national benefits of economies of scale in having large sized companies.

The study further revealed that there was a combined 9% total loss of work in the small-scale sector, 78% for the Public sector and 47% for the private sector. The central and local Government departments, contrary to ESAP and the shelter strategy, registered a 41% increase in the number of workers. Looking at the high labour reduction figures for the Public sector companies, it can be said that Economic Structural Adjustment policies were successfully implemented. It was however, unlikely that savings had been made, considering the huge bill for redundancy pay out packages. It is clear though that savings will be made in the long run.

The Government was asked why it was contravening its own policy of trimming the civil service by actually employing more workers. The Chief Engineer at the Buildings Department in Harare explained that the Government was actually reducing labour levels in the non-technical scales, but still had to fill-up the vacant technical positions. He went on to explain further that, while every effort was being made to reduce manpower in clerical levels which were obviously over-staffed, the department was still very under-staffed at professional levels, i.e. Architecture, Electrical, Civil, Road and Electrical Engineering, Quantity Surveying and Planning.

The employment of more professionals by the Ministry Public Construction and National Housing also means that the Government is now in a better position to cope with most public construction programmes and projects. This means that fewer consultancy jobs were tendered to the private sector. Given the high priority given to the small scale and private construction companies by the Government, under the guidance of both ESAP and Shelter Enablement. The revelation that the Government is actually increasing its



manpower levels at professional scales has come as a serious blow to the small and private sector consultancy firms that were heavily dependent on Government and the public sector for business. This could explain the insistence by the Institute of Architects Zimbabwe (IAZ) that all government architectural contracts in the country be commissioned only by their members. Should the Government give in to this demand, it will also mean loss of jobs for informal sector designers, who currently undertake many of the small scale building designs. The increase in the number of consultancy workers at the Government buildings department will have some impact not only on the private consultancy sector, but also on other sectors like contracting. Particularly for professionals like Quantity Surveyors, Electrical and Civil Engineers who are capable of working for both consultancy and contracting firms. The problems associated with the government carrying out all the work on its own are of great concern. This means that the position of being a supporter not a provider is defeated. It becomes hard for the government in its role as an enforcer to carry out quality control, assurance, and monitor of the industry.

#### 7.2.4 Labour fluctuations by sector of the construction industry

Lastly, this part of the study looks at the labour fluctuations that occurred in the shelter construction industry by sector, i.e. construction, consultancy, manufacturing and supply. Of these four sectors, construction and manufacturing tend to be more labour intensive and have high multiplier effects to the rest of the economy than the two other sectors: consultancy and supply as illustrated in table 7.3.

**Table 7.3 Labour fluctuations in the construction industry by sector (1990-1996)**

Sector of the Construction industry	Number of Workers 5 years ago	Current Number of Workers (now)	Labour Fluctuations over 5 years in %	Mean Number of workers per firm	Median Number of workers per firm	Highest No. of Workers in one firm
Suppliers/Traders	401	334	-17%	11.13	5.0	215
Consultancy	1,215	2,425	+100%	63.81	6.5	1,000
Manufacturers	660	567	14%	23.62	6.5	163
Contractors	10,505	5,411	-48%	98.38	14.0	1,500

Source: Mucharambeyi 2000 survey data

For this reason, site construction and manufacturing sectors have been given high priority in Zimbabwe's labour plans of creating more employment opportunities and boosting the economy through their related forward and backward linkages (see more, Moavenzadeh, 1987, pp. 73-109; Klaassen et al, 1987, pp. 35-59). The consultancy sector on the other hand, though not very highly computerised in Zimbabwe, is not very labour intensive and tends to exclude the majority of low skilled workers. The sector dealing with the trading or supplying of construction materials also has lower multiplier effects in the economy because most of the products in this sector are imported from South Africa.

### 7.2.5 Formal and Informal sector labour fluctuations

In the previous sections we discussed, labour fluctuations in the whole of Zimbabwean shelter construction industry without regardless of whether the construction firm was in the formal or informal sector. The discussion does not give a very clear picture of the labour situation in the industry. For example, it is true that the overall Zimbabwean shelter construction labour market has fallen in the last five years under discussion, but the situation is very different when the labour fluctuations are analysed in informal and informal sectors. Table 7.4 of the study shows that the formal labour market reduced by 44% between 1990 and 1996, while the informal construction labour market increased by 80% during the same period.

**Table 7.4 Labour fluctuations in the informal and formal sectors between 1990-1996**

Sector	No. of Workers 5 years ago	Current No. Of Workers	Difference	% Difference
Formal	11,510	6,444	5,066	-44%
Informal	1,271	2,293	1,022	+80%
Total	12,781	8,737	4,044	-32%

**Source: Mucharambeyi 2000 survey data**

In absolute figures this means that a total of 5,066 workers lost or left their jobs in the formal labour market. On the other hand, the informal construction sector witnessed an increase of 1,022 workers. The difference between the two figures gave the industry a net loss of 4,044 workers, representing an employment net loss of 32%.

### 7.3.0 Gender balance in the construction industry

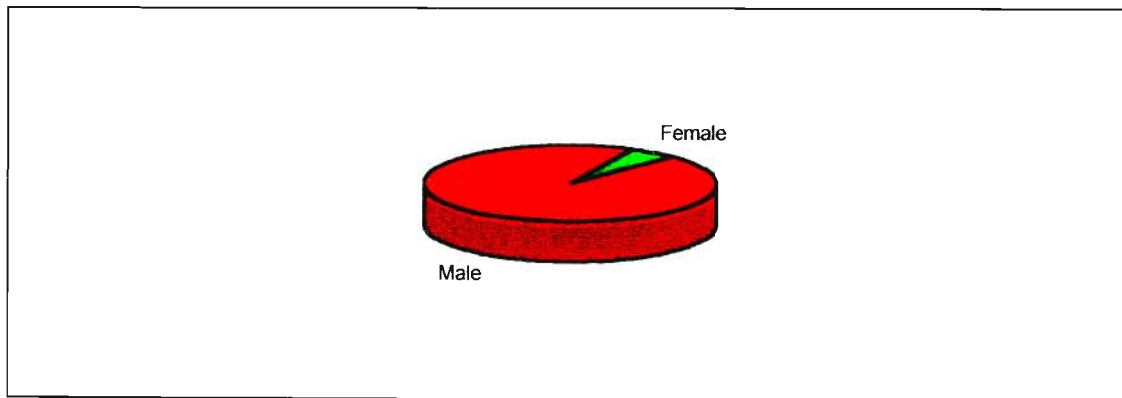
Contemporary research in national development and shelter strategies has found that women, despite being a majority of most national populations, are generally under represented in national development issues (United Nations, 1995). Women on average receive less income than their male counter parts and make up the majority of those groups under the poverty datum line. These findings have meant that, contemporary development strategies including ESAP and shelter enablement have had to pay particular attention to the gender issue. Studies by the United Nations (1995, p. 8) and many Non-Governmental Organizations (in the Copenhagen Alternative Declaration, 1995) have shown that women (and children) are especially vulnerable to the effects of ESAP, thereby putting more pressure on ESAP and its associated strategies to address this negative effect.

**Inequalities in employment opportunities:** Although ESAP has been accused of gender insensitivity (United Nations, 1995, p. 8), its affiliated policy of Shelter Development Strategy on the other hand does identify the special role played by women in shelter development (ILO [UNCHS], 1995, p.27-28). In recognition of huge gender imbalances still existing in the shelter market of most Third World countries, specific measures have been drawn up to enhance the women's' role in shelter income-generating activities and decision making process. Global efforts contained in the

decade for Women (1975-1985) and the 1995 Fourth World Conference on Women in Beijing have only added to calls for gender equality in the shelter market.

Gender balance in the Zimbabwean construction market (Shelter included) is not particularly different from the global picture above. For instance, recent research by the World Bank (1994) in Zambia (the situation applies to Zimbabwe) found that the overall rate of unemployment amongst women is more than double (as reported by the ministry of Women & Social Welfare, 1999) that of men. Also the average earnings for women were way below those for men. The situation is no better in the construction industry, where women are under-represented in all the four sectors of the industry as illustrated by fig 7.1 of the study data in the three cities.

**Fig. 7.1 Distribution of Workers in the Construction industry by Gender**



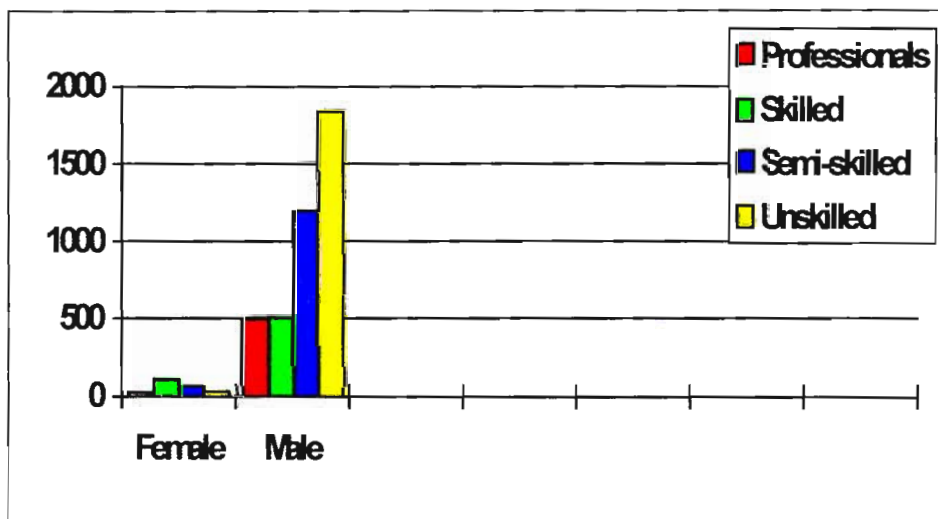
**Source: Mucharambeyi 2000 survey data**

The under-representation of women in the Zimbabwean construction industry, especially in the informal building sector could be attributed to the diminishing roles of thatching and mud plastering that are traditionally done by women in rural areas, but are less applied in the urban areas. There are hardly any thatched roofed and mud houses in urban informal settlements, rendering the art of thatching and mud plastering almost irrelevant in the urban environment. This of course is no excuse for excluding women in the construction industry, as they can be easily trained just like men, to do other construction jobs that suit the urban environment, as shown plate 6.1.

Plate 7.1: Women working on construction site- Bulawayo



Fig. 7. 2 Distribution of Labour in the Construction Industry by Gender and Status (1990-1996)



Source: Mucharambeyi 2000 survey data

Fig. 7.2 (above) reveals a disturbing and widespread gender imbalance in the Zimbabwean shelter construction industry. It shows that 17 out of every 18 (or 94%) Zimbabwean construction workers are male and yet the total female population in Zimbabwe is well over 51%. Given, the physical nature of the most work on construction sites, it is understandable that there is a predominant percentage of males doing the physical work on construction sites.

Table 7.5 Distribution of construction labour by Gender and construction sector In % (1990-96)

Trade	Traders		Consultants		Manufact.		Contractors		Totals	
	F	M	F	M	F	M	F	M	F	M
Professionals	10.0	90.0	4.8	95.2	13.9	86.1	3.6	96.4	5.4	94.6
Skilled	19.2	80.8	38.2	61.8	23.0	77.0	11.5	88.5	17.6	82.3
Semi-skilled	5.9	94.1	11.1	88.9	14.9	85.1	2.4	97.6	5.2	94.8
Unskilled	0.0	100.0	6.9	93.1	8.8	91.2	0.3	99.7	1.8	98.2
Totals	6.3	93.4	10.3	89.7	14.0	86.0	2.6	97.4	5.5	94.5

Source: Mucharambeyi 2000 survey data

But the equally low (female) percentage figure in office or trading jobs of the shelter construction market is not reasonable (figure 7.2 and table 7.3). The above imbalance therefore, calls for urgent attention from the Government in uplifting women's participation in national development as outlined in the shelter development strategy and the Fourth World Conference on Women of 1995 in Beijing.

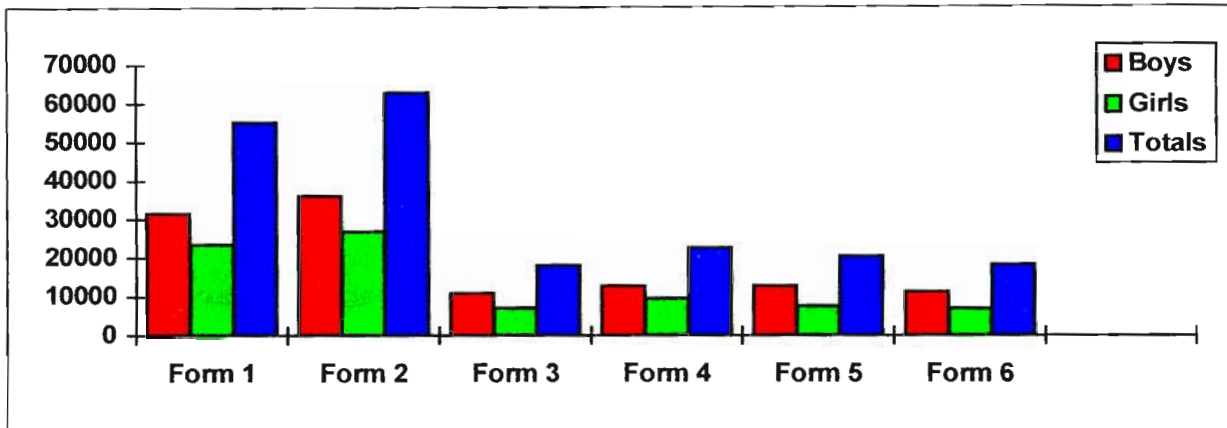
1. The study found that, the majority of contractors (Male) contacted had no reservations about employing women qualified in construction skills. They cited the following reasons for not employing women:
  - No women came in search of jobs
    - \_Employers felt this situation was attributed to poor enrolment figures in vocational institutions
    - \_There is a prevailing culture that technical jobs are physically heavy and even tough.
    - \_Women are relatively immobile owing to several household responsibilities.
2. The building materials producers' were of the view that:
  - The relative low percentage of women in the industry was attributed to the nature of the work, described by the management as dirty; wet and muddy during the rainy season and dusty during the dry season.
3. The educators' views gathered at St Peters Kubatana Vocational Training in Harare were:
  - Technical work is considered heavy and dirty and therefore only suitable for men. Women in Zimbabwean society are considered frail and delicate, symbols of cleanliness.
  - Trainability of women in technical fields, as instructors pointed out, starts at home in early childhood. Women's upbringing is different from that of men. Boys are familiarized with technical work while girls are familiarized with household chores.

Importantly, the study found that women were said to be good at paint mixing and painting. They also had good design skills on interior decor like wardrobes and cupboards. The study findings were somewhat similar to those found by Matere-Lib in the research (1994/5); *Basotho Women 's Role in Urban Housing: The Case of Maseru*.

Looking at the low levels of professional and skilled female labour in the construction industry, the root cause of this under representation was thought to be the low number of female students enrolled in the Zimbabwean education system. This is the case in many other Third World countries (United Nations, 1995). Figure 7.3, however, clearly shows that this is not the case in Zimbabwe. The difference between boys and girls in primary and secondary schools is not as wide as that between males and females in the shelter construction industry. For instance, the difference between the number of boys and girls enrolled in secondary schools is only 17%, while the gender difference at the professional level in the industry is as high as 89% in favour of men.



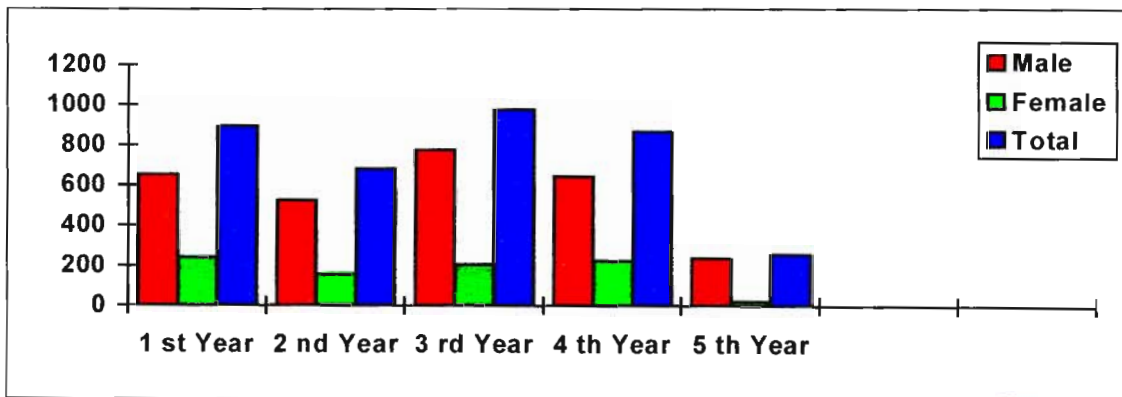
**Fig. 7.3 Average Secondary School Enrolment by Gender & Form (1990-1996)**



Source Economic Report 1995, \* additions Mucharambeyi 2000 survey data

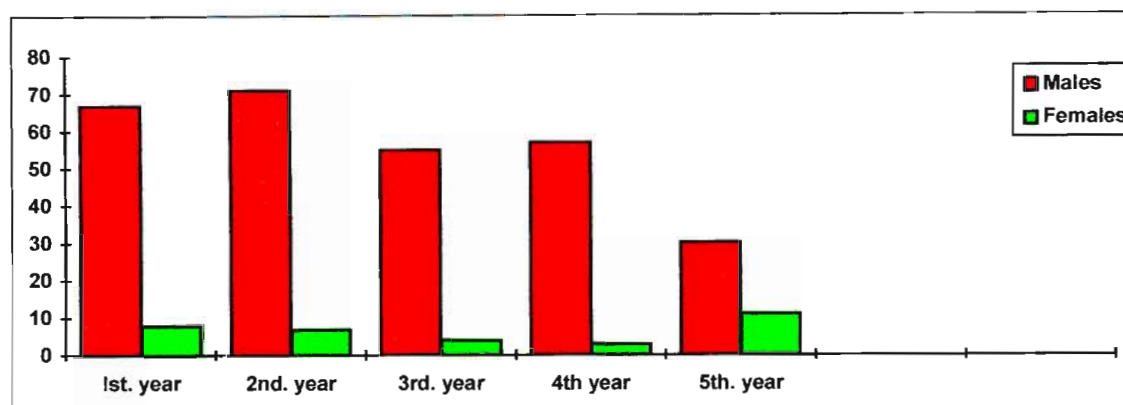
A further look at the enrolment figures at the University of Zimbabwe (UZ) and the National University of Science and Technology (NUST) as illustrated in fig 7.4 and 7.5, by gender reveals the root cause of the gender imbalance at professional levels in Zimbabwean shelter construction industry and subsequently in the macro-economy. The female population is only about 25% of the total student population, yet at secondary school level; the female student population is about 40-45% of the total population.

**Fig. 7.4 Average Under-Graduate Enrolment at the Universities 1990-1996**



Source: Ministry of Education and Culture Report 1995,pg 12 \* Additions Mucharambeyi 2000\*

**Fig. 7.5 Enrolment figures in the school of the Engineering & Architecture- NUST**



**Source: Mucharambeyi 2000 survey data**

These figures suggest that the real problem starts at University enrolment of students from the secondary schools. Male students are favoured over female students because male students have better grades upon graduation from secondary school. The other reason could be that girls are simply not applying for technical subjects. Enrolment figures for the schools of Engineering and Architecture at the two universities show clearly that these two schools are dominated by male students; this trend explains the low number of females in the technical fields of the construction industry.

**Gender inequalities in earnings:** Besides being under represented in the employment opportunities in the national economy, studies worldwide have shown that women on average receive only a fraction of the wages/salaries paid to their male counterparts (United Nations, 1995; Commonwealth Secretariat, 89, p.39). Zimbabwe is not an exception. Studies by the World Bank (1994, p. 143) found that female’s monthly incomes tended to be a fraction of those of their male counterparts in waged and salaried employment. In the self-employment sector the difference was even more, on average 2-3 times less than of males (see table 7.6).

**Table 7.6. Average monthly urban wages and profits (Z\$) by gender**

Occupation	Earnings per month		Earnings per month		Profit per month		Profit per month	
	Male	Female	Male	Female	Male	Female	Male	Female
	Mean	Med.	Mean	Med.	Mean	Med.	Mean	Med.
<b>Prof./Tech.</b>	1, 43	6,00	756	600	1,420	672	583	325
<b>Sales</b>	1,090	450	107	375	2,728	960	1,381	500
<b>Production/Transport</b>	659	400	490	400	1,782	750	542	301
<b>Total Average</b>	824	450	815	470	2,088	7,000	1,154	400

**Source: MPC&NH Salary Dept (WB), 1994 \* Additions Mucharambeyi 2000 Survey Data\***

Although the study referred to above was conducted in 1992 when ESAP and the shelter development strategy were being implemented, there is no evidence to suggest that the situation has improved since. The situation could even be worse now evidenced by

some women having to receive food and clothing under the "social fallout net" programme. In a study of 1999 by Indigenous Business Women Organization (IBWO) it was found that women in technical and semi-skilled jobs in shelter provision were earning less than their male counter parts. A special training programme was then designed to educate both the women and their male employers on the role of women in construction, negotiation and unbiased wage payment.

**The Food for Work Programme and women:** In response to these criticisms from the Neo-Marxist school (Mamdani, 1991), ESAP has now incorporated the "social fallout net" as part of its strategy to alleviate problems faced by women and Children. In Ghana (Ghana, Government of, 1987) Zambia and Zimbabwe, for example, the "Food for Work programme" is part of this social safety net programme. Women are given road and other construction jobs in exchange for a ration of food or clothing. Although this social safety net strategy has helped many families in Zimbabwe, especially during the drought period of 1992/3, its long-term sustainability is doubtful. This strategy has simply failed to convince its opponents on how the food for work programme can bring about forward and backward linkages in the construction industry and improve the macro-economy. The argument that the social safety net programme is only an emergency aid measure is not credible any more because we have already seen this programme continue for five years now.

Amin (1999) wrote;

A final element of ESAP, promulgated as an adjunct to dealing with 'social fallout'. Expected from reorienting the economy, was the Social Dimensions of Adjustment (SDA) funded from Social Dimension Fund (SDF), the programme was designed to assist 'victims' of adjustment.....

The fact that the food and clothing involved is imported from the donor countries, only goes to confirm the fears of its critics that this programme is meant to boost foreign industries and the economies thereof. Having said that, we are all too aware of the improvements that have been made to most peri-urban roads in Zimbabwe under this programme, especially that the roads involved are in non-council areas which do not benefit from the national Roads Department or from local council funding. For this reason, there is no fear of this programme depriving the informal and formal contractors of their work, as it is funded entirely under a different budget and programme. It is important also to note that the Food for Work Programme is only open to women from households whose income is below the government's own poverty threshold.

There is a need, however, to revisit this scheme with a view to making it a tool for breaking the poverty trap rather than perpetuating it. This would entail, for example, allowing women to form road construction co-operatives that would be able to undertake road repairs and new road construction projects, with all contracts transacted in the normal medium of exchange. In this way, women should be better able to save, expand their businesses and own land and property. The creation of a Government department for Women's affairs has not helped matters either, as the department seems more active in attending/organising international and national conferences and seminars for upper class women rather than caring for ordinary women in the community.

#### **7.4.0 Construction skills and training**

Although it is acknowledged that the construction industry is a major employer of unskilled labour, it should nevertheless, be noted that the industry still needs a steady flow of skilled manpower to sustain an efficient and sustainable housing supply system (Tipple, 1993, p. 3). Education and training are a key prerequisite in sustaining a vibrant and sustainable construction industry, without which the private investors would be wary of investing. Rapid improvements in information technology, construction materials and construction technology have also added to the demands for a well trained and disciplined labour force. These observations have not escaped the minds of the protagonist of the Neo-Liberal policies who also acknowledge that only a well trained labour force can successfully implement its policies and ensure sustainable national development (Harris, 1992, p. 79).

In recognition of this fact the World Bank, UNDP and Habitat developed the Urban Management Programme (UMP). This is an integral part of the Economic Structural Adjustment Programme and was designed to deal with issues that have dogged most Third World countries in matters of planning and implementing urban development programmes. Given the old urban management styles that were practised in most Third World countries, especially in socialist-based economies like Zimbabwe, it is easy to appreciate the need for appropriately trained staff, equipped to deal with the new socio-economic environment brought about by ESAP and the shelter development strategy. It should be made very clear from the outset that UMP is a programme specifically drawn up to cater for municipal and public service workers in the areas of research, planning, policy formulation, implementation and evaluation, yet ensuring effective, responsive, accountable and transparent local governance (Hildebrand and McAuslan, 1992, p. 93-103). The Urban Management Programme further concentrates on the issues of urban land management, environment management, infrastructure and municipal finance in managing local councils.

#### **7.4.1 Skilled labour and formal training**

In view of the ever-increasing population coupled with reduced resources, there is now an increasing need for adopting more efficient construction techniques in the Zimbabwean shelter construction industry. This also called for the adaptation of appropriate organisational structures, and the employment of appropriate and efficient manpower levels so as to maximise production from minimum resources. To be able to achieve these targets in this industry transformation, the labour force must have the desired training and skills.

So far Zimbabwe has fared quite well in this area, thanks mainly to the high priority that was given to free education from primary school to university level by the Government. Today, Zimbabwe with its seven Universities has been successfully producing Civil and Structural Engineers, Quantity and Valuation Surveyors and Planners for the local market with the exception of architects. The University of Zimbabwe has been running the Engineering degree programmes for more than 30 years, while the NUST has run the other construction based courses for more than 4 years. Together these two



institutions have produced more Engineering graduates than can be absorbed by the local construction industry so that most of their graduates now find work in the neighbouring countries of Botswana, Namibia and even South Africa. It is important to note this, in itself does not mean that Zimbabwe has solved its construction manpower problems, for example recent reduction in university funding has raised questions over the calibre of our graduates. Field trips for students have been greatly reduced. The best lecturers all seem to head to South Africa, where earnings are much higher and the abolition of expatriate conditions and pay has also means that very few high quality lecturers from outside can be attracted to Zimbabwe.

Although the Economic Structural Adjustment Programme and the policy of shelter enablement places great emphasis on education and training, experiences on the ground point to a completely different picture. This situation arises mainly because of the high priority given to balancing the Government budget. The reduction in resource allocation for education and training is not only a concern for the construction industry, but also with the overall Government policy on poverty alleviation (SDA). For instance, research by the World Bank in Zimbabwe and Zambia has found that educational status is highly correlated with poverty status. In other words, poor people tend to have the least education (World Bank, 1994, p. 30-69). This correlation between education and levels of development is further supported by studies that have been carried out in the Far East in assessing the ability of the so-called "Economic Tigers" of Asia to achieve rapid and sustainable long-term economic growth. Here studies show a strong correlation between high levels of education and research investment and their ability to achieve and sustain economic development (World Bank, 1993).

**Table 7.7 Percentage of companies with workers at formal (construction) training institutions**

Type of Company	University	College	Trades School	Other	None
Small scale Companies	2	2	1	14	81
Public Companies	0	25	0	25	50
Private Companies	3.5	3.5	7	18	68
Government Sector	0	0	9	82*	9
Totals	2	3	3	20	72

\*Bilateral training agreements through the Government, which included all levels of training: degrees, diplomas and certificates (e.g. British Council)

**Source: Mucharambeyi 2000 survey data**

The situation is made worse by the evidence that a large number of companies, 72% in all, have no formal training programmes for their workers as illustrated in Table 7.7. It is also interesting to note that the private and small-scale construction companies which the Government is desperately trying to promote are the ones with the lowest rates of staff training scholarships (32% and 19% respectively). In view of reduced funding for education and training by Government, there is need for the private sector to organise itself and develop a training programme and research body for themselves. This programme could take the form of that in Botswana, where all construction companies



are levied a training fee for use in the training of students and workers in the construction industry. Unless this is done, the industry risks lagging behind the rest of the region, thereby failing with the rest of the World. The industry needs to prepare itself for all-out competition especially when all trade barriers are expected to be removed under the newly launched Common Market for Eastern and Southern African (COMESA) and SADC.

#### **7.4.2 Unskilled labour and informal training opportunities**

The construction industry is generally characterised by its large proportion of semi and unskilled labour force. This is the characteristic that makes construction an attractive industry for absorbing masses of unskilled and unemployed workers in the economy. There is, however, a pressing demand under the new economic order for improved efficiency, productivity, and profitability. This ultimately calls for some level of a well educated and trained labour force even among the lower scales of the construction workers (Habitat, 1996, p. 225; Tipple, 1994(a), pp. 9-11). The low level of education and training amongst most construction workers in third World countries has been cited as one of the key reasons why Third World countries have failed to utilise the new research findings in small scale construction technologies and management skills that have been adopted world wide (Lisk, 1996). This has resulted in most Third World construction companies having to rely on "traditional and outdated production technologies, which are wasteful on raw materials and energy" (Habitat, 1996, p. 226).

The acquisition of new construction skills by construction workers, especially those with little formal education, need not, however, be confined to the formal trade schools and colleges. Experiences from a number of countries, including Zimbabwe, have shown that informal training schemes can be equally as effective, if not more cost effective than the formal training. The informal training centres with their low operational cost augur well with countries like Zimbabwe, that are having to cut back on the education budget. The Zimbabwean government, through the Ministry of Higher Education & Technology has seized this opportunity to set up a number of what it calls "training centres." These are centres in the urban areas where unemployed youths are trained in various trades like brick laying and carpentry, plate 7.2.

**Plate 7.2 Youth at informal training centre –Blocking Making Harare**



Although these "open air demonstration centres" are currently targeted at unemployed youth in the urban centres, there is no reason why this scheme should not be extended to include retrenched and unemployed men and women throughout Zimbabwe.

There is a need to encourage more construction companies to take graduates from these training centres, rather than insisting on employing workers with industrial experience; otherwise the benefits of education and training will not be felt. For instance, Table 7.8 shows that the private sector has a higher percentage of companies that insist on past industrial experience when employing new workers compared to the public sector. This situation arises because the private sector has too little financial and human resource to engage workers without industrial experience. They are reluctant to spend time and company resources on giving these new recruits the relevant industrial experience. To overcome this obstacle, it might be necessary to give these small scale private companies some form of tax incentives to encourage them to employ informally trained workers with little or no industrial experience.

**Table 7.8 Percentage of Companies employing workers with/out practical experience**

	Without experience	Practical	With practical experience
<b>Small scale Companies</b>	61		39
<b>Public Companies</b>	100		0
<b>Private Companies</b>	70		30
<b>Government sector</b>	70		30
<b>Totals</b>	65		35

Source: Mucharambeyi 2000 survey data

Given the need for a well trained labour force and the high cost involved in training workers in formal schools and centres, it is interesting to note from table 6.9, that public sector companies tend to marginalise informal training. None of the public sector companies have any form of internal and informal training programme for their workers. It is equally disappointing to note that 67% of small-scale companies have no informal and internal training programmes for their unskilled workers.

**Table 7.9 Companies with an informal (internal) training programme in % -1990-96**

Type of Firm	With a Training Programme	Without a Training Programme
<b>Small scale firms</b>	33	67
<b>Public Companies</b>	0	100
<b>Private Companies</b>	36	64
<b>Government Sector</b>	73	27
<b>Totals</b>	35	65

Source: Mucharambeyi 2000 survey data

**Expatriate labour force and its effects:** Unfortunately there is a growing view in Zimbabwe that the advent of economic liberalism has resulted in an influx of expatriate workers in the construction industry at the expense of local expertise. The local unemployment crisis among the professionals in the industry is blamed on this "new phenomenon". Foreigners are presumably given jobs that can easily be done by locals

(Mukalula, 1995, p. 4). Our findings, however, do not support this viewpoint. On the contrary we found a growing tendency by construction companies to employ local expertise, especially in small-scale companies. Out of a total of 147 companies surveyed, we only found 10 (7%) companies that had employed a total of 18 expatriate workers

It is difficult to explain this xenophobia towards expatriates given the global economic order and the promotion of foreign investment in the Zimbabwean construction industry. It is paradoxical to welcome foreign investment and yet exhibit xenophobia towards foreign skills. Understandably, this xenophobia arises from the fact that other countries in the Sub-region, especially South Africa, have very tight trade barriers. The right policy should be to get these other countries to open up their construction markets as the free-trade agreement under COMESA and SADC has already been signed.

Another reason why we continue to see expatriates in some Zimbabwean construction companies is that, we have not yet managed to train and retain professionals in all fields of construction. This was clear from our survey which found that 7 (70%) out of the 10 firms that employed expatriate workers, explained that, there were no qualified Zimbabweans for the kind of work offered to expatriates. For example, Zimbabwe is still lacking indigenous professionals in the areas of geo-technical engineering, and piling. Franki the only piling and foundations company in Zimbabwe has only two Zimbabweans among its employees. At times, the company has to rely on its parent company in the UK to do some of its work in Zimbabwe. In the words of the Managing Director of Kuchi Builders, "it takes a further 5-10 years of on-the-job training under appropriate supervision to produce a professional from a graduate straight from school." This is a fact we seem to ignore in Zimbabwe, not only in the construction industry, but in other industries as well.

#### **7.4.3 Small scale and labour-intensive construction methods**

It can be said that the success of the job creation exercise in the shelter construction industry depends on the industry being able to employ more labour intensive construction techniques. The shelter development strategy also favours the use of small-scale private sector construction companies over public construction companies. There is a need to do away with monopolistic tendencies and to reduce prices through competitive tendering thus, creating economic base and employment. It should, however, be noted that small-scale companies are not always synonymous with labour-intensive techniques, although most small scale companies tend to be labour intensive for lack of capital to buy machinery. Labour-intensive construction policies aim at substituting human labour for machines in the construction process, with the hope of creating more employment opportunities in the construction industry. The transformation of either a company or industry from capital to labour-intensity, inevitably entails changing the technology employed in the shelter construction process in order to utilise more manual labour: unskilled and semi-skilled labour.

This process is clearly evident in previously socialist countries like Zimbabwe, where large-scale public sector companies favouring capital-intensive techniques dominated the shelter construction industry. It is important to note, however, that the transformation



from capital to labour-intensive construction methods, employing mainly unskilled and semi-skilled workers, does not in itself mean that construction standards are compromised. It should equally be made clear that labour intensive construction methods are not necessarily cheaper than capital intensive methods as this depends on whether the return from the amount of capital tied up in machinery is greater than the rate of interest charged on capital (City of Soweto, 1992, p. 4).

Apart from creating employment opportunities for a number of unskilled and semi-skilled workers, labour intensive construction techniques also save the country foreign exchange by avoiding imported machinery, spares, fuel and expatriate labour to run the machinery. Although it is difficult to quantify these savings in monetary terms, it is quite clear that the liberalisation of the Zimbabwean economy as contained under ESAP and the shelter development strategy has helped in changing the dominance of the construction industry from one of large public companies to one of small private companies. Table 7.10, for example, indicates that over 50% of surveyed companies are now made up of companies comprising 1-9 workers. The table also shows that about 90% of construction companies are now small to medium sized and these tend to be private sector companies. This transformation should be taken as a major success in the industry considering that, only 5 years before ESAP, Zimbabwe's construction industry was dominated by the large state and parastatal companies and other very large-scale private companies like Costain Africa Ltd.

**Table 7.10 Size distribution of construction companies**

Size of Work-force	No. of Firms	% of Total No. of Companies	Cumulative % Totals
1-4	42	28.6	28.6
5-9	41	27.9	56.5
10-14	20	13.6	70.1
15-19	10	6.8	76.9
20-49	18	12.2	89.1
50-99	6	4.1	93.2
100-199	3	2.0	95.2
200-499	2	1.4	96.6
500-999	0	0.0	96.6
1000+	5	3.4	100.0

**Source: Mucharambeyi 2000 survey data**

Local councils have been found to be the largest employers of labour-intensive methods, albeit seasonally. Zimbabwean urban local authorities tend to employ casual labour for, clearing storm water drains, cutting grass cutting and pothole patching among other things. The seasonal nature of these jobs means, that councils find it more economical to employ casual labour than full-time workers or machinery. This makes economic sense, although the fear is that, the seasonal employment of casual labour has the risk of attracting and engaging peri-urban and subsistence agriculture workers at a time when they are most needed in agricultural work. If indeed people are abandoning their agricultural work to work on this scheme, agricultural production is suffering. The Trade Unions and the Neo-Marxist school will no doubt argue that, this exercise exploits casual workers because they are not entitled to the same fringe benefits as their full-time colleagues.

### **7.5.0 Income and Earnings**

Formal employment in Zimbabwe had been increased from 1, 009,900 in 1980 to 1,194,000 in 1990. But the annual number of about 18,200 new jobs was far out numbered by the number of annual school leavers, which had risen from 30,000 in 1980 to an annual average of 200, 000 by the end of the decade; all of which were desperately looking for jobs (Balleis, 1996).

The acute unemployment situation in the country, and the emergence of the informal shelter construction sector have contributed to lowered average earnings in the sector (See table 7.11). Desperate job seekers are willing to accept wage rates below those recommended by their Union and the Government. The refusal by the Government to fix a minimum wage in the country is clearly a manifestation of its commitment to a free labour market, which is regulated by demand and supply. The Government's lack of political will to consequently face the electorate regarding a free labour market is nevertheless, a serious drawback that will continue to affect its economic and development programmes.

Clearly the Zimbabwean downward earnings pattern is no different from the findings in other African countries undergoing Structural Adjustment as revealed in research by Ghai and Alcantara (1991). Their research found that the tendency for formal employment markets to decline and the informal markets to increase also leads to a reduction in earnings in the informal sector. Bangura and Beckman (1993, p. 77) have however argued that this should be the case. African workers have on average been overpaid in the past compared for example, to their Asian colleagues who have higher productivity. The salient feature in the Structural Adjustment Programme, therefore, is that wages and salaries should only be raised if and when productivity increases. Wages should be self-regulated and be governed by forces of supply and demand in the labour market. But, as the Zimbabwean case and that of Nigeria (Bangura and Beckman, 1993) have demonstrated, civil servants and public sector workers often resort to "obstructing" government's day-to-day business and bring the Government to its knees by striking.



**Table 7.11 Average Annual Real Earnings of Employees by Sector**

	1980	1982	1984	1986	1988	1990	1992	1994	1996	1997
Agriculture	100	164	143	137	130	130	70	75	85	79
Mining	100	130	113	116	113	116	97	90	113	110
Manufacturing	100	117	101	103	101	103	83	74	89	80
Electricity	100	117	90	93	96	94	79	85	129	133
<b>Construction</b>	<b>100</b>	<b>120</b>	<b>107</b>	<b>98</b>	<b>85</b>	<b>78</b>	<b>57</b>	<b>46</b>	<b>66</b>	<b>68</b>
Finance	100	103	85	87	89	93	89	78	99	76
Distribution	100	115	92	94	88	85	70	58	75	69
Trans & Comm	100	108	79	82	80	90	66	61	68	62
Public Admin	100	89	66	63	62	61	41	35	60	74
Education	100	59	69	73	77	82	64	49	60	74
Health	100	102	79	85	81	90	68	56	80	105
Domestic	100	115	82	100	92	82	48	31	25	18
Other	100	107	85	81	76	80	61	55	70	66
<b>Total</b>	<b>100</b>	<b>122</b>	<b>100</b>	<b>102</b>	<b>101</b>	<b>103</b>	<b>78</b>	<b>67</b>	<b>88</b>	<b>88</b>

Source: Zimbabwe Human Development Report 1999, p.62

### 7.5.1 Foreign exchange component for wages and salaries

As pointed out earlier, one of the reasons why expatriate construction labour was viewed with skepticism was because of the alleged fear that the much-needed foreign exchange would be lost through the payment of expatriate salaries. With the liberalisation of the foreign exchange market however, it is no longer necessary to pay expatriate workers in hard foreign currency because they can easily buy their desired foreign currencies given the local ZimDollar equivalent. The continuous depreciation of the Zimbabwe Dollar nevertheless, means that expatriate workers are better advised to quote their salaries in a stable international currency, like the British Pound or the American Dollar and then settle for the local ZimDollar equivalent. Otherwise, they stand to see their real earnings depreciate just like their Zimbabwean counterparts. Some people welcome this development as a trend that will nevertheless promote indiginisation. However, it has become increasingly difficult to attract qualified and able expatriate staff into positions in which Zimbabwe still lacks qualified local staff.

**Table 7.12 Currency in which wages and salaries are paid: by construction sector and in % of total**

	USDollar/UK Pounds only	ZimDollar only	Combination of ZimDollar and US \$ / UK £
<b>Small scale Companies</b>	0	98	2
<b>Public Companies</b>	0	100	0
<b>Private Companies</b>	0	82	18
<b>Government Sector</b>	0	100	0
<b>Totals</b>	0	95	5

Source: Mucharambeyi 2000 survey data

Although it is quite clear from table 7.12 that Government and the Public sector remain major employers of expatriate staff, it is equally important to note that these public sector bodies do not necessarily pay them. This is because most of the expatriate workers' concern come directly under the various multilateral and bilateral aid schemes. This entails them being paid directly by their aid agencies. In the private sector, however, we saw a tendency by the employers of expatriate labor to break their worker's earnings into two components: (a.) Zimbabwe Dollar and (b.) one of the international currencies like the American Dollar or Pound. This practice is obviously meant to offset the earnings erosion by the runaway inflation currently prevailing in the country. The only drawback however, is that, the practice ultimately increases company production costs due to ZimDollar fluctuations against international currencies and could therefore; cost the company its cost/price advantage in a highly competitive construction market.

Interestingly the study found that only 2% of the small-scale construction companies were paying their expatriate workers (or local staff) in foreign currency, compared to 18% of medium and large sized private sector companies. This goes to validate the theory that private and small- scale construction companies are more inclined to employ local staff than other companies and sectors. This being the case, private and small-scale construction companies should have higher multiplier effects than Government and public sector. It can, however, be argued that, it does not really matter whether only a small percentage of companies in the economy pay their workers in foreign currency. As long as there is a liberalised foreign exchange market, foreign workers can still purchase foreign currency in the local economy and export it in line with the ESAP conditionalities.

### **7.5.2 Factors determining wages and salaries**

There are a number of factors that construction companies take into account to determine the wages and salaries of their workers. Traditionally, the key factors in determining the wage/salary levels for workers have been the construction skill and experience of the worker, productivity and profitability levels of the company and the wages/salaries agreement between the employer and the workers. In the 5 years of ESAP however, we have seen increasing attempts by Government to change the culture and reduce the role of Trade Unions in negotiating wages. Marginalisation and salient efforts to scale down the strength of Trade Unions during ESAP, has been so overwhelming that some scholars have concluded that there is a deliberate policy agenda under ESAP to destroy Trade Unions (Bangura and Beckman, 1993). Certainly that would appear to be the position in Zimbabwe, if we consider the break-up of the once very strong relations between the Zimbabwe Congress of Trade Unions and the opposition (New) political party; Movement for Democratic Change (MDC)

Obviously, the Government realises that, any attempt to fulfill any of the above promises, (despite the loss of confidence by its political backer the labour movement) would seriously undermine its economic restructuring programme. For instance, setting a minimum wage would increase production prices, forcing more companies to lose their production advantages and result in more unemployment. It will be interesting, however, to see the wage deals that will be negotiated in privatised construction companies, which were sold to a management and workers buy- out scheme. For example: what will be

the basis of wage/salary deals between management and workers? What measures will the workers take in case of a pay dispute? Should this scheme prove successful, the solution in dealing with the current nation-wide pay disputes may lie in selling most of these public sector companies and departments to the workers and letting them manage their own affairs. This scheme would solve the Government's problem of securing redundancy packages because laid-off workers would be given shares in the company equivalent to their redundancy packages. The scheme is also likely to raise the productivity levels of these companies because workers with vested interest in the company would not want to see his/her job disappear. Closure of the company would mean the loss of the workers' lifetime-savings. The government can learn from the Home Depot Store in the USA, where every worker has shares in the company. Part-ownership of business encourages workers to be loyal and productive.

### 7.5.3 Trade Unionism, labour productivity and pay

In Zimbabwe, the interests of workers in the building, construction and allied industries are represented by the Zimbabwe Construction and Allied Trades Workers Union National Union (ZCATWU). Like any other Union, ZCATWU monitors the working environment, wage and salary rates and the general welfare of its members. However, its strength has been greatly eroded over the last few years by the great reductions in membership, arising mainly from redundancies. It now commands little respect from the industry. The mushrooming of the informal construction sector has not helped matters because both workers and employers are not registered with the organisation.

There is now an increasing tendency, in the private sector, to base workers earnings on labour productivity and profitability levels of the company. Government departments and public sector companies however, still rely on standard wage/salary rates negotiated with the unions. Table 7.13 of the study shows for instance that, there are only 3% and 7% of small scale and private sector companies respectively that depend on trade union agreements in fixing the rate of earnings for their workers. All Government departments and public sector companies do rely on union negotiated wages.

**Table 7.13 Determinants of Wages and Salaries in %**

	Trade Unions	Government Legislation	Productivity	Other- By agreement	Combination of factors
<b>Small-scale Companies</b>	3	1	86	5	5
<b>Public Companies</b>	50	50	0	0	0
<b>Private Companies</b>	7	0	46	11	36*
<b>Government (Central and Local)</b>	27	45	0	0	27•

\*Combination of Trade Union and Productivity

• Combination of Trade Union and Government Legislation

Source: Mucharambeyi 1999/00 survey data

Although the new productivity-related wage formula should be hailed as a positive step to increasing industrial productivity as compared to the standard collective bargaining and Trade Union formula, it is important to state that this is no way advocating the elimination or destruction of Trade Unions. On the contrary, we are suggesting that Trade Unions realise the changing current socio-economic environment and adapt their activities accordingly. For instance, during the field trips to a number of informal construction sites, it was very clear that informal construction workers were being subjected to poor working conditions. Workers were observed working on Saturday afternoon and Sunday. They had no safety shoes, hats or any form of protective clothing. Conditions were worse for a number of women who crush rocks into smaller stone for use in building houses. Undoubtedly, this is one of the reasons why informal construction firms are able to sell their products at a lower cost than the formal builders. Informal sector companies have very low overhead costs, coupled with the fact that they do not pay any form of taxes. Government should set minimum safety standards even in a liberalised market economy. It is not surprising that none of the informal sector construction firms in our survey based their wages/salaries on trade union negotiation or government recommended rates, they all based their workers' wages on productivity and the profitability of the company.

Given the new economic dispensation under the Economic Structural Adjustment Programme and the enabling shelter strategy, there is now a growing need for the trade unions to change their classical view. They hold diametrically opposed interests against the owners of the means of production (the capitalist) to maximise wages and salaries from their labour. The mere fact that the Zimbabwean Government is no longer going to support public sector loss-making companies, the advent of privatisation means that it is the workers' responsibility to contribute to their companies increased efficiency and profitability, apart from safeguarding their jobs and ensuring increased earnings. Similarly, companies too have to realise that only a well paid and motivated worker is able to provide maximum productivity input and output. It is becoming increasingly evident that the classical Marxist argument that the two parties are at "War" trying to find which party gains most from the arrangement is out of touch with the new global socio-economic and political environment (Nobbs, 1983, p. 265; 286-292).

### **7.6.0 Summary**

Government's plans in the labour and education sectors of the shelter construction industry and the economy as a whole have been frustrated basically by three main factors:

- The lack of money has resulted into stalled public sector retrenchment exercise because lack of funds to pay terminal benefits. The standard of education and training of workers has equally been affected by the massive reductions in the education budget.
- The pressure that public workers, especially civil servants exert over Government when it attempts to trim the size of this sector and determine productivity and market based wages and salaries.



- Low government and private sector capital investment in the construction industry resulting in low construction demand. Low construction demand has ultimately led to formal construction labour retrenchments.

The failure to successfully carry out the public sector reform programme has had far reaching implications on the construction industry and the rest of the economy. With 86% of Government budget committed to emolument related expenses (CSO, 1998), it follows that the only way Government was able to commit more money for capital projects and the productive sector was by reducing its wage bill and diverting the money to production. This is a situation in which the Government is held ransom by the public sector workers and the electorate and forced to go against its adopted national development strategy. The political decision to give University students more money in monthly grant allowances than it gives to its own graduate workers has only weakened its case for adopting a productivity related wage/salary structure.

The positive factor emerging from the minimal retrenchment that has so far taken place has been the emergence of a vibrant informal sector labour market in almost all sectors of the economy. The construction industry recorded an 80% increase in our survey. The only drawback has been a complete absence of a comprehensive tax regime in the country, to tax this emerging sector and help in spreading the tax burden that is currently borne by a very small proportion of workers in the formal labour market. Taxing the growing informal sector will also help in boosting dwindling Government coffers. Taxing the informal construction sector would take the form of a building fee for every building contract submitted through the council's building inspectorate. Admittedly, this would leave out informal housing in the squatter settlements, but at least it would make a start on taxing the sector. Until that is done, Government revenue from income and company taxes will continue to dwindle with every public sector company closed and worker declared redundant.

The high priority given to balancing the national budget above all else has also seen massive declines in the education and training budgets. Although cuts in these budgets have the immediate effect of helping balance the national budget, they have far-reaching long-term implications on the national economy. These reductions will mean that the future generation will lag behind in technological and managerial skills to compete with other countries in a competitive world market. The constant fear of being retrenched from the public sector has also contributed to low morale in the public sector. Consequently, public sector urban and construction programmes have suffered because qualified professionals have left the sector for greener pastures in the private sector or simply left the country altogether (See also Comia, 1996, p. 52). It is very clear, even to the protagonist of the Neo-Liberalist theories and policies, that only a strong and efficient public sector can ensure high urban productivity in Third World countries (World Bank, 1991, 23).

Another area of concern is the gender imbalance in national development issues, especially in the construction industry, where women, despite making the bulk of the national (and urban) population, continue to be marginalised. Rather than look at real issues that hinder their participation in national development, the government seems only interested in making symbolic gestures like creating a new department for women. The department spends almost all of its resources on international conferences and



seminars while women still need equal access to business loans, mortgages, and assistance to land acquisition, education and training.

Declining wage/salary earnings for workers in the country have also led to very few people having any form of considerable saving or investment in housing and other related investment programmes to stimulate the construction industry.

## 8.0.0 CHAPTER EIGHT: RESPONSIVENESS OF CONSTRUCTION SUPPLY TO ADJUSTMENT AND ENABLEMET CONDITIONALITES

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### **8.1.0 Introduction**

From chapters four to six, we examined various enabling policies and measures followed by the Zimbabwean Government in an effort to stimulate the construction industry vis-à-vis shelter, and ultimately the rest of the national economy. This chapter intends to trace the net effects that these unrelated Neo-Liberal legislation and measures had on the supply side of the construction industry vis-à-vis shelter. It is important to note that, in a Neo-Liberal environment, the Government is more interested in promoting and increasing construction supply (output) in direct response to the postulated increased private sector and aggregate construction demand.

This branch or form of macroeconomics is commonly referred to as supply side economics, and aims at "managing the level of aggregate supply in the economy" (Warren, 1993, p. 197). This explains the ultimate aim of the combined programmes of structural adjustment and its affiliated policy of shelter enablement in directing their resources at increasing domestic construction supply through eliminating structural rigidities in the socio-economic and political system of Third World countries. This does not mean that the demand side of the economy is not appreciated. On the contrary, increased industrial supply is postulated to lead to more employment opportunities and ultimately to increased incomes, which should ultimately stimulate and sustain construction demand. Warren (1993, p. 180) has argued that supply side economics has the advantage over demand side economics in that it does not cause inflation in an economy as supply is always ahead of demand.

The underlying assumption in the Structural Adjustment Programme and shelter enablement is that the construction industry vis-à-vis shelter has been besieged by the problems of inefficiency and high prices. These inefficiencies and high prices are apparently a result of monopoly and bureaucratic tendencies, inaccurate information, rigid supply of housing and other related structural and monetary rigidities. In fact, in developing economies, the basic indicators of underdevelopment are related to gross inadequacies in physical infrastructure, shelter and related amenities which result from the constraints of the construction sector vis-à-vis shelter. Thus, the construction industry can be the backbone of national economic development (Habitat, 1985, pp. 1).

The key policy objectives of ESAP and shelter enablement are to remove these "structural and monetary barriers" in the national economy and allow the (construction) industry vis-à-vis shelter to perform with minimum hindrance from the Government, bureaucrats and politicians. It is important to point out from the outset that, under this new paradigm, the size and quality of the goods and services produced are determined through free market forces. This in short, is a call for investment and private participation in shelter provision under the government regulatory frameworks.

### **8.2.0 Resultant (construction) supply levels in the industry**

As discussed earlier, the ultimate aims and objectives of both the Economic Structural Adjustment Programme and the Enabling Shelter Strategy as they pertain to the

construction industry vis-à-vis shelter, are the removal of the production-bottlenecks. The removal of these bottlenecks will lead to attaining maximum production levels possible, from the available minimum resources. At this juncture, validation of these policy measures through testing the sub-hypothesis is necessary. The hypothesis states that "construction supply has increased in the five years of ESAP that Zimbabwe has applied both programmes of structural adjustment and shelter enablement". To test this sub-hypothesis, we take into stock, the amount of construction vis-à-vis shelter that has been undertaken during ESAP's five years and compare the figures with similar figures in periods prior to ESAP to see if there had been a marked improvement in the period under review. It is important to note however, that local construction supply can increase in an environment of reduced local construction demand, if the excess supply can be channeled to exports. The case of Circle Cement Ltd. and the Forestry Commission which have increased production due to increased exports amidst reduced local cement, timber and asbestos roofing sheets demand respectively, illustrates this phenomenon.

Unfortunately, all the three city council surveyed were unable to provide precise figures of the amount of construction that took place in their respective cities prior to and during the Adjustment period. The study will, therefore, use secondary data from the Ministry of Public Construction and National Housing (MPC&NH) and the Monthly bulletins of statistics from the United Nations on the overall construction output and Fixed Capital Formation (GFCF) in Zimbabwe (This information was presented in earlier sections of this study). This chapter traces effects of ESAP on the shelter, vis-à-vis quality, quantity, price availability and materials.

### 8.2.1 New construction works

The field survey found that 85% of the 127 contractors interviewed, 75% of their contracts were new. The demand for new contracts is understandable, given Zimbabwe's population growth rate of around 2.7% p.a. This extremely high growth rate obviously demands new shelter related infrastructure construction to absorb the added population in education: schools and universities; Health: clinics and hospitals; and housing: roads, electricity and water.

**Table 8.1: Percentage of work contracts in formal & informal sector (1990-1999)**

	Housing	Industrial	Commercial
<b>New contracts</b>	75%	4%	6%
<b>Old contracts</b>	8%	1%	1%

**Source: Mucharambeyi, 2000 Survey data**

However, massive cuts in the Government budget for capital expenditure has meant that public sector demand has not been as high as expected or postulated in Neo-Liberal literature. This is reflected in figure 6.2 in chapter six, which showed that Gross Fixed Capital Formation in Zimbabwe was reduced by 27% in real terms between 1990 and 1995. Although there was a 55% increase in private sector consumption, government consumption fell by 25% during the same period; the increase in private consumption could not be translated into construction demand.



**Maintenance and repairs:** In supporting the infrastructure maintenance and repair sector of the shelter construction market, it is important to understand this programme in economic development terms; routine maintenance and repairs to infrastructure is more cost effective than the total renovation of collapsing infrastructure. Moavenzadeh (1987, p. 98) further argues that, since routine maintenance and repair of infrastructure are more labour intensive than new construction work, routine maintenance and repair in the construction industry should be more effective in employment creation, which is in line with the shelter enablement paradigm. This should prove more helpful in providing jobs for the unskilled workers and in the use of local construction materials and contractors. In developed countries routine and construction repairs take up to 40% of all construction contracts, in Third World countries like Zambia and Zimbabwe, the percentage share is still relatively much lower than the percentage in developed countries (Moavenzadeh 1978, p.88). Although low, the exercise goes along way to alleviate unemployment and dependence on government poverty relief handouts.

To illustrate the prominence of the repair and maintenance sectors of the construction industry in developed countries, Hillebrant (1974, p.10) has argued that, in Britain for example, the repair and maintenance sector of the construction industry employs more workers than those in agriculture, horticulture, coal mining, shipbuilding, marine engineering, timber and furniture put together. This is in line with expectations in Zimbabwe that the programme of infrastructure rehabilitation under ESAP and shelter enablement would see a steady rise in the amount of repairs and routine maintenance. However, run-down infrastructure maintenance and repairs still only account for less than 25% (Table 8.1) of all shelter related construction contracts undertaken in Zimbabwe.

Concern on the low performance market level for this sector is further compounded by the study which found that only 3% of the contractors in this sector, are concerned with road works in townships, suburbs and in the building & shelter sector. Although this finding does not tell us explicitly that very little maintenance and repairs are been undertaken in existing infrastructure, it does give us an indication of the nature of progress in the construction market vis-à-vis new works and maintenance/repairs. It was also clear during the fieldwork that most public sector buildings, especially schools and Government offices (including the police service) were in dilapidated condition and in desperate need of repairs. Lack of repair work is blamed on the lack of funds in the government's relevant ministry. It is also viewed that the drastic move by government from provider to supporter has left a gap that need to be filled by the private sector. Clinics and hospitals on the other hand seem to have benefited greatly from donor support under the Health Reform Programme, as most of them are now in a better condition than they were five years ago.

**Residential buildings:** Although shelter is the main concern of the enabling shelter strategy, it is important to recall that other public services such as water reticulation, street lighting, roadwork and drainage also fall under this category. Prior to 1990 and to some extent recently, the major supplier of shelter in Zimbabwe had and has been the public sector. In the years before ESAP, major housing scheme had been undertaken by any of the local authorities. Ironically, now that Zimbabwe has fully embraced Neo-



Liberalism and its affiliated policy of Enabling Shelter Strategy, the government through the MPC&NH built houses for rent to senior civil servants.

**Civil engineering works:** This part of the study is based on roads and water sector rehabilitation programmes as related to shelter provision. They have largely been sponsored and undertaken by donor countries on behalf of the Zimbabwean Government and have dominated the Zimbabwean civil engineering sectors of the construction industry in the past five years of ESAP. The high technology and skills involved in this sector has meant that, despite the visible infrastructure rehabilitation exercise that is taking place in the country, very few Zimbabwean companies have benefited. For example the Chinese Government with their own expertise is undertaking the Water rehabilitation exercise, while the road rehabilitation exercise has been dominated by Department of Roads. Local suppliers of construction materials have, however, benefited from this infrastructure rehabilitation exercise. For example, Bituminous Products of Trinidad, and Circle Cement are some of the local companies that have benefited from the road rehabilitation exercise. Because of the nature and usage of high-tech equipment in civil engineering related to shelter, the employment rate is low as perceived by the shelter paradigm as part of job creation.

### **8.3.0 Construction materials**

In Zimbabwe, material costs account for about 60% to 70% of the total contract value of an average construction project (MPC&NH, 1992). From this finding, it is quite obvious that, if any meaningful savings are to be made to the final cost of the project, the main factors to consider should be the choice of construction materials and their cost implications. Prior to 1991, consultants and contractors had no real choice of the construction materials to use, due to the acute shortages that characterised the construction materials market. Spence (1992) agrees and stated;

Every UN report on housing in low-income countries identifies shortage and the high price of building materials as crucial constraints to improving Housing conditions.

Consequently, the picture is very different now as consultants and contractors can now specify materials of their choice, depending on their income. Before 1990, the construction market experienced excess demand over supply and monopoly tendencies of the state companies that supplied these materials. Consequently, prices of materials were always high. However, the liberation of the Zimbabwean economy changed the situation. Presently, a variety of imported construction materials are coming into the country thereby eliminating the earlier shortages of construction materials. This spells the aims of the conditionalities of industrial and financial sector policy. Prices are also competitive and therefore bringing down the general price levels in the market. The privatisation of most public construction material companies like ZISCO steels should see an improvement in production levels of some of the locally produced construction materials like steel and timber.

It is already clear from the variety of construction materials on the Zimbabwean market that a great deal of effort is being made to develop new and appropriate construction

materials. For Example, SIRDC's cement additive developed from mine dumps would make cement costs lower because the additive is cheaper than the cement itself. However, unless the aforementioned restrictive planning and building regulations are changed, very little will be achieved. If the private sector is not willing to be the leader in this direction, as the study suggests, the Government should commission its own Building units or a private consultancy firm to make these changes before local and small scale producers of materials are frustrated.

### **8.3.1 Output, price and supply**

The salient aims and objectives of both the Economic Structural Adjustment Programme and the Enabling Shelter Strategy pertaining to the supply side of the construction market are to improve the quality and quantity of goods and services provided, at reduced prices. The emergence of the informal construction materials market has seen the formal market increase its dependence on this sector for materials and labour, as a cheap source of materials and a means of avoiding taxes (Moavenzadeh, 1987, p.78). Contrary to most Neo-Liberalist literature in other Third World countries, the notion that the informal sector tends to concentrate on local materials did not occur in Zimbabwe. There is a contrasting trend to this notion among most informal construction material traders because they tend to specialise in the sale of imported materials, mainly from South Africa. They buy the materials through cross-border trade and resell it to all major Zimbabwean cities and towns.

Another important salient feature of the Neo-Liberal policies is the elimination of monopoly tendencies, such that no one company has control over the supply of one construction material so as to influence price. This will obviously take time to effect, but already the country has seen the emergence of small-scale companies influencing the aggregate supply of most materials like cement blocks and timber. Although the quality of most products coming from the informal and small-scale sector is quite low, there is hoped that competition for the market from imported products and the elimination of Government protectionist policies will quickly raise these standards. The low quantity that the informal sector can supply is of concern for large projects that consume large quantities of materials.

Another apparent observation confirmed in our study was the increasing role that the informal sector is playing in the supply of construction materials in the Zimbabwean shelter construction market. For instance, in the supply of cement blocks and bricks, burglar bars and aggregates, study shows (Table 8.2) that the informal sector is now the leading supplier of this product to the industry; controlling 67%, 62% and 67% of the construction market respectively.

**Table 8.2 Sources of construction materials (for construction suppliers and traders) as % of total**

Construction Material	Formal market (e.g. Hardware Shop in CBD)	Informal outlet (Open air traditional markets)	Direct import from abroad
Iron and Steel	57	36	7
Timber	54	46	0
Cement	100	0	0
Electrics	78	11	11
Blocks/Bricks	33	67	0
Grass	67	33	0
Burglar Bars	38	62	0
Plumbing items	100	0	0
Aggregate	33	67	0

NB. The informal sector buys cement directly from Circle cement and then resells informally. **Source: Mucharambeyi, 2000 survey data**

The study also revealed that the informal sector is slowly taking a larger market share of the timber market with a current market share of 46% (Table 8.2). Understandably, some of the lowest market shares for the informal sector in the construction supply market was recorded in electricity related materials, where customers prefer some form of guarantee on the products they purchase. Unfortunately, most informal construction traders/suppliers tend not to operate from permanent premises, making trade assurances or guarantees very difficult, if not impossible. The issue of liability for defective products comes to play a major role in the informal sector. This problem can be solved by developing controlled markets where these traders can be issued permanent stands for operating business like the Soweto Market in Zambia. This move will also help the government in collecting taxes from this growing sector.

In areas where such guarantees are not necessary and the product can be inspected at the point of sale, for example sand, crushed stones or burglar bars, the informal sector traders/suppliers seem to be competing very well, if not better than the formal market traders/suppliers. It is clear from table 8.3 that the reason most construction merchants choose to buy their construction materials from the informal sector is due to cheaper prices compared to the formal sector.

**Table 8.3 Reasons for obtaining materials from table 8.4 above, % of total**

Construction material	Only source	Good source	Cheap source	Credit facility available	Other reasons
Iron and steel	13	37	44	0	6
Timber	42	0	54	4	0
Electrics	0	78	11	0	11
Cement	43	0	43	7	7
Blocks/Bricks	0	0	100	0	0
Glass	100	0	0	0	0
Burglar bars	0	11	89	0	0
Plumbing	0	50	50	0	0
Aggregate	0	0	100		0

Source: Mucharambeyi 2000, survey data

**Table 8.4 Is getting these materials a problem?**

Construction material	Facing problems in getting material	No problem in getting material
Iron and Steel	6	94
Timber	0	100
Electrics	9	91
Cement	0	100
Blocks/bricks	0	100
Glass	0	100
Burglar bars	0	100
Plumbing items	0	100
Aggregates	0	10

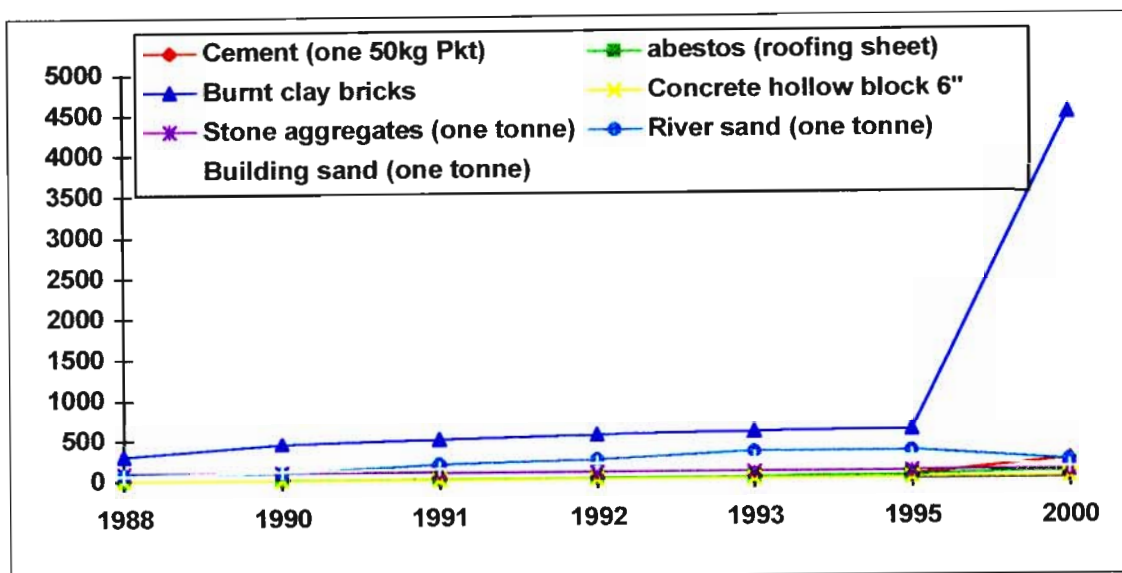
Source: Mucharambeyi 2000 survey data

### 7.3.1.1 Cement

Cement is a crucial material in all- building works (Spence, 1992). The explicit mention of Portland cement in Zimbabwe 's building regulations as the binding material for building construction purposes has resulted in Portland cement being the main building material on all building sites in Zimbabwe. Although the early missionaries used lime successfully in the rural areas, its deliberate omission in statute books means that it cannot be legally used in Zimbabwean urban areas. Although cement is produced locally, the fact that one company produces it, Circle Cement Ltd., means that monopoly price tendencies are exercised. For example, figure 8.1 and table 8.5 of the study show that cement had the highest nominal price increase between 1990-1995 and 1990-2000 at 368.2% and 206.7% respectively



**Fig. 8.1 Average cost of some building material in Zimbabwe 1988-2000**



Source: CSO, 1993, pg 2; with \*additions Mucharambeyi 2000 survey data

**Table 8.5 Rise in price of some building materials in Zimbabwe 1990-2000 in %**

Materials	1990	1995	% Nominal increase 1990-95 (ESAP)	2000	%Nominal increase 1990-00
Stone Aggregate	\$100/8 tonnes	\$89/8 tonnes	-11%	\$95/8 tonnes	-5%
Cement 50kg	\$7.50	\$35	388.2%	\$230	20.7%
Clay burnt bricks	\$450/1 000	\$600/1 000	33.3%	\$4500/1 000	900%
6'' hollow blocks	\$1.40	\$3.90	178.6%	\$15	971.4%
Pit Sand/tonne	\$105/8 tonnes	\$270/8 tonnes	157.1%	\$130	23.7%
River sand/tonne	\$95/8 tonnes	\$340/8 tonnes	257.9%	\$220	131.6%

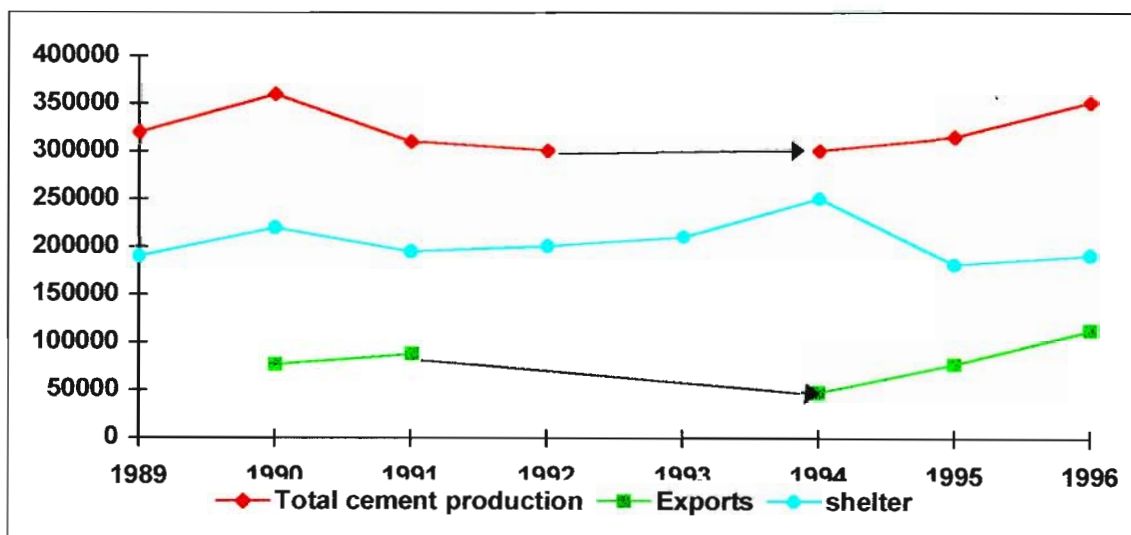
Source: Mucharambeyi 2000 survey data with 1990 price from CSO 1993, pg 15

The absence of a perfect, acceptable substitute under the country's building regulations means that Circle Cement totally controls the market in that respect. It is fair to say, however, that the reliance on electricity for cement production and the recent liberalised market prices for electricity contributed significantly to these price increases. In the absence of other fuel like natural gas and the prohibitively expensive, imported petroleum products, hydro-electricity is the chief fuel for Zimbabwean industries including companies producing construction materials. For example, electricity accounts for 75% (MPC&NH, 1986) of the total production costs for ZimTile. The monopolistic



status of the Zimbabwe Electricity Supply Authority (ZESA), in generating and supplying electricity in Zimbabwe leaves most Zimbabwean companies (shelter products producers included) at its mercy. For example, the introduction of a 50% "import surcharge" on electricity bills exceeding 1,000 kW/h monthly consumption rate in 1995, increased the cost of most locally produced goods in Zimbabwe. Cement manufacturing companies are greatly affected by such rises in the price of electricity because this added cost will eventually be passed on to the shelter consumers. Some Companies were pushed out of business with the overnight 50% increase in the price of electricity, in addition to 20% excise tax and 17.5% Sales Tax (GOZ, 1997). It is no wonder that imports are costing much less than Zimbabwe goods and services.

**Fig. 8.2 Total cement production and export figures by Circle Cement Ltd**



Source: Monthly bulletin of Statistics, 1997, pg 56 \*Additions Mucharambeyi 2000

As the conditionality of industrial policy rightfully intended that companies should be export orientated, the study showed that Circle Cement exported 14% (fig. 8.2) of its production. Also illustrated on figure 8.2, an average of 20 000 tonnes of cement went into domestic shelter market during the period of ESAP (1990-1995). Table 8.7 shows the percentage of exported cement to the SADC countries.

**Table 8.6 Circle Cement Ltd. export figures in the Southern African region**

Country	Tonnes	% of Exports
Malawi	11,247	39
Burundi	8,513	29
D R Congo	4,447	15
Tanzania	3,416	12
Namibia	660	3
Mozambique	361	1
South Africa	282	1
Total	28,926	100

Source: Circle Cement Ltd (General Manager), 1995

Ideally, under circumstances of reduced cement demand, the price of cement should have been falling or have fallen. The rises in prices of other inputs have prevented this from happening. It is very common to see informal traders selling cement bags by the roadside below the retail price in most established hardware shops. For example, the factory price at Circle Cement Ltd was \$220 for a 50Kg bag of cement. The study found that on average, most formal traders in Mutare were selling the same bag at \$230 and the informal sector average price was \$225. Most informal traders were willing to negotiate the sale and lower the price. Unfortunately however, we noted that most informal sector traders did not keep their cement in dry and sheltered conditions. The quality of their cement cannot therefore be guaranteed to be of good condition. Obviously, competition between the formal sector businesses and the informal traders to the advantage of the consumers. The competition keeps the prices down. However, the failure by the Government to tax the informal sector means that government is losing Millions of ZimDollars in uncollected company and income taxes, at a time when the government badly needs this money to finance other programmes.

Undoubtedly, prices could come down if there is transfer of technology and development into the hands of the informal sector. This will bring increased competition and also result into the creation of employment and community empowerment, which is in line with the ESAP aims and objectives. Spence (1992) observed that Indian technologists have been experimenting with mini-cement plants since the 1960s in an attempt to develop a process for producing cement of identical quality to that of the developed world. However, they use equipment at local scales without involving transitional capital. This kind of entrepreneurship taken into the Zimbabwean context would help the informal sector achieve higher productivity. With the support of Scientific & Industrial Research & Development Centre it would be easier to achieve such levels of technological development.

### **8.3.1.2      Aggregates (Crushed stones and building /river sand)**

Crushed stone and building/river sand, or simple aggregates as they are commonly known are both used in building/shelter and civil engineering projects. In the building sector, aggregates are used mainly in floor slab and beam construction, whilst in civil engineering sector aggregates are used for consolidating the base of footpaths and roads. The "aggregate business" has not been the same since unemployed youth & women started manually crushing stones from large rocks and collecting sand from riverbanks in peri-urban areas. This not only brought the price of aggregates down, but also gave rise to Government-owned Crushed Stone companies. These companies concentrate on supplying the large-scale consumers like road contractors. Table 8.1 shows that aggregates are the only construction material that have seen a price reduction in nominal terms during the last years of Structural Adjustment. Obviously, the role of the informal sector had contributed to this relative, nominal low price increase between 1990 and 1995. The fact that there is no foreign exchange involved in breaking stones and gathering river sand will be another important factor. It was also clear during our field survey that most small-scale consumers of aggregates were opting to buy their supplies from the informal traders. Informal traders' prices were far lower than formal company prices.

In Mutare, for example, one load (1 cubic metre) of building sand from the formal sector was selling at \$95 while the same load was being sold at \$60-\$80 by informal sector traders. We also noticed a tendency by most informal traders to charge different prices for their goods depending on the appearance and status of the customer. Affluent-looking customers were usually charged higher prices. The informal business of selling aggregates has now spread to all other major towns and cities in Zimbabwe. Wherever you see a construction site, there is bound to be an informal trader dealing in aggregates. Since informal trades in aggregates usually tend to be women and children, there is concern for the health and safety of these individuals in this emerging market lacking protective clothing for the women and children. However, despite these working conditions we regard Hansenne's (1991, cited in ILO, 1995) argument that, the informal sector cannot be aided by merely creating a less discriminatory policy environment or by giving it public money. The sector needs special attention and assistance from the Government, if it is to overcome the 'teething' problems. The special assistance and attention should be in the form of education on health risks and micro lending of funds to access protective clothing needed for the job. The Department of Natural Resources has now voiced their concerns against this growing trade, citing environmental damage caused by these mostly enterprising women and children.

The illegal quarrying for sand and stone for building purposes, which began on a small-scale basis has now reached considerable proportions. Although the Ministry of Natural Resources does not recognise the benefits of the small-scale stone-breaking industry as entrepreneurial and job creation initiatives, these ventures need to be applauded. However, the activity (stone-breaking) needs to be regulated urgently because its health, economic and environmental consequences are far reaching.

### 8.3.1.3 Cement blocks, burnt bricks and chinaware

In Zimbabwe, there is a strong tendency to use more cement blocks than ordinary burnt bricks in low-cost housing, as can be seen by the high percent of companies that are involved in cement block making. There is 80% block manufacturing in the industry compared to only 20%, brick manufacturing as shown on table 7.8.

**Table 8.7 percentage of Forma/Informal sector share of building materials Production for Shelter**

	Informal	Formal
Burnt Bricks	2	98
Cement blocks	80	20
China ware	1	99
Tile	1.5	98.5

Source: Mucharambeyi 200 Survey Data



This is expected though, considering the high price of fuel (electricity, petroleum or firewood) incurred in making burnt bricks. Past negative performance experience of large state companies supported by Government could have contributed to discouraging most entrepreneurs from going into this business.

Following the demise of all public sector brick making companies and the liberalisation of the economy, some private and small-scale companies have since taken up brick making. One good example is that of Beta Bricks that recently (1999) acquired a \$18.5m brick and chinaware Kiln from South Africa, to boost its existing chinaware and brickwork capacity. Beta Bricks managing director said that, with the acquisition of this new kiln, he expected to attain a production level of approximately 5,000 bricks per week. The company also has plans for the production of toilet cisterns and bathroom face basins; an area that the informal sector cannot venture into due to the magnitude of the start-up capital required.

The study found a wide range of prices for concrete cement blocks and burnt bricks. It must be said though, that most burnt bricks we came across were of very poor quality as they had cracks and probably could not pass the laboratory standard test required by the Zimbabwe Building Bureau. Smith (1996) the Building Bureau chief agreed and stated:

Our main concern is that the blocks that are sold by the informal material suppliers have failed our laboratory test. We do not endorse the usage of these blocks....

Prices in the informal sector market were much cheaper than prices in the formal sector. On the other hand, none of the block/brick makers in the informal sector (Plate 8.1) had any equipment to measure or test the load bearing capacity of their products.

**Plate 8. 1 Brick and River sand sale on the roadside in Harare**



The solution lies in converting the informal sector into the formal. This can be achieved by creating permanent controlled premises so that training and high standards can be achieved. This activity can even go as far as pooling the resources of the sector to aggregately market their products thus producing accountability and taxation.

#### **8.3.1.4 Roofing sheets**

Despite the overwhelming scientific evidence that asbestos roofing sheets cause cancer, asbestos roofing sheets continue to be the most commonly used roofing material in Zimbabwe. This is partly because they are produced locally and are therefore, cheaper than clay tiles or corrugated iron sheets. The advantage of an asbestos roof is that it is lighter than a tiled roof and in the short-term does not necessarily need trusses. Simple purlins without the support of trusses tend to suffice on a low to medium cost house. Corrugated iron sheets have the disadvantage of needing constant painting and maintenance, making them more expensive in the long run. Although a number of small-scale companies are now engaged in producing clay and cement roofing tiles, their use is still minimal because of the strong roof structure that is needed to support the heavy tile roof.

Turnall Asbestos Products (TAP) is the main producer of asbestos roofing sheets in Zimbabwe; they also produce asbestos pipes. The company currently has a production capacity of 30,000 tonnes per year, although plans are already underway to increase it to 70,000 tonnes per year. The planned increase is mainly a result of increased export orders from Namibia and Malawi. Out of the produced tonnage, 15,000 tonnes (50%) go into the Zimbabwean domestic shelter provision (SIRDC, 1998). It was found that informal sector traders were also engaged in selling asbestos or corrugated iron roofing sheets. Not surprisingly, there were little price differences in these materials in the formal shops we visited. For Asbestos building products, the prices were almost uniform, with price variations of only \$0.20. The small variation in prices could be attributed to the location (by TAP builders) of manufacturing and distribution centres for these products in Harare, Bulawayo and Mutare. The recent hike (SIRDC, 1998) in the price of asbestos roofing sheet from K734 in 1991 to K23, 880 in 1995/6 (a nominal 3,153% increase) is likely to discourage low-income earners from using this material and finding other cheaper alternatives in future.

#### **8.3.1.5 Steel**

ZISCO steels produce almost all the steel Zimbabwe uses for construction. The bulky nature and weight of steel makes it extremely difficult for small scale suppliers to enter into steel exportation and local redistribution. There are mainly two types of construction steel sold by Shonga Steel namely Mild steel rods and iron reinforcement bars, both starting from diameters of 6mm to 32mm. The monopoly status of Shonga Steel in supplying construction steel meant that there was no marked difference in the price of steel within the individual cities surveyed. The only exception observed was that, there was a slight difference in prices (\$45) between Harare and Mutare due to transportation



costs. With most buildings being low-rise, we expected a low rate of steelwork in the Zimbabwean building industry, yet the opposite is true. The high rate of burglary has forced many households to build steel grill doors and burglar bars on all windows.

The trend toward building “fortresses” has helped in promoting business for most informal sector steel welders. All the major roads of the three cities of Harare, Mutare and Bulawayo are lined with traders dealing in burglar-bars, steel grille doors and steel gates. The only problem with this development, from an architectural point of view is poor aesthetics. Some of the fortresses are built as an after thought, some are built with semi-skill and the result is an unpleasant array of burglar bars and ugly concrete walls in most instances (plate 8.1).

**Plate 8.2 Dura wall as security fence-Harare**



At this juncture, it is important to point out that it was difficult to establish the consumption of steel in the shelter provision sector. ZISCO steel the only producer of steel, being parastatal information was not available for the public.

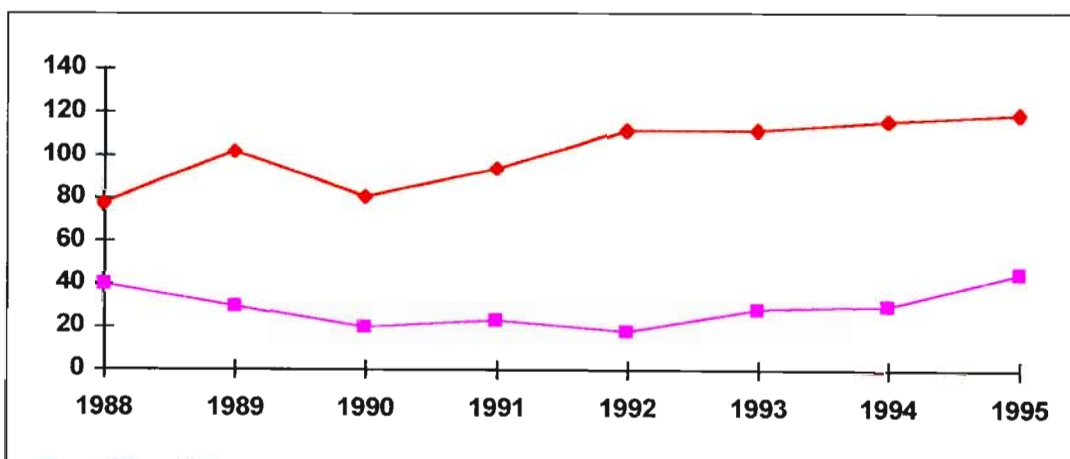
#### **8.3.1.6 Timber**

Although Zimbabwe is endowed with a variety of timber species, its planning and building regulations still do not allow for timber building structures. The key argument being that timber buildings are susceptible to termites and would easily spread fire to

surrounding buildings, in case of a fire. Yet there are studies which prove this theory wrong. For examples, studies by second year Architectural students at NUST in various parts of Zimbabwe have shown that timber buildings built by the early missionaries are still standing today despite the poor maintenance of these buildings. Americans build 2-3 story buildings, which can last an average of 200 years with good maintenance. We are of the view that, allowing timber buildings, especially houses in designated council areas would create more job opportunities for the carpenters in the construction industry and at the same time provide affordable housing This would in-turn promote the local timber market and job opportunities in the timber business.

Currently, Zimbabwe earns in excess of \$800,000 annually from the export of timber products to Tanzania and Namibia through the State owned Forestry Commission. This is despite the timber export curb by Government, which limits the amount of timber to be exported from Zimbabwe to 75% of the total production. Making the announcement in Harare, the Environment Permanent Secretary, said the export limit was "a way of regulating the industry and protecting the local industry" (The Herald, 20/10/95). This is clearly another contradiction of Government policy to let market forces determine the demand and supply of goods in the economy. With such Government export controls, it will inevitably entail bureaucratic paper work in monitoring this 75% limit (CSO, 1997). It is likely that we shall see more illegal export of timber and loss of Government revenue. We should emphasise that the increase in timber exports have been made against a backdrop of reduced local demand, especially by National Railways of Zimbabwe who are now replacing their timber sleepers with concrete ones.

**Fig. 8.3 Zimbabwe’s sawn wood production in thousand cubic metres**



Source: National Nations-Statistical Yearbook, 1996, pg 47 Additions Mucharambeyi 2000

Although there is support for Government efforts in trying to ensure sustainable practices in the timber industry, people strongly feel that the above measures by

Government are counter-productive. Not only to the construction industry and the economy as a whole, but will also lead to failure by government to achieve their aims and objectives. For instance, it is an "open secret" in Zimbabwe that hardwood like Mukwa from the Matebeleland Province is finding its way to neighbouring countries outside the formal market and this control will only encourage smuggling. Instead, it is proposed that timber merchants should by law, be required to plant more trees than they are cutting down, and that the government should impose a timber tax on the sale of timber that would be used for re-forestation throughout Zimbabwe.

Fig 8.3 traces the timber production in Zimbabwe. The study found that an average of 20 cubic metres per year go into domestic shelter development, while the rest is exported. The exportation though, has not increased per the conditionality of Industrial Policy like job creation and an export orientated economy having no export quantity and government restrictions. Most of the timber in Zimbabwe is used for roofing plate 7.2)

**Plate 7.3 Timber as the main roof structural component**



### **8.3.2 The use of indigenous construction materials**

Without doubt, the number one factor that hinders the use of indigenous construction materials in Zimbabwe and in other parts of the World is the old and restrictive planning and building regulations (Habitat, 1985b). Although the Scientific Industrial & Research Development Centre (SIRDC) and the National Council for Scientific Research have all done some research and produced some prototype indigenous materials for use in home building. None of these prototypes has been developed commercially. For example, the SIRDC 's sisal reinforced cement roofing sheets and cement additive from mine dumps, though tried and tested on some demonstration houses in Harare, have not been replicated on any of the housing schemes for the local councils or private house builders.

A lesson for Zimbabwe can be found in Botswana, where the NGO, CORDE has been active in promoting the production of low-cost building materials such as soil cement blocks, soil-stabilized wall construction and roofing tiles. Zimbabwe can also learn from



Chile where the Hagar De Christo programme was implemented to produce community based building components.

### **8.3.3 Research into new low cost construction materials**

Despite successes achieved in producing skilled construction manpower, the two Universities including the National Council for Scientific Research (NCSR) have failed to develop innovative and appropriate construction materials and techniques for the country. Although the SIRDC and the National Council for Scientific Research have previously developed Cement Fibre (Sisal) reinforced roofing sheets and the stabilised soil blocks, these products have received such poor publicity throughout the country that very few people outside these two institutions know anything about them. For instance, 71% of our respondents had no idea of any type of research conducted by NCSR (1998) in the Zimbabwean construction materials field.

Because research is expensive, it is most likely that only large public construction companies can afford to spend money researching cheaper and more efficient production methods (Warren, 1993, p. 99). With the new Government policy (under ESAP and the enabling shelter strategy) of breaking down the large parastatal companies in favour of the small-scale private companies, there is a fear of reduced research in the industry. With little research, the Zimbabwean construction industry risks lagging behind competitors within the Southern Africa region and the rest of the world. It is important that other strategies are found to finance and carry out research on indigenous materials and construction methods. This is the only way of finding appropriate construction methods and materials for Zimbabwean conditions (See also Briscoe, 1988, p. 288).

It is important, however, that research results are effectively disseminated throughout the industry. There is no point in Government having to spend millions of dollars in scarce resources for such research, if all this information will just end up as published papers in foreign journals without any meaningful benefits to the country. From the fieldwork result, it is clear that the lack of an efficient information system for the construction industry vis-à-vis housing has played an important part in the failure to disseminate research findings.

The challenge also lies in the shelter provision sector professionals to take into consideration the need to adjust. How and where? For example, from the study, it is apparent that there is need to reconsider bye-laws, building technology and plan formulation to accommodate the growing informal sector. Improvement can also be given to this sector by creating mini-factories to produce materials. This would considerably benefit the shelter industry.

### **8.4.0 Construction imports**

The liberalisation of the Zimbabwean economy under the Economic Structural Adjustment Programme has no doubt seen the once 'closed' Zimbabwean market open up to foreign goods and services. This opening occurred not only in the construction



industry but also in the rest of the economy. In the past, Government policy was geared towards import substitution and protectionist policies for infant domestic industries, now imports are 'freely' allowed into the country and local companies are expected to compete with foreign and established companies. The immediate impact of this import liberation policy on the Zimbabwean construction market has been to ease the former shortages of construction materials by providing the Open General Import Licence (OGIL) which has resulted into minimal delay on construction sites. It should be noted that short construction periods also mean lower construction costs, especially in countries with high inflation like Zimbabwe.

**Sources of construction imports:** As we have already learned, most of the respondents obtain their construction material from South Africa. Easy access and short distance appears to be the main reasons why the formal and informal sectors prefer this country. The Zimbabwe National Chambers of Commerce (ZNCC) has accused the Zimbabwean Government in the Customs & Excise Department of laxity in collecting customs duty and corruption. They charge that corrupt custom officials are giving informal traders and smugglers unrestricted access to this business. There is need for Government to investigate this allegation and Government move in quickly to seal these loopholes. Failure to do so meant that the Government would continue to loose millions of ZimDollar through such illegal operations. The high production costs emanating partly from high taxes on Zimbabwean products have only gone to encourage the importation of cheap construction goods. It must be noted, however, that informal traders tend to deal in small construction items like mortise locks, lamp holders, putty, electric switches etc., rather than bulk items like bath tubs, or geysers which are still dominantly provided by the formal sector.

**Effects of imports on the local industry:** The positive impact of the import liberation policy was readily appreciated by the study respondents, 73% of the respondents said that imports had helped their businesses. A mere 17% said otherwise. The remaining 10% were either not sure or did not respond to this particular question. It was also noted that 17% of the respondents that said they had not benefited from the import liberation policy were mainly manufacturers of construction materials, who were in competition with cheap and sometimes superior products from South Africa. This is not withstanding the findings by most researchers that the importation of most construction inputs in developing countries are providing marginal benefits to the national economy (Habitat, 1985, p.7).

The reliance on imported construction materials means loss of foreign exchange and low multiplier effects. The dependence on imported materials also means a decline in local construction material industry thereby reducing Government revenue from domestic companies.

### **8.5.0 Stimulating construction exports**

With an external debt of \$121 billion (158% of 1997 GNP, resources are being tied to servicing this debt such that 37 cents of every dollar raised in revenue goes toward servicing interest on the debt (ZCTU, 1999). Tobacco, Zimbabwe's traditional export,

continues to fetch less on the auction floors. The desperate search for more non-traditional exports has taken top priority in Zimbabwe's development policies. In this respect, all sectors of the economy are expected to earn some foreign exchange through promoting production and exports. Some construction companies, notably Circle Cement and the Forestry Commission are exporting their products and earning some foreign exchange. For example, figure 7.3 shows that export earnings from building materials and sawn wood increased by 62% and 99% respectively between 1991 and 1995.

The only strategy for companies in construction and other industries to win exports, is to attain high efficiency levels and reduce their production costs. With the birth of COMESA and the signing of the World Trade Organisation agreement to reduce trade tariffs and eliminate unfair trading, Zimbabwean companies will learn that, only efficiency and quality goods and services are key to promoting exports. Circle Cement Ltd. is a good example of how privatisation, coupled with good management can lead to more exports for Zimbabwean construction companies. Another suggested strategy is to convert the informal industries into formal industries, the combined forces of these sectors will produce a sizeable quantity of products for export in fulfillment of the aims and objectives of ESAP. Of importance also, is the industries' ability to meet world standard in quality products in order to meet the objectives of ESAP.

There are dangers though; in an export-orientated market, exports can create shortages on the domestic market thereby driving prices and inflation high. For example, in 1993 while cement was scarcely available for the housing sector, Circle Cement exported as much as 300000 tonnes. This is a clear indication of the effect of the free-market created by ESAP. A situation such as described above makes shelter unaffordable.

The traditional strategy of lowering the exchange rate (devaluation) is no longer a viable option given that the forces of demand and supply on the Zimbabwean money market now solely determine the rate of foreign exchange. Besides, we have already seen that, even in instances where the ZimDollar has fallen rapidly (in essence devaluation), Zimbabwean companies have failed to break into foreign markets. From past experience, we can safely say that in Zimbabwe, devaluation in essence means increased fuel price and therefore, increased production costs for local companies, which negates the intended cost advantage of devaluation.

The other important factor to consider in the export promotion drive is the quality of goods and services. Years of Government protection of local industries seem to have done more harm than good to the quality of most Zimbabwean goods. Aked (1995b) has warned that, although regional and world trade barriers are likely to disappear within the next few years, the biggest obstacle to Zimbabwe's export drive is the "quality barrier."

The 5% import levy for goods coming into Zimbabwe since 1995 (Zimbabwe, 1996), that the Zimbabwean companies requested has back-fired against them. The levy does not differentiate among raw materials, intermediate goods and finished goods. In effect, the new 1995-import levy has had the effect of increasing the cost of production for most companies dependent on imported raw materials and making their goods more expensive than imported goods. With a continuous downward fluctuation of the local currency, we would think that domestic companies would be interested in entering the

export market so as to counter input costs due to foreign exchange losses and salary/wage increases.

### **8.6.0 Targeting the international and regional construction markets**

Studies from around the world show a close relationship between countries with a high GNP and a high export base. The recent signing of a zero rate tariff by the year 2000 by the Common Market for Southern and Eastern African Countries opens up export markets for Zimbabwean goods and services. Zimbabwe has also signed the Southern African Development Community (SADC) trade protocol, which is designed to eliminate all barriers to inter-SADC trade, import tariffs, and quantity restrictions, and will become operational as soon as two thirds of the member states ratify it.

Until now, most Zimbabwean companies were concerned that they could not penetrate Southern African markets (especially that of South Africa) because of the high import tariffs that these countries had imposed on Zimbabwean exports. The significance of these trade arrangements in either SADC or COMESA can best be seen in the fact that the Eastern and Southern African market has a total population of over 215 million and a combined GNP of \$134,305m, more than 50 times the local market (UNDP, 2000)

What makes this Eastern and Southern African Common Market more interesting from a construction point of view is that two of the member states, namely Angola and Mozambique, are just coming out of civil wars and are now rebuilding their physical infrastructure. South Africa, the region's economic giant, has also only recently gained majority rule and is in a hurry to redress the housing and social infrastructure imbalances left by the apartheid era. Currently in motion, is an ambitious £2bn housing scheme to build approximately 1 million houses in the next five years, and the rest of the region is eagerly waiting to grab a piece of the cake. To try and achieve this task, the South African government has recently set up a National Housing Board. The Board coupled with government housing subsidies is trying to solve the housing crisis (Ofori *et al*, 1996, p. 215). The opening up of the Southern African Market also brings in a larger and richer clientele.

Clearly, the legislative process has been set and the future now looks promising, but the Zimbabwean construction industry is unlikely to be ready to exploit these opportunities in the larger regional market. This is because of the low percentage of companies intending to expand into the export business. Only 3% of our respondents had any immediate plans (in the next five years) to expand their businesses to cater for export orders or commissions when the free trade area comes into effect in the next four years. This raises serious doubts, concerns and questions about the management and operations of our construction industry. Obviously, there could be other reasons for this trend. From previous chapters, we know that high interest and inflation rates have been major factors in inhibiting businesses from securing loans for business expansion and quality improvements.



### 8.7.0 Summary

There has not been an industrial miracle in the supply side of the Zimbabwean construction industry in regard to shelter in five years of ESAP, but positive steps have been taken and ground gained. The supply-side economics adopted by Government for the whole economy seem to have achieved some results, especially in eliminating the acute shortages of construction materials in the country (see table 7.6). This has been achieved mainly due to new Neo-Liberal Government policies that have eliminated state monopolies in construction materials supply and the promotion of small scale, private contractors and suppliers. It was also clear from figures 7.1 that the reason for the apparent local supply excess to support increased exports was that local construction demand has reduced resulting in reduced real growth for the industry. This fact is further supported by comparing production and export figures of cement and saw wood, which show that while the country increased export earnings by as much as 62% and 99% respectively, the corresponding production figures were in no way near those percentages. It is therefore, doubtful that, in the event that local construction demand would increase, the country would be able to export and earn a considerable amount of foreign exchange from construction-based products.

Although monopoly is said to be detrimental to consumers, the case of Circle Cement Ltd. demonstrates that private sector monopolies can still respond to market forces and even earn foreign exchange through exports. Although private sector monopolies do not benefit the consumers directly, they can help in balancing the country's trade and ultimately the local economy if they can employ good management techniques, efficient production methods to compete with foreign goods and services.

The private, small scale informal sector entrepreneurs in the construction industry vis-à-vis shelter have also contributed significantly to filling the void left by the privatised public construction companies either as contractors or as manufacturers of construction materials. The buying and selling of construction materials among the various sectors of the industry results in an interaction by all these sectors as can be seen in figure 7.5. Although there is little interaction between the large scale formal and the informal sectors, there is much more interaction between the small scale formal and medium scale construction firms and the informal housing construction sector. It was noted, however, that quality assurance for most goods and services in the emerging informal sector and some formal sector still below international standards to allow a break into the export market. Archaic and unreasonably high planning and building standards have also made it hard for innovative local companies to research appropriate, indigenous construction materials that do not conform to current planning and building regulations for shelter provision.

It is notable that Globalisation of world trade, particularly the forthcoming free trade Zones for Southern Africa (COMESA) and the rest of world (World Trade Organisation agreement) is a double-edged sword. It gives Zimbabwean businesses an opportunity to break into the world market, but at the same time it could lead to the total collapse of the Zimbabwean construction companies, should they fail to adjust and compete with foreign goods and services coming into the country duty free. Dijkstra (1996, p. 544) has argued that "increased competitiveness does not fall from heaven, the state must do more than liberalise the markets." He further argues that the Government "should



promote technological development, human capacities, quality standards, and anti-monopoly legislation."

## 9.0.0 CHAPTER NINE: SUMMARY AND CONCLUSION

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### **9.1.0. Introduction**

This final chapter, summarises and links back the aims, objectives, key points and draws conclusions on whether the application of the Economic Structural Adjustment Programme and the Shelter Development Strategy helped the shelter construction industry increase production in response to the 1990 post macro-economic changes in Zimbabwe. In so doing, it intends to look at whether the Zimbabwean shelter construction industry achieved its aims and objectives as prescribed in both Neo-Liberal strategies namely;

- Increasing employment opportunities.
- Construction exports.
- Housing stock.
- Aggregate GFCF in the country.

The study summarises the situation in the shelter construction industry during the application of Neo-Liberal strategies. It also assesses the post 1990 situation, in light of changes brought about by ESAP and the shelter enablement. Finally, the study draws conclusions on whether the Neo-Liberal strategies achieved their intended aims and objectives pertaining to the Shelter construction industry, and draws recommendations for action to achieve these aims and objectives.

### **9.2.0 The Effects of ESAP and the Shelter Development Strategy on the Shelter Construction Industry**

This part of the study summarises and makes conclusions on the key measures introduced under the two strategies and their net effects on the shelter provision industry. It should be borne in mind that the application of ESAP and the Shelter Development Strategy as they relate to the study was specifically applied with the intention of arresting the downward trend in the shelter construction industry that started under the government prior to 1990. In summarising the various legislation and practices after 1990, the study looks at whether these measures helped in arresting the decline in the Shelter construction industry and whether the measures led to increased growth.

**Enabling legislation and practices:** Government's change of strategy from 1990 to the new development strategies of ESAP and Shelter Development Strategy in an effort to reverse the downward trend in the macro-economy and especially the shelter construction industry in Chapter Four. The new government strategy was based on liberalising the Zimbabwean economy and promoting private sector participation in the overall economy and the shelter construction industry. Reference is made to the literature review in Chapter Two, which explained that, the strategy behind enacting enabling legislation was to encourage private local and international businesses to invest in the country by giving them business security and investment guarantees. Experiences from the

mid 1980s, when the government enacted prohibitive private sector legislation, have testified to the need for enabling legislation and a hospitable business environment.

There is no other choice than to liberalise the economy. Almost every centrally planned economy in the World has collapsed. The role of government is to govern and it is for the private sector to run business (Aked, 1995, p. 22).

In this respect, notwithstanding the high failure rate for companies in this industry, the study found that, 34% of the companies interviewed were set up during the first four and half years of implementing Neo-Liberal policies. This is, a clear manifestation of Government's positive efforts in enacting enabling legislation. The proliferation of private sector, shelter construction companies, amid closures of most public sector companies is indicative of Government's efforts to create an enabling business environment. Note that, there was a corresponding increase in the percentage of informal sector constructions during the same time, although the percentage increase was not very dramatic (see fig.6.4). This is not to say, however, that the enabling environments had been fully attained. There were areas yet to be implemented and areas that still needed improvement. For instance, there was an observed delay in privatisation of the ZISCO Steel.

Another enabling policy measure introduced by the Zimbabwean government to jump-start the home-ownership scheme was the sale of council houses to sitting tenants. Although the government did not explicitly state that it wanted to promote the shelter construction industry and shelter enablement with this measure; the government's intention was clear. 54% of the respondents in the shelter industry were satisfied that this measure was giving most contractors some construction business, particularly in the housing sub-market. The same respondents when divided into respective sub-sectors, (supply, consultancy, manufacturing and contracting) the percentage of satisfied respondents was much higher for suppliers at 70%, followed by contractors at 69% and manufacturing 42%. Consultancy had the lowest at 26%. These figures suggest that, selling council houses boosted the local construction business because most new homeowners set out to make improvements to their houses. It was no coincidence then, that Mutare, the chief Forestry farming city which led other cities in selling council houses, had the highest percentage of satisfied respondents at 58% compared to Harare at 49% and Bulawayo at 53% despite drastic falls in capital investment by the agriculture and mining industry. It is not surprising then, that Mutare was also the only city that recorded employment gains in the private sector.

The study further discovered that, the postulated gains in selling council houses were largely felt in the informal shelter construction sector. Nearly 80% of respondents were satisfied with the programme in relation to their construction business. Only half (50%) of the respondents in formal sector expressed gain



from the programme. This finding was further validated during visits to construction sites. Physical research at the sites observed that informal sector contractors undertook most of the house alterations, improvements and erection of security walls. Unfortunately however, the low or give-away prices at which most of the council houses were sold to sitting tenants did not help the councils, raise enough funds to build more houses. The failure by Local Authorities to build more houses contributed to declining levels of local shelter construction demand and ultimately construction supply. A few major public mass housing programmes of the post 1990 era were built with foreign aid, unfortunately this deprived the local industry of shelter construction business.

**Economic Liberalisation:** By creating an enabling environment, particularly in the shelter construction market, the Zimbabwean Government was hoping to encourage both local and international entrepreneurs to invest in the country's physical assets (GFCF) and thus stimulate the shelter construction industry. In this regard, economic liberalisation was a step in the right direction. Although it was observed that, there had been some foreign investment coming into the country because of foreign investor incentives, little had gone into stimulating the declining shelter construction demand or supply. It was not surprising to note that only 3% of the foreign investment went directly into the shelter construction industry.

Although Zimbabwe scored highly with the international community, especially the World Bank, in her efforts to liberalise the economy through its privatisation programme, 65% of the respondents stated that, this programme had not benefited their shelter provisions businesses. The high rate of negative response could be attributed to the fact that most of the privatized companies concentrated their efforts on internal restructuring to maximise efficiency in the initial stages, thus invested very little in fixed assets like housing. However, once this internal restructuring and money saving exercise is over, most of these companies would hopefully begin to invest in their fixed assets, benefits would therefore filter through to the shelter construction industry. The study shows that this scenario was true with big parastatal companies like ZISCO steel.

### **9.3.0 Shelter Construction financing**

In chapter five, it was observed that shelter construction financing continued to be a source of concern in implementing a viable shelter construction supply side-market. The absence of a well-developed capital market, largely due to the socialist-based policies of the government, had resulted in low capital outflows to the shelter construction industry. With the introduction of ESAP and the re-establishment of relations with the International Financial Institutions, there was a noticeable stability in the financial market, although most private sector financing was not going into productive sectors like the shelter construction industry. The introduction of short term, high yield securities and the lucrative fixed call

deposits, resulted in most capital being tied up in these securities. This did not come as a complete surprise, considering the long period needed to recoup one's investment in the shelter construction industry compared to other industries or high street securities. Observed, for example was that, in Nigeria, the effects of SAP led local investors to invest capital in taxis and petty trading rather than investing in shelter (CASSAD, 1991). In South Africa, the situation is not different from that of Nigeria.

It was also observed that, although the revitalization of the Zimbabwe Stock Exchange (ZSE) opened new sources of capital for most under-capitalised firms, only few firms were trading their shares on the ZSE. Circle Cement Ltd. is the only construction-based company listed. Expectations were high that the introduction of a corporate tax reduction in the 1996 budget from 35% to 30% for companies listed on ZSE, will attract more companies to list their shares. The low number of construction based companies and real estates companies leads to the conclusion that there is need to start a serious marketing campaign for ZSE and its tax incentives and benefits. The study concluded that, the marketing campaign should be targeted at both small and large companies/investors in the shelter construction industry, both locally and outside Zimbabwe

In this regard, there is no reason why the MPC&NH, shelter construction based companies, or any of the Local Authorities, should not sell their shares on the ZSE and use the extra capital to increase their production capacities and shelter construction demand power. The councils can also sell bonds on the stock exchange and use the proceeds to finance its road, water and housing projects.

**Liberalised interest rates:** It was observed that a combination of high interest (base) rates at commercial banks and building Societies, and stringent western society style securities contributed to discouraging a number of entrepreneurs from obtaining loans from Building Societies and commercial banks. Given that market forces in a liberalised economy determine interest rates, there was little that the Government could have done to reduce the high interest rates. However, reduced internal Government borrowing from the local market could have assisted in reducing commercial banks' base rates. High internal borrowing by the government obviously increased local commercial bank rates, which in turn discouraged more people and firms from borrowing to promote their business, increase or improve their physical stock and acquire mortgages to build or buy housing.

Although in the last few months of the study, interest (base) rates had been reduced to about 40% from their peak rate of 70%, they were still relatively high and out of reach for most businesses and individuals. It was too costly to borrow in the long run. The situation would have been different if inflation had been at par with interest rates. Surprisingly, 31% (almost a third) of the respondents asserted that liberalised interest rates had helped their businesses one way or the other, 52% had contrary views and the remaining 17% were not sure. The

only explanation for positive response to liberalised interest rates was that, the respondents in favour of the prevailing interest rates, were companies with large bank account and were therefore, earning high sums of money from high interest rates.

