



**Working Paper**  
**No. 523**

**Local economic development and migrant remittances  
in rural Zimbabwe: building on sand or solid ground?**

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May 2011

ISSN 0921-0210

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## **Abstract**

The paper explores the impact of migrant remittances on local economic development in a locality where more than half of the households have been recipients for at least five years. The study has taken place in rural Zimbabwe and uses an ethnographic method devised for this research. The method was termed “follow the money” and consists of a scrutiny of several rounds of economic exchange of goods and services in the locality, starting when households receive the cash. Consistent with previous research, the study found that remittances boost the consumption of receiving households and have a limited but positive effect on non-receiving households. Part of the cash transfers are used for equipment and investment, mostly in traditional agricultural activities. This study highlights that remittances are responsible for the creation of a significant number of jobs locally, although insecure and low waged, and a small number of growth-oriented businesses, mostly by non-recipients and oriented to the local market. The study highlights the potential for government intervention to further enterprise development with the last group of entrepreneurs in order to localise the longer-term effects of remittances.

## **Keywords**

Migration, remittances, local development, employment creation, enterprise creation, Zimbabwe

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## Acronyms

GDP	Gross Domestic Product
IMF	International Monetary Fund
IOM	International Organisation for Migration
LED	Local Economic Development
LEDRIZ	Labour and Economic Development Research Institute of Zimbabwe
NELM	New Economics of Labour Migration
NGOs	Non Governmental Organisations
OECD	Organisation for Economic Co-operation and Development
RBZ	Reserve Bank of Zimbabwe
SAMP	Southern African Migration Project
SARB	South African Reserve Bank
TBC	Tsholotsho Business Centre
UN	United Nations
UNDP	United Nations Development Program
USD	United States Dollar
WB	World Bank
ZAR	Zuid-Afrikaanse Rand (The South African Rand)

## 1 Introduction

Migration has for a long time been a major development issue, with many debates focusing on the effects of emigration on migrant-sending countries and remittances as one of the main noted benefits. Remittances are seen as one of the main sources of funds, have taken over cooperation aid, in many developing countries (Maimbo and Ratha 2005; OECD 2006; Smith and van Ton 2009). This article takes a look at the impact of remittances in local economic development and argues that in areas where remittances are the main source of income of more than half of the households, they have actually reshaped local economies by creating employment and new enterprises.

Remittances are ‘money or goods that are transmitted to households back home by people working away from their communities of origin’ (Maphosa, 2007:124). There is ‘increasing evidence that international remittances have considerable development impacts’ (Tevera & Chikanda 2009:1, and it has been shown that the impact of remittances includes poverty reduction (Adams and Page 2005), investment in health and education (Bloch 2008; Ghosh 2006) and increased household income (Maimbo and Ratha 2005) hence stimulating investments in local production among other factors.

The new economics of labour migration (NELM) revitalised the study of the critical link between migration and development, highlighting both positive and negative impacts at the same time. There has been a large number of studies with econometric estimations of the impact of remittances on economic growth, consumption levels and poverty alleviation at the macroeconomic level (Skeldon, 1997, 2002, Kothari, 2002, De Haas 2005, Adams and Page, 2005). Alternatively, the study of remittances has centred on the micro level of recipient households, accounting for how the cash transfers are spent or how the welfare of its members is improved (Bracking and Sachikonye, 2006). The widespread view is that recipient households spend most of the cash transfers in daily consumption needs, with little money left for investment and capital formation, so studies of the benefits of remittances focus on the short-term effects and mainly on recipient households. The notion that remittances function as the blood that nourishes local economic activity has received less attention, in spite of Taylor’s early argument that ‘migrant remittances may reshape the sending economies through indirect channels that most conventional research approaches miss’ (Taylor, 1999: 64). The long-term impacts at the meso-economic level of communities and localities still needs further research, as was highlighted by De Haas (2006), who has done one of the few studies outside Mexico that explores the impact of remittances in local economies.

This study takes the local economy as unit of analysis to explore in what ways and under what conditions remittances have reshaped local economies in the medium and long term. It discloses the contribution of remittances to both recipient and non-recipient households in terms of: 1) income generation and diversification, 2) productivity growth and 3) business creation, as the indicative variables of local economic development. Attention is paid to whether local economic development is affected through receiving households

setting up their own businesses and hiring additional labