LOCAL AUTHORITIES' RESPONSE TO RESTRUCTURING

Abstract: This paper discusses local authorities' response to economic restructuring. Since the early 1990s, the [central] government has been carrying out a number of reforms to stabilize the economy and create an environment for sustainable growth. In the face of both budget constraints and an increased burden of public service delivery with the trend toward decentralization, local authorities are under pressure to raise efficiency. As a consequence, local authority managers must struggle to guide their organizations in this uncertain environment. Data from three local authorities is analyzed for policy configurations that can thrive in this environment.

Key words: Globalization, restructuring, local authorities, infrastructure investment and local economic development

1 Introduction

This paper analyses local authorities' response to restructuring. Restructuring is a form of crisis management. Whenever capitalism has been faced with economic crisis, it restructured in order to supersede the crisis. As Amin (2000) has argued, every period of deep structural crisis of capitalism has also been a period of industrial revolution, for example, the deep structural crisis from 1873 to 1896. That was also a period of the second industrial revolution, the first one occurring in the early nineteenth century. The second industrial revolution involved electricity, petroleum, the automobile and the aeroplane. These are the technologies that dominated industrial development in the twentieth century.

'Response' is used here to mean change of strategy by a local authority to deal with pressure, uncertainty or new demand arising from restructuring. 'Restructuring' is used in this paper to refer to a continuous wave of primarily economic adjustments.[i] Since 1991, the Government of Zimbabwe (GoZ) has adopted several reforms aimed at stabilizing the economy and to create an environment for sustainable growth.[ii] These reforms resulted not only in pressure on local authorities (LA) they also redefined LA operational space in several important ways.

Faced on the one hand with growing demand for improvement in service delivery, and declining financial resources on the other, local authorities have been under pressure to improve their operational efficiency.[iii] Evidence gathered during the survey reveal at least four ways in which this pressure is manifested. Firstly, through the withdrawal of funds by bilateral and/or multilateral partners; secondly, by way of industrial closure or relocation, which is generally termed de-industrialisation; thirdly, through the emergence of the informal economy and finally, politically through overbearing central government working through local power elite.

To demonstrate the significance of Economic Structural Adjustment Policies (ESAP) and the forces of globalization at the local level, this study evaluated the impact of fiscal austerity measures introduced under ESAP on the capacity of local authorities to facilitate local economic development.[iv] Hypothetically, a local authorities' ability to promote local economic development can be enhanced, reduced or remain static following the introduction of austerity measures. Deriving from this, the aim of the research was to improve our understanding of appropriate policy responses that may be taken by local authorities to facilitate local economic development.[v]

As a starting point, the research wanted to find out what measures, if any, have been taken by various local authorities aimed at enhancing competitiveness of the local or regional economy. Had these worked? If yes, in what ways did it work? If not, why had they not worked? And could they be improved or new ones proposed? If so, which ones? The premise for this line of enquiry is that the global cum local restructuring process, including its varied manifestations, presents opportunities and challenges for local economic development. The options available to local authorities to take up the challenges posed by the restructuring process differ depending on their circumstance. The institutional capacity to formulate plans to deal with local economic problems is perhaps the most critical factor influencing the nature of policy response. It was thus hypothesized that the success of policy initiatives directed at enhancing local economic development primarily depends on local institutional capacity to identify opportunities and deal with challenges. Local authorities' responses to changing demands partly brought about by policy reforms are discussed in subsequent sections.

The next two sections review the economic conditions in the post-structural adjustment period. Section 4 discusses the nature of restructuring. The case studies are analysed in Section 5 to 7 while Section 8 is the conclusion.

2 Contours of a global crisis and Zimbabwe's economic transition

The first oil crisis in the early 1970s marked the beginning of the global economic crisis.[vi] Following the first oil crisis, the world economy experienced high rates of inflation and recession. As a consequence, sub-Saharan Africa's economies stagnated and per capita incomes fell (Bigsten, 1999).[vii] The impact was not uniform across countries. Zimbabwe (formerly Southern Rhodesia), for example, was under sanction since 1965 following the Unilateral Declaration of Independence (UDI). The fuel crisis therefore was preceded by the sanctions crisis. However, the circumstances obtaining in the then Southern Rhodesia were remarkably different from the rest of sub-Sahara Africa (SSA). [viii] When Southern Rhodesia unilaterally declared independence, its manufacturing sector already accounted for 17% of GDP. Trade sanctions reinforced the import substituting industrialisation (ISI) strategy, resulting to further growth in manufacturing; in 1980 the sector's contribution to GDP was 24% (Ndlela and Robinson, 1995). However, today the story is the same as in the rest of SSA; slow economic growth, sluggish agricultural performance, and balance-of-payments and fiscal instability have become the norm.

Africa's record of poor economic performance is not wholly explained by the oil price-induced recession however. The economic stagnation and decline is partly explained by relatively low investment rates and slower productivity growth (Collier and Gunning, 1997), inadequacies in exchange rate and trade policy, fiscal and monetary policy, and public service provision (Bigsten, 1999 and Kayizzi-Mugerwa, 1999). While the lack of private capital inflow has been partially compensated by large inflows of foreign aid, this has only worsened SSA's debt problem. In 1997, Zimbabwe's total external debt was estimated at US$4,961 million (World Bank, 1999). Currently, due to difficulties in settling its external debt burden, Zimbabwe has been suspended from getting further aid disbursement from the World Bank.

3 Zimbabwe's economic transition

Following the lifting of sanctions at the dawn of independence there was a marked change in the external environment that the Zimbabwean economy faced. Where, for example, it previously traded almost exclusively with the Republic of South Africa, it was able to trade with virtually all other countries. Internally, however, the independent government "maintained the panoply of controls over the economy" (Ndlela and Robinson, 1995 p. 144). It followed a broadly regulated, inward-looking strategy, with controls on prices and wages, and on foreign trade (Mabugu and Chitiga, 1999). This was in spite of growing debate on the merits or otherwise of government controls.[ix]

Zimbabwe embarked on an economic structural adjustment programme (ESAP)[x] one decade after the publication of *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (World Bank, 1981). In an effort to raise the rate of economic growth, for example, the GoZ turned to external borrowing to finance construction or upgrading of roads, sewers, housing and water reticulation systems.[xi] Other reforms included reducing bureaucratic requirements for investment and the conduct of business, and liberalizing trade in order to improve the availability, price and quality of goods on the local market.

Implied in this policy shift was the notion that local authorities would benefit not though an expansion of the tax base (as this would contravene the policy objective), but perhaps through employment creation and other incidental investments. However, as the case studies discussed below show, the adoption of these World Bank-inspired reforms was not only a major turning point in Zimbabwe's history, it triggered different responses in different contexts as well. In the words of Castells and Henderson (1987), this process "manifests itself differently in different contexts, thus triggering diverse social and political conflicts upon which its outcome ultimately depends" (p. 1).

4 The Nature of Restructuring

Historically, restructuring has occurred within limited territorial extent except during the post-industrial revolution mercantilism when colonial powers (Britain, Spain, Portugal and France, Belgium, etc.) established colonies around the world in search for new markets. The current crisis affecting the capitalist world is global; the response to it is likewise global. In other words, restructuring within nation states has been combined with intra- and inter-national spatial shifts in investments, and a massive expansion of the radii of organisational control. This phenomenon is what is now commonly referred to as *globalisation*. On this point, Marchand, Boas and Shaw (1999) argue that as we enter the new millennium our world is becoming increasingly globalized and regionalized.[xii]

During the past decade foreign direct investment (FDI) grew three times faster than trade and four times more than world output annually. The globalization of production as well as the liberalization of markets--facilitated by (neo-liberal) privatization of state enterprises and deregulation of public control over the economy--poses an entire new set of challenges to public authorities, economic agents and social actors in both the developed and developing parts of the world. In particular, the lowering (in some cases complete abolition) of barriers for international movement of all kinds has brought about a blurring of what had been a clear differentiation between the local and the global.

5 Ruwa Local Board[xiii]

Ruwa is a Growth Point located in the rich agricultural hinterland of Mashonaland East Province, 23 km east of the City of Harare along the Mutare Road. Ruwa was established as a growth point in 1986.[xiv] Before 1991, the Goromonzi Rural District Council and the Urban Development Corporation jointly administered Ruwa. Because of its close proximity to Harare, the establishment of Ruwa was intended to take off Harare pressure for industrial space by providing an alternative location.

5.1 Initial Impetus for Growth

In the period soon after Ruwa was established, which coincided with the pre-economic reform phase, the government played a leading role in promoting investments in the growth point. It was able to accomplish this primarily through state enterprises such as the Zimbabwe Electricity Supply Authority (ZESA). Unlike the case of Chinhoyi discussed in

Section 7 where location of government institutions in the municipality has not stimulated investments, in Ruwa these utility companies were instrumental in luring private sector (industrial) investments in the area. In some instances the direct action of the state was an incentive for investments. For example, the construction of a trunk sewer to serve both industrial and the high residential areas and the building of a pump station effectively reduced the cost of industrial investment. These developments are associated with influential personalities such as the former (late) First Lady, Mrs. Sally Mugabe, who was the patron of the Ruwa Rehabilitation Centre, and T.C. Hardy, the former Chairman of Mashonaland Holdings, one of the major investors in Ruwa. Thus, political patronage played an important role during the initial stages of the development of Ruwa.

5.2 Urban Development under Structural Adjustment

According to the *National Development Plan, 1986-90*, the objective of urban development in Zimbabwe is to create attractive conditions for industries to operate in growth points. On the basis of this policy, in 1990 the GoZ signed an agreement with the World Bank for the Urban I Project. The project, which was worth some US$80 million, was to upgrade urban infrastructure. Ruwa Growth Point was seen as a potential beneficiary under the scheme (Wekwete, 1994). However, Ruwa was not included in Urban I, not even in the sequel Urban II Project. Against the background of austerity measures introduced under ESAP and its sequel the Zimbabwe Programme for Economic and Structural Transformation (ZIMPREST), the Local Board is constrained from providing adequate infrastructure by the shortage of plant and equipment, financial resources and manpower (World Bank, 2000a). As a consequence, the Board has increasingly looked to private-public sector partnerships to provide infrastructure.

Infrastructure provision in Ruwa is mainly private sector driven. This is particularly true in the northern consortium where private landowners have been seeking approval to subdivide their land. Since the Board is constrained from providing adequate infrastructure by the shortage of plant and equipment, financial resources and manpower, it has made a decision to enter into negotiations with the northern consortium in order to forge ahead in spite of the difficulties. In all cases Board requires the developer to pick up the cost of putting up off-site infrastructure. In the case of ZIMRE Park (Zimbabwe Reinsurance Corporation), the Board issued the developer ? National Real Estate ? permission to develop 2,500 medium density residential stands. The developer was also obliged to provide water and upgrade the pump station. In addition, the developer paid the Board Z$19 million endowment fund. Part of this sum was used by the Board to purchase a piece of land on which a primary school is being built. The Board also intends to install streetlights in ZIMRE Park development. This case illustrates that partnership between the Board and a private developer could be leveraged to provide resources for infrastructure development (see Norton Town Council below).

Other partnerships tend not to be as successful though. A number of individual landowners who were issued with permits 4-5 years ago have yet to implement the developments set out in the conditions. This has led to two contrasting perceptions among the Board members. Some view the pace of development caused by private sector activities to be 'good' as it encourages growth. This is the positive view. Other members argue that the Board is not able to cope with the fast pace of growth. Perhaps it boils down to who the developer is (private incorporated or an individual) and whether they can meet conditions imposed by the Board on development permits.

In general, notwithstanding these differences in perception, the Board pursues a strategy of encouraging private developers to bridge the gap created by its own inability to provide infrastructure attractive for investment.[xv] This policy coupled with the attraction of a relatively less congested and pollution free environment has resulted in a number of industries locating in Ruwa. In total Ruwa has about 100 industrial establishments employing close to

7,000. Employment in the mostly agro-based industries has recently declined from around 10,000 due to closures and relocation. Trinidad Industries, for example, relocated to Masasa in Harare citing water problems for this decision. Due to its nagging water problem, the Local Board recruits dry industries to locate in its area.

The development of an industrial base has not come without cost however. Between 1992 and 1999, the population of Ruwa grew at an average of 173 percent per year, rising from 1,447 to about 19,000. This phenomenal growth led to an astronomical increase in the demand for property development in the area. The greatest beneficiaries of this have been private landowners who subdivided and later sold them at a profit. While the local authority draws levies and rates on developed properties, such developments tend to put pressure on its resources as demand for water, sewer and solid waste disposal services increases. In fact, the effect this has had on the local authority is to force it to adopt almost an all out service-oriented strategy. In a supplementary appearing in *The Herald* of Monday July 31 2000, the local authority is reported to have unveiled a 13-year development plan "that will see the construction of more schools, a referral hospital and new clinics. Top on the priority will be the issue of accommodation" (p.4).

While the provision of social services is necessary and important from a welfare point of view, the influence this has on local economic growth is less clear. In what ways, if at all, do they encourage industrial development? Under the circumstances, what should be the focus or priority of Ruwa Local Board? Shouldn't the Board and other organized groups engage to stimulate or maintain business activity and/or employment in a way that makes their local or regional economy more rather than less competitive? And what difference would it make if they did?

These are hard questions, which defy a single or direct answer. It all depends on policy dialogue between the citizens on the one hand and the Local Board on the other. It is out of such a process that consensus on aspects of urban development could be expected to emerge and concretise. Clearly, austerity measures associated with economic reforms and the move toward decentralization mean that local initiatives are going to count as much if not more than those engineered externally. As the case of Norton Town Council discussed below demonstrates, under conditions of macroeconomic instability or uncertainty, even with the right mix of infrastructure, local economic development might still not take off. Clearly, the choices are not only place specific but time specific as well. The challenge of local governance is to develop models that will meet the needs of communities for decent standard of living and while reducing levels of poverty.

6 Norton Town Council

Norton is located 40 km to the West of Harare. From the humble beginning as the nucleus of a village in 1914, Norton grew into a railway siding and to an industrial satellite township in the early 1950s. The town was designed to cater for an overflow of industry from Harare (then Salisbury) as a result of the post Second World War industrial boom. Some of the early industries to locate in Norton included the Rhodesian Pulp and Paper Industry (now Hunyani Pulp and Paper Industry); the Harold Poole Limited (now Tinto Industries); and Rhotes Poole (now Harold Poole). Over the years the number of industrial establishment increased ten-fold to about 30 firms at the beginning of 2000.

The town of Norton has most of the ingredients for successful industrial development—ample land, serviced industrial stands, good communication (road and rail) network, centrality, proximity to a large urban market in Harare, sufficient water supply, a productive agricultural hinterland, among others. In May 1994, Norton was upgraded from a Town Board to a Town Council. Moreover, Norton is one of the local authorities to benefit under the World Bank funded Urban II Project. Under normal conditions these characteristics form a reasonable basis for economic growth. However, our findings suggest that exogenous variables could determine economic fortunes of small towns such as Norton. In general, the Council is not exempt from the nationwide economic downturn (Box 1). The major shocks, however, came with the unexpected withdrawal of World Bank funding for Urban II projects and the closure of BHP Hartley Platinum (see 6.1 below), the largest investment.[xvi]

Undoubtedly, with a growing population estimated at 33,518 the industrial base in the town needs to grow to create jobs. In 1992, close to 25 percent of the economically active population was unemployed. Conservative estimates would put current levels of unemployment higher still due to downsizing and industrial closures. Why is there such a high level of unemployment in Norton?[xvii] Clearly, this is a complex problem, which defies simple solutions. A plausible explanation, however, is the low level of industrialization. While the town boast of old industrial establishments such as Hunyani, Dandy, Cone Textile, Central African Batteries among others, the availability of a railway line linking Harare and Bulawayo, rich agricultural hinterland and adequate water supply all lead to one conclusion;

Box 1 Recent Economic Trends

In general, the economic growth trends in the country have been anything but rosy. Real economic growth has only averaged 2 percent since 1995, lower than the population growth rate of 3 percent. Real GDP growth declined significantly from a peak of 8.8 percent in 1996 to 1.5 percent in 1998. High inflation (58.7 percent at the time of the study) has eroded the value of savings, an important source of investment finance. Savings have remained low, averaging only 15 percent of GDP, thus constraining investment activities in the country (RBZ, 2000a). Given this scenario, investments fell from a peak of 22.6 percent of GDP in 1993 to about 14.5 percent by the end of 1999. This decline was also associated with a fall in savings (RBZ, 2000b). According to the Reserve Bank of Zimbabwe, low economic activity has been evidenced by market decline in manufacturing. The contribution of manufacturing to GDP had declined consistently from 20.5 percent in 1990 to 15 percent by 1999 (*ibid.*).

that the industrial base could easily surpass its current status. But given the current state of the economy, it would be strange to expect a miracle in Norton. It would not be natural also to expect nothing. Doing nothing is not a viable policy option as it could be very costly as the closure of the platinum mine demonstrates. On its part, Norton Town Council has not done much to promote the town as a potential location for industries.[xviii]

6.1 The BHP Case

The establishment in 1994 of BHP, a foreign conglomerate with interest in platinum mining, injected new life in the town in terms of jobs. The Council responded by providing houses and residential stands. While the project was national, the local impact was significant. For a time between 1995 and 1997, Norton was a beehive of activities. Businesses thrived as receipt incomes grew against a background of increasing consumer demand. Then the unexpected happened; towards the end of 1998 BHP suddenly closed. This dealt a double blow to the Council and to the business climate in the town. In the first instance, the BHP project was initiated and executed by the central government and its closure was carried out unilaterally.

The abrupt manner in which the mining operation was terminated raises very fundamental questions pertaining to the risks involved in depending on international capital or direct foreign investments (FDI). What happens when such investors pull out? What guarantees does a local authority have to protect it from social and economic upheavals associated with deindustrialization? For example, the location of BHP in the town was an opportunity for other downstream investors such as banks to set up shop in the area. In anticipation of such developments, the Council approached institutional investors and property developers, including the National Social Security Authority (NASSA) and Old Mutual, but without the attraction of a sizeable urban market these investors are unlikely to come to Norton.

Yet another consequence of the closure of BHP has been a proliferation of informal sector activities in the town.[xix] This is evident from the large number of operators at the Katanga bus terminus. While this is not a unique feature in urban centres of Zimbabwe, what is instructive in the case of Norton is the manner that the Council has responded to the informalization of the economy. Initially, the informal traders were viewed negatively. At the time, which roughly corresponds with the pre-structural adjustment era, the Council's approach was reactive; informal trading was viewed as illegal activity and, therefore, its existence was largely ignored. From early-to-mid 1990s, there was growing awareness that the informal sector was indeed a part of the urban economy, but on the ground there was little that changed as the Council continued to shun what was otherwise a growing sector. However, it is only after the recent economic crisis precipitated by among other things the closure of BHP that the Council has responded proactively to the informal sector.

To give an indication of the value of the informal sector: Norton Town Council raised approximately $19,000 in revenue from informal traders (as at December 1999). According to the Acting CEO, this money is deposited in a separate account, which is used to build infrastructure in areas where informal traders operate. The Inspectorate Department monitors on a day-to-day basis the activities of the informal traders. The Director of Housing and Social Services who chairs the Regulatory Committee, is responsible for assessing the needs of the sector and recommending appropriate action to the Council.

The informal sector operators have formed an organization called the Informal Traders Association (ITA). Could this be another vehicle for economic growth and development? Not so, says the Council. In Norton the informal sector is not treated differently from the formal sector; both are licensed to do business by the local authority and, therefore, should compete. This may not be a very pragmatic approach considering experiences elsewhere, which tends to suggest institutional support is crucial in the development of the informal sector. In this respect, local-level institutions such as business associations have an important role to play in managing the affairs of the entrepreneurs as well as serving as a link between the entrepreneurs and the local authority. Councils have a responsibility to create supportive environment where small businesses could grow.[xx] Cultivating the right attitude towards the informal sector is obviously the first step; favourable policies to address both demand and supply side constraints are another.

6.2 Freezing Funds

The withdrawal of the World Bank funding for infrastructure projects came as a 'surprise' to the Council. Among the projects affected included the upgrading of roads and rehabilitation of the sewer reticulation. Response to date over this crisis has centred on a meeting of all urban councils held with the Minister for Local Government, Public Works and National Housing. The meeting, which was called to try and find a solution to the problem failed, one because the central government could not raise the resources required to finance the various projects to completion. The second and perhaps more poignant reason is the fact that most local authorities including Norton Town Council simply do not have the capacity to finance their projects much less credit worthiness to enable them borrow from the financial market (even if the interest rates were permissive!). Consequently, the Norton Town Council now awaits the international financial institutions (IFIs) to unfreeze funding if their capital (infrastructure) projects are to see the light of the day. One can only hope that the IFIs will not be too long in coming. Whatever the case, the long and short of it is that Norton's ability to attract further investments and therefore create jobs for the growing army of unemployed youths leaving school and retrenchees is hinged on the good will of international capital.

7 Municipality of Chinhoyi

7.1 Background

Located some 115 kilometres north west of Harare, Chinhoyi is a heartland of agriculture and mining activities.[xxi] Known for its gorgeous caves curved out of limestone, Chinhoyi is a medium-sized town of about 52,000. In spite of its enormous agro-industrial potential, Chinhoyi has not been a major destination for industrial investors. According to its *Strategic Plan*, "the town has attracted mostly public sector institutions that do not significantly contribute revenue generation." While a Technical Teachers Training College or a district hospital may have an indirect role in promoting local economic development as compared to economic infrastructure such as electricity, water and sewerage reticulation, their significance may not have been fully appreciated.

An opportunity may exist or could be created by utilising the existing infrastructure (broadly defined) for purposes other than that which they might have been established for. The Technical Teachers College could be used (in addition to its core activity of training teachers) to training local labour in various 'technical' skills. This could be achieved at minimal extra cost since the lecturers, workshops and literature is already available *in situ*. Such a programme could lead to the creation of a critical pool of skilled labour, a vital component in the (globally) fast growing knowledge economy. Moreover, it would complement measures taken by the Chinhoyi Municipal Council (CMC) to promote investments in its area. For example, it (Council) has employed a Publicity and Investment Promotion Officer to help recruit investors. The Council has also offered a number of incentives to industrialists (tax holidays, serviced industrial sites, free water supply, etc.). However, the CMC need to follow through some of these strategies; it need, for example, to create a reasonable budget for investment promotion. Politicians must be educated and lobbied if they are to support such a strategy. With the current adverse publicity about the country, a macroeconomic and political environment perceived to be unstable, luring investors would require ingenuity and patience. Temptation to withdraw some of the incentives can be expected. However, this must be resisted vigorously because the potential short-term savings to be made are negligible compared to the long-run costs due to loss of investment deals.

7.2 Financing Urban Development

Local authorities derive most revenue from levying of assessment rates on property; receipts from trading accounts, tariffs or fees for services rendered; registration and licensing of motor vehicles, grants for education, health and state roads passing through their areas. For the purpose of financing capital works urban local authorities can obtain loan funds from government through the National Housing Fund or the General Loan Fund. They can also access funds for capital works from the open market after obtaining the necessary borrowing powers from the Minister and/or being declared credit-worth (GoZ, undated). In CMC, a total of 18 projects valued at Z$145 million were financed under the Urban II Project. At the end of 1999 two-thirds of the projects had been completed. The remainder (33%) has been affected by the current freeze in multilateral funding. During 2000/1 financial year, for example, CMC expected to receive Z$23.5 million for its water augmentation project. In actual fact it got only Z$11 million. As a result, CMC mobilized its own savings to finance the difference of more than 50%. The availability of a fallback revenue position proved to be critical in this case.[xxii] In the context of a general decline in the level of central government funding through grant allocation to local authorities, prudence in local government financial management is indispensable if decentralization strategy is to succeed, and particularly if sustainable urbanization is to become a reality.[xxiii]

Massive cuts in government grants are only part of the crisis that local authorities have had to contend with. The opening up of the economy in line with liberalization policy of the 1990s has entailed competition in sectors where local authorities once had monopoly over. Prior to liberalization, CMC operated a number of beer halls—the only licensed outlets that sold opaque beer. Following liberalisation, CMC lost a significant part of its market share to the private sector. Consequently, CMC closed all beer halls to minimise financial losses.[xxiv] Such cost-cutting measures, including budget rationalizations are a common feature of local authority response strategy under austerity. While such measures can be justified on economic grounds, their social and political impact can be quite severe.

The process of de-industrialization characterizes another dimension of the crisis facing local authorities. In Chinhoyi, while the municipality has attracted only one new industry recently, others (e.g. Electro Elect, Windsock Garage and Northway Foundry) have closed down or relocated.[xxv] There were fears at the time of the study that many more businesses could shut down mostly due to political uncertainties. The crisis is even more ominous because of the interrelation between agriculture and industry. With the two main industries in the town—Cold Storage and Cottco—being agro-based, any disruption in agricultural production is bound to reverberate throughout the industrial sector.

7.3 Responsive Leadership

As noted earlier, the corollary of the process of de-industrialization is the informalization of the urban economy. Closely linked to this is the rapid expansion of the service industry. Both phenomena are intricately linked to the twin process of globalization and economic liberalization (restructuring). Local authority response to these forces is critical for economic development. Consequently, the role of leadership cannot be overemphasized; the choices that have to be made call for visionary, committed, courageous, informed, innovative and democratic leadership. The formation of the Economic Development Forum in Chinhoyi, which comprises mainly officials (non-political) of the council,[xxvi] business executives, and Commercial Farmers Union (CFU) members, is thus innovative.

The forum, which meets fortnightly, is designed to share ideas and give voice to interested and affected parties. Having managed to keep bickering out of its deliberations, the Economic Development Forum (EDF) had identified three projects: sprucing and renovating the hall at the civic centre using private funding, buying a projector, video and VCR for the council's training programme, and building a market. The first two are short-term while the market is a long-term project. The formation of council-residents cum business consultative forums can be organized in various ways (Odero, 2003 [forthcoming]). One is to try as much as possible to keep politics and politicians out of meetings (not the process), which is the preferred model in Chinhoyi. In this approach, any hope that ideas developed at the EDF would see the light of day is contingent upon lobbying the council—altogether not an easy task where politicians and civic managers often do not see eye to eye.

8 Conclusion

The obvious conclusion to be drawn from this study confirms the argument made by Castells and Andersen (1987). Thus, the restructuring process manifests itself differently in different contexts triggering diverse response. What stands out from all the cases reviewed is the heavy reliance on bilateral and/or multilateral funding for capital development projects. As a result, local authorities end up exposed in the event that funding is frozen. Such an eventuality should be avoided as much as possible. Total dependency on aid can be avoided as the case of Chinhoyi Municipal Council vividly shows. This local authority built up savings over the years. Although local authorities could lobby government to be included in externally funded programmes, the ones covered in this study suggest that local authorities have little leverage to influence the terms of agreement or contract.[xxvii] This means that they are disadvantaged in case 'things go wrong'. The alternative is for local authorities to go it alone provided the Minister approves as prescribed under existing legislation. But, in a patronage system it is not strange for the government to argue that local authorities do not have 'capacity' to manage large debt portfolios on their own, even when the actual motive is to maintain control by the former of the latter.

Whereas local authorities could through better management improve their financial position, the same cannot be said of their position relative to bilateral and/or multilateral funding. Loans are strictly controlled by the central government and it would require a fundamental shift in policy accompanied by changes in the legal framework before local authorities can have direct say in the way things are run. So far, decentralizations rhetoric has not yielded sufficient autonomy at the local level. Thus, it is not surprising that local authorities suffer the unmitigated consequences of fallout between bilateral/multilateral funding agencies and the state. This is the twin *crisis of globalization* and *localization.*[xxviii] Given the weak position that local authorities find themselves in relative to the central government, the best strategy could be to increase local competitiveness. This presupposes that local authorities have the knowledge and capacity to undertake industrial recruitment and retention. Obviously they do not due partly to the way local-central relations are structured, and partly as a result of the asymmetry in core-periphery relations at the global scale.[xxix]

Finally, industrial closures or *de-industrialization* is a common feature in the three local authorities studied. This is directly linked to the downturn of the economy, a feature that has many facets not least of which is the freezing of funds by International Financial Institutions. This has thrown the respective local authorities in disarray. Norton, which is most dependent on external funding is worst affected and Chinhoyi the least. At the level of the urban economy, the informal sector is both ubiquitous and visible. In spite of its growing importance, it largely remains a spontaneous activity. With the informal sector becoming more and more a permanent and visible feature of the urban economy, meeting the needs of the sector is critical for economic growth in general and for supporting livelihoods of the marginalized in particular. Thus, local authorities need to formulate policies and strategies that seize the opportunities presented by restructuring while avoiding some of the obvious pitfalls.

Endnotes

[i] This comes close to Marchand, Boas and Shaw's (1999) conception of "restructuring as a process of globalization of production as well as the liberalization of markets". However, the difference between the above authors' concept and ours is based on empirical evidence. Whereas they (ibid) argue that this [restructuring] process is facilitated by (neo-liberal) privatisation of state enterprises and deregulation of public control over the economy, the Zimbabwean experience has been different. Not only has "privatisation of state enterprises" and "deregulation of public control over the economy" been minimal and somewhat erratic, but as Castells and Henderson (1987) correctly point out, "this [restructuring] process manifests differently in different contexts, thus triggering diverse social and political conflicts upon which its outcome will ultimately depend" (p. 1).

[ii] At the inception of the structural adjustment program in 1991, the Government of Zimbabwe (GoZ) published the Economic Structural Adjustment Programme (ESAP) document; 5 years later it published the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). This was

followed by the Millennium Economic Recovery Plan (MREP) in 2001, and in 2003 the National Economic Recovery Programme (NERP).

[iii] Whilst quantitative improvement in service delivery has been a major consideration, it has by no means been the only one. Accountability, transparency and other qualitative criteria have also increasingly come into focus in tandem with the clamor for democratic governance

[iv] Formerly, 'local economic development' refers to the process in which local governments and other organized groups engage to stimulate or maintain business activity and/or employment in a way that makes their local or regional economy more rather than less competitive (Blackely, 1994: xv-xvi). In practice, however, 'economic development' has several other perspectives (environmental, social, cultural, political, etc.), which may (or may not) be manifest.

[v] The premise of the study was that different spatial and institutional forms and processes result from the interaction between historically concrete restructuring policies and the attributes of each local authority. Accordingly, the historical trajectories of the local authorities, Chinhoyi Town Council, Norton Town Council and Ruwa covered in this study were analyzed to get a better understanding of the economic, institutional and spatial manifestations of changes resulting from the restructuring process.

[vi] Earlier crises dating back to the 19th Century have been discussed elsewhere (e.g. Amin, 2000).

[vii] Compared with other developing regions (Asia and Latin America) Africa's development record is notoriously worse. During 1990-95, sub-Saharan African exports grew by 0.9% while those of East Asia and Pacific grew at 17.8%, South Asia 8.6%, and Latin America and Caribbean 6.6%.

[viii] It would be interesting to study how local authorities responded to this crisis. This will be the subject of another paper, however. This paper focuses on the period after 1990. This is justified because the post 1990 Zimbabwe resonates with the broader SSA picture. For example, recent statistics show that the contribution of manufacturing to GDP has declined gradually to 15% in 1999, indicating widespread de-industrialisation (Reserve Bank of Zimbabwe, 2000a).

