



# 2

## *Determinants of Demand for Financial Services in Three Pilot Sites*

This chapter will profile of each of the three sites – in Zimbabwe, Mozambique and South Africa – in order to evaluate the implications for micro-finance.

### **2.1 CHIMANIMANI DISTRICT IN MANICALAND PROVINCE, ZIMBABWE**

#### **2.1.1 Geographic, Historical and Political Context**

The following section outlines the location, size, topography, natural resources, physical infrastructure and political context of Chimanimani, Zimbabwe.

*Geographic Context*

Chimanimani district is one of the seven administrative districts of Manicaland Province in eastern Zimbabwe (alongside Mozambique). The district has a total land area of approximately 3 450km<sup>2</sup>. It shares a border with Mozambique, as well as a major transport route leading towards Chimoio and Beira on the Mozambique Channel.

As the border between the two countries comprises the largest mountain chain in Zimbabwe, the district is characterized by very diverse terrain. As a result, climatic conditions are extremely varied across the wards that comprise Chimanimani district, which includes all five of the agro-ecological zones found in Zimbabwe within 80 kilometres. The border mountains receive rainfall in excess of 2 000mm per annum in some areas, but portions of the lower inland areas record less than 300mm per annum and often experience prolonged periods of drought. This variety across the agro-ecological zones is indicated in figure 2.1.

FIGURE 2.1 Agro-Ecological Zones, Chimanimani District, Zimbabwe

Zones	Characteristics
(Zone One: 900 – 1000mm/annum)	Some wards have a high annual rainfall and the area is suitable for growing fruit trees, plantation crops such as coffees, macadamia nuts and teas. It is also good for intensive livestock production.
(Zone Two: 750 – 1000mm/annum)	This zone is suitable for intensive crop and livestock production (ITZ, 2000a: 5). Approximately 90% of Zimbabwe’s crops are produced in this region (national), including maize, tobacco, soya beans, wheat and cotton.
(Zone Three: 650 – 800mm/annum)	Wards have lower rainfall that is subject to periodic drought and prolonged dry spells. These areas are suitable for semi-intensive farming.
(Zone Four: 450 – 650mm/annum)	Wards have low annual rainfall and are subject to droughts. This rainfall is too low and unreliable for cropping except certain tolerant crops. The appropriate systems are livestock and game ranching.
(Zone Five: 0 – 450mm/annum)	Other wards experience hot, dry conditions and less than 300mm per annum of rainfall.

The rainfall pattern creates extensive variability in agricultural potential. This is reinforced by the fact that the district is not homogeneous in terms of resource endowment and the type of economic activities undertaken within communal areas. Agriculture is the main economic activity in Chimanimani and its potential is dependent on the Zone. Intensive agriculture and high-value crops can only be undertaken in Zones One and Two.

The district is bordered by the Eastern Highlands range, which is associated with high rainfall on the eastern side and very low rainfall in the leeward side. The eastern side of the mountainous range falls within Zones One and Two, where the rainfall and soil type are good for intensive agricultural production. The leeward side falls within Zones Three, Four and Five, which are associated with very low, erratic rainfall and easily eroded soils. 61.8% of the district is in Zones One and Two, with the balance of 48.2% in Zones Three, Four and Five, where most of the communal farmers reside.

Zone One is suitable for both deciduous fruit production in areas of higher altitude and sub-tropical fruits such as mangoes, pineapples and granadillas in lower lying windward valleys. Hilly areas with high rainfall are highly suitable for large-scale timber production of both pine and eucalyptus. Zone One areas and parts of Zone Two areas are highly suitable for tea and coffee production. Zone Two also offers potential for reliable high-yielding crops such as maize, soya beans, sunflowers, groundnuts, paprika, as well as other major crops and horticultural products.

The areas incorporating Zone Three, although still suitable for cropping major food and oil seed, experience slightly more unreliable rainfall. Sandy soils in the region are highly suitable for the production of both barley and flue-cured tobacco, although the latter have higher managerial and infrastructural requirements.

The areas incorporating Zones Four and Five experience lower and more unreliable rainfall. Cropping should be limited to drought-tolerant small grains such as finger and bull rush millet and sorghum. However, changes in food preferences mean that subsistence farmers still attempt to grow maize, thus contributing further to food insecurity.

Generally speaking, the heavy and regular precipitation in the mountainous areas, together with the drainage pattern, which runs from north to south through the arid western portion of the district, means that the area is well endowed with both perennial water sources and a major river system, the Odzi/Save. This provides a number of opportunities for irrigation agriculture and a series of schemes already exists.

#### *Historical and Political Context*

The prevailing political instability affecting the country since 1999 has led to a difficult economic environment in Zimbabwe. This continues to deteriorate at a rapid rate, creating growing hardship for the majority of the population.

The rule of law has been under attack for some time in Zimbabwe. The year 2000 was characterized by widespread violence, threats, intimidation and lawlessness. Scores of

people were killed and large numbers were injured or had their property destroyed. Many people affected by the violence were completely deprived of the protection of the law. In the aftermath of this violence, fear spread throughout the country (Feltoe, 2001).

Most of this violence resulted from the Zimbabwean government, formed by the Zimbabwe African National Union (ZANU [PF]), its orchestrated farm invasions and the campaign by supporters of the ruling party against the main opposition party, the Movement for Democratic Change (MDC). The violent intimidation of opposition party supporters prior to the election subverted the entire democratic process by preventing an electoral process which would allow people to exercise their vote freely.

Any development intervention, such as implementing micro-finance schemes, should take cognisance of this negative political, economic and social climate in the country, including such events as (ITDG, 2001a: 3):

- negative response to the draft constitution by the majority of Zimbabweans (52%);
- forceful occupation of commercial farms by some war veterans and communal area residents;
- the destruction of the livelihood base by Cyclone Eline, mainly in districts like Chimanimani;
- parliamentary elections preceded by violence and intimidation, as well as loss of lives;
- a post-election phase characterized by withdrawal of donor funding, a decline in tourism and investment, shortage of foreign currency, worsening of the fuel crisis, growing unemployment levels and implementation of fast-track resettlement programmes without adequate resources;
- ZANU PF Congress bringing in new people in the top leadership (politburo) structure, and a process to restructure the party at district and provincial levels; and
- conflict between the judiciary and executive arms of government.

### **2.1.2 Demographic Context: Population and Households**

The following section outlines the population size, population structure, population characteristics, household income levels, household income distribution, sources, flows, expenditure categories and flows.

*Demographic Context*

It should be noted that various publications held by the Chimanimani Rural District Council and various other organizations in the province have different population statistics for the district. Discussions with the provincial heads from different government and non-governmental organizations yielded the same results. Given this state of affairs, the figures that can be relied upon for planning purposes are those from the Central Statistical Office (CSO), as represented by census figures. All figures quoted in this report will therefore be from the CSO unless otherwise indicated. The last census by the CSO in 1992 gives the following demographic data for Chimanimani.

FIGURE 2.2 Total Population, Area and Population Density by Province

Province	Total Population	Percentage of Total Population	Area	Density
Manicaland	1 537 224	14.76	36 459	42.16
Mashonaland Central	856 736	8.23	28 347	30.22
Mashonaland East	1 034 342	9.93	32 230	32.09
Mashonaland West	1 112 955	10.69	57 441	38.00
Matebeleland North	641 186	6.16	75 025	8.55
Matebeleland South	592 398	5.69	54 172	10.94
Midlands	1 307 769	12.56	49 166	26.60
Masvingo	1 222 581	11.74	56 566	21.61
Harare	1 485 615	14.27	872	1 703.69
Bulawayo	621 742	5.97	476	1 298.00
<b>TOTAL</b>	<b>10 412 548</b>	<b>100.00</b>	<b>390 757</b>	<b>26.65</b>

Source: CSO, 1992 Census Report

The Central Statistical Office undertakes a countrywide population census once every ten years, the last one being conducted in 1992. The next census will be held in 2002. In the meantime, current figures can be calculated through interpolation using the estimated inter-census growth rate of 3.2% per annum (3.1% according to the poverty assessment reports of 1998, CSO).

According to the population census of 1992, the population of Zimbabwe was 10 412 548 and 51.18% of the population was female. Manicaland Province had a population of 1 537 224, with 52.75% of the population being female. For administrative purposes, Zimbabwe is divided into ten provinces, namely Manicaland (where Chimanimani is situated), Mashonaland Central, Mashonaland East, Mashonaland West, Midlands, Matebeleland North, Matebeleland South, Masvingo, Harare and Bulawayo. Two of the provinces, Harare and Bulawayo, are made up of an urban population only.

FIGURE 2.3 Population Statistics of Chimanimani

Male population	52 905
Female population	57 199
Total population	110 104
Annual average inter-census growth rate 1982–1992 (%)	3.14
Number of households (HH)	22 763
Average size of household	4.8
Population density (persons per square kilometre)	42.95

Source: CSO, 1992 Census Report

At the time of the census, Manicaland Province had 14.76% of the country's population and a population density of 42.12 persons per square kilometre, 15 persons above the country's average of almost 27 persons per square kilometre. The province is divided into eight administrative districts, namely Nyanga, Rusape, Makoni, Mutasa, Mutare, Buhera, Chimanimani and Chipinge. Chimanimani has the smallest population in the province and is the second smallest district in size. It covers an area of 3 450.14 square kilometre and has a population density of 32 persons per square kilometre. (Manicaland provincial profile: CSO, 1992). Chimanimani is 100% rural, with a rural service centre that is termed the urban ward in this report.

FIGURE 2.4 Manicaland and Chimanimani: Comparative Statistics

	Manicaland	Chimanimani	**Chimanimani 2001
Total population	1 537 224	110 104	148 183
Male population	726 320	52 905	
Female population	810 904	57 199	
Area in sq. km	36 459	3 450,14	3 450.14
Population density	42.2	32	42.95
Sex ratio: females to population	52.75%	51.95	

Source: CSO, 1992 Census Report

\*\* Projected figures from 1992 census at a natural increase of 3.2%, which is the inter-census growth rate. It would however be difficult to estimate the female/male population through this method of interpolation.

As indicated under the geographical context, Chimanimani has all the five agro-ecological regions and all the land use patterns, ranging from state farms, resettlement areas and communal areas to small-scale and large-scale commercial areas. State farms are large-scale commercial farms run and managed through parastatals like the Forestry Commission or ARDA. Of the 327 306ha of land in the district, 120 700ha is communal (Chimanimani district profile; RDC, 1999). The rest is divided into commercial farming areas and resettlement areas.

The population density in communal areas is estimated at about 70 persons per square kilometre and there are currently an estimated 27 072 households (Chimanimani: 2001). There were 22 763 households in the 1992 CSO report, with an average household size of 4.8 (between 3.3 and 5.6) in the 24 wards. Information from the wards visited by a field agent on 6 October 2001 provides estimates of household sizes above the 1992 census figures. Household sizes are now estimated to be between six and 12 members per family. This is compared to the population density of Manicaland, which is estimated at 42 persons per square kilometre (GTZ, 1998: 16).