**The impact of inflation:** The adverse effects of high inflation on national economies are well documented by the protagonists of both the Economic Structural Adjustment Programme and the Shelter Development Strategy, such that both strategies carry in-built measures of fighting inflation. In Zimbabwe, the 'Cash Budget' strategy was one way of fighting inflation. The failure to substantially reduce wages in the public sector and the high percentage of emoluments as a percentage of total Government budget (on average 60%) meant that continuous public sector salary increases continued to fuel inflation. Relative high rates of inflation, then running at above 50% also doubled initial budgets of shelter construction projects because projects can sometimes run for 2-3 year and prices of construction material keep increasing. For instance, figure 7.1 shows that the average real increase in the price of construction materials rose above 350% for materials like cement, between 1990 and 1995, although aggregates had a negative gain in real terms within the same period. In this respect, the 7% completion failure rate for construction projects recorded in the survey was a remarkable achievement for the shelter industry and the economy. Nevertheless, this financial environment had a tendency to scare away potential investors, who chose to invest their capital in high yield and less risky businesses, like High Interest Bonds or existing real estate.

**Mortgage lending:** Although the government liberalised the Building Society market, the survey recorded only three privately owned building societies opening in competition with the few already in existence like CABS (Central Africa Building Society). The high mortgage rates running at over 26% were to blame for the lack of movement in this market, according to research. It was envisaged that, the establishment of more Building Societies might lead to competition and eventually to a reduction in mortgage rates. Nevertheless, the mortgage rate reduction was not expected to be low enough to attract more households to apply for mortgages, given the prevailing high mortgage rates.

A slight reduction in the mortgage rates in 1996 resulted in a huge housing demand. Increases in prices of houses and a critical housing shortage in Harare (Pan African, 28/01/97) was not enough to go all the way to stimulate the housing market and the construction industry as a whole. It was further noted in chapter five that Building societies play an important role in mobilising small deposits from small-savers and transferring this aggregate capital to the productive sector of the economy.

**Donor funding of shelter:** Events of the last few years indicate that Zimbabweans had not yet learnt the lessons of the 1987 Incident in Zambia. At

the time, Zambia was heavily dependent on the donor community, when aid was cut off, the economy collapsed and so did the ruling party. The observation that post 1990 budgets where over 40% of Zimbabwe's capital expenditure budget was donor funded, came as disappointing development, especially that Zimbabwe was already at odds with the donor community, which once again cut off their aid package. It is fair to say that, donor funding and net investment income was not only reduced in Zimbabwe, but in the whole of the Sub-Saharan Africa (United Nations, 1994a, p.25). Given the low financial resources of the Zimbabwean Government, there was a clear need for the Government to encourage more private international capital inflows, rather than Government-to-Government Aid Programmes, which are vulnerable to domestic politics, as is the case now with the land issue in Zimbabwe.

#### **9.4.0 Labour and training**

The need for a well-educated and trained construction labour force in attaining increased shelter construction supply and a sustained national economy was highlighted in chapter six. The relationship between a well-trained labour force and high productivity was supported with empirical examples from the Far East, Asian countries (Tigers of Asia). Despite this undisputed link and the theoretical support for education and training in shelter enablement, in reality it was found that the government continues to reduce budgetary allocation to this sector. This finding was unlike that experienced in other Sub-Saharan African countries under going ESAP. Education and health budgets tended to be sacrificed in favour of other sectors (United Nations, 1994a, 21). It was also observed that, even the little resources allocated to education tended favour university education, unfortunately, only benefiting a handful of citizens, leaving the poor and vulnerable with little or no education. Figures 6.3 and 6.4 showed, for example, that very few women benefited from the male-biased University system and subsequently from the Zimbabwe shelter and construction labour market.

**Employment creation and labour intensity:** Contrary to postulations in the Economic Structural Adjustment Programme and the Shelter Development Strategy, that minimum government intervention in the shelter construction industry and a liberalised economy would promote job opportunities in the (shelter construction) private sector, there was little evidence of this assertion. Only the City of Mutare registered an increase of 51% in the private sector job market, while Bulawayo and Harare recorded a negative job creation growth of 30% and 68% respectively. It is important however, to note that the net loss of jobs in the private sector could largely be attributed to the 41% job increases in the government construction departments. The government had decided to carry out its construction projects in-house.



Given the massive cuts in public sector investment in capital programmes, it did not come as a surprise that overall, the shelter construction industry lost 32% of its total labour force between 1990 and 1997. The withdraw of some donor funding for capital programme support, prevailing high interest and mortgage rates only served to worsen the situation in the shelter construction labour market. The only surprise in the shelter construction labour market was the 41% increase in the government workforce considering that both the Structural Adjustment Programme and the Shelter Strategy advocated otherwise. The picture became somewhat different after considering the formal and informal sectors separately. After this consideration, the informal sector actually recorded an 80% labour increase, while the formal sector recorded a labour force reduced by as much as 44% (table 7.2).

The use of labour intensive construction methods, especially by the local councils in road mending, drainage digging and grass cutting helped in creating jobs on temporary basis. The choice between labour and capital intensive construction seems to depend on the need to avoid expensive machinery and spares. This was particularly true for small scale and informal shelter construction companies who could not afford the money for imported machinery, spares and fuel. The above situation could have changed if Government had granted the wishes of the Zimbabwe National Chamber for Commerce (ZNCC), to reduce or remove customs duty on imported machinery.

**Informal sector:** Amidst the overall failing shelter construction output in the country the formal sector was declining, whilst the informal sector continuously grew (table 7.2). Even as the informal construction sector grew, women were grossly under-represented in this sector. The other notable factor is Government's failure to tax this growing sector and reduce the tax burden on the declining formal sector companies. Government's reluctance to tax this sector was due to fear of discouraging this emerging sector out of business due to a high and cumbersome tax system. A small flat tax rate for all small informal construction companies was proposed and if implemented, could have been a starting point. Under the proposal, it was recommended that the Government's contractor classification scales with the Building Department should be used to determine the tax rate to for all informal sector construction companies. Customers would also be required to assist by demanding a tax certificate before awarding these informal contractors any construction commissions.

**Productivity and training:** The theoretical viewpoint and the practical experiences of the Far East countries suggest that better training for workers leads to increased productivity. In the Zimbabwean shelter construction industry however, only 52% and 35% of the construction companies surveyed had formal and informal training programmes respectively (tables 7.7 and 7.9). It was proposed that, one way of encouraging employ training and yet keep the costs

down was by introducing in-service training schemes either through short breaks from work or through evening classes. Although some firms, especially informal sector ones were already using informal training methods the level of involvement was small.

**Informal training:** With Government having reduced its education bill under the austere economic measures, it was clear that public and formal education and training was no longer as reliable as it was in the past. Nevertheless, past experiences could not be ignored; studies from the Far Eastern countries showed that, education and increased productivity are closely related. The field data nevertheless, revealed that up to 81% of small scale and a further 68% of (medium and large) private construction firms had no training programmes with formal construction training institutions for their employees. To remedy this situation, the government was already conducting "open air demonstration centres" where the unemployed people were being given various training skills including construction. Given government's intention to reduce its role in education and the economy, it was therefore, surprising to find that these open-air demonstration centres were operated solely by the government without any private sector or community participation. There was no deliberate policy to target the vulnerable groups like women and the unemployed youth, contrary to government policy and pronouncements.

#### **9.5.0 Shelter Construction Supply**

Table 8.4 in Chapter Eight, clearly shows that, during the post ESAP era, obtaining basic construction materials was no longer a problem in comparison to the critical shelter construction materials shortages and a flourishing parallel market (black market). The unfortunate phenomenon with the post adjustment era was that, some of the materials were still being imported, thereby denying the country the postulated high multiplier effects in the local economy (Moavenzaden, 1987; Klaassen *et al*, 1987; ILO[UNCHS], 1995). But as Wells (1995, p73) has rightly argued, in developing countries such as Zambia (and Zimbabwe), "the supply of building materials at affordable prices has long been recognised as a prerequisite for improved housing conditions." The questions on where and how these materials are obtained are not vigorously pursued.

The water rehabilitation exercise was one of the programmes completely dominated by foreign-based contractors. There was failure on government's part to recognise how postulated high multiplier effects of the shelter construction industry could filter to the local economy, when foreign contractors dominated large-scale projects, using imported materials. Given that most, of these foreign contractor-dominated projects and programmes were donor funded, and that, experienced Zimbabwean companies to carry out these contracts were lacking, there was little that the Zimbabwean government or the shelter industry could do.

**Improving construction supply quality:** In tables 8.2 and 8.3 it examined the main reason why imports continue to dominate the Zimbabwean shelter construction market. Zimbabwe does not produce all its shelter construction materials and Zimbabwean goods are considered inferior and yet more expensive than imported ones. Therefore, we observed that, there was no other alternative to promoting Zimbabwean shelter construction goods and services, locally and for exports, except through quality improvement. Apparently, some good locally produced construction goods were available, unfortunately some goods in the informal sector especially, were poorly produced. This is not to suggest that all goods and services in the informal sector were particularly poor or below standard, on the contrary some informal sector goods and services had such good quality that the some formal sector companies were attracted into doing business with this sector.

The absence of an effective, well funded, staffed local Bureau of Standards to grade the various shelter construction materials served to worsen situation with regard to quality. The Zimbabwe Standard Association could have helped by grading Zimbabwean produced goods appropriately in order to assure customers on the quality of goods. This would have ensured that, low-income households or projects that did not require very high quality, shelter construction materials purchased the low standard affordable goods and those with high incomes and projects requiring high quality construction purchased high-end materials. Accordingly, every purchaser would be given a choice for quality of material. The prevailing situation in which most construction goods did not carry a standard code did not help the customers or the industry because even the Zimbabwean shelter construction materials with good quality were regarded as having poor quality simply because they were manufactured in Zimbabwe.

Although a number of good construction-related research projects had been commissioned by various institutions, their findings failed to reach their intended targets. Part of the problem in disseminating construction research findings was due to duplication of roles and research work by various institutions, which only meant less money and effort for disseminating these findings. In conclusion, this situation could have been avoided had the Zimbabwean government or shelter provision industry established one body to co-ordinate all construction-related research and dissemination of the information nation-wide.

**Increasing construction exports:** Chapter Two showed how the Economic Structural Adjustment Programme set about targeting exports, especially non-traditional exports from the Third World. Increased exportation was encouraged as a way of reducing the Third World's indebtedness to the First and Second Worlds. The Shelter Development Strategy on the other hand emphasised increased exports of construction goods and services. Unfortunately, the research did not find overwhelming evidence pointing to increased construction exports, although there was very encouraging signs from a few companies like Circle Cement Ltd. Turnall Asbestos Products Ltd. and the timber sub-market.

These exports though were recorded against a background of reduced local construction output, suggesting that the excess local output was being exported.

What was even more discouraging however, was the high percentage rate of companies (95%) that had no immediate intentions of going into the export market. This was despite the consolidation of the Eastern and Southern African market through SADC and COMESA. This was also despite the fact that the region's shelter construction market's potential was further strengthened by the end of the civil war in Mozambique and the end of apartheid in South Africa, which resulted in massive reconstruction taking place in these countries.

#### **9.6.0 Achievement and failures of Shelter construction industry after 1990**

Undoubtedly, the greatest achievement in applying the Economic Structural Adjustment Programme and Shelter Development Strategy on the Zimbabwean shelter construction industry have been:

- Removal of bureaucratic controls in business practices and transactions.
- The removal of foreign exchange controls.
- Ease of entry into the shelter construction business environment, especially the entry of the informal construction sector that has resulted in more construction firms than ever before. This meant that retrenched public sector workers who would otherwise have been unemployed, were able to find work or start their own business in the thriving private and mainly informal shelter construction sector.

Although we could point to such positive gains above, it is also clear that reduced construction demand by the government and other public sector institutions during ESAP, has resulted in an overall shrinking construction industry. In short, the notable failure of the two aforementioned strategies were:

- Failure to substantially increase national shelter construction output, especially in the areas like formal housing stock.
- Failure to provide an enabling environment for a formal construction labour market.

The acceptance of capitalist practices encouraged the welcoming of foreign firms into the economy without the fear that these firms maybe nationalised as was the case prior to ESAP. The anti-inflationary measures of ESAP are some of the positive attributes of this programme. They managed, within limits to reduce inflation and stabilise the foreign exchange rates. Although stabilised foreign exchange rates were late coming, once achieved, they allowed investors to plan ahead with minimum ZimDollar/ American Dollar fluctuation during construction time. Stabilization of the foreign exchange was temporary and short-lived though.

Trade liberalisation also ensured that, construction firms capable of high production capacity and quality manufacturing were able to export their goods



and earn the country much-needed foreign exchange. The only draw back to this achievement though, was that these construction exports only increased in the wake of reduced local demand. Nevertheless, the achievements of Circle Cement Ltd., Turnall Asbestos Products and the Timber industry, in earning the country huge amounts of foreign exchange have demonstrated the export potential of the Zimbabwean shelter construction industry and producing construction materials acceptable for international markets.

It was also clear in the study that, in most instances, the Zimbabwean Government lacked the political will to fully implement some of the adjustment and enablement conditionalities. For example, the failure by Government to effectively reduce the public service. The public service emolument bill was attributed to the lack of political will on the part of Government. The unfriendly investment laws directed at foreign investors, discouraged foreign investments in Zimbabwe and once again demonstrated government's lack of will power to effectively deal with the issue.

To encourage more international private capital with little or no connection domestic party politics, it was imperative for the Government to privatise and allow more private sector participation in traditionally state dominated public sectors like education, health and utilities. For example, rather than planning to build more publicly funded universities, hospitals and hydro-electricity power stations, the Government should have encouraged (given necessary incentives and investment securities) the private sector into entering these fields.

There is a prevalent view that, the shelter construction export market is an area of great concern, needing urgent Government attention. The omission of shelter construction marketing by Government from existing Export Board and Trade Missions in the Foreign Service, for purposes of promoting and selling Zimbabwean shelter construction goods and services was a gross mistake. Obviously, this did not help in marketing the Zimbabwean shelter, construction industry abroad, especially within the COMESA region, like the way the tourism industry has been marketed. It could also be argued that Zimbabwe, with a population of 12 million and a relatively small per capita GNP of US\$370 (UNDP, 1990), is too small to be a self sustaining market and should therefore, work towards becoming a successful, regional and international market.

### **9.7.0 Recommendations**

**Future research:** The research herein conducted, is but a beginning of a very long process. It was not possible to do in-depth research and analysis on each and every aspect of the shelter provision industry under ESAP. The research therefore, cannot be considered exhaustive. However, it does show that, there is a basis for future research focusing on the aspects of the Shelter provision under

adjustment conditionalities. For example, continued observation shows regression of shelter construction variables for another five years and should be able to establish a very accurate formula for predicating shelter provision performance and its contribution to Zimbabwe's national development.

**Shelter Construction Industry:** As shown by the study; ESAP and Shelter Development Strategy in liberation and deregulation of the shelter market under the intended government move from "provider" to 'supporter" does not entirely work as a quick fix to the shelter provision industry. This recommendation suggests continued "selective interventions" in the industry to achieve success in all facets of the industry. Therefore, the finance system needs to undergo the following changes:

- **Establishment of a Crisis Control:** housing needs to be brought onto an even keel in order to ensure maximum benefit from Government housing expenditure. Mobilized private sector investment as evidenced in the study that the liberalization of the financial sector did not show marked investment in the housing sector, would help.
- **Institutional Development:** establishment (direct & indirectly) of a new range of institutional, technical and logistical shelter support mechanisms to enable communities to, (on a continuous basis) improve their housing circumstances. Simultaneously, rationalizing current institutional administrative capacities in the housing sector to enhance project or programme delivery. The study findings showed that one of the problems the Zimbabwean shelter sector faced was local authorities' incapacitation of delivery of services and failure to exhaust the fiscal budget. Another, is the timely roll out of administration to do successfully carry out planning, zoning and approval of housing plans.

**Supporting the Housing process:** the provision of housing is a chain of interconnected actions which together lead to the housing and related services. The process therefore, requires constant and diligent management. The role of Government and the stakeholders in the housing process is putting the necessary resources together and ensuring it meets aims and objectives. A commitment to this perspective is vital for success.

- **Legislative Review:** revisiting current legislation or creating new and improved legislation that directly benefits the housing and delivery process. The government's responsibility is to re-examine policies, procedures and practices with a view to bring them in line with the new housing reality. Some of the more critical pieces of legislation include; the Housing and Building Act, Housing Standard Act and the Regional, Town and Country Planning Act.

**Creating Community Businesses:** through coordinating and integrating public sector investment and intervention on multi-

functional basis. Planning machinery at local level would ensure coordinated planning and budgeting on an annual basis to create integrated balanced communities on whose lives the Nation's pulse will be measured.

**Undoubtedly, in conclusion, the findings fulfill the thesis in the following manners;**

**Objective 1:** this thesis in more than one way succeeded in evaluating, auditing and comparing the shelter and construction industry prior to and after ESAP in relation to the Shelter Development Strategy. It was determined that, in general the Shelter Construction Industry had gains. The gains were registered in the amounts of output of housing units (Appendix II, Exhibit 4), material consumption (table 8.6), and employment (table 7.3) and (Appendix II, Exhibits 6 and 7) which registered the highest growth (fig 7.1) and (Appendix II, Exhibit 11);

**Objective 2:** documentation of the study topic of the construction industry transformation in relationship to the macro-economy during ESAP was examined. Chapter Three traced a review of both macro-economic activity and shelter management prior to ESAP. The study showed that the government provided most of the housing through local councils. Chapter 4, examined macro-economic reforms in relationship to shelter industry in Zimbabwe. The study further established that the government reforms were contradicting to the ESAP conditionality of less government involvement-where the government was suppose to be a shelter policy formulator rather than housing provider.

**Objective 3:** An analysis and understanding of the design and implementation of ESAP was explored in chapter 4, chapter 5 and chapter 6. Aspects of the positive impact of liberalization of the Zimbabwean finance sector (in comparison with other African Countries) and the impact on job creation (Appendix II, Exhibits 8 &12), and income levels were also explored under the light of the created enablement environment (Appendix II, Exhibit 5). The study showed that in this created enabling environment of investment in shelter sector, there was limited impact in attracting foreign investment as well as negative impact of reduced government investment in the housing sector.

**The hypothesis** - the answer and validation of this thesis lies in it. The study successfully examined the research subject under the light of the findings of the research. Answers were drawn from the primary

(Appendix II, Exhibits 2,3,5,9 &13) and secondary data (Appendix II, Exhibit 1). It was observed that:

On one hand the research findings, draws the conclusion that indeed, the net housing supply was accelerated under the Neo-Liberal Economic Adjustment Programme (Fig 7.1, and table 8.1). Fostered national development in Zimbabwe during ESAP was measured by the increased export of building materials (fig 8.2 and table 8.6) and export of skilled manpower to neighbouring countries. The application of ESAP, undoubtedly, increased job creation (fig 6.1 and table 6.3) both in the formal and the informal sector of the housing shelter construction industry.

On the other hand, no ideology is without flaw. The circumstances and environment under which the ideology is implemented will determine its success or failure. The relative success of an ideology in one economy, does not guarantee relative success in another. Uncontrolled, rapid growth of the informal, shelter construction sector, the declining formal construction sector, and the socio-economic differentiation within Zimbabwe, all occurred amid efforts by the government to implement Neo-Liberal strategies. On one hand, Government's lack of strong political will, led to failure on government's part to effectively implement these strategies under the Economic Structural Adjustment Programme. Outdated building legislature, unsuitable for today's shelter provision environment and lack of a strong legislative framework have brought the shelter provision industry to a standstill. The government's weakened role in this aspect therefore, rendered its transition from "provider" to "supporter", unattainable. To develop a shelter market that can effectively foster meaningful and measurable contribution to national development for the broad band of the industry and its consumers: planning and legislature need to be premised on the existence of a strong civil society and an incorruptible government. Regrettably, none of these.



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## APPENDIX I

### The Effects of Economic Structural Adjustment Programme and the Shelter Development Strategy on the Shelter Construction Industry in Zimbabwe

#### SURVEY QUESTIONS

Date \_\_\_\_\_ Name of Interviewee \_\_\_\_\_  
Place \_\_\_\_\_ Contact Tel: \_\_\_\_\_

1. In shelter provision (Construction) what are you?

<b>1 Contractor</b>	
<b>2 Supplier/trades of construction materials</b>	
<b>3 Consultant</b>	
<b>4 Manufacturer of construction materials</b>	
<b>5 Others (Specify)</b>	

2. What is the name of this company/organisation?

<b>1. Name of company</b>	
<b>2. Based at (Location)</b>	

3. What is the form of ownership?

<b>1. Sole proprietorship</b>	
<b>2. Partnership</b>	
<b>3. Family</b>	
<b>4. Public company</b>	
<b>5. Private company</b>	
<b>6. Other: specify</b>	

4. Is this a wholly Zimbabwean owned company?

<b>1. Wholly Zimbabwean company</b>	
<b>2. Jointly Zimbabwean and foreign owned (proportion)</b>	
<b>3. Wholly foreign owned</b>	

5. When was this company formed?

<b>Year:</b>	
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<b>5 Others (Specify)</b>	

2. What is the name of this company/organisation?

<b>1. Name of company</b>	
<b>2. Based at (Location)</b>	

3. What is the form of ownership?

<b>1. Sole proprietorship</b>	
<b>2. Partnership</b>	
<b>3. Family</b>	
<b>4. Public company</b>	
<b>5. Private company</b>	
<b>6. Other: specify</b>	

4. Is this a wholly Zimbabwean owned company?

<b>1. Wholly Zimbabwean company</b>	
<b>2. Jointly Zimbabwean and foreign owned (proportion)</b>	
<b>3. Wholly foreign owned</b>	

5. When was this company formed?

<b>Year:</b>	
--------------	--

6. Did you start this company?

- a. Yes
- b. No

<b>1. Bought the company</b>	
<b>2. Inherited the company</b>	
<b>3. Indeginased by state</b>	
<b>4. Other: specify</b>	

7. Why did you choose to go into the shelter construction business?

<b>1. Construction reference background</b>	
<b>2. Investment returns (profit margins)</b>	
<b>3. High construction demand</b>	
<b>4. Inherited business</b>	
<b>5. Other: specify</b>	

8. How did you finance your initial investment in this company?

<b>1. Loan</b>	
<b>2. Pension</b>	
<b>3. Money Lender</b>	
<b>4. Savings</b>	
<b>5. Family help</b>	
<b>6. Bank</b>	
<b>7. Other: specify</b>	

9. How much was this initial investment?

<b>Year:</b>	
<b>Investment in Zimbabwe Dollars:</b>	

10. How much do you think this company is worth now: if you were to sell it, how much would you sell it for?

<b>Value of company in Zimbabwe Dollars:</b>	
--	--

11. What are the main activities of this company?

<b>1. Houses</b>	
<b>2. Other buildings</b>	
<b>3. Civil engineering</b>	
<b>4. Specialised subcontracting</b>	
<b>5. Plant hire</b>	
<b>6. Consultancy</b>	
<b>7. Other: specify</b>	

12. Of these activities above, what proportion is new works and maintenance?

<b>1. New works and extensions only</b>	
<b>2. Upto 75 % new works/ extensions: and upto 25 % maintenance/ repairs</b>	
<b>3. Upto 50 % new works/ extensions: and upto 50 % maintenance repairs</b>	
<b>4. Upto 25 % new works/ extensions: and upto 75 % maintenance/ repairs</b>	
<b>5. Routine maintenance and repairs only</b>	

13. Who are your largest client/customer?

<b>1. Central Government</b>	
<b>2. Local Government</b>	
<b>3. Parastatal companies</b>	
<b>4. The copper mining industry</b>	
<b>5. Private companies (taken together)</b>	
<b>6. Private individuals (taken together)</b>	
<b>7. Other- specify</b>	

14. How do you get your contracts/ jobs?

<b>1. Tendering</b>	
<b>2. Personal contracts</b>	
<b>3. Reference</b>	
<b>4. Other: specify</b>	

15. How many workers do you have?

<b>Total Number:</b>	
<b>Male:</b>	
<b>Female:</b>	

16. Of these (above) how many are;

<b>Skill</b>	<b>Female</b>	<b>Male</b>
<b>1. Professionals (degree/diploma)</b>		
<b>2. Skilled (certificate/craftsmanship)</b>		
<b>3. Semi-skilled (informal training)</b>		
<b>3. Unskilled labourers (No in/formal training)</b>		

17. How many workers did you start with, or how many did you have 5 years ago?  
(Which ever is the longest).

<b>No. of workers:</b>	
------------------------	--



18. Do you have immediate plans of increasing/decreasing the number of workers, and why?

Labour Plans		Reasons
1. Increasing		
2. Decreasing		
3. Maintaining same No.		
4. Not sure		

19. Do you have an internal training programme/ apprenticeship? If yes how many?

Yes:	
No. :	

20. Do you have any other training scheme for your workers or would be workers?

1. University level- Degree	
2. College level- Diploma	
3. Trades school- Certificate	
4. Any other- specify	
5. None	

20a. Do you employ workers without practical experience, if yes how many?

YES:	No.
NO:	go to No. 22

21. Do you have any expatriate workers working for you, if yes how many and why?

a. If none go to Question No. 22

b.

Yes	
No. of expatriates	

c. Reasons

1. No qualified Zimbabweans available	
2. Foreign based company	
3. Other: specify	

22. What are your plans for their replacements?

1. No immediate plans	
2. Replacements by Zimbabweans in the next 5 years	
3. Not sure	
4. Other: specify	

23. Is your wage /salary bill wholly in Zimbabwe Dollars?

<b>Wholly US \$ / British Pounds:</b>	
<b>Wholly Zimbabwe Dollars:</b>	
<b>Partially Zimbabwe Dollars and US\$/UK£</b>	

24. How did you determine your wage/salary structure above?

<b>1. Trade Unions</b>	
<b>2. Government legislation</b>	
<b>3. Productivity/profit and loss</b>	
<b>4. Other: specify</b>	

25. Where do you buy your construction materials?

<b>Material</b>	<b>Mutare</b>	<b>Other Town-Specify</b>	<b>Retail Shop</b>	<b>Informal Traders (SIDO)</b>	<b>Direct Import</b>
<b>1. Bricks/ blocks</b>					
<b>2. Electrical goods</b>					
<b>3. Cement</b>					
<b>4. Timber</b>					
<b>5. Roofing sheets</b>					
<b>6. Iron and steel</b>					
<b>7. Glass</b>					
<b>8. Window &amp; door frames</b>					
<b>9. Aggregates</b>					
<b>10. Plumbing items</b>					
<b>11. Other: specify</b>					

26. Why do you obtain them from these sources (above)?

1. Only source available
2. Good quality
3. Cheap price
4. Credit facility available
5. Other specify

Material	1	2	3	4	5
1. Bricks/ blocks					
2. Electricals					
3. Cement					
4. Timber					
5. Roofing sheets					
6. Iron and steel					
7. Glass					
8. Window & door frames					
9. Aggregates					
10. Plumbing items					
11. Other: specify					

27. Do you face problems in getting these materials, if yes what are these problems?

Material	Yes/no	Problem
1. Bricks/ blocks		
2. Electricals		
3. Cement		
4. Timber		
5. Roofing sheets		
6. Iron and steel		
7. Glass		
8. Window & door frames		
9. Aggregates		
10. Plumbing items		
11. Other: specify		

28. Do you prefer imported construction raw materials to local ones, if yes why?

Material	YES	NO	Cheap	Good quality	Easily available
1. Electrical items					
2. Window/ door frames					
3. Plumbing items					
4. Timber					
5. Roofing sheets					
6. Other: specify					
7. Other: specify					

29. What measures would help in promoting local building materials?

<b>1. Reduce price of local materials</b>	
<b>2. Research &amp; Improve standards of local materials</b>	
<b>3. Impose tax on imported materials</b>	
<b>4. Other-specify</b>	
<b>5. Don't know</b>	

30. Does your company have any plans of substituting imported materials with local materials in the next 5 years?

<b>1. No plans</b>	
<b>2. Not sure</b>	
<b>3. Yes-(Specify materials)</b>	

31. Do you know of any research or efforts done in promoting local materials, if yes which ones?

<b>1. No idea on local materials research activities</b>	
<b>2. Yes(Specify research activities)</b>	

32. How did you get your first contract?

<b>1. Tendering</b>	
<b>2. Friends/ relatives</b>	
<b>3. Through previous employment/ contract</b>	
<b>4. Other: specify</b>	

33. How many contracts do you have?

<b>1. Contracts on site</b>	
<b>2. Contracts whose documents have already been signed</b>	
<b>3. Contracts awaiting signing of documents</b>	
<b>4. Other; specify</b>	

34. How many contracts have you had in the last 5 years or since you began operations (if started in the ESAP-5 years)

<b>Number of contracts (jobs);</b>	
------------------------------------	--



35. Of these contracts how many have not been completed successfully?

<b>Number of uncompleted contracts (jobs)</b>	
---	--

36. What are the reasons for not completing these projects?

<b>1. Client ran out of money</b>	
<b>2. High inflation overran the initial budget</b>	
<b>3. Contractual problems between contractor &amp; the client/ consultants</b>	
<b>4. Non availability of materials</b>	
<b>5. Project failed to meet building/ planning/ specifications regulations</b>	
<b>6. Other: specify</b>	

37. What is the biggest contract (in money terms) that you have ever had and what was the contract sum?

<b>1. Biggest contract (Nature of job)</b>	
<b>2. Contract sum</b>	
<b>3. Contract time</b>	

38. What is the smallest contract that you have ever had and what was the contract sum and time?

<b>1. Smallest contract (nature of contract)</b>	
<b>2. Contract sum</b>	
<b>3. Contract time</b>	

39. On average how long does it take you to complete a project?

<b>Average contract period</b>	
--------------------------------	--

40. Do you sub-contract any of your works, if yes, which ones and do you intend doing these jobs in-house in future?

TRADE	Sub-contract- YES/NO	In-house in future YES/NO
1. Woodwork		
2. Roadwork's		
3. Electrical		
4. Plumbing		
5. Roofing		
6. Other: specify		
7. Other: specify		
8. Other: specify		

41. How do you choose your sub-contractors?

1. Client chooses	
2. Consultants recommends	
3. Previous working knowledge	
4. Friends/ relatives	
5. Other: specify	

42. What machines do you use in your company?

MACHINE	No.	No. Owned by firm	No. planned to be bought
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

43. When you finally buy these machines will you then have to retrench some workers, if yes, how many? (by trade)

1. No retrenchment	
2. Yes retrenchment	
3. Number to be retrenched	

44. What form of assistance do you receive from either the central or local government and NGO's?

1. Staff training
2. Business advice or Construction based Information technology
3. Subsidies/Grants
4. Loans
5. Other -specify

a. Central Government	1	2	3	4	5
b. Local Government	1	2	3	4	5
c. NGO's or CBO's	1	2	3	4	5

45. But what assistance would you prefer to be given to you and by who?

1. Staff training
2. Business advice or Construction based Information technology
3. Subsidies/Grants
4. Loans
5. Other -specify \_\_\_\_\_

a. Central Government	1	2	3	4	5
b. Local Government	1	2	3	4	5
c. NGO's or CBO's	1	2	3	4	5

46. Of the following below which measures have helped your business in the ESAP-5 years?

Policy measure	Helped	not helped	Comments
1. Easy availability of Forex			
2. Non intervention of Government in the construction industry			
3. Import liberalisation			
4. Export liberalisation			
5. Withdrawal of subsidies and grants to parastatals			
6. Withdrawal of housing allowances			
7. Privatisation of public companies			
8. Relaxing interest rates ceilings			
9. Selling of council houses			
10. Infrastructure rehabilitation			

47. On the other hand what are the negative things that have happened in the ESAP-5 years that tended to slow down your business?

<b>1. High cost of construction materials</b>	
<b>2. High interest and inflation rates</b>	
<b>3. Low demand for construction services</b>	
<b>4. Stiff competition from informal private companies</b>	
<b>5. Stiff competition from foreign companies</b>	
<b>6. Other -specify</b>	

48. Do you face any problems in getting financial assistance, if yes what problems?

- a. No
- b. Yes

<b>1. Company not recognised or registered</b>	
<b>2. Statutory requirements</b>	
<b>3. Lack of collateral</b>	
<b>4. Foreign registered and owned</b>	
<b>5. Other- specify</b>	

49. What form of financial assistance would you want given to you?

<b>1. Loans with low interest rates</b>	
<b>2. Long term investment loans</b>	
<b>3. Tax exemptions on capital investment</b>	
<b>4. Loans at market rates</b>	
<b>5. Other-specify</b>	

50. Has the liberalisation of the ZimDollar affected your business, if yes how?

- a. No
- b. Yes

<b>1. High production costs (due to increase in raw materials)</b>	
<b>2. Smooth business operations (due to easy availability of FOREX)</b>	
<b>3. Slow down in business (due to cash flow problems)</b>	
<b>4. Increase in business (due to availability of imported materials)</b>	
<b>5. Other specify-</b>	

51. In your opinion what measures should be put in place to boost the construction sector?

<b>1. Increase Central and Local government capital expenditure</b>	
<b>2. Reduce building and planning standards</b>	
<b>3. Reduce and stabilise interest &amp; inflation rates</b>	
<b>4. Government intervention to promote construction industry</b>	
<b>5. Other (specify)</b>	



52. Do you have immediate plans to expand your company?

<b>1. No plans (why)</b>	
<b>2. Expand firm within Mutare</b>	
<b>3. Expand firm to other towns (specify towns)</b>	
<b>4. Expand firm to other countries (specify countries)</b>	

53. Do you plan to remain in this type of business?

<b>1. Yes</b>	
<b>2. Not sure</b>	
<b>3. No</b>	

54. If not, what do you intend doing?

<b>1. Go into other form of business</b>	
<b>2. Leave this country and pursue construction business</b>	
<b>3. Retire/ close down</b>	
<b>4. Not sure</b>	
<b>5. Other specify</b>	

55. How do you see the future of this industry (construction) in the next 5 years?

<b>1. Getting worse</b>	
<b>2. Likely to remain the same</b>	
<b>3. Not sure</b>	
<b>4. Likely to improve</b>	
<b>5. Other -specify</b>	

56. Would reducing building and planning standards help your business in any way?

	Yes	No
<b>Building standards</b>		
<b>Planning standards</b>		





## **Appendix II-Fieldwork Research Graphs**

### Contribution of Government Dissaving in Z\$ Million

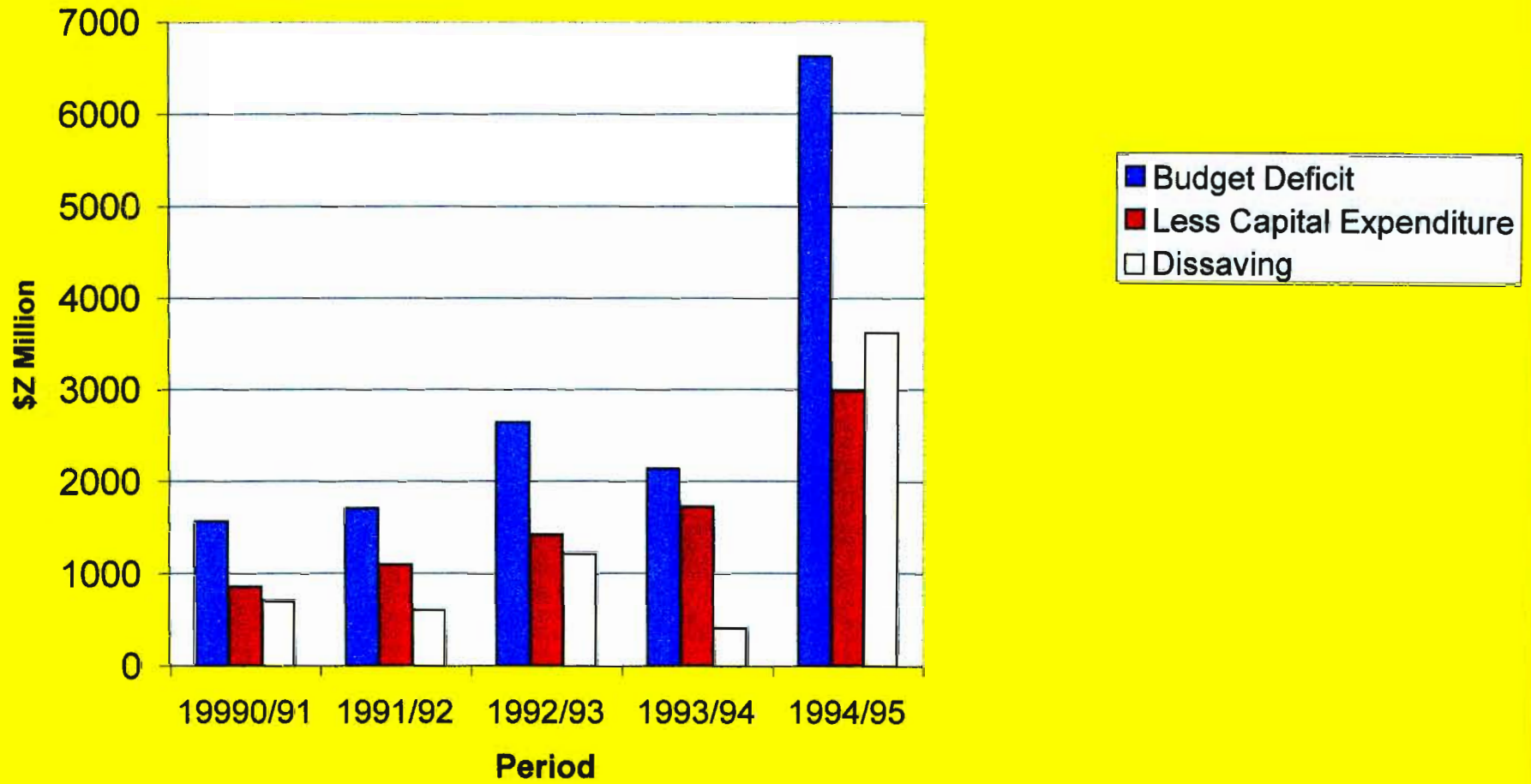
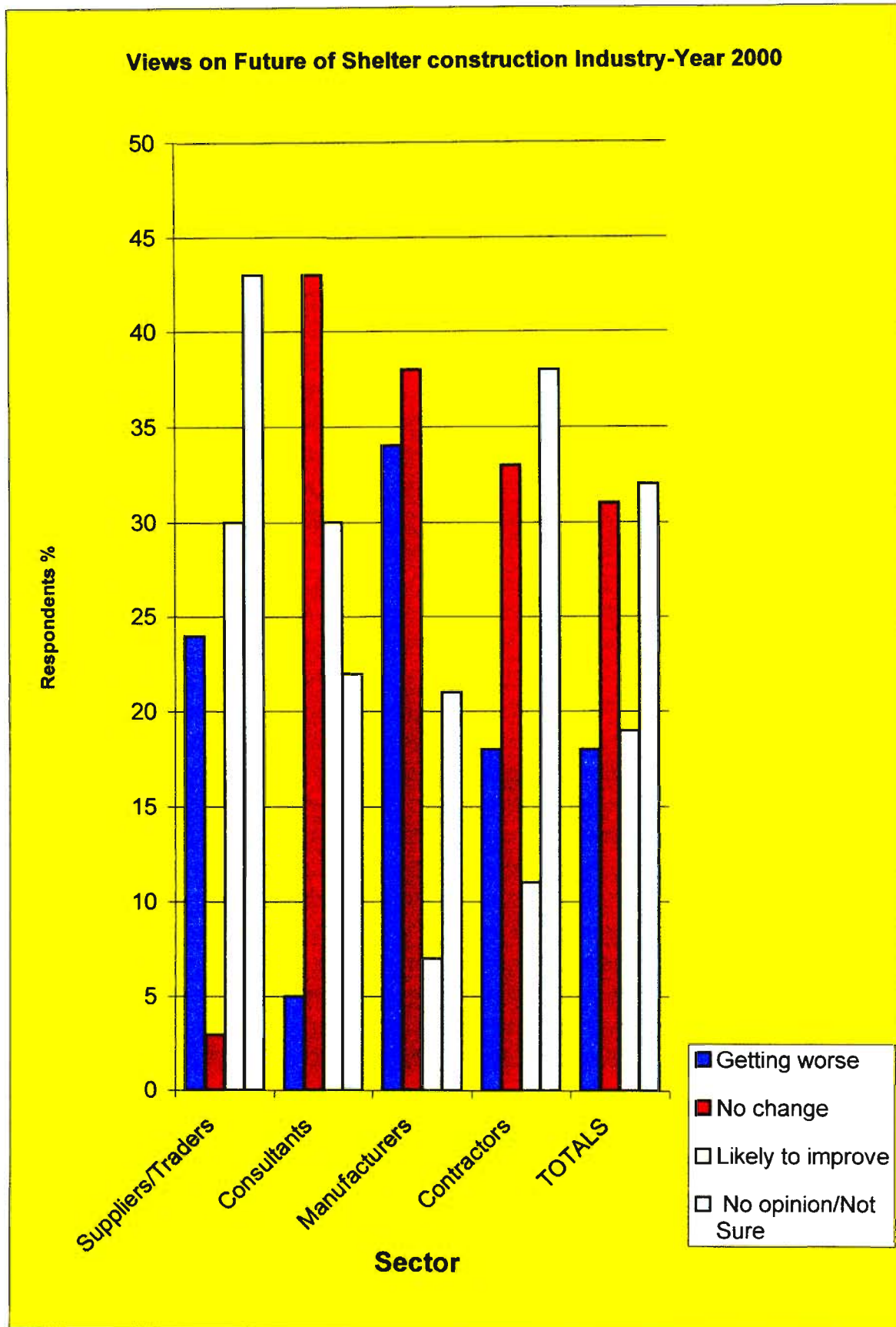


Exhibit 2





### 5 Year Plan (1990-95) in shelter construction business activities

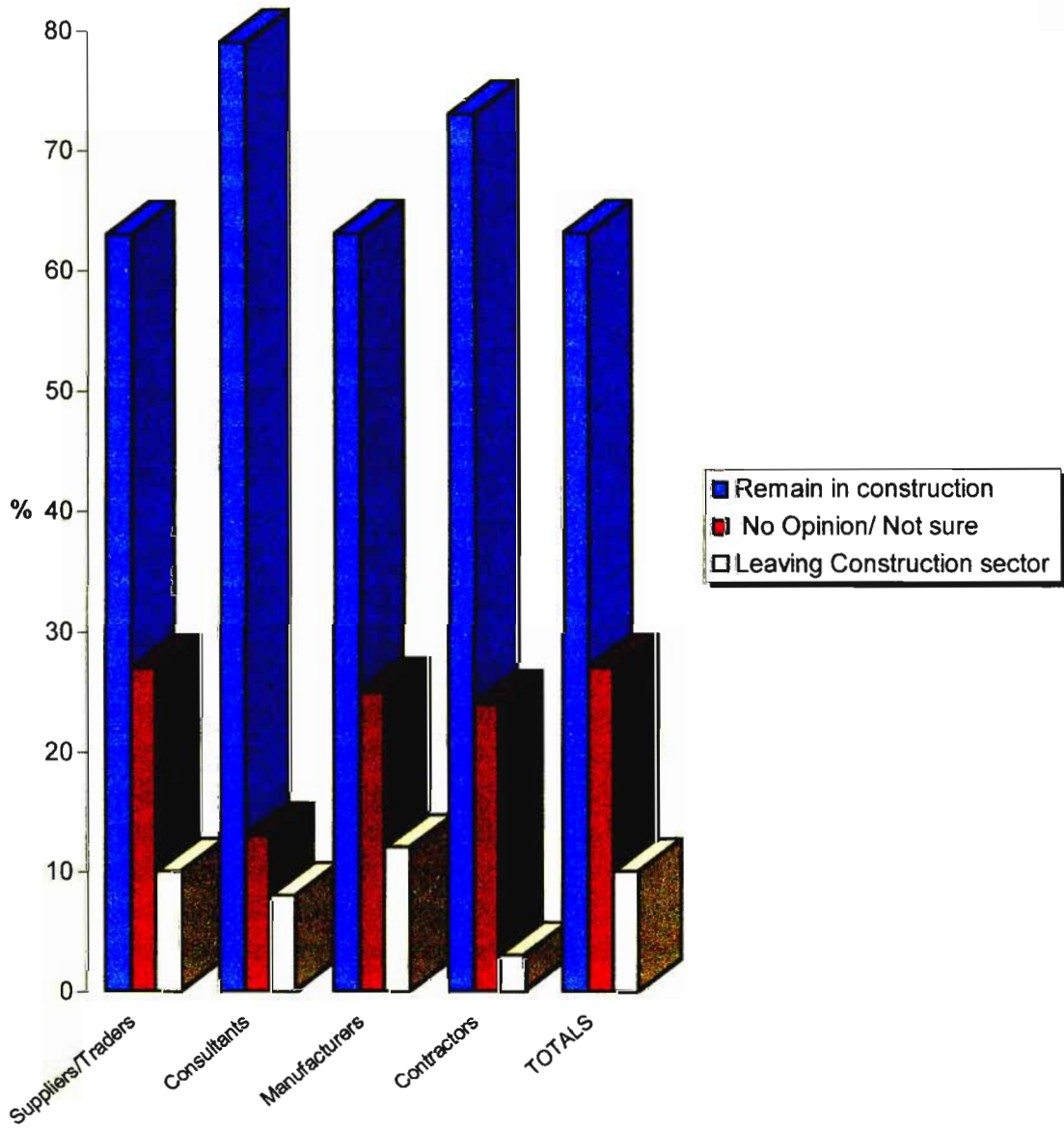
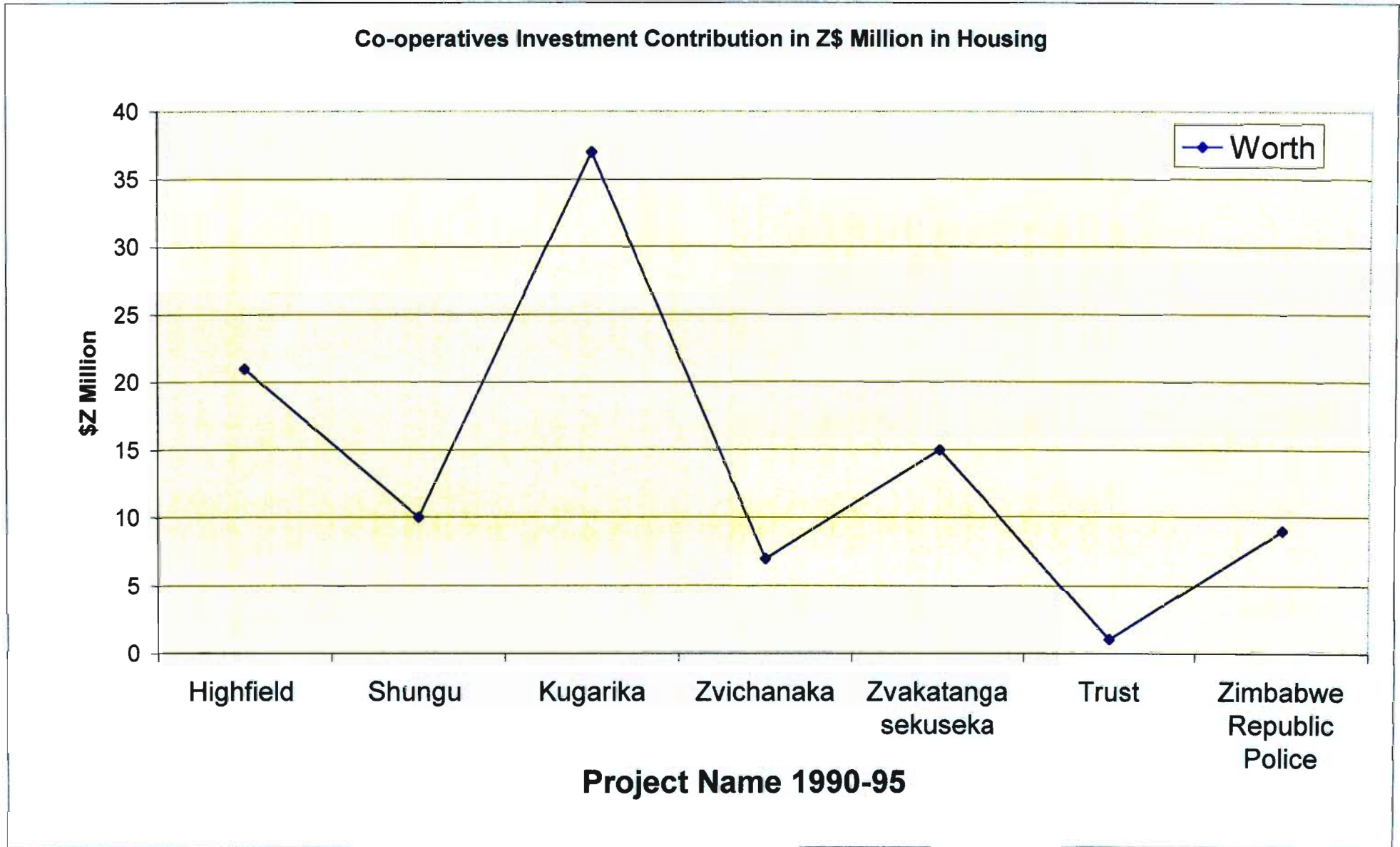
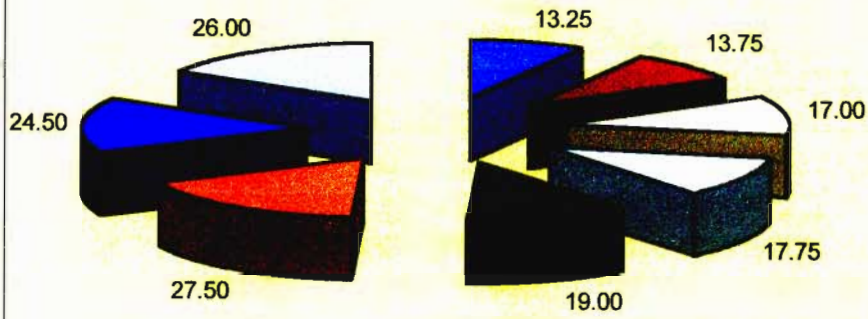


Exhibit 4



### Income Tax Changes % - Mortgages

- 1990
- 1991
- 1992
- 1993(March)
- 1993(July)
- 1994
- 1999
- 2000(August)