[ix] In its widely circulated policy report entitled *Accelerated Development in Sub-Saharan Africa: an Agenda for Action* published in 1981, for example, the World Bank president wrote: "…More efficient use of scarce resources—human and capital, managerial and technical, domestic and foreign—is essential for improving economic conditions in most African countries. …The public sector will have to meet the extensive needs for infrastructure, education, health, and other services. The efficient provision of these services will place enormous demands on administrative and managerial capacity. …African governments should not only examine ways in which the public sector organisations can be operated more efficiently, but also examine the possibility of placing greater reliance on the private sector. …Governments can more effectively achieve their social and development goals by reducing the widespread administrative over commitment of the public sector and by developing and relying more on the general capacities of private individuals and firms." (p. v)

[x] Broadly, the economic structural adjustment programme had five main objectives: -

1. To register an economic growth of 5% per year
2. To register an increase in foreign investment in the productive sectors by at least 20% of GDP per year
3. To generate more foreign exchange through increased exports
4. To reduce government budget deficit progressively from its 1990 level of 10% of GDP to 5% by 1995
5. To generate employment opportunities in order to absorb the existing unemployed, those to be retrenched following economic restructuring, and the school leavers who annually enter the labour market.

To achieve objective 1 and 2, various tax incentives were targeted at the productive sectors of the economy.

[xi] Funding for various infrastructure improvements mainly came from the World Bank through Urban Sector and Regional Development Programme (Urban I and II Projects). Under Urban II, for example, by the close of FY 1999, Chinhoyi Municipal Council had 12 project completed valued at Z$69 million. Six more projects with a total value of Z$65 million were under implementation. Norton had 2 projects complete valued at Z$10 million while 6 project with a value of Z$71 million were running still (Ministry of Local Government, Public Works and National Housing, 1999).

[xii] I prefer to use the concept of *localization* instead of 'regionalization', as the former is a more appropriate terminology for conceptualizing local authorities as opposed to nation states to which 'regions' refers.

[xiii] A Local Board is an urban local authority administered and managed by ministerial appointees or elected councillors depending on what the Minister for Local Government considers appropriate.

[xiv] Ruwa was proclaimed a Local Board in 1991 according to Section 14 of the Urban Councils Act.
[xv] The slow pace in augmenting the water and sewerage reticulation is testimony to the inability of the local authority to meet the demand for these services.
[xvi] Unlike in the case of Chinhoyi Municipal Council, Norton Town Council did not have savings to fall back to; the roads and sewer projects have therefore stalled.
[xvii] Of course, this is not unique to Norton—national unemployment is estimated to be more than 50 percent.
[xviii] If evidence given at the ZIRUP Summer School 2000 is anything to go by, this is a widespread problem.
[xix] There is, for example, a proliferation of tuck shops, a phenomenon that is attributed to the closure of BHP, which led to the retrenchment of a large section of the labour force. Pushcart operators are also visible in the town. There are about 40 pushcart operators who provide low-cost transport services. They usually transport vegetables from the bus stop to the market place.
[xx] *Co-operation* is regarded important in the industrial district literature (Sengenberger and Pyke, 1992). Firms could co-operate by sharing information such as ideas on new technology or products, thus helping their businesses become more efficient through better productivity, quality, design, etc. This sharing of information might be carried out informally at a personal level or more formally through specially established institutions. Local authorities could buy in this idea and facilitate the establishment of such institutions.
[xxi] Minerals found around Chinhoyi include beryl, gold, silver, copper, chrome, limestone, slate, graphite, marble and mica (Municipality of Chinhoyi Strategic Plan, 199).
[xxii] Ruwa Local Board has also generated significant savings by investing in short-term high yielding bonds.
[xxiii] In 1996 the GoZ outlined its policy on decentralisation in which strengthening financial capacity of local authorities was stated as one of the key principle objectives.
[xxiv] Norton Town Council, which has been experiencing a similar situation, is contemplating closing down its beer halls too.
[xxv] In a rather ironical twist, we discovered that one Municipal Councillor had been contracted (in his individual capacity) to transport commercial farmers who were relocating to Zambia and Mozambique.
[xxvi] All senior council officials and the Executive Mayor (the founder and convenor) attend. The Chairman of the Finance Committee is the only elected official, besides the Mayor, who attends the forum.
[xxvii] This does not imply that local politicians with connections in the central government cannot influence policy outcomes at national level.
[xxviii] The twin crisis of globalization and localization is discussed in a book the author is writing.

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[xxix] To demonstrate the degree of control exerted by the centre on local government, on the 2 October 2000, *The Herald* reported that the Harare City Commission was seeking the approval of the Minister

of Local Government, Public Works and National Housing to buy a chair for the Town Clerk. Not only is this ridiculous, but the story went on to say that "it was feared that the price of the chair ($4,525), which had already been identified, could rise because of inflation and the devaluation of the local currency" (p.1).