#### *Dispersal of Population in Chimanimani*

Chimanimani is entirely rural and has no urban centre. 70% of the population resides in Zones Three, Four and Five. The people are stratified into wards. There are 27 wards according to the census of 1992 with following population statistics:

FIGURE 2.5 Total Population per Ward in Chimanimani District

Ward	Total Population	Average Household Size	**Estimated Pop. in 2001
1. Mhandarume	4 290	5.2	5 619
2. Chakohwa	3 687	5.0	4 829
3. Chiramba	2 616	4.7	3 426
4. Guhune	4 606	5.4	6 033
5. Rupise	4 483	5.2	5 872
6. Chayamiti	2 138	5.0	2 800
7. Chikukwa	2 673	5.6	3 501
8. Nyanyadzi	4 415	5.3	5 783
9. Shinja	2 338	5.0	3 062
10. Gudyanga	4 218	5.4	5 525
11. Chikwakwa	3 340	5.3	4 375
12. Mhakwe	2 733	5.1	3 580
13. Biriwiri	7 990	5.3	10 466
14. Changazi	4 580	5.1	5 999
15. Chabika	2 911	5.1	3 813
16. Ngorima A	5 074	5.3	6 646
17. Ngorima B	7 436	5.4	9 741
18. Manyuseni	8 823	5.1	11 558
19. Nyahode	6 840	4.8	8 960
20. Bumba	4 079	5.6	5 343
21. Ward twenty-one	2 855	3.9	3 740
22. Ward twenty-two	3 815	3.5	4 997
23. Ward twenty-three	5 455	4.0	7 146
24. Ward twenty-four	2 532	3.9	3 316
25. Ward twenty-five	3 833	3.3	5 021
26. Ward twenty-six	955	3.6	1 251
27. Ward twenty-seven	1 389	3.8	1 819
<b>Total</b>	<b>110 104</b>	<b>4.8</b>	<b>144 152</b>

Source: CSO, 1992 Census Report

\*\* Estimated figures interpolated using the 3.2% inter-census growth rate



### *General Structure of Households*

Five wards were visited briefly on an HSRC commissioned study. These were Ngorima A, Mhakwe, Gudyanga, Nyanyandzi and Chimanimani urban. Discussions were held with the headmen, councillors and kraal heads of the areas. The results in four of the five wards have been tabulated below.

FIGURE 2.6 Household Structures

Ward	Absentee Members	Female-Headed HH	Migrant Workers	Estimated HH Size
Ngorima A	Mainly school children in boarding schools	50% of households	At least 3 members per family	6 members per family
Mhakwe	Mainly school children	50% of households	1 per family	6 members
Gudyanga	Almost nil	40% of households	1 in 5 HH	10
Nyanyadzi	Some irrigation farmers' children	48% of households	nil	12

These figures were difficult to get in the urban ward. It would appear that female-headed households are increasing in number in each ward. The family size has also increased, especially in Zones Four and Five. The increase puts considerable pressure on the available resources. The fact that there are fewer migrant workers in the same areas means that very little income is received from outside the ward. According to the reports from the Ministry of Health through the district nursing officer, 50% of the current population is below 15 years (about 75 129 children) and 18% of the population comprises women of child-bearing age.

### *Poverty*

According to the 1995 Poverty Assessment Study, 71% of the people of Chimanimani live in poverty (GTZ, 1998: 24). This figure is made up of those who are very poor because their incomes are less than the Food Poverty Line (FPL) and 12% who are poor because their incomes are below the Total Consumption Poverty Line (TCPL) for the district. The Food Consumption Poverty Line (FCPL) for the district in 1995 was estimated at Z\$1 157.26 and the TCPL at Z\$1 886.33. Poverty is more severe in communal areas than in the large-scale commercial farming and resettlement areas of the district. 81.42% of the male population is literate and 67.94% of females are literate.

### *Main Economic Activities of the Average Household*

Agriculture (subsistence, sub-subsistence and commercial) is the major economic activity undertaken by households in the district. This consists of fruit and vegetable

production in the Eastern highland areas, and irrigation and dry land farming in Zones Four and Five. The other non-economic activities include arts and crafts, tourism and honey production. These will be elaborated on in section 2.1.4 dealing with economic activities in Chimanimani.

FIGURE 2.7 Typical Assets Owned by Households

Asset	% of Pop. owning the Asset in Zones One and Two	% of Pop. owning the Asset in Irrigation Schemes	% of Pop. owning the Asset in Zones Three, Four and Five
Radio	75	90	< 50%
Television	80	10	Nil
Sofas	80	90	40%
Solar electricity panels	80	Nil	Nil
Direct (ZESA) electricity connected	10	10	Nil
Electric stoves	50	1	Nil
Kitchen units	80	50	Nil
Ploughs/harrows	75	90	40
Wardrobes	80	–	–
Irrigation pipes	20	–	–
Hand hoes	100	100	100
Plantation crops (fruit, tea, coffee)	100	75	10
Brick under asbestos houses	90	90	>10
Cattle	10	85	30
Goats	–	90	80

Source: Discussions with all village heads, councillors and kraal heads

Most of the household expenditure in Ngorima A is on consumer goods like furniture, clothing and hoes, which are bought every year. Investment into capital assets is limited in both wetland and dry land areas. All the assets tabled above can be pledged as collateral since they have resale value.

#### *Main Capital Needs of the People in Chimanimani*

The people in Ndima, Ngorima, Cashel Valley and Nyahode require capital for the purchase of irrigation pipes to tap the mountain underground streams that break out in certain areas of their fields. They would like to harness the water systems to irrigate their plantations during the dry season. Some households would like to buy individual trucks for ferrying fruit to the market; others would like to buy solar panels and electric equipment. Hoes are purchased every year as they form the basic farm equipment for land cultivation. In the rugged terrain, there is minimum use of ploughs and tractors. The coffee and tea growers would like to purchase tractors for ferrying their produce to

the nearby processing plants. The Nyahode co-operatives also require tractors for ferrying wood to their sawmills.

Besides investment capital at the household level, the people in Ngorima, Ndimba and Nyahode would also like to upgrade and equip their fruit warehouse to be a cold room. The fruit growers' association would like to increase its fleet of lorries from two to five and set up a fruit processing plant through grant support. If funds were available they would like to upgrade their road network to all-weather tarmac roads.

The dry land natural region Four and Five areas have a different capital needs structure, especially at the household level. Dry land agriculture production is very risky with very low output of less than a tonne of grain annually. Because of the flat terrain, the capital requirements consist of implements like ploughs, harrows, cattle and crop inputs. As a community, they need irrigation facilities. The old night storage dam in Nyanyadzi is leaking and needs to be repaired.

There is, therefore, definitely scope for micro-finance in Chimanimani. A huge demand for flexible and easily accessible savings facilities exists in the high potential areas of Ndimba, Ngorima, Nyahode, Cashel Valley and Chikwakwa. Fruit and vegetable production in these areas takes place all year round. Truck owners come weekly to purchase the produce and farmers need a day's travel to deposit funds into a commercial bank. The minimum transport cost (return trip) to Chimanimani is Z\$ 300, to Chipinga Z\$600 and to Mutare Z\$1 000. The general shortcoming of the Post Office Saving Bank (POSB) is the stringent withdrawal regulations. All the areas expressed the need for credit for reinvestment purposes.

### **2.1.3 Physical/Institutional Infrastructure**

The following section will outline the physical and institutional infrastructure in Chimanimani, including towns, transport, education, medical services, power, water, authority structures, and social groups/associations.

#### *Government in Chimanimani*

Local government is characterized as follows: 23 ward communities make up Chimanimani, along with five traditional authority areas<sup>1</sup>. These form the District Council. The district local government structure is the Rural District Council (RDC). This comprises 23 councillors (of 23 wards), three chiefs representing all five chiefs of

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<sup>1</sup> These chiefs are Chief Mutambara, Chief Muusha, Chief Chikukwa, Chief Ngorima and Chief Ndimba.

area, and the CEO of the council. Heads of department advise councillors without voting rights, as do the district administrator and other heads of service ministries. NGOs are encouraged to attend meetings. The full council meets four times a year.

The RDC has six committees:

- Finance
- Natural Resources
- Social Services
- Roads, Planning and Works
- Administration
- Rural District Development Committee (RDDC)

Plans are underway to include business representatives, communities, women and youth in the RDDC. At present, there is usually a conflict of interest between civil servants (who are sometimes known as “think tanks”) and other stakeholders interested in broader participation (ITZ, 2000: 10). ITZ has actively sought to include women and youth in participatory processes. This is a new concept in these communities. Both of these groups are now beginning to realise the importance of challenging the status quo (ITZ, 2000: 12).

Below the district level are formal local bodies: the Ward Development Committee (WADCO), which comprises chairpersons of Village Development Committees (VIDCOS) established in 1984. Both the Chimanimani WADCO and VIDCO are almost non-functional. The Ministry of Local Government co-ordinates a number of national service ministries via the district administrators’ offices. These include:

- National Ministries: Education, Health, Home Affairs, Environment & Tourism, National Affairs, Local Government & National Housing, Labour & Social Welfare
- National Departments: Agricultural Technical & Extension Services (AGRITEX), Veterinary Services
- Traditional structures of which chiefs are the highest authority. The chieftainship is enhanced by the local government structure.

#### *Community Associations*

There are a number of institutions working with groups such as community associations in Chimanimani.

FIGURE 2.8 Major Institutions Working with Groups in Chimanimani

Institution	Wards Covered	Type of Groups Formed
SAFIRE	Ngorima A, Biriwiri, Chikwakwa, Guhune, Nyanyadzi, Changazi, Mhandarume	Natural resources groups
Credit Against Poverty (CAP)	Nyanyadzi, Ngorima A and B, Biriwiri, Changazi, Gudyanga, Mhakwe, Chimanimani urban	Credit groups
Kellogg Foundation	Bumba, Chayamiti, Ngorima A & B, Changazi, Nyanyadzi, Mhakwe	Ward development committees
<i>Tsuro dzemadzimai</i> (permaculture )	Chikukwa, Chimanimani urban, Chakohwa, Ngorima A & B, Biriwiri, Nyanyadzi, Chikwakwa	Permaculture groups Campfire associations
Campfire	All wards	
Jekesa Pfungwa	Ngorima A&B, Biriwiri, Mhakwe, Chakohwa, Nyanyadzi, Changazi,	Community gardens, poultry and rabbit groups, sewing clubs
Agritex department	All wards	Farming groups
Ministry of Health	All wards	Nutrition gardens

A number of community associations have been identified in Chimanimani by ITZ (1999):

- Chimanimani Arts Festival Trust
- Chimanimani Business Association (links with European Union, Africa University)
- Chimanimani Youth for Development (links with CASS for leadership training, JAZ for entrepreneurial training, SPW for life skills, GTZ (ISTARN) for training and help about micro-finance, *Tsuro dzeChimanimani* in sustainable agriculture; Community in Mhakwe Ward have a Youth Garden Project)
- Chimanimani Beekeepers Association
- Chimanimani Women Development Association
- Chimanimani Community-Based Orphanage Programme (links with Africa University, FACT)
- The Local Consultative Forum of Nyanyadzi Training Centre
- Three Community Development Boards in pilot communities: Mhakwe, Nyanyadzi and Ngorima
- TSURO responding to farmers' demands for improved management of natural resources

*Physical Infrastructure*

The government has provided a number of health and education centres throughout Chimanimani:

## Education:

■ Primary schools:	Registered 68
■ Secondary schools	Registered 20

## Health:

■ Health facilities:	23
■ Rural hospitals:	2
■ Rural health clinics:	5
■ Commercial clinics:	7
■ Mission hospitals:	2
■ Rural District Council hospitals:	7

**2.1.4 Economic Activities**

The following section will elaborate on economic activity in Chimanimani. This includes formal sector industries' turnover, employment, wages, growth patterns and constraints; and the informal sector's occupations, turnover, incomes, employment, growth patterns and constraints.

*Main Economic Activities of Chimanimani*

Recent analysis of Chimanimani's economic opportunities indicated that the area is rich in natural resources with a locational advantage in terms of private sector partnerships and cross-border trade. However, government and non-governmental organisations' intervention, which includes income generating activities, has fallen short of exploiting such opportunities. The contributing factors cited include lack of institutional capacity, poor infrastructure, fragmented agricultural production with no value adding, a group focus that does not consider entrepreneurial and management skills, as well as capital and market access. There is likely to be potential to enhance existing businesses in retail, manufacturing, agriculture, tourism and transport.

The district has a mixed economy, with agriculture being the main economic activity. Agriculture in the communal areas is primarily for subsistence. The district has a dual agrarian system divided between commercial farms (48.5%) and the small-scale farming (subsistence) community (51.5%). In most communal land, distribution is the responsibility of the chief, although in some areas this has been modernized to include councillors and agricultural extension staff. However, in other areas there have been

political tensions over land allocation between traditional structures and local government and VIDCOs. The district lies within areas that offer opportunities for expansion and the opening up of new forms of employment in agro-processing and tourism development.

In addition to the major variation in agro-ecological zones, there is also a wide diversity of land tenure types. These include:

- i) Large-scale plantations of timber, tea and coffee, often owned by large companies including trans-nationals and parastatals such as the Forestry Commission.
- ii) Commercial farms carrying out a wide range of cropping options including tea, coffee, fruit (deciduous and sub-tropical), major food and oil seed crops, tobacco, dairy and livestock production. Some of these are owned and run by state corporations.
- iii) Resettlement farms include those established under Zimbabwe's official resettlement programme over the last 20 years and the more recent "fast-track" land occupations. Resettlement models vary considerably:
  - Individual farm settlement with 5ha arable and communal grazing (Model A).
  - Co-operative and collective (Model B).
  - Specifically planned core estates with outgrowers or individual produces (Model D), like the Rusitu Valley dairy production project.
  - Small farms of 50 – 250 ha distributed to "persons of means" under the more recent resettlement initiatives.
  - The yet unplanned and more "random" or spontaneous resettlement areas.
- iv) Communal areas with traditional communal land tenure, where the major portion of the district's population lives.
- v) National Park and wildlife areas.

The massive and complex diversity of land tenure and agricultural potential in Chimanimani has a major impact on any programme implemented in the area. This wide diversity is reflected in the recent study (June 2001) undertaken for the Kellogg Foundation in the district and the Mozambique province of Manica. The study, designed to carry out "an assessment of potential economic drivers" for the district, details that the most attractive opportunities are in:

- Fresh fruit production
- Fruit processing
- Tourism
- Honey manufacturing

While this observation may hold true for the mountainous and high rainfall areas, it is somewhat misplaced when applied to the arid portions along the Odzi and Save Valley (unless it only refers to those areas with irrigation). The extreme variation in agro-ecological potential clearly means that any strategy to develop the district and its various land tenure options must be linked to a multi-faceted development initiative, which has a series of tailor-made options for different areas.

Chimanimani's diversity should be used by the Kellogg Foundation and the IDRP to test and refine different options for its variety of agro-ecological zones. Such diversity should be exploited to gain experience in different climatic zones. For example, the variation from mountainous to medium-rainfall plateau to semi-arid and arid low-altitude valley is reflected in the changes experienced in Mozambique's Manica province, where rainfall drops off significantly from the mountains in the west towards the Chimoio Plateau and the Pungwe lowland and from the central plateau north and south towards the hot dry valleys of the Zambezi and Busi rivers.

Technoserve (2001) evaluated the strengths and weaknesses of market segments in

Manicaland using the following criteria:

- number of producers
- concentration of traders
- growth potential
- access from main business centre
- conducive business/finance culture
- demand for products
- annual household income
- impact on employment

FIGURE 2.9 Strengths and Weaknesses of Market Segments in Manicaland, Zimbabwe

Segment	Very Attractive	Attractive	Unattractive	Very Unattractive
Fresh fruit	X			
Fruit processing	X			
Tourism		X		
Honey manufacturing		X		
Processing labour-intensive cash crops		X		
Dairy processing		X		
Fresh vegetables			X	



Thus fresh fruit, processed fruit, labour-intensive cash and food crops and tourism were assessed as the most promising economic opportunities for the Manicaland region. It was therefore recommended that the agricultural processing industries should be developed and cross-border trade with Mozambique facilitated to support these industries (tea and fruit in particular). In addition, it was recommended that the tourism industry be promoted and that business skills be provided for farmers and entrepreneurs.

#### *Farming Based Economic Activities in High Production Potential Areas*

Five communal areas fall within the high potential belt of ZONES One and Two, namely Ndimba, Ngorima, Cashel valley, Nyahode and Chikwakwa. The major economic activities in these communal areas include fruit production (bananas, oranges, mangoes, pineapples, avocado pears, naartjies), plantation crops (tea, coffee and gum trees), crop production (sweet potatoes, yams, maize, sugar cane and dry beans) and horticulture (leaf vegetables, tomatoes, pulses, etc). All these crops are grown for the market, except maize, which is a staple. Discussions with Ngorima farmers indicated that on average each farmer in the area owns 1500 banana plants, 20 orange trees, 30 naartjie trees, 30 000 pineapple plants, 30 avocado trees, an acre of sweet potatoes and an acre of yams. There are 500 tea farmers and 200 coffee farmers. This represents potential annual income to a household of about Z\$650 750 (over six hundred thousand Zimbabwean dollars) as seen below.

FIGURE 2.10 Potential Annual Household Income in Ndimba

1500 banana trees, 3 bunches, 100 fruits per bunch, Z\$1 per banana	Z\$450 000
20 oranges trees, 250 oranges per tree, Z\$1 per orange	Z\$5 000
30 naartjie trees, 300 fruits per tree, \$1 per fruit	Z\$9 000
30 000 pineapple plants, 1 pineapple per plant, Z\$5 per pineapple	Z\$150 000
20 buckets of yams per acre, Z\$250 per bucket	Z\$5 000
100 buckets of sweet potatoes per acre, Z\$250 per bucket	Z\$25 000
30 avocado trees, 150 avocados per tree, Z\$1.50 per avocado	Z\$6 750
<b>Total Income</b>	<b>Z\$650 750</b>

Source: Ngorima Fruit Growers' Association: 2001

Discussions indicate that these are conservative figures of each household's plantation crop ownership in terms of numbers. Very conservative yield estimates have also been used for oranges, avocados and naartjies. However, while the production indicated above is a true reflection of the output per household, average income per household rarely reaches the level calculated due to marketing problems.

The major marketing problem is lack of transport to the major marketing centres, Harare (>500km) and Bulawayo (>800km). The Fruit Growers' Association has two lorries that ferry produce to the major market centres but this is inadequate in the face of high production. Most of the fruit is sold through truck owners who dictate the price per unit. This leaves the producers at the mercy of intermediary truck owners. The major marketing problem is the inaccessibility of the area during the rainy season, which leads to rotting of most of the fruit that ripens during the rainy season. Mangoes are the most affected.

#### *Farming Based Economic Activities in Low Production Areas*

About 80 % of the rural population resides in the drier Zones Three to Five. The regions receive erratic/unreliable rainfall below the 600mm per year suitable for extensive agricultural and livestock production. Dry land agriculture is a very risky business and yields, if any, cannot meet the family needs for the rest of the year. In such areas, arts and crafts are the major economic activities that complement the family income. Selling of goats is another source of household income.

The soils in these dry land areas are suitable for irrigation farming and four irrigation schemes have been established to date, as seen in figure 2.11.

FIGURE 2.11 Irrigation Schemes in Dry Land Areas of Chimanimani

Name of Scheme	Potential Area (ha)	Area Developed (Ha)	Plot Holders
Nyanyadzi South	180	73	460
Nyanyadzi Main	414	414	460
Chakohwa	86	86	115
Nenhowe	113	53	53
<b>Total</b>	<b>793</b>	<b>626</b>	<b>1 088</b>

Source: Chimanimani district profile, 1999

According to Agritex, most of the one-hectare plots have been subdivided to accommodate more households so the plot holder figures have increased considerably. The major crops grown are leaf vegetables, tomatoes, pulse, wheat and groundnuts. Although income figures could not be estimated, indications were that the plot holders produced enough of all crops and vegetables to sell. The irrigation schemes have had a positive impact on the standard of living of these farmers as shown by the comparative asset ownership statistics in figure 2.7.

The district has a lot of surface water in the eastern part and underground water in the western side. Most of this underground water is suitable for irrigation. The largest rivers

in the west that are major sources of irrigation water are the Save and Odzi, whose major tributaries are the Nyanyadzi, Umvumvumu and Wengesi. This presents irrigation potential for the dry land areas, which would increase income per household.

#### *Non-Farming Economic Activities*

The major non-farming economic activity at household level is bee keeping. Bee keeping in Chimanimani dates back to pre-colonial days when traditional hives were used. The traditional hives produced half of the colony's potential due poor harvesting methods and exposure of the hives to predators and ants (Mungwari, 1999). The new, improved Kenyan-style and top bar hives introduced through Agritex and the Intermediate Technology Development Group (ITDG) have greatly improved production levels in the area. The rudimentary methods of honey harvesting and extraction have been improved through the establishment of the ITDG marketing centre in Ndima. However, it is still very difficult to penetrate the market in Zimbabwe, which consists largely of pharmaceutical companies. The table honey market is also being monopolized by a few intermediaries, who have set up stringent entry requirements (Mungwari, 1999). Table honey is a new product that has to compete on supermarket shelves with jam, which is cheaper. Growth in off-shelf purchases would greatly depend on vigorous marketing strategies and combined efforts with existing monopolist players in the market.

Eco-tourism is another potential economic driver, although it is limited to mountain-climbing camps and towns. These mountains provide an important tourist destination, which could be further exploited. There is generally a lack of infrastructural investment or advertising to underpin this potential. Tourist attractions are the Haroni Botanical Reserve, the Chimanimani Ranges, Pera Falls and Hotsprings. Chimanimani Arts Festival is another potential tourism driver. This is a one-day event held every year, and is gradually growing in popularity in Zimbabwe. Chimanimani as a district has a great potential in tourism and crafts. The eco-tourism site at Vimba offers great potential for botanical tourists, presenting some of the unique stick insects and carnivorous plants in Southern Africa. The area, which borders with Mozambique, offers very good triangulation prospects in tourism. Bike rides and walking trails in the Chimanimani mountain range have been a big attraction over the years. The Bridal Veils Falls within the Chimanimani area have also been well marketed.

#### *Main Economic Constraints*

**Road access:** Chimanimani roads to the high potential areas are dry-weather roads only and are inaccessible during the rainy season. This means all production during the rainy season is lost, as truckers cannot reach the area. This will continue greatly to

undermine the production potential unless measures are undertaken to resolve the situation. Some suggested measures include equipping the fruit storage facility with cold rooms to increase the shelf life of fruit so it can be sold at a higher price, ensuring that access roads are all-weather roads and establishing a processing plant.