### Average formal Employment and labour Force

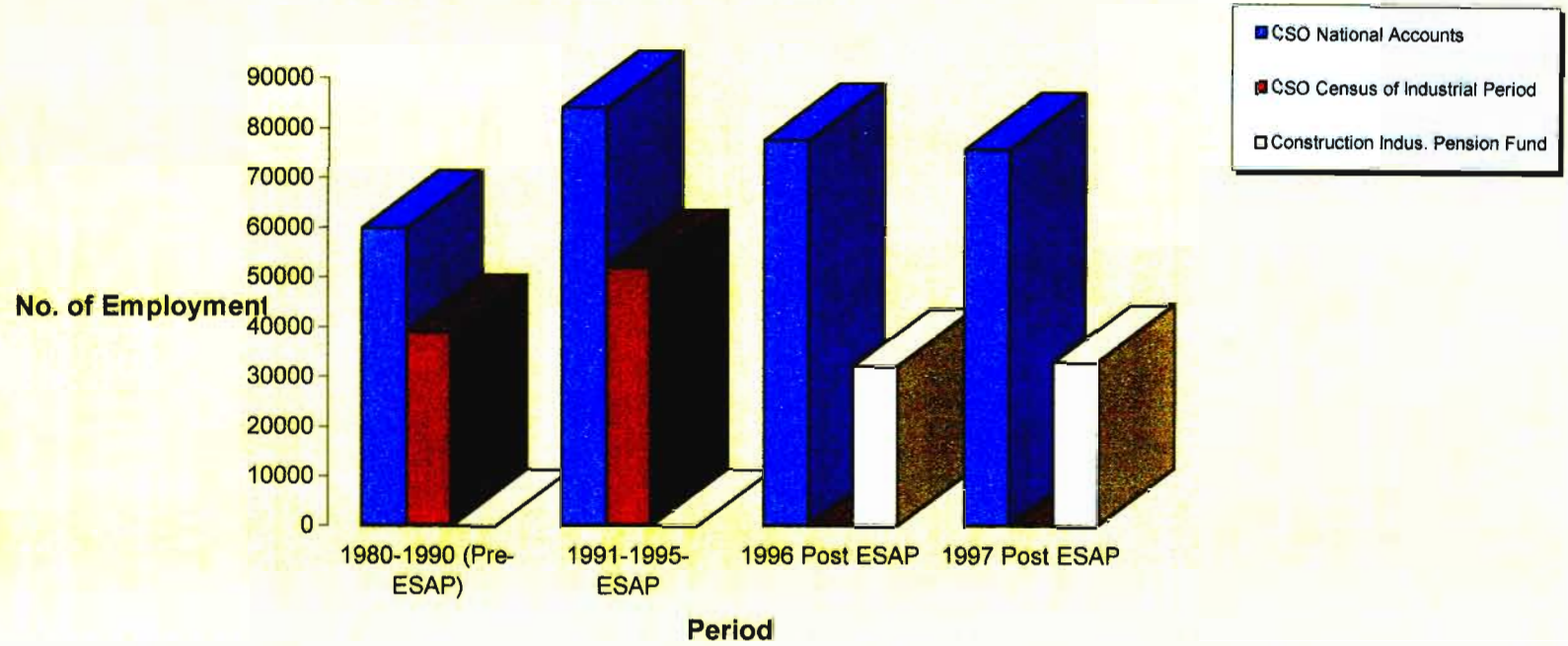
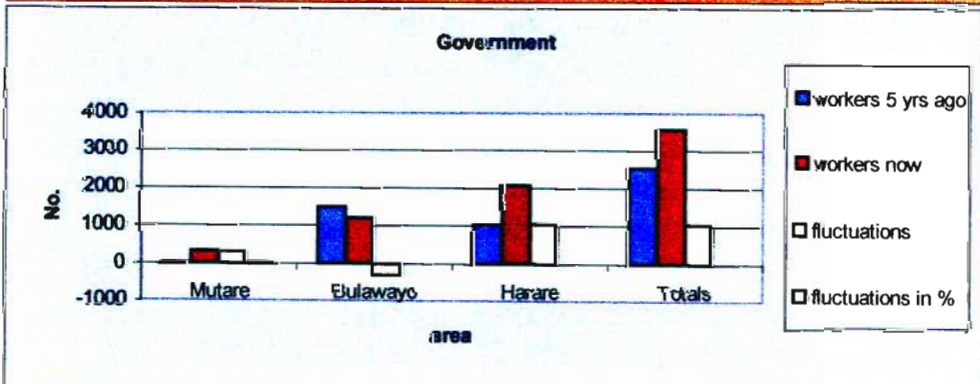
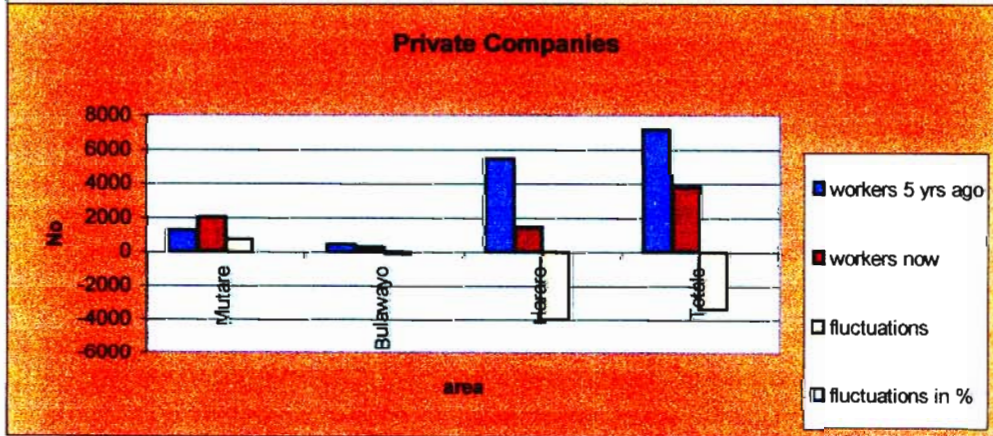
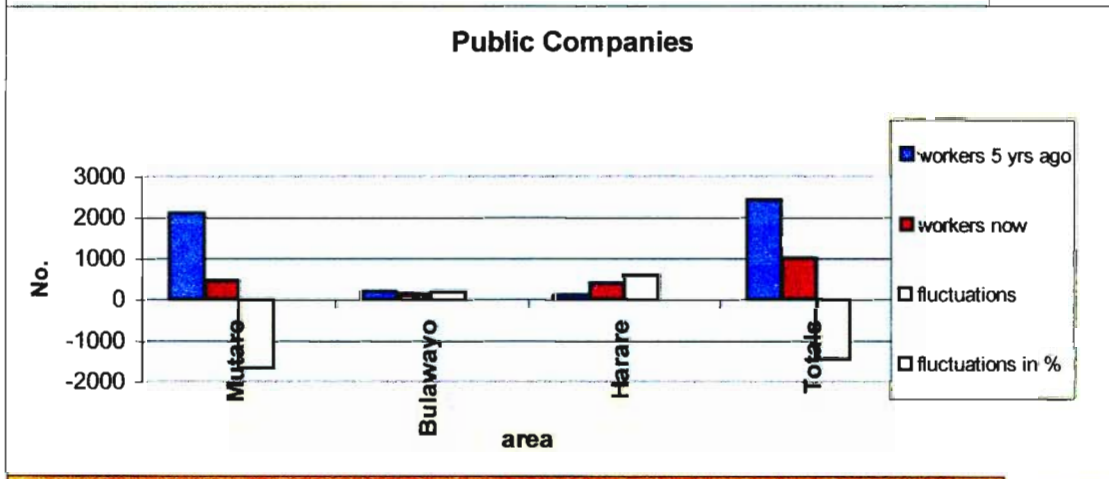
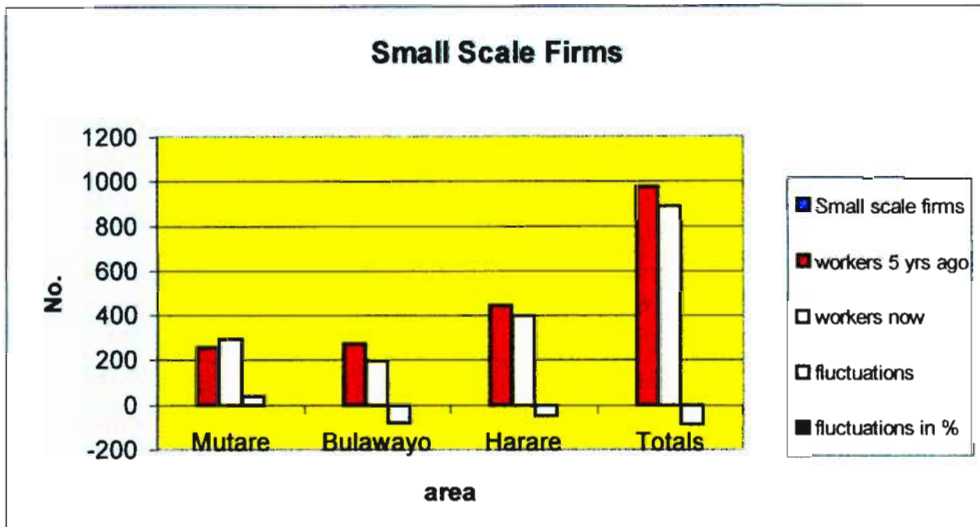
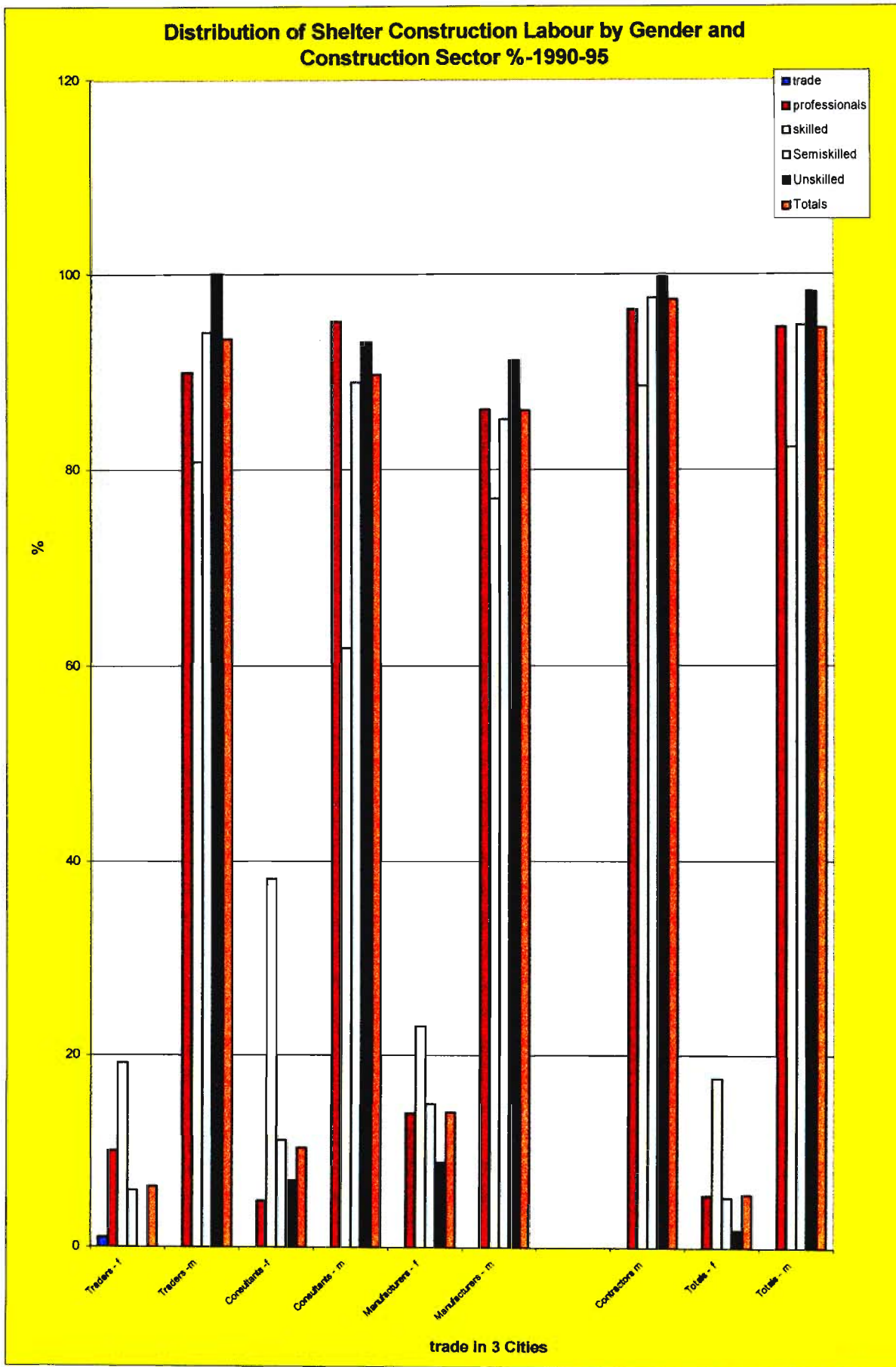


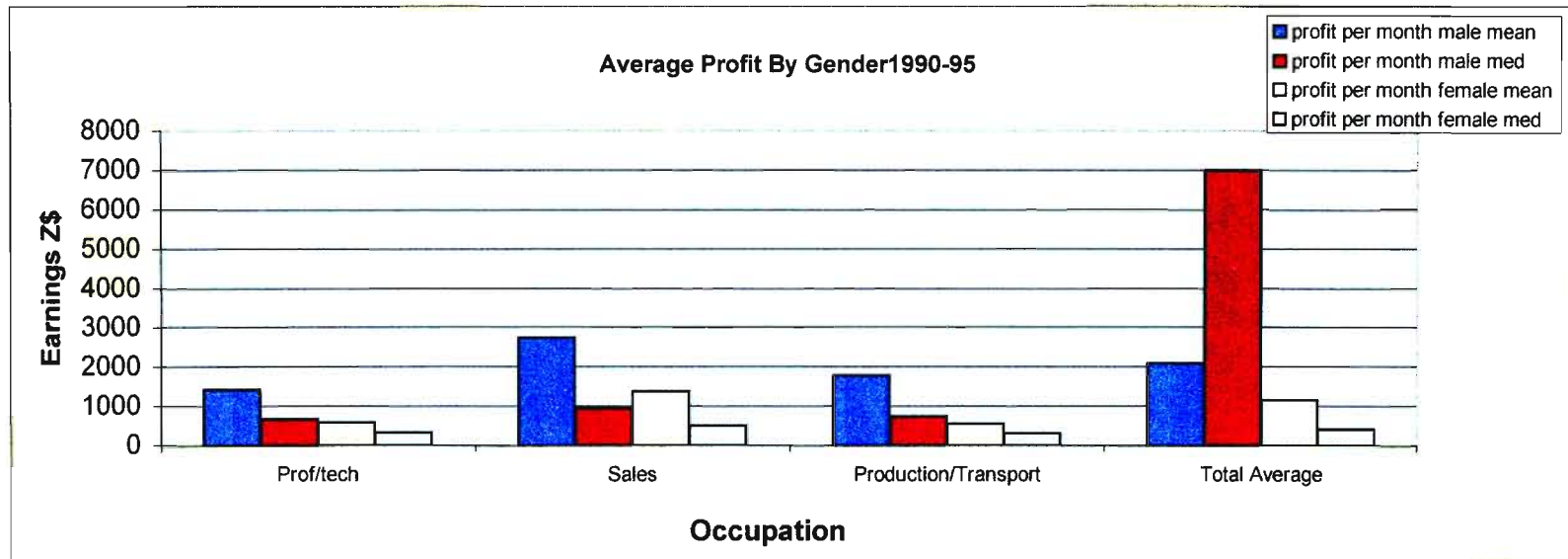
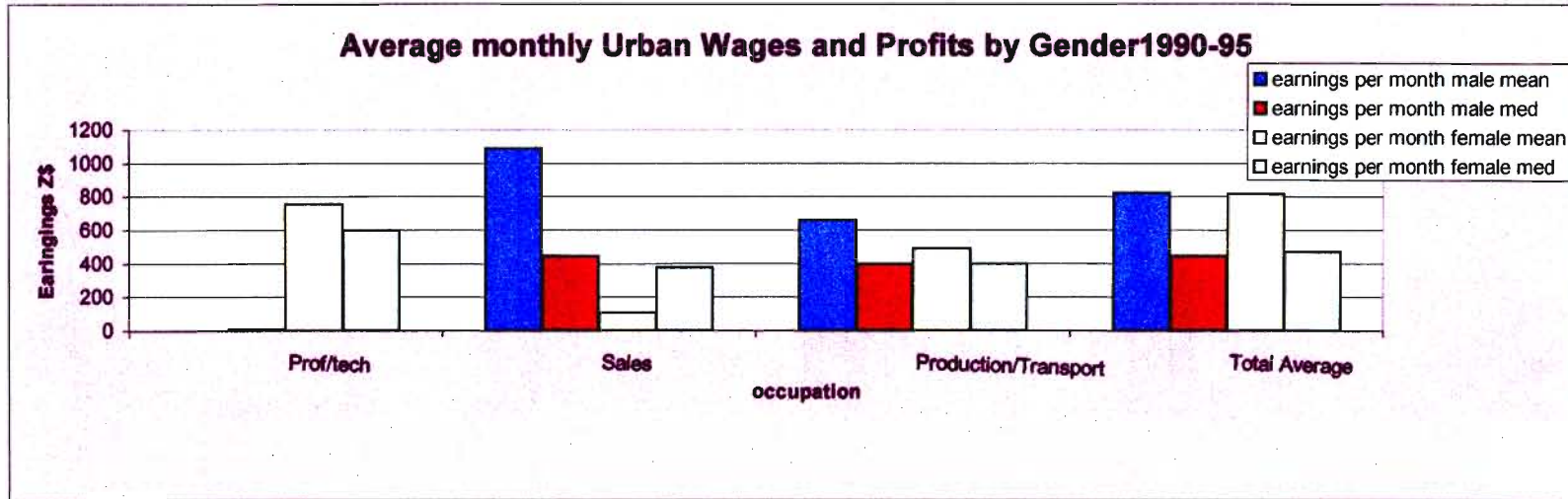


Exhibit 7

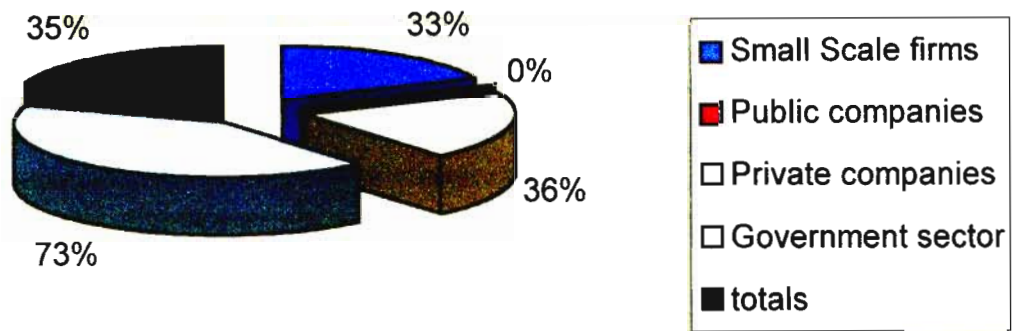








**Companies with a training programme 1990-95 in the 3 Cities**



**Companies without a training programme 1990-95 in the 3 Cities**

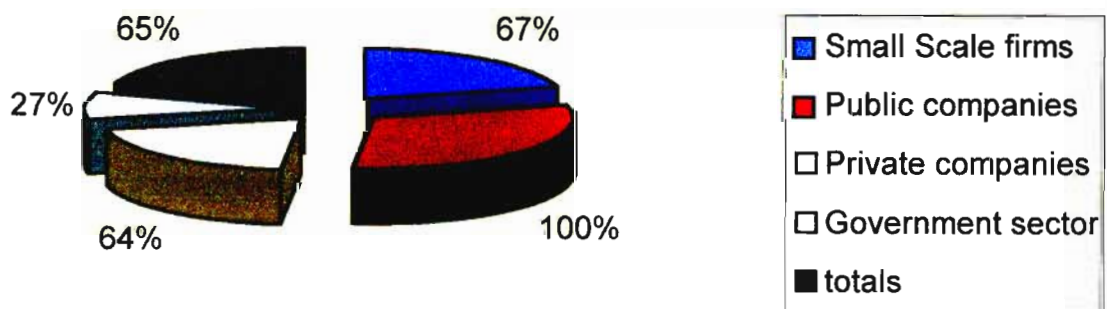
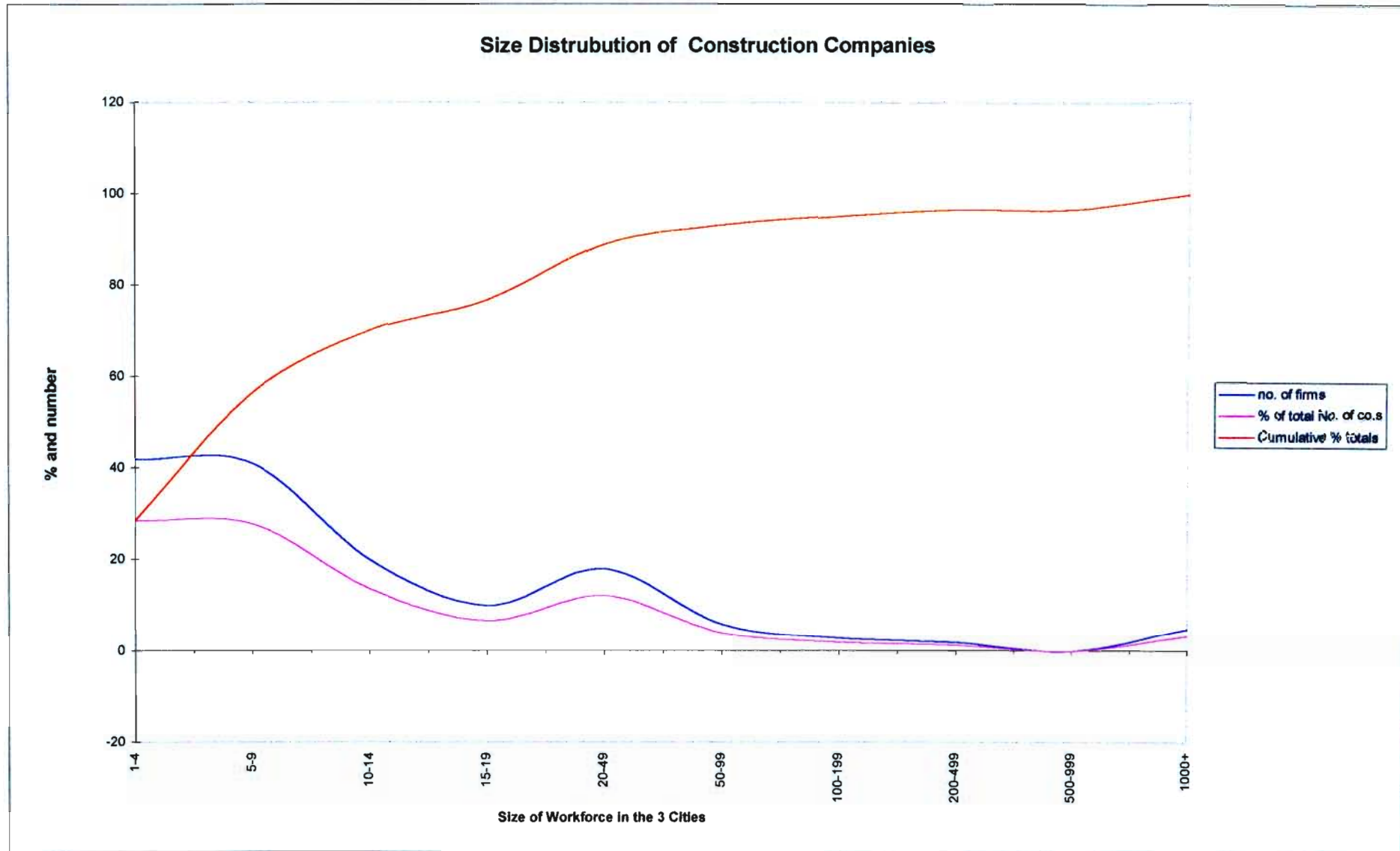