**Price takers:** Most of the producers in irrigation schemes and the Eastern Highlands have problems transporting their produce to the market. Most of them rely on trucks that come in to buy and therefore dictate the price of the product. If the growers had their own trucks they would be able to take their crops to the fresh markets where higher prices are offered.

**Shelf life:** The high production areas produce fruit and vegetables with very short shelf lives. Value adding through processing would open new marketing horizons both locally and internationally. The fruit can be processed into jams, chutneys, canned fruit, dried fruit and fruit powder like yam powder. At present, the vegetable production co-operatives in Nyahode and Cashel Valley depend on Cairns Foods in Mutare, which buys their product in bulk. However, canning factories offer the lowest prices in the market, as they are willing to receive the lowest grades. Due to lack of transport to the fresh markets in Mutare and Harare, the co-operatives end up selling their entire crop to the canning factories, which greatly undermines their annual incomes.

**Communication and access to information:** Access to information and markets is poor (ITZ, 2000: 2). The state of roads and the transport network, particularly feeder roads, is also poor. Infrastructure (water, electricity, telecommunications) also requires expansion. Many parts of the district with good economic potential (e.g. Rusitu Valley) are not readily accessible. The lack of telephones in certain areas, such as the Ngorima Valley, Nyahode, Ndima and Chikwakwa, limits communication and access to information.

**Access to credit and savings facilities:** The district is inadequately serviced by financial institutions and farmers have difficulties accessing savings and credit facilities. A few women's savings clubs in the villages do not provide safe and reliable saving facilities for large amounts.

**Political tensions:** Negative international sentiments resulting from the political, economic and social climate of the country, affect tourism and investment (ITZ, 2001a: 3). Periodic clashes in the district have had negative impacts on tourism and crafts. The invasions of private farms by ex-combatants, even farms where lodges are situated, have reduced occupancy rates to the minimum. Visits made to all lodges and hotels in the area reveal that they have not received any international tourists in the last 20 months. Craft sales, which are a major economic activity in the dry areas of Chimanimani from Wengezi junction to Nyanyadzi, are directly related to tourism activities in the district.

With the reduction of tourists into the area there has been a general decline in craft sales. The closure of the craft centre in Chimanimani urban has been due to lack of activity.

**Property rights:** Except for Chimanimani town, most growth points have no title deeds to land, either for private or business development (GTZ, 1998: 26). The district also has a shortage of serviced stands for industrial and commercial purposes (although this is better in Chimanimani town). The RDC lacks civil engineers, surveyors and funds to service land.

### 2.1.5 Main Implications for Micro-Finance

- Political and macro-economic instability has reduced the availability of formal sector jobs and increased reliance on the informal sector. This has increased the demand for micro-finance (credit and savings) and increased the risk of default on loans. Political instability is a particular problem in Manicaland, where the opposition MDC party has strong support. Violence involving the military and police was reported in Chimanimani as recently as mid-October 2001.
- Most rural households reside in the less fertile agricultural areas. They are nevertheless still heavily dependent on agriculture for income, given the near absence of social security payments, the declining contribution of remittances to household income and the virtual collapse of arts and crafts trade as tourism has evaporated because of political instability. However, the long period between cash outlays and cash inflow in most types of farming makes agriculture difficult to finance with micro-credit.
- All of the economic activities identified as having greatest potential – fruit growing and processing, tourism and honey production – offer opportunities, directly or indirectly, to small enterprises which will be looking primarily to micro-finance to help meet their capital needs.
- Although little information on local household expenditure patterns has yet been obtained, it can be expected that almost all spending will be for consumption. Income used for this purpose, whether from earnings or from loans, in effect constitutes a small entrepreneur's/household's working capital.
- The rapid increase in the incidence of HIV/AIDS has increased the need for access to micro-finance (again both credit and savings) in care-giving households in order to help them maintain income streams and reduce the pressure to sell assets. But, again, it has raised the risk of default, as well as the number of households beyond the ambit of sustainable micro-credit.

- Most households continue to use formal sector savings facilities. Given the distance and the cost of transport, there is an urgent need for improved informal sector savings alternatives.

The multiple constraints on economic activity – e.g. political/macro-economic instability, poor infrastructure, low levels of business skills – indicate that improved access to micro-finance alone will have only a limited impact on poverty reduction. An integrated range of interventions is needed for significant impact.

## 2.2 CHIMOIO DISTRICT IN MANICA PROVINCE, MOZAMBIQUE

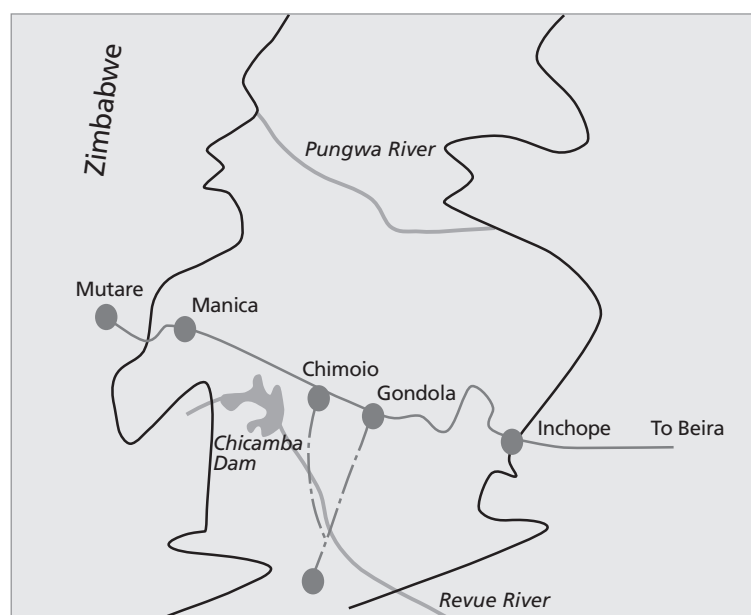
### 2.2.1 Geographic, Historical and Political Context

The following section outlines the location, size, topography, natural resources, physical infrastructure, and historical and political context of Chimoio.

#### *Geographic Context*

Chimoio is the capital town of the province of Manica, which is situated in the west of central Mozambique near the Zimbabwean border. The town is strategically placed between land-locked Zimbabwe and the harbour of Beira, and serves as an economic corridor between the two countries.

FIGURE 2.12 Location of Chimoio in Manica Province, Mozambique



Source: Technoserve, ICC and Rutec, 2001: 7

Manica province has a north-south expansion of about 500km and an average west-east expansion of about 100-120 km. In the north it is marked by the Zambezi river and in the south by the Save river. Only a few small areas in the north and south are located below 500m. The landscape rises strongly towards the border of Zimbabwe along the Chimanimani mountain range and at its highest it reaches an altitude of more than 2 000m above sea level.

As a result of its altitude and relief, Manica province enjoys a relatively high rainfall. The areas around Chimoio, in particular, have a normal annual precipitation of more than 1 000mm, which falls exclusively in the rainy period from the end of October to March. Only in the far northern and southern areas is the amount of rainfall lower, usually between 600mm and 800mm per year. For the province as a whole, rainfall is between 980 and 1 730mm per annum.

The mean annual temperature is 21°C to 22.5°C with an absolute maximum of 37°C, an absolute minimum of 8°C and relative humidity of 71% to 73%. The soils are mainly deep and fertile throughout the province, although the mountainous areas along the Zimbabwean border are minimally suitable for agriculture. This mountainous area provides a variety of natural and mineral resources, such as bauxite, iron ore, asbestos, copper and tin.

The rainfall pattern, combined with the annual precipitation, humidity and fertile soils, endows the area with significant agricultural potential. Geographical and environmental conditions are favourable for a high level of agro-forestry, animal husbandry, and certain levels of tourism. During the rainy season, however, access to the production areas becomes difficult, as the roads deteriorate quickly under heavy rainfall.

#### *Physical Infrastructure*

As indicated above, the transport infrastructure requires development. The main transport route between Beira and Mutare, the EN6, is in good condition and facilitates the movement of large amounts of cargo, but secondary roads generally require additional maintenance or rehabilitation, while the majority of tertiary roads require urgent intervention. Other roads in the province are in an extremely bad state.

The existing infrastructure is suitable for services needed for the life of an urban centre such as Chimoio, although some services of economic interest are only found in Beira. Other services (e.g. supplies) are procured in Mutare, Zimbabwe. Infrastructure in general has been severely damaged by a long period of war and instability. After 1992, significant progress was made in infrastructural development, which was unfortunately severely affected by flooding in 1999 and 2000 (see below).

### *Historical and Political Context*

Chimoio is situated in Gondola district, which was the most economically and socially dynamic district of the province before the Mozambique civil war (1975-1992). Building on this basis, it has great potential to regain its place as a dynamic area within Mozambique.

### *The Civil War*

The Mozambique civil war between the *Resistencia Nacional Moçambique* (RENAMO) and the *Frente de Libertacao de Moçambique* (FRELIMO) severely disrupted economic and social stability before 1992 in a conflict that was noted for its destruction of rural production systems. Transport links, health clinics, schools and all other infrastructure that represented social security and government provision was destroyed by RENAMO. After almost two decades of violent conflict, this infrastructure remains depleted.

The signing of a peace process in 1992, followed by democratic elections in 1994, ushered in a new era with considerable potential for economic growth and prosperity. The democratic process seems to be relatively stable in Mozambique despite challenges from RENAMO of vote rigging and allegations of corruption and mismanagement against the FRELIMO government. The fact that Mozambique has an elected government for the first time in its history and has conducted two general elections should not obscure the threat posed by fault-lines in the political structures and power struggles between the two main political parties.

Most ordinary Mozambicans thought democracy would bring an improvement in material conditions. Instead, the economic gains recorded thus far seem to benefit only a relatively small middle class concentrated in Maputo, while the rest of the population has had to adjust to increases in the cost of living and little change in the rudimentary public and social infrastructure. This is partly due to the liberalization of the economy, fiscal discipline and the recent impact of flooding in the southern parts of the country. The widening gap between rich and poor and rural and urban populations potentially poses a serious threat to political stability. The prevailing state of poverty and rural-urban inequalities are important considerations when evaluating any economic development intervention.

### *The 1999 and 2000 Floods*

Flooding in 1999 and 2000 caused widespread devastation. The Mozambican government's confidence that economic growth rates of 10% or more could be sustained for the foreseeable future suffered a blow when floods swept through much of



the south and centre of the country. Every major valley south of Beira was affected as rivers burst their banks. When a cyclone hit central Mozambique shortly afterwards, it worsened an already massive natural disaster. Faced with the devastation, the government was forced to cut back its target for economic growth in 2000 from 10% to below 4%. The United Nations' World Food Programme was still feeding over 150.000 people per month in May 2001.

According to the World Food Programme, almost two million people (some 12% of the total population) were seriously affected, with half requiring food aid from international agencies<sup>2</sup>. Almost 250 000 people lost their homes, more than 113 000 small farm households lost their livelihoods and 140 000 hectares of cultivated and grazing land were lost to the floods. This involved about 11% of the total cultivated area in the five provinces affected, including the southern parts of Manica province. Furthermore, some 20 000 head of cattle were missing and feared drowned, and many more were vulnerable to disease.

The worst agricultural losses were to irrigation-based production, with the government estimating that some 90% of the country's functioning irrigation infrastructure was damaged. Industry also suffered as torrential rains caused severe damage in Matola, the industrial city on the outskirts of Maputo, leading to shutdowns or sharply reduced production in some of Mozambique's most successful factories. Over a thousand shops and wholesalers in the river basins were damaged.

Many secondary and tertiary roads were washed away, as were many bridges. All the railways in southern Mozambique were badly affected, particularly the Limpopo line from Maputo to Zimbabwe. The floods also closed 630 schools, attended by 214 000 pupils, while 42 health units were destroyed or damaged, including the country's second largest hospital, Beira Central Hospital.

These figures portray the immense damage caused by the flooding and the massive hurdles faced by economic development. Much of the development created after 1992 was effectively destroyed during the floods. Although Chimoio was not as badly affected as a town, the indirect damage was considerable, especially given its agrarian economy largely based on subsistence.

### *Poverty*

For a country recovering from the debilitating effects of a civil war and devastating flooding, poverty has become the most pressing issue. Illiteracy stands at about

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<sup>2</sup> See [http://www.afrol.com/News/moz003\\_flood\\_economy.htm](http://www.afrol.com/News/moz003_flood_economy.htm)

60.4% of the adult population; and there is a shortage of skilled labour and financial resources (SAIIA, 2001). According to the Ministry of Planning & Finance, the incidence of absolute poverty is 69.4%, indicating that more than two-thirds of the Mozambican population is living below the poverty line (2000: 13). In rural areas, it is estimated to be as high as 71.2%, an alarming figure given the fact that 80% of the population is concentrated in these areas. The figure for urban areas is 62%.

The endemic poverty has been concretized by the threat of HIV/AIDS. According to the 1999 UNDP report, 14.5% of the adult population in Mozambique is HIV positive. An estimated 700 Mozambicans are infected with HIV every day while approximately 2.3 million have AIDS. By early 2001, a quarter of a million people had already died from the disease.

### 2.2.2 Demographic Context: Population and Households

The following section portrays population size, population structure, population characteristics, household income levels, household income distribution, sources, flows, expenditure categories and flows.

#### *Population of Manica Province Compared to other Provinces*

The population in the province of Manica is 974 208, corresponding to 6.38% of the country's total population. The following table shows the percentage distribution of population according to province.

FIGURE 2.13 Percentage Distribution of Population according to Province

Provinces	Population	Percentage
Manica	974 208	6.38
Niassa	756 287	4.95
Cabo Delgado	1 287 814	8.43
Nampula	2 975 747	19.48
Zambézia	2 891 809	18.93
Tete	1 144 604	7.49
Sofala	1 289 390	8.44
Inhambane	1 123 079	7.35
Gaza	1 062 380	6.95
Maputo-Province	806 179	5.28
Maputo-City	966 837	6.33
<b>Total</b>	<b>15 278 334</b>	<b>100</b>

Source: INE, 1997

FIGURE 2.14 Population Dispersal in Chimoio

Area	Population	Percentage
Sussendenga District	92 622	9.5
Gondola District	184 629	18.95
Manica District	155 731	15.98
Chimoio District (city)	171 056	17.55
<b>TOTAL Manica Province</b>	<b>974 208</b>	<b>100</b>

Source: Technoserve, ICC and Ruteec study: 3

According to the second general census of population and housing (1997), the population of Chimoio district was 171 056 inhabitants, corresponding to 17.56% of the total population of Manica province.

The majority of the population of Manica is located in the districts of Gondola (18.95%), Chimoio (17.56%) and Manica (15.98%) (see figure 2.15). This can be attributed to the geographic features of these areas. The district of Chimoio is the capital of the province and the place in which the main social and economic infrastructures are located. The district of Gondola surrounds the city of Chimoio, and there is a strong relationship between these areas. Manica is located on the border with Zimbabwe, and it forms the end of the Beira Corridor, which crosses the district of Gondola. By contrast, Macossa and Tambara in the north are located very far from the city of Chimoio and have the lowest populations, 1.43% and 3.23%, respectively.

FIGURE 2.15 Percentage Distribution of Population according to District in Manica

District	Population	Percentage
Chimoio	171 056	17.56
Barue	81 002	8.31
Gondola	184 629	18.95
Guro	45 680	4.69
Machaze	75 804	7.78
Macossa	13 969	1.43
Manica	155 731	15.98
Mossurize	122 244	12.55
Sussundenga	92 622	9.51
Tambara	31 471	3.23
<b>Total</b>	<b>974 208</b>	<b>100</b>

Source: INE, 1999.

FIGURE 2.16 Number of Households in Manica Province

Area	Households	People per Household
Sussendenga District	20 000	4.8
Gondola District	40 000	4.6
Manica District	32 000	4.9
Chimoio City	34 000	5.0
Other Districts	77 000	4.8
<b>TOTAL Manica Province</b>	<b>203 000</b>	<b>4.8</b>

Source: National Institute of Statistics (INE) quoted in Technoserve, ICC and Rutec, 2001: 10

In relation to households, the nearby districts present the following scenarios:

- Gondola has a total of 39 398 households, with an average number of 4.6 members each: Of these, 3 636 are married by civil register; 26 679 are married by marital union; 2 328 are separated or divorced; 4 175 are widowed; and 2 361 are single (unmarried). Among all households, 5 487 are mono-parental (of which 725 are headed by males and 4 762 are headed by females), 16 972 are constituted by couples, and 12 960 households live with other parents (INE, 1999).
- Manica has a total of 31 982 households, with an average number of 4.7 members each. Of these, 4 287 are married by civil register; 20 004 are married by marital union; 1 902 are separated or divorced; 3 542 are widowed; and 2 088 are single (unmarried). Among all households, 3 785 are mono-parental (of which 659 are headed by males and 3 126 by females), 14 045 are constituted by couples, and 11 091 households live with other parents (INE, 1999).
- Sussundenga has a total of 19 182 households, with an average number of 4.7 members each. Of these, 4 287 are married by civil register; 20 004 are married by marital union; 1 902 are separated or divorced; 3 542 are widowed; and 2 088 are single (unmarried). Among all households, 3 325 are mono-parental (of which 402 are headed by males and 2 923 by females), 7 822 are constituted by couples, and 6 502 households live with other parents (INE, 1999).

This implies that the majority of the population (almost 150 000 people) are resident outside Chimoio and rurally based.

#### *The Average Household Size and Structure*

On average, there are 4.8 people per household. Only one person in every 2.1 households is formally employed, according to Technoserve, ICC and Rutec (2001: 10), which leaves

approximately 105 945 households without a member deriving a formal income. Figure 2.17 indicates income levels of economically active people in Manica province.

FIGURE 2.17 Income Levels of Economically Active People in Manica Province

	Monthly Income	Total Formally Employed	Percentage Formally Employed	Total Monthly Income
High	\$500 to \$1 500	1 049	1.1%	\$1 049 000
Middle	\$100 to \$200	12 094	12.6%	\$1 814 100
Low	\$20 to \$30	82 822	86.3%	\$2 070 550
		95 965	100%	\$4 933 650

Source: Technoserve, ICC and Rutec study, 2001: 14

Within the district of Chimoio there are 33 022 households. Of these, 5 329 are married by civil register; 20 392 are married by marital union; 1 728 are separated or divorced; 2 523 are widowed; and 2 864 are single (unmarried). Among all households, 3 070 are mono-parental (of which 598 are headed by males and 2 472 by females), 12 999 are constituted by couples, and 14 123 households live with other parents (INE, 1999).

In the mono-parental households, one of the pair is out working as a migrant in Zimbabwe or in other towns of the country. In general, many households are constituted by a couple, sons and, in some cases, other parents such as father, mother, young brothers- or sisters-in-law.

#### *Main Sources of Income per Average Household*

Agriculture is the main source of income as Mozambique is largely an agrarian economy: about one-third of GDP is derived from agriculture. This sector employs about four-fifths of the population and generates a large proportion of export earnings. The 105 945 households without a formal source of income rely largely on subsistence farming and retail sales, with an average income of US\$25 per month. The average income for subsistence farmers is indicated to be US\$13 per month. With inflation, this is currently about US\$16 per month.

Other sources of income are the sale of extracts from the natural resource base (e.g. bush meats, indigenous medicines and thatching grass) and a wide range of other commodities available within the informal economy.

Although some people from the district go to formal work in the central business district (CBD) downtown, such as offices of governmental and non-governmental

organisations, banks, shops, hotels and rest-houses, and other institutions (private and public enterprises), a large proportion of the population depends on agriculture activities and informal business.

Many households have farms in peri-urban and rural areas, where they cultivate maize, vegetables, citrus and bananas. Part of production is destined for home consumption, and the rest is sold in the city's bazaar. The people involved in these activities are mainly female.

The informal business is carried on outside bazaars and in the crossroads. Products sold in this way include clothes, food products, school materials, detergents and hygienic products, which are bought in Zimbabwe. The people involved in these activities are mainly young males, although there are some females as well. In rural areas most households rear livestock, chickens and goats for subsistence but few sell them for income.

The summary of distribution of population is given in the table below, which compares the economically active population (EAP) in agriculture to the total EAP.

FIGURE 2.18 Distribution of Economically Active Population in Manica Province

Province and Districts	Total EAP in 1997	Agriculture EAP in 1997	Agriculture EAP as a Percentage of Total EAP, 1997
<b>MANICA</b>	<b>405 106</b>	<b>257 729</b>	<b>63.62</b>
Chimoio	48 537	11 147	22.97
Barue	39 844	28 063	70.43
Gondola	70 783	44 510	62.88
Guro	20 199	17 398	86.13
Machaze	39 015	30 734	78.78
Macossa	5 888	4 870	82.71
Manica	62 352	33 701	54.05
Mossurize	57 365	38 274	66.72
Sussundenga	43 936	33 660	76.61
Tambara	17 187	15 372	89.44

Source: National Early Warning System for Food Security, Crop and Monitoring Unit, FAO – GCPS/MOZ/060/EC, 2000

Figure 2.19, which describes total households compared to peasant households, confirms that most people depend on agriculture-based livelihood strategies outside the formal economy.

FIGURE 2.19 Percentage Distribution of Peasant Household in Manica Province

Province and Districts	Total Households 31/12/99	Peasant Households	
		Total	Percentage
<b>MANICA</b>	<b>239 439</b>	<b>141 538</b>	<b>59.11</b>
Chimoio	46 346	10 644	22.97
Barue	16 813	11 842	70.43
Gondola	46 198	29 050	62.68
Guro	11 280	9 716	86.13
Machaze	15 062	11 865	78.77
Macossa	2 273	1 880	82.71
Manica	41 630	22 501	54.04
Mossurize	29 148	19 447	66.72
Sussundenga	22 259	17 053	76.61
Tambara	8 429	7 539	89.44

Some households depend only on wages, others depend only on informal business; but many households gain their income by distributing parallel tasks for each member. Many people derive their income from frequent trips to the Zimbabwean border to sell their produce, as well as to buy what they need. Other sources of income include the making and selling of alcoholic beverages in homes and at drink-stands.

#### *Main Expenditure Patterns in Manica Province*

The expenditure patterns of low-income earners, who account for 86.3% of the residents of Manica province, can be seen in figure 2.20 below. The breakdown is important in helping to determine prominent sectors that could be targeted for economic development, possibly through a micro-finance scheme. Low-income households do not purchase a diverse range of products, limiting local business development. However, since the end of the war more people are generating incomes in the middle and high-income groups.

The low-income household's main food base is cereal, such as maize and sorghum – now being produced locally in greater quantities – and rice, which is produced outside the district. Most products sold in the city of Chimoio come from Zimbabwe in packages or sacks, although a few, such as vegetables, come from other Mozambican districts. Some crops are grown in the district's peri-urban and rural areas, such as cereals (maize, sorghum), cassava, sweet potatoes and vegetables. Fruit is produced and distributed in the district by Citrinos de Manica, a specialist enterprise. Some householders produce enough to satisfy their food needs, but not enough to earn an income to pay for school fees, toiletries, medical bills, etc.

A baseline survey by Chivizhe (1995) determined income levels and expenditure patterns of people residing in Manica province. A summary of the expenditure patterns of 37 respondents is shown in the following table:

FIGURE 2.20 Expenditure Patterns of Low-Income Households in Manica Province

Expenditure Item	Average Annual Expenditure: Meticais	Average Annual Expenditure: US\$	Average Monthly Expenditure: US\$	No. of Low-Income Households	Annual Expenditure per item: US\$	% Annual Expenditure per item
Maize Milling	155 270	9.70	0.81	172 869	139 799	5.91
Maize Meal	189 243	11.83	0.99	172 869	170 387	7.21
Fares	196 703	12.29	1.02	172 869	177 103	7.49
Hospital	69 162	4.32	0.36	172 869	62 271	2.63
School Fees	171 595	10.72	0.89	172 869	155 035	6.56
Social Contribution	62 459	3.90	0.33	172 869	56 236	2.38
Entertainment	227 324	14.21	1.18	172 869	204 673	8.66
Meat/Fish	220 892	13.81	1.15	172 869	198 882	8.41
Cooking Oil	324 000	20.25	1.69	172 869	291 716	12.34
Salt	32 270	2.02	0.17	172 869	29 055	1.23
Clothing	259 649	16.23	1.35	172 869	233 777	9.89
Soap	91 568	5.72	0.48	172 869	82 444	3.49
Contract Ploughing	36 811	2.30	0.19	172 869	33 143	1.40
Sugar	76 865	4.80	0.40	172 869	69 206	2.93
Weeding	12 703	0.79	0.07	172 869	11 437	0.48
Toiletries	151 568	9.47	0.79	172 869	136 465	5.77
Dipping	1 270	0.08	0.01	172 869	1 14	0.001
Groceries	335 108	20.94	1.75	172 869	301 717	12.76
Transport	6 389	0.40	0.03	172 869	5 752	0.24
Fuel	5 676	0.35	0.03	172 869	5 110	0.22
Seed	402	0.03	0.00	172 869	365	0.02
<b>Total Annual Expenditure</b>	<b>2 626 927</b>	<b>164.16</b>	<b>13.69</b>	<b>172 869</b>	<b>2 364 574</b>	<b>100.00</b>

Source: Chivizhe (1995), quoted in Technoserve, ICC and Rutec study, 2001: 14

Implications of these figures for micro-finance are that if people were to borrow money they would likely use it for consumer expenditure, as there is no spending on capital goods per household.

#### *Main Financial Needs of the Average Household*

The expenditure patterns tabled above indicate that the main financial needs per low-income household pertain largely to consumer needs. The largest annual expenditure was for groceries (12.76% overall), closely followed by cooking oil (12.34%). Expenditure on clothing was the third highest (9.89%), followed by entertainment



(8.66%), and meat and fish, which are the dominant source of protein, at 8.41%. Thus it is evident that the greatest expenditure was on the basic commodities of food and clothing. Second-hand clothing is readily available in Manica province – a trade that according to Technoserve, ICC and Rutech (2001: 21), has contributed to the bankruptcy of the local textile industry, although competition from the South African textile market, which has challenged Zimbabwe domination of the sector, has also played a role.

An additional 7.21% was spent on maize meal, which is the staple of the average household, while 5.91% was spent on maize milling. Transport fares and school fees constituted 7.49% and 6.58%, respectively.

Overall, a very small percentage was used on obvious income-generating activities. These included contracts ploughing (1.40%), weeding (0.48%), dipping at 0.001% and seed at 0.02%. Overall, these agricultural activities constituted just under 2% of annual expenditure.

Products such as household chemicals, canned and other processed foods, are usually smuggled in from Zimbabwe, and are therefore unlikely to appear in a household's expenditure pattern.

#### *Main Economic Activities of the Average Household*

From an analysis of the financial needs of the average household in Manica and from the historical and political context, it is clear that most families utilize what can be termed a multiple livelihood strategy.

People survive by building on a range of "capitals": natural capital, such as the resource base, in particular land and water; human capital, such as education, skills and health; social capital, such as social networks and organizations; physical capital, such as farm equipment and shelter; and financial capital, such as income, credit, claims, savings and cattle. These assets constitute the capital base of a livelihood and determine its robustness or vulnerability. Poverty is strongly associated with a lack of assets or the inability to put assets to productive use.

It is clear that the informal sector is extremely important in Chimoio. The formal sector is practically non-existent in Sussundenga, Gondola and Manica. Agriculture and animal husbandry are vital components of the multiple livelihood strategy in Chimoio, although it should be emphasized that this alone is increasingly unable to provide sufficient means of survival in rural areas of low-income countries. Employment or agriculture should be considered as components of a livelihood, which draws upon a

range of formal and informal activities and income sources. Agricultural production in Manica province is, as already emphasized, largely subsistence in nature. Agriculture does, however, have the potential to become a more significant component of livelihood strategies, given the soils, climate and abundance of arable land in the area.

It is interesting to note that, broadly speaking, the issue of land as an asset for the improvement of a rural livelihood does not occupy a prominent position in poverty alleviation planning and processes. The general view is that rich areas of arable land are available in abundance and that farm sizes and productivity have remained low as a result of other constraining factors. In fact, the latest draft of the Plan for the Reduction of Absolute Poverty for Mozambique 2001–2005 (PARPA) expresses this very well: “Land is not, therefore, a limiting factor for poor peasants, but rather their capacity (and therefore means of production) to work the land they have in order to achieve acceptable levels of productivity.” (Norfolk & Liversage, 2001)

The various components of the multiple livelihood strategy will be discussed in more detail in the section dealing with economic activities in Chimoio.

### 2.2.3 Physical/Institutional Infrastructure

This section will outline the physical and institutional infrastructure of Chimoio, including towns, transport, education, medical services, power, water, authority structures, and social groups/associations.

#### *Major Institutions: Formal*

Apart from national, provincial and local government, another vital realm of governance exists in rural Mozambique: traditional authorities. These have a very important role in the decision-making process and considerable influence in the area.

Many non-governmental organizations (NGOs) and development agencies work directly with either local communities or entrepreneurs in the different districts of Manica province. There are currently five NGOs offering micro-finance opportunities for people in Chimoio:

- Small Industry Foment Fund
- Concern Manica
- UCAMA
- Kwaedza Simukai Association
- CRESCCE

*Major Institutions: Informal*

Traditional financial systems exist in Chimoio. This entails a number of people deciding to form a group and collect cash periodically. Each time money is collected, it goes to one of the members. No interest rate is included in this system and the only condition is to make sure that each member's contribution is available at the end of each period.

Traditional forms of community control exist in the rural areas surrounding Chimoio, exemplified by traditional tenure arrangements. These traditional institutions have particular implications for the social status of women and for land ownership in Chimoio.

Within traditional communities around Chimoio, the majority of producers are men, assisted by women. Women have limited social status in the community. Only a few households are headed by women because the cultural system does not provide for it. Even if women produce and sell products, the man takes responsibility for deciding how the income is spent.

No one owns land in Mozambique as all land belongs to the government.

- Commercial farmers lease land from the government.
- Subsistence farming is practised in the villages.
- There is a shortage of agricultural land in and around the towns owing to the migration of people to towns as a result of the war.

*Infrastructure*

The civil war had a significant influence on the settlement patterns of Chimoio:

- The town has three sections, the Central Business District (CBD), a residential area consisting mostly of old colonial houses surrounding the CBD, and a dense village-type settlement on the outskirts of town.
- Some people reside in small villages next to the major roads along the Beira Corridor.
- 25% of the people reside in rural areas, predominantly small villages. These villages are isolated from the economic mainstream.
- Poverty increases in relation to distance from the CBD. The most prosperous people reside in the residential areas surrounding the CBD, followed by poor households in the villages neighbouring the residential areas. The poorest people live in the rural areas.

- Economic activities in the form of informal market places developed in the dense village-type settlements.

The local infrastructure is suitable for the services required for the life of a town, although some economic services are only found in Beira. Other services, such as supplies, are procured in Mutare, Zimbabwe.

Roads are largely urban based although the transport industry may provide growth opportunities for lodging and restaurants along the main corridor. The road network is good and construction activities for housing are a growing trend.

#### *Transport*

There are three types of transport: road transport (for passengers and cargo), railways and air transport. The road network links the north and south of the country. Chimoio is the transit centre for transport coming from the north and south and from/to Zimbabwe and Beira. The railways carry cargo from Zimbabwe to the port at Beira and vice-versa. Air transportation is based on charter system.

#### *Education Network*

The education network is generally regarded as good. Besides the general education, there are facilities for technical and professional education.

### **2.2.4 Economic Activities**

The following section will elaborate on economic activity in Manica province and Chimoio in particular. This includes turnover, employment, wages, growth patterns and constraints in the formal sector, as well as occupations, turnover, incomes, employment, growth patterns and constraints in the informal sector.

#### *The Main Economic Activities of Chimoio*

The main economic activities are agriculture, industry and trade. The Beira corridor connects Zimbabwe and the Indian Ocean through Chimoio. Economic activity comprises largely the movement of goods and people, and holds great potential for future growth.

#### *Agriculture*

The most frequently cultivated crops are vegetables and fruits such as banana, citrus, litchis, mangoes and papayas. Animal production is predominantly poultry and cattle. Forestry also offers potential as an agriculturally based opportunity.

Agriculture is largely rural based with some peri-urban activity. This implies that the major economic activity in the rural areas is agriculture, largely subsistence for the majority of the population, with some employment on commercial farms.

#### *Tourism*

This sector is underdeveloped and local resources are scarce. The conditions for the development of tourism are very good, especially for nature lovers, the appreciation of traditional cultures, etc. Accommodation facilities are very poor in Chimoio.

#### *Trade*

There is substantial competition between the formal and informal sectors. The informal sector is considered to be avoiding paying taxes on its trading activities, while smuggling products in from neighbouring countries such as Zimbabwe, without paying import duties.

#### *Industry*

Industry, which revolves mainly around agro-processing, is stagnant. Existing processing plants for fruit, juices, canned goods and others are not currently operational. The only plants operating are those of the dairy industry and alcoholic beverages, based on local fruits. Maize mills and oil processing units operate on a very small scale. There is a timber industry with some sawmills and carpentry plants for furniture production. The textile industry is not operational, partly owing to the availability of imported second-hand clothes. Other industrial sectors include brewing, steel works and tobacco.

#### *Market segments*

The various market segments in Manica include:

- fresh fruit and fruit processing
- juice and jam production
- alcohol
- fresh horticultural commodities
- canned or dried horticultural foods
- processing labour-intensive cash crops, e.g. tobacco, cotton
- processing labour-intensive food crops, e.g. maize, wheat; sunflower oil
- dairy product processing
- beef production

- carpentry and timber construction products
- fisheries
- tourism
- manufacturing
- commercialization and retail development

### *Formal market*

FIGURE 2.21 Economic Activities in Formal Business

	Chimoio	Gondola	Manica	Sussendenga	Total
Retail sales	105	16	32	8	161
Wholesale	21	0	0	0	21
Textiles	2	0	1	0	3
Shoe sales	1	0	1	0	2
Brewing	3	0	1	0	4
Steel works	1	0	0	0	1
Tobacco industry	1	0	0	0	1
Wood processing	3	3	0	0	6
Restaurants	21	2	1	1	25
Bars/coffee shops	72	3	19	0	94
Guest houses	8	0	5	0	13
<b>Total</b>					<b>331</b>

Source: Technoserve, ICC and Rutech study: 17

### *Informal market*

The informal markets are important economic centres throughout Manica province. Almost anything required by local residents is available at informal markets. Entrepreneurs at these venues focus on consumables needed by individuals and households. The following businesses are common in the markets.

FIGURE 2.22 Economic Activities in Informal Business

Clothing supply	Tailoring	Shoe repair	Shoe sales	Cosmetic sales	Hardware sales	Bicycle repairs
Seed/feed supply	Furniture manufacture	Furniture sales	Fruit sales	Vegetable sales	Maize sales	Rice sales
Broiler sales	Household chemicals	Fish drying	Fish sales	Bread baking	Basic farming equipment	Hairdressing
Hair cutting	Cooking oil sales	Plastic wares	Soap	Bean sales	Egg supply	Groceries

Source: Technoserve, ICC and Rutech study, 2001: 18

*Other Information Regarding the Economic Profile in the Manica Province*

- According to a study conducted by Technoserve (2000), local business people do not understand economic development principles. During a meeting in Chimoio, it was clear that they want the freedom to import more products. By participating in value-added production activities for raw materials available locally, one would create an “inflow” of capital to the region through the sale of these commodities. Importing or smuggling products creates a cash “outflow”, does not create jobs and is generally destructive to the economy (Technoserve, ICC and Rutec study, 2001: 18).
- The import duty on raw materials is 2.5% and on processed products 7.5%. This small difference does not necessary encourage local processing. One cannot say with certainty that if raw materials were imported local producers would be able to produce and still compete with the mass producers elsewhere regardless of the reduced duties. It would depend on the nature of the product. Further research is required regarding raw material import for production purposes (Technoserve, ICC and Rutec study, 2001: 18).

### **2.2.5 Main Implications for Micro-Finance**

- While economic performance has improved substantially for the country as a whole over the past decade, the benefits have been confined largely to urban areas and even there to a relatively small part of the population. Widening income inequality increases the potential for political instability. Interventions, such as improving access to financial services are extremely important to broaden the spread of benefits to rural areas and to lower income people.
- Farming is still by far the most important source of income for most households. While the district has great potential to export agricultural produce, reliance on local markets has increased with the damage to roads caused by the 1999/2000 floods.
- A number of key formal sector industries – in textile and clothing manufacture, tanning and food processing (jam, fruit juice, dairy products) – have closed in recent years as a result of external competition, increasing reliance on agriculture and informal sector activities.
- There is a thriving informal sector, but it is based rather narrowly on retail trade in consumption goods, agro-processing and services, such as repairs and hairdressing.
- Very few small enterprises – almost none in the informal sector – have access to micro-credit. Though the multiple constraints on the growth of economic activity –

poor infrastructure, lack of business skills, lack of institutional support – indicate that micro-finance interventions alone will only have a limited positive impact, they are nevertheless important. What is needed is an integrated programme of interventions, in which improved access to finance through micro-credit for “unbankable” small entrepreneurs/households is a key component.

- The rapid increase in the incidence of HIV/AIDS will also increase the need for access to micro-finance (both credit and savings) to help care-giving households maintain income streams and reduce the pressure to sell assets. However, it will also raise the risk of default, as well as the number of households beyond the ambit of sustainable micro-credit.
- Most households continue to use formal sector savings facilities. Given the distance and the cost of transport, there is an urgent need for improved informal sector savings alternatives.

## **2.3 NYANDENI AND PORT ST JOHNS MUNICIPALITIES IN THE EASTERN CAPE, SOUTH AFRICA**

### **2.3.1 Geographic, Historical and Political Context**

#### *Geographic Context*

The Nyandeni Municipality is made up of two magisterial districts, namely, Libode and Ngqeleni, which form part of the Oliver Tambo District Council. Nyandeni Municipality has 97 administrative wards, made up of about 295 rural villages as follows:

Libode:	142 villages
Ngqeleni:	222 villages

Port St Johns, unlike the Libode and Ngqeleni magisterial districts, has municipality status and forms part of the Oliver Tambo District Council. Port St Johns has 95 villages. The villages are grouped into traditional authorities and administration areas under the administration of chiefs or headmen. Port St Johns forms part of the Wild Coast Spatial Development Initiative (SDI), which has a 280km-long coast lying parallel to and 80-100km from the N2 highway that provides the north-south linkages (CIET international, 1998).

The entire Nyandeni and Port St Johns region falls into the summer rainfall area of the Eastern Cape. Precipitation is characterized by sharp, heavy showers. However, micro-climatic conditions vary significantly, with Port St Johns receiving much higher summer rainfalls than Nyandeni. As Port St Johns is on the north-eastern coast of the



Eastern Cape, it has warm to hot summers whereas winters remain mild with warm temperatures. Frost does not occur. Nyandeni, which is inland, has a much drier micro-climate, with lower summer rainfalls. Winter temperatures can drop to freezing point and frost occurs regularly in the winter months.

Agricultural productivity in this area is below average although the land is naturally fertile. The Nyandeni region is susceptible to drought. Irrigation farming offers the best opportunity for increasing productivity on the farms and for diversifying crop production to include high-value crops such as vegetables. Farming activities offer great economic potential in Libode, where the land is fertile and there is much arable land that can still be developed.

#### *Historical context*

The Nyandeni and Port St Johns municipalities form a core part of the former homeland of the Transkei, which was one of the ten homelands created by the previous South African government. It was the first to accept independence. The area's economic history is one of underdevelopment within the context of homeland development under apartheid ideology. Nyandeni is one of the most underdeveloped poverty-stricken districts in the former homeland of the Transkei.

The socio-economic background of the Nyandeni district cannot be understood without insight into the way in which it was developed and into the community's relationship to the wider South African society. During the period 1850-1950, the last African chiefdoms were brought under European control, while the discovery of gold in the 1880s started a process of rapid South African industrialization. For black people, this meant the breakdown of traditional, social, economic and political structures, as well as the introduction of migrant labour system. The appointment of a governor general in the Cape also undermined traditional chieftainship.

#### *Political Context*

The relative economic, infrastructural and administrative poverty of Nyandeni's rural communities reflects its position of political and economic dependence in the Eastern Cape. Its people were unable to influence the political machinery of either their tribal authorities or that of the magisterial districts, and unable to establish independence. They had little control over the conditions of their everyday life and subsistence. The tribal authorities to whom they looked for services and assistance were themselves dependent upon the Transkei government for part of their budget, as well as for much of their administrative capacity.

### 2.3.2 Demographic Context: Population and Households

The number of households headed by females is almost equal to the number of male-headed households. On average, the age of the head is 51 years. The majority (88%) of the heads of households were born in the area and have both primary and secondary (38%) schooling. The majority of female heads of households are widows.

The total population of the Nyandeni region is 284 081. Ngqeleni is the most densely populated area with 152 303 people, while Libode has 131 778. The total population in Port St. Johns is 142 753.

FIGURE 2.23 Population Distribution

Race Group	Libode and Ngqeleni	Port St. Johns
African	282 080	141 333
Coloured	515	525
Indian	67	42
White	41	137
Other	1378	716

FIGURE 2.24 Total Population of the Oliver Tambo District Municipality

King Sabata Dalindyebo	379 928
Nyandeni	284 081
Port St. Johns	142 753
Mhlonlolo	190 275
Ntabankulu	109 018
Ingquza	243 026
Mbizana	228 375
<b>Total</b>	<b>1 150 622</b>

Source: Map by AFRICON 2001

FIGURE 2.25 Total Population by Race and Gender: Nyandeni and Port St Johns

Racial Groups	Nyandeni		Totals: Nyandeni	% Total Population: Nyandeni	Totals: Port St Johns	% Total Population: Port St Johns
	Libode	Ngqeleni				
<b>African</b>						
Male	59 762	69 324	129 086	43.88	64 384	45.20
Female	71 145	81 922	163 067	55.43	76 975	54.04
<b>Coloured</b>						
Male	71	184	255	0.09	295	0.21
Female	90	186	276	0.09	393	0.28



Figure 3.6 *continued*

Racial Groups	Nyandeni		Totals: Nyandeni	% Total Population: Nyandeni	Totals: Port St Johns	% Total Population: Port St Johns
	Libode	Ngqeleni				
<b>Indian/Asian</b>						
Male	7	7	14	0.00	15	0.01
Female	20	12	32	0.01	10	0.01
<b>White</b>						
Male	7	8	15	0.01	74	0.05
Female	7	5	12	0.00	41	0.03
<b>Unspecified</b>						
Male	320	329	649	0.22	130	0.09
Female	346	329	775	0.26	124	0.09
<b>Total</b>						
Male	60 167	69 852	130 019	46.00	64 898	45.56
Female	71 608	82 454	154 062	54.23	77 543	54.43

Source: ACAT (Eastern Cape)

FIGURE 2.26 Total Population by Age Group: Nyandeni and Port St Johns

Age Group	Nyandeni		Totals by Age Group: Nyandeni	% Total Population: Nyandeni	Totals by Age Group: Port St Johns	% of Total Population: Port St Johns
	Libode	Ngqeleni				
00–4 yrs	21 045	25 120	46 165	16	11 494	17
05–9 yrs	21 105	25 447	46 552	16	11 637	17
10–14 yrs	19 624	23 322	42 946	15	10 419	15
15–19 yrs	15 941	18 232	34 173	12	7 570	11
20–24 yrs	10 860	12 311	23 171	8	4 854	7
25–29 yrs	7 107	7 752	14 856	5	3 428	5
30–34 yrs	6 419	6 567	12 986	5	3 176	5
35–39 yrs	5 441	6 074	11 515	4	3 012	4
40–44 yrs	4 179	4 521	8 700	3	2 102	3
45–49 yrs	3 462	3 581	7 043	2	1 855	3
50–54 yrs	2 862	2 929	5 791	2	1 338	2
55–59 yrs	3 169	3 837	7 006	2	1 848	3
60–64 yrs	3 200	4 237	7 437	3	1 605	2
65–69 yrs	2 802	3 650	6 452	2	1 618	2
70–74 yrs	1 545	1 806	3 351	1	735	1
75–79 yrs	1 240	1 361	2 601	1	696	1
80–84 yrs	540	501	1041	0	226	0
85 or more	404	405	809	0	156	0
Unspecified	830	653	1483	1	336	0

Source: ACAT (Eastern Cape)

### *Labour Force Size and Structure*

The major characteristics of the labour force in Nyandeni and Port St Johns are that it very large in the age groups of 20-50 years, but much smaller in the age group of more than 50 years. Illiteracy levels are very high in this age group – an estimated 65%. Labour-intensive programmes would be recommended for this type of labour force.

FIGURE 2.27 Structure and Size of Labour Force in Nyandeni and Port St Johns

Age-Groups	Nyandeni		Total Labour by Age Group	% Labour to Total Population	Port St Johns	% Labour to Total Population
	Libode	Ngqeleni				
20–24 yrs	1 0860	12 311	23 171	8	4 854	7
25–29 yrs	7 107	7 752	14 856	5	3 428	5
30–34 yrs	6 419	6 567	12 986	5	3 176	5
35–39 yrs	5 441	6 074	11 515	4	3 012	4
40–44 yrs	4 179	4 521	8 700	3	2 102	3
45–49 yrs	3462	3 581	7 043	2	1 855	3
50–54 yrs	2 862	2 929	5 791	2	1 338	2
55–59 yrs	3169	3 837	7 006	2	1 848	3

### *Employment and Wages*

Unemployment is very high in Ngqeleni and Libode areas and there are no formal sector industries. Lack of agro-industries in the region is a major limitation to job opportunities. The informal sector provides an alternative source of income for some, usually as hawkers. Hawking is carried out in both open spaces and from shelters like old caravans and other small purpose-built shelters.

FIGURE 2.28 Employment Status

Category	Libode and Ngqeleni	Port St Johns
Not Applicable	796	–
Under 15 yrs	126 832	–
Unspecified	148	–
Unemployed	28 596	16 992
Employed	12 791	5 019

Source: Personal interviews with municipalities (based on the 1996 census)

*Characteristics of Household Income*

Major sources of household income are old-age pensions and other social benefits, such as disability or child maintenance grants, as well as remittances from family members working outside Nyandeni and Port St Johns areas, although many of these people have been laid off and the situation has been deteriorating steadily since early 1980s. Income is also derived from agricultural activities and many different informal sector survival strategies.

FIGURE 2.29 Annual Household Income

Income Range	Libode and Ngqeleni	Port St Johns
None	14 902	10 132
Under R18 000	28 978	13 375
R18 000–R72000	3 720	1 771
R7 200–R132 000	555	274
Over R132 000	293	121
Not Applicable	10	5
Unspecified	2 051	1 054

Source: Personal interviews with municipalities (based on the 1996 census)

**2.3.3 Physical/Institutional Infrastructure***Power and Waters Services*

Villages that are closer to towns at Ngqeleni and Libode have electricity, whereas those far from town still do not have electricity. Villages purchase electricity directly from Eskom through local agencies, while those closer to town purchase electricity from the municipal offices.

FIGURE 2.30 Sources of Power/Electricity

Source	Libode and Ngqeleni	Port St Johns
Electricity = Municipality	2 112	1 060
Electricity = Eskom	242	137
Gas	239	139
Paraffin and Firewood	17 770	8 384
Candles and Firewood	29 484	16 680
Other	1	332
Firewood	661	–

Source: Personal interview with municipalities (based on the 1996 census)

FIGURE 2.31 Sources of Water

Source	Libode and Ngqeleni	Port St Johns
Unspecified	587	225
Other	131	75
Natural Sources	40 163	23 668
Borehole	1 218	652
Tanker	640	288
Public Tap	6 917	1048
Onsite	404	455
Dwelling	449	301

Source: Personal interview with municipalities (based on the 1996 census)

Less than 30% of rural villages in Nyandeni and Port St Johns have been reached by the government water delivery programmes. A large number of villages still depend on traditional sources of water supply.

FIGURE 2.32 Sanitation

Type of Facility	Libode and Ngqeleni	Port St Johns
Unspecified	568	210
None	27 926	19 489
Bucket Latrine	458	118
Pit Latrine	21 313	6 207
Flush Toilet	244	708

Source: Personal interview with municipalities (based on the 1996 census)

### *Access to Telephones*

FIGURE 2.33 Number of People with Access to Telephones

Access	Libode and Ngqeleni	Port St Johns
None	41 229	21 457
Other	3 079	2 567
Public phone	6 017	2 387
Dwelling	184	141

Source: Personal interview with municipalities (based on the 1996 census)

### *Education and Medical Services*

There are two schools in the town of Ngqeleni: a secondary school (from Grade 1 to Grade 9) and a high school (Grade 10 to 12). Ngqeleni does not have a hospital of and only mobile clinic at certain days of week is available to the communities.

### *Transport*

The only railway line ends at Umtata and does not pass through the area. The whole region depends on road transport. The road linking Ngqeleni, Libode, Port St Johns and Umtata is tarred. Transport from Umtata to Ngqeleni, Libode and Port St Johns towns, and to villages along the main road, is mainly by taxis (Kombis) and buses. The buses also serve the rural communities of the three towns. However, taxis are more frequent. The buses mostly travel in the early morning, at lunchtime and in the evening. Transport from the town to the villages is mainly by pick-up vehicles (bakkies) with canopies, which can handle the rough roads typical of the rural areas. Transport infrastructure is in poor state, with rural roads not maintained at all.

### **2.3.4 Economic Activities**

#### *Economic Activities in Nyandeni and Port St Johns*

Economic activities in this region depend to a large extent on land resources. As a result, major economic activities in Nyandeni and Port St Johns are land-based economic activities. There are no formal sector industries in this region and industries based on rural land resources are almost non-existent. The only employment opportunities are in teaching, nursing, the police and the administrative services of various government departments.

Major economic activities are based on rural peasant, subsistence, small-scale farming. Small-scale farmers or farming households consist of heterogeneous groups, many of them “non-farming” types who do not look beyond the borders of their family farms to sell their produce, probably due to a lack of farming capacity. In essence, they are involved in subsistence farming on a micro-scale.

These households practice crop farming in the homestead (household gardening), producing for subsistence purposes. Constraints on crop production are mainly diseases, as well as other factors such as the need for irrigation water, lack of fencing, unavailability of productive land, lack of capital, etc. Livestock ownership per household is low – on average, fewer than three sheep, cows or goats. Animals and animal products are not marketed. The households do not have any formal reliable source of income. Reliable sources of income are various types of state welfare grant. However, they spend on average R250 per year on agriculture and R2 253 per year on foodstuffs. Their expenditure on food ranges from R240 to R5 700 per year. As expected, they have no savings. Moreover, food is in short supply in these households all year round.

The majority of households in both Nyandeni and Port St Johns are headed by women – over 90% of them widows, as single women are rarely accorded such status. Female heads of households are in the majority especially within the age group of 55 to 81 years. This is attributed to the high death rate of male heads of households in this age group.

There are distinct socio-economic advantages (and in some instance political advantages) in male-headed households compared to those headed by females. Male-headed households have a wider range of options for income generation, while female-headed households tend to rely on a limited number of livelihood strategies. While more than 55% of female-headed households have access to arable land, evidence indicates that they have limited capital to invest in agriculture and, in some instances, limited capacity to mobilize female labour for agriculture. They grow crops in their home gardens or on an arable piece of land, with low yield and insignificant market activities. They keep fewer livestock, plough small amounts of land and generate very little income from agricultural activities.

On average, female-headed households own fewer than three cattle and fewer than five each of small stock, i.e. goats and sheep. Almost all of these are kept for household consumption and only on very rare occasions are sold for cash to pay for school fees, school uniforms and other family cash needs.

While it is extremely difficult to be precise regarding the total income from peasant agricultural farming because some of the produce is consumed immediately before it is even quantified, most female heads of households estimated the total annual income from agriculture to be less than 2% of total annual household income. Taking into account all other sources of income – including contributions from state welfare grants, pension funds, remittances and other external activities – the average yearly income for female-headed households is R7 488. Almost 85% of total income is spent on basic household consumption needs and they experience money/food supply shortages almost throughout the year.

The majority of male-headed households have external sources of income. In most of them, the husband or children work outside the community (usually in mines) and send remittances every month to the household. The average age of male heads of households is 48 years and the number of male-headed households steadily decreases in the age group over 55 years, where female-headed households dominate.



On average, male-headed households own five heads of cattle and more than five each of the small stock. However, cattle and small stock are sold only in times of crisis, when it is usually difficult to negotiate a favourable price and the seller accepts whatever is offered.

Agricultural income for male-headed households in Nyandeni and Port St Johns contributes 5% of the total annual household income. This is partly because male-headed households are able to invest more in agriculture and raise more family labour, and they have a wider range of options in cases of crisis, such as drought or livestock diseases.

While these socio-economic differences between female and male-headed households may appear insignificant, in real financial terms they indicate the depth of poverty in this region. The average total annual income from all activities for male-headed households in Nyandeni and Port St Johns is R18 000.00. The difference is largely because most male-headed households have a wage earner whereas female-headed households do not have access to any wage income. However, very little of this income for male-headed households is translated into investment in agriculture or other income generating activities.

Although male-headed households are able to invest more in agriculture than female-headed households, evidence suggests that agriculture is not a priority activity in Nyandeni and Port St Johns. The majority of the households do not market their livestock and there are major constraints limiting livestock production, especially diseases (e.g. tick-borne diseases).

### 2.3.5 Main Implications for Micro-Finance

- In common with Chimanimani and Chimoio, farming still predominates as an economic activity, despite the unreliable rainfall. But, in contrast with the other two pilot sites, while farming takes up a large percentage of labour time, it accounts for a significant proportion of household income in only a minority of cases. A recent report concludes that “full-time farming does not seem to be the objective of most households (who) aim at diversifying their sources of income. Today’s diversity represents the background for tomorrow’s diversity and development programmes ... should take this into account.” (Peret, S *et al.* , p32).
- While social security payments make up an important part of many households’ income, active steps towards diversification have traditionally involved temporary migration by household members to find wage employment. With the steady decline

in the number of formal sector jobs in recent years, the importance of employment/self-employment in the local informal economy, though still small, has begun to grow and, with it, the need for access to micro-finance by micro-enterprises, who are usually seen as “unbankable” by the formal banking sector.

- The data available on the informal sector suggests the presence of a wide range of micro-level agricultural, agro-processing, manufacturing and service activities, almost all of which – including the most popular agricultural line, poultry production – have cash flow patterns compatible with most micro-credit schemes.
- Though the number and intensity of constraints on local economic development are not as great as in Chimanimani and Chimoio, poor physical and institutional infrastructure and lack of business skills will still limit the capacity of micro-finance alone to reduce poverty. For maximum impact, micro-finance initiatives need to be complemented by programmes to deal with these other constraints.
- Though little information on local household expenditure patterns has yet been obtained, it can be expected that almost all spending will be for consumption. Income, whether from earnings or loans, used for this purpose in effect constitutes a small entrepreneur’s/household’s working capital.
- The rapid increase in the incidence of HIV/AIDS will increase the need for access to micro-finance (again both credit and savings) to help care-giving households maintain income streams and reduce the pressure to sell assets. However, this will also raise the risk of default, as well as the number of households beyond the ambit of sustainable micro-credit.
- Most households continue to use formal sector savings facilities. Given the distance and the cost of transport, there is an urgent need for improved informal sector savings alternatives. In most parts of Southern Africa on average 81% of households are in rural areas which suggests that transaction costs would be high for micro-financers.