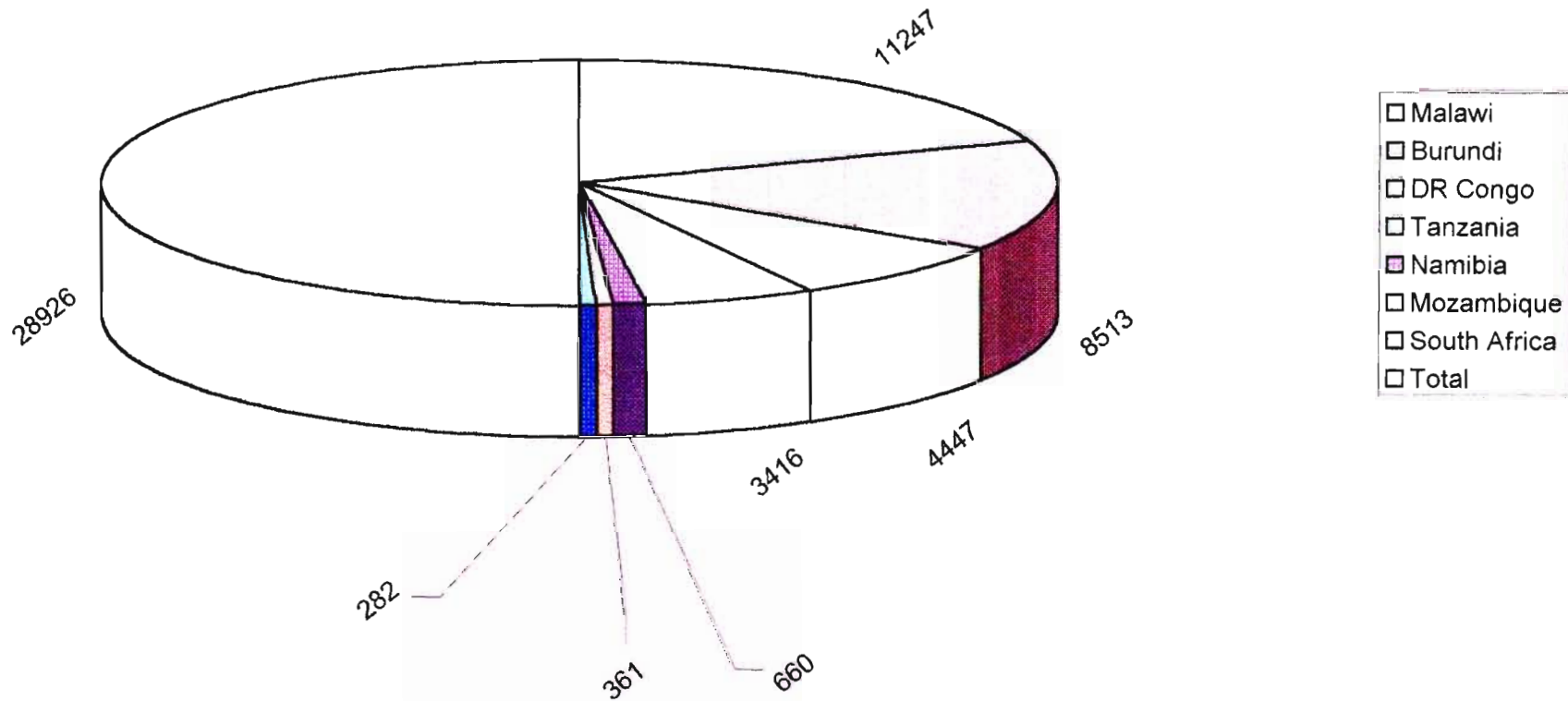
Exhibit 11

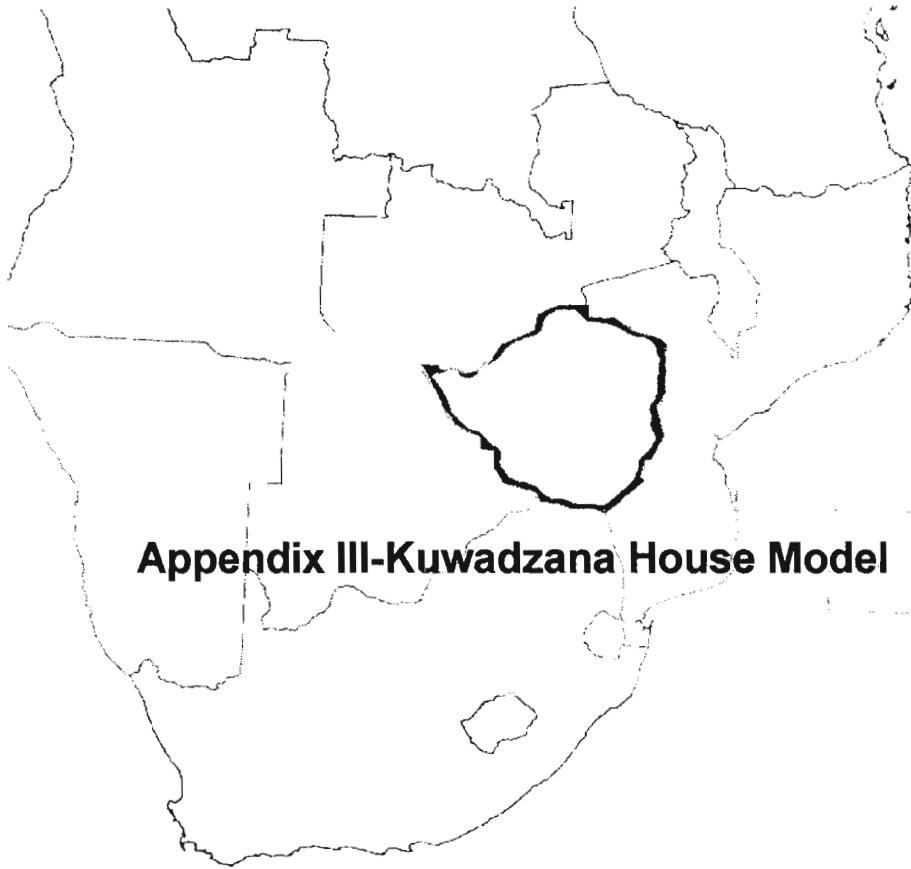






### Cement Export in tonnes-1990-95

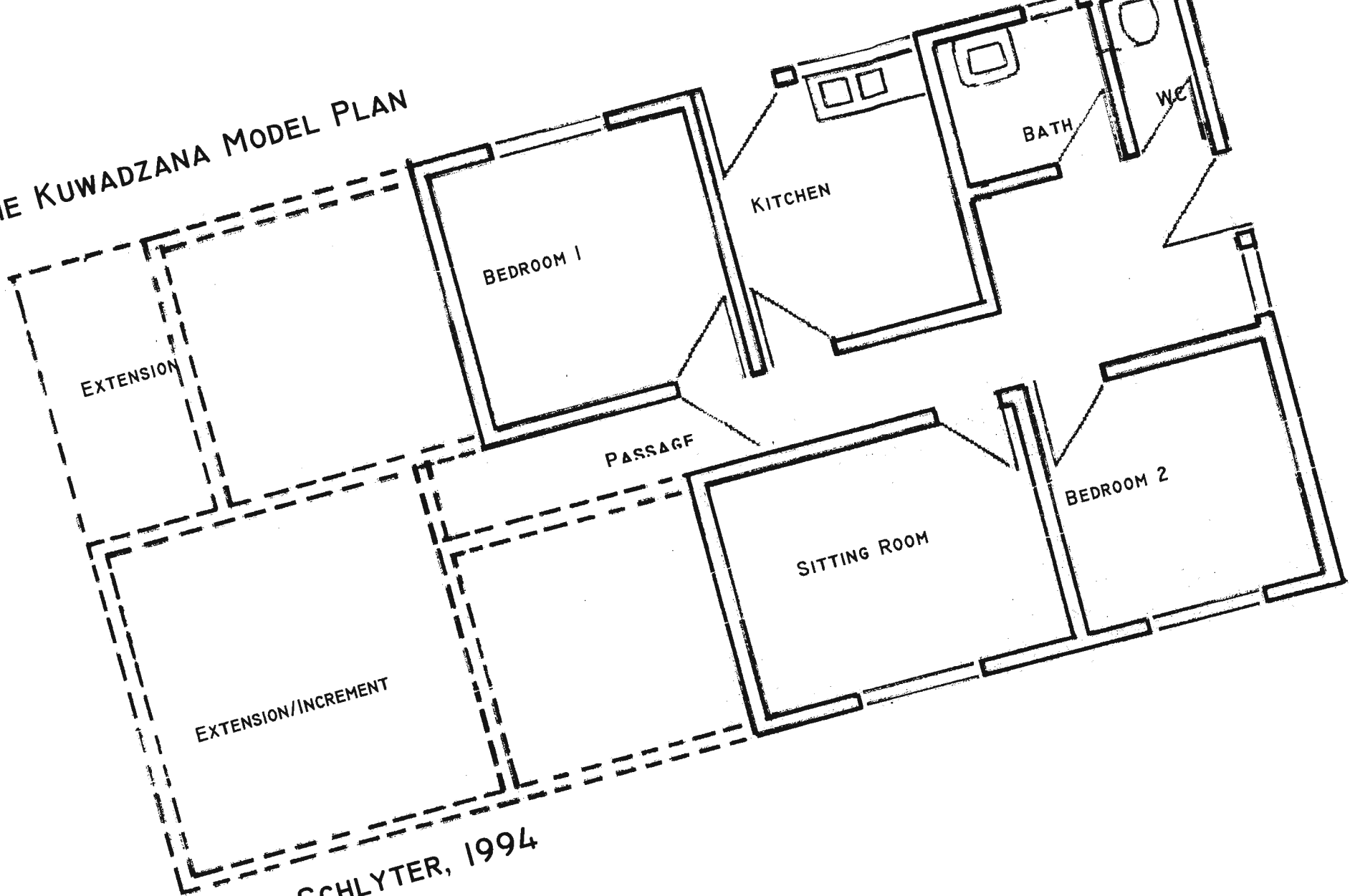




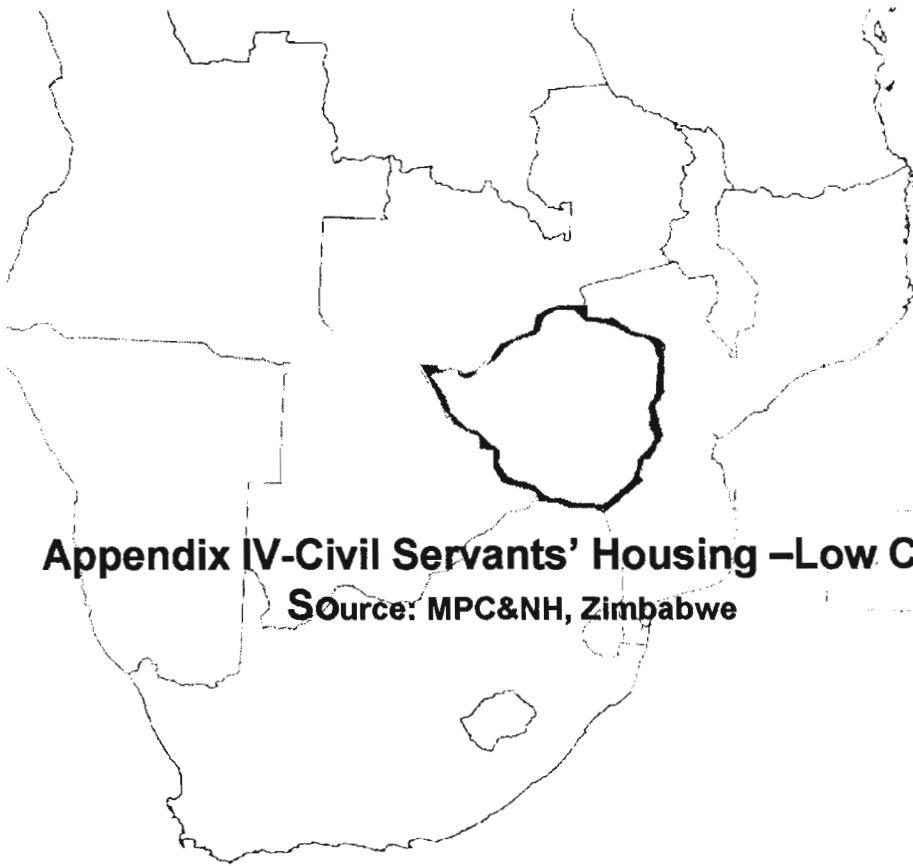
**Appendix III-Kuwadzana House Model**

[KGM]

# THE KUWADZANA MODEL PLAN

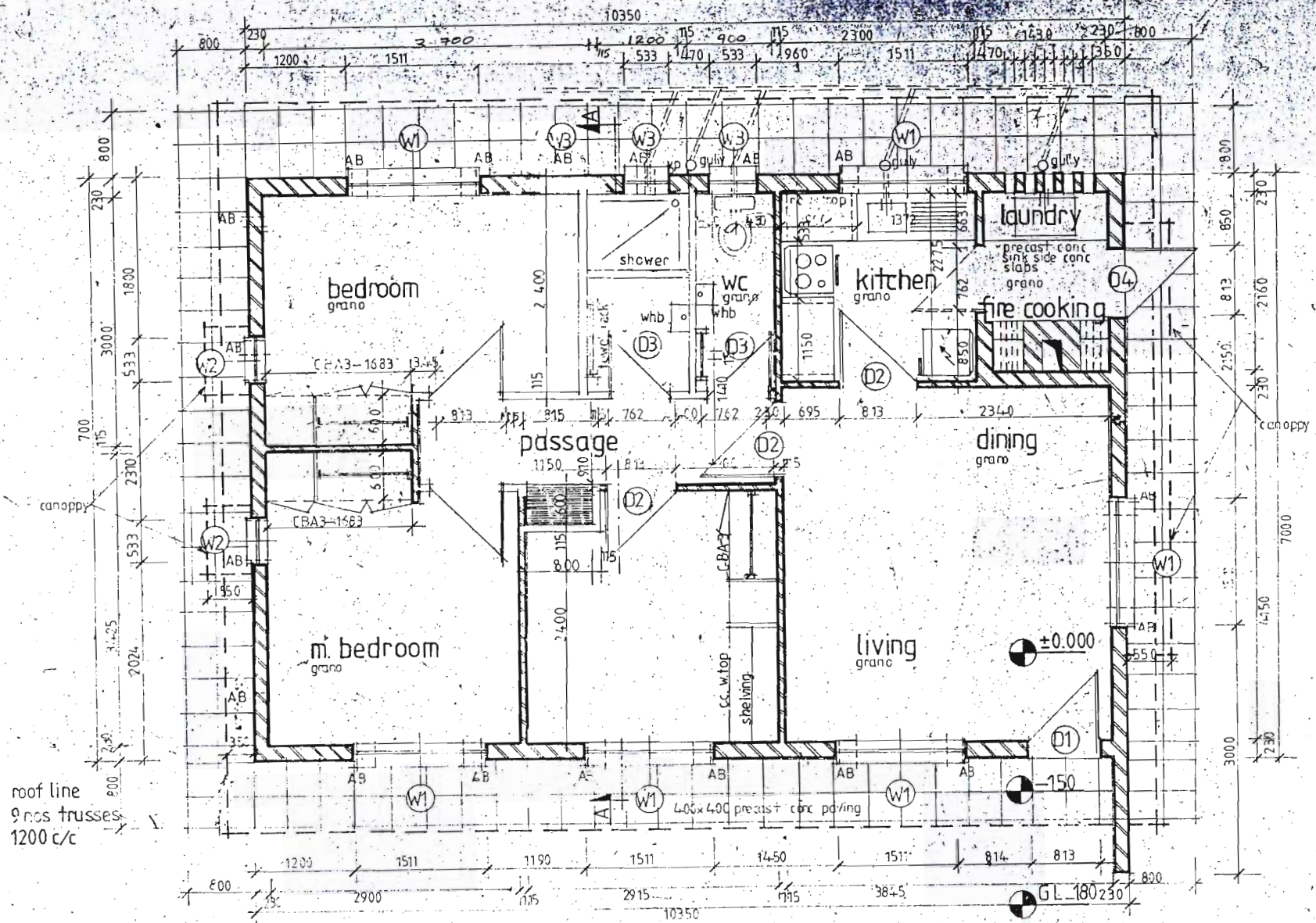


SOURCE: SCHLYTER, 1994



**Appendix IV-Civil Servants' Housing –Low Cost**  
**Source: MPC&NH, Zimbabwe**

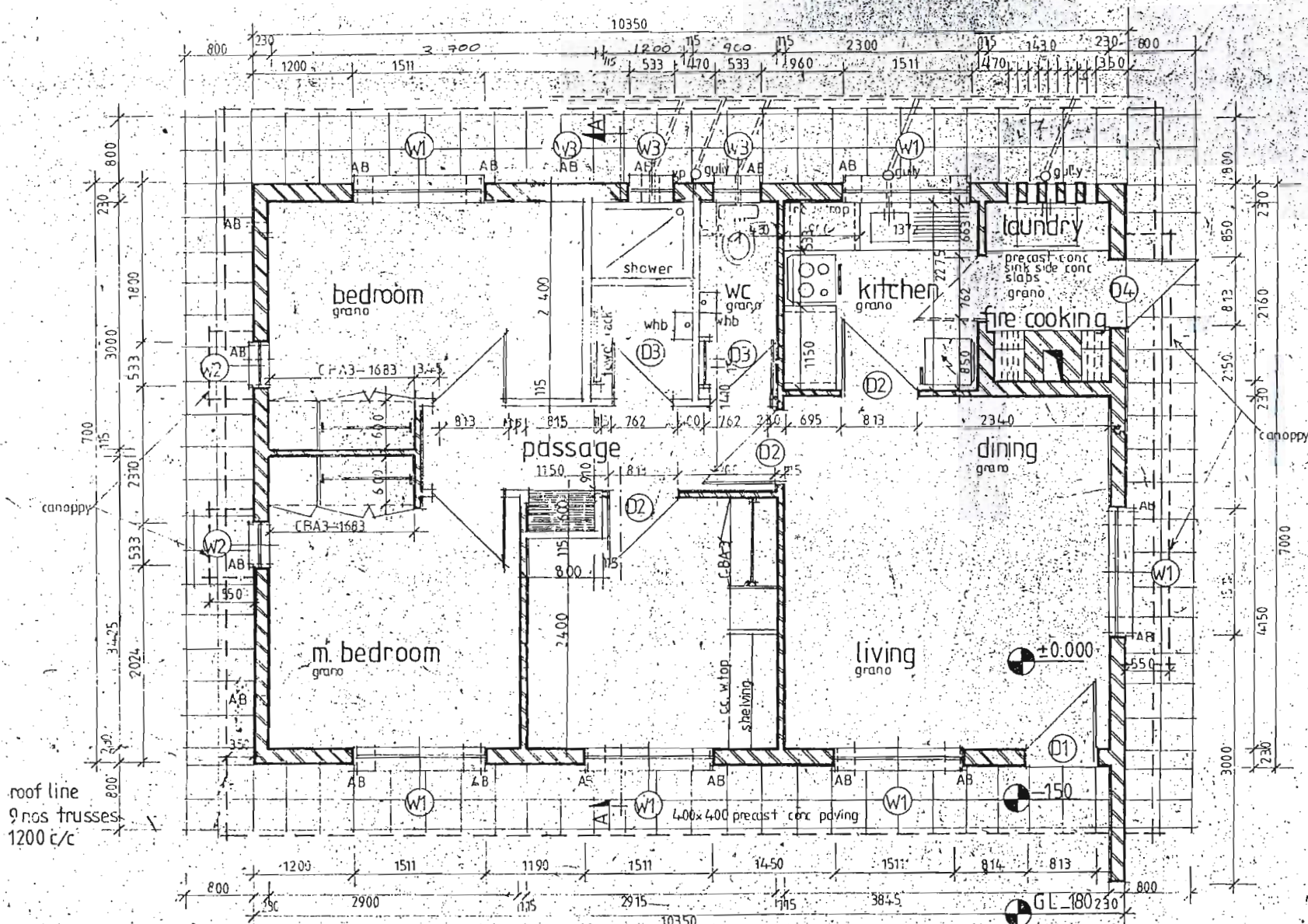
[KGM]



floor plan mirrored sc 1:50

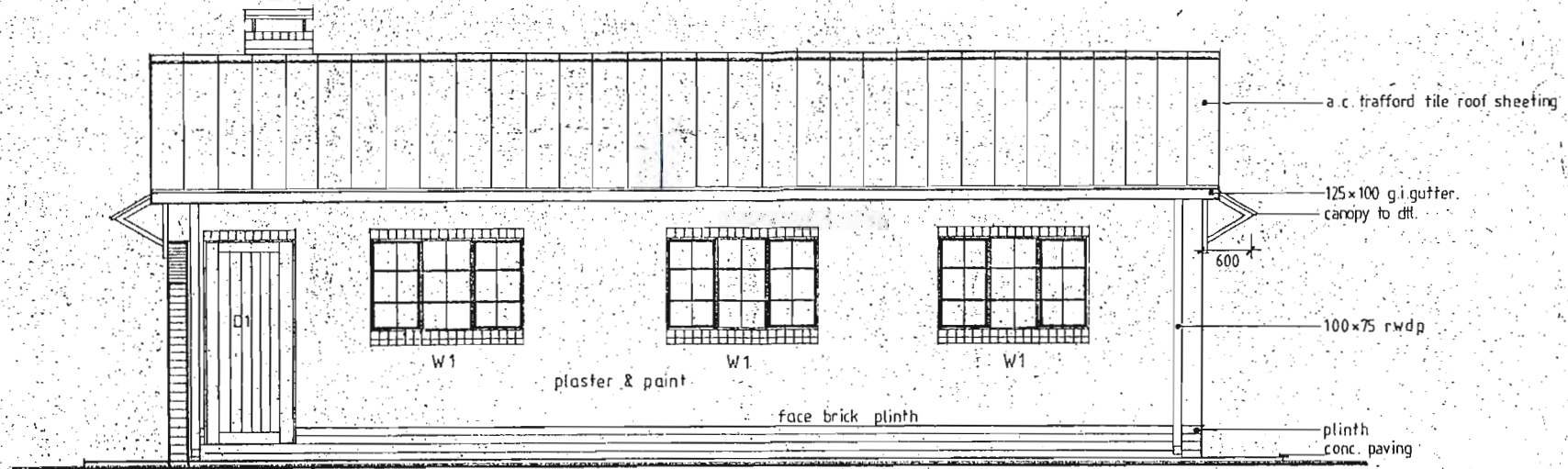
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	1. Date init. A 5/10/93 T.M.			Designed M. Breum	Scale 1:50	Title F14/R (RURAL)	Description MIRRORED FLOOR PLAN
	Micro-film Draw No.			Drawn S.M.	Date JULY 91		
				Checked M. Breum	File Ref.		
				Telephone 704561			



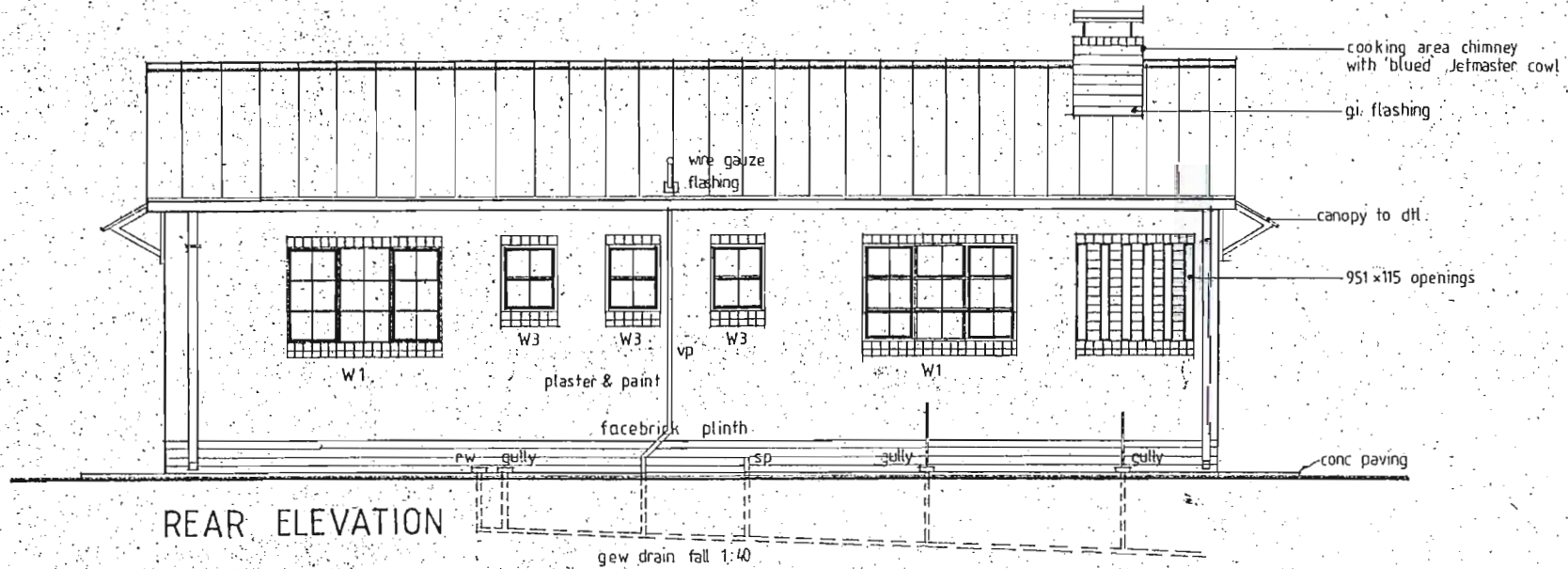


floor plan mirrored sc 1:50

NOTES	Amendment	Description: Bathroom, bedroom layout	Ministry of Public Construction and National Housing P. O. Box 8081, Causeway Zimbabwe	Arch Engr. M. Breum	Branch Head   AHMED	Ministry
	thr. date init.			Designed M. Breum	Scale: 1:50	Department M.P.C & NH Centre VARIOUS
	Micro-film			Drawn S.M.	Date JULY 91	Title F14/R (RURAL)
	Drawl. NO			Checked <i>M. Breum</i>	File Ref	Description MIRRORED FLOOR PLAN



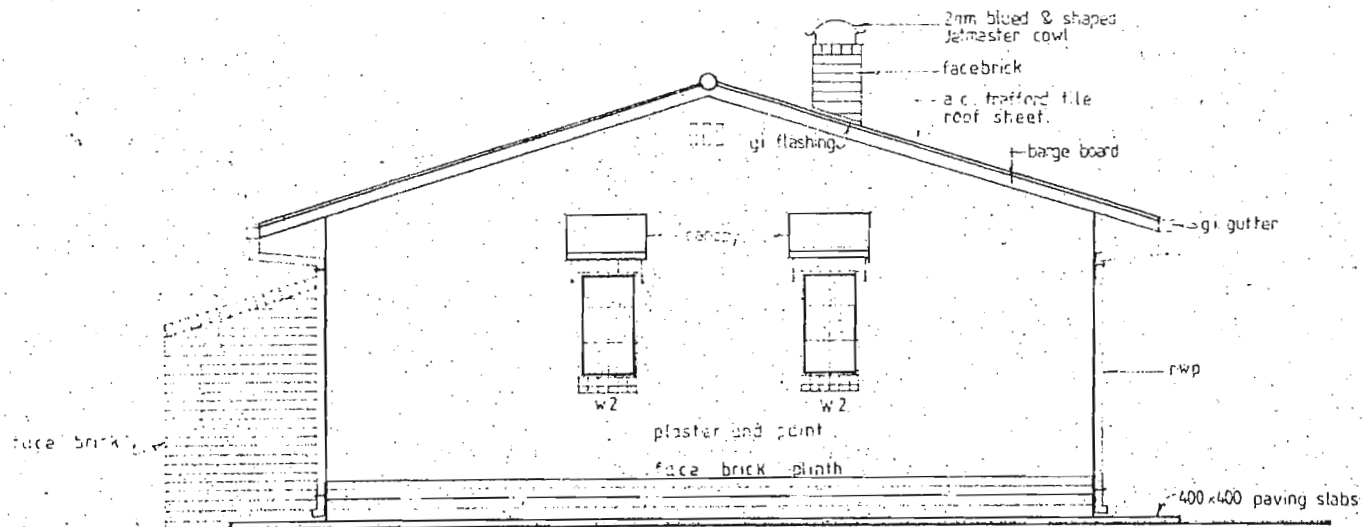
FRONT ELEVATION



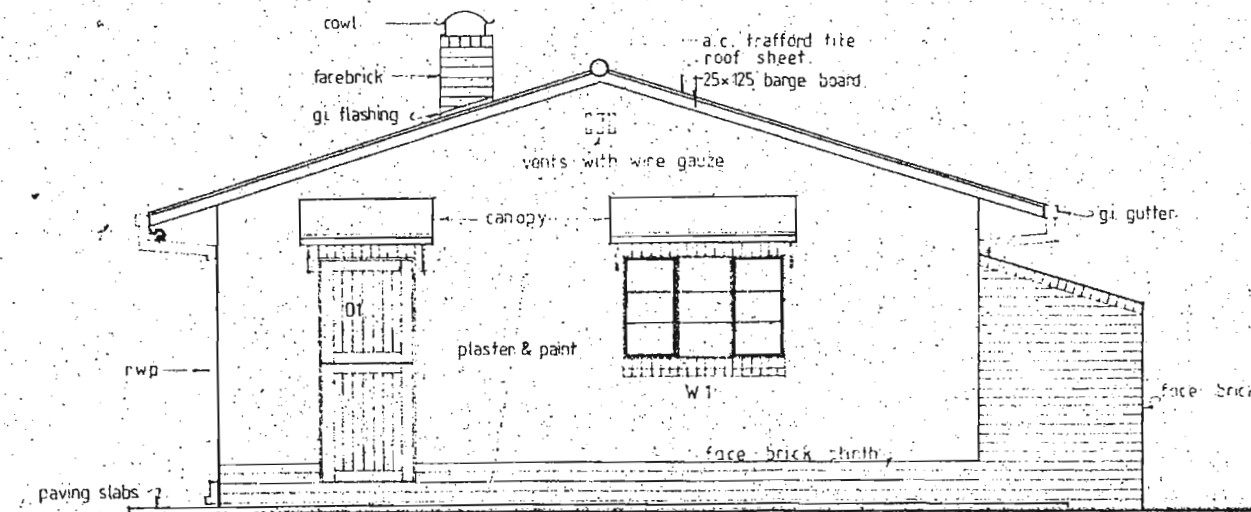
REAR ELEVATION

<b>VENGESAYI ARCHITECTS</b> 111 UNION AVE/ FOURTH ST P.O. BOX 5000 TEL 702384/5 HARARE	Amendment	Description	Min of Public Const and National Housing P O Box 8081 C/Way Zimbabwe	Arch. Engr. M. Breum	Branch Head	MPC & NH	Center	Various
	Ltr. date init.			Designed M. Breum	I. Ahmed	Title	F 14 / R	Rural
				Drawn P. J.	Scale: 1:50	Description	Elevations	
				Checked <i>M. Breum</i>	Date: Aug '90	Stock. Dwg	17049	GP N°
				Telephone 704561	File Ref.			

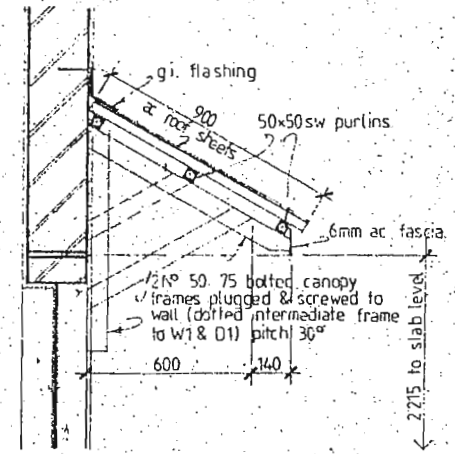




SIDE ELEVATION



SIDE ELEVATION



CANOPY DETAIL 1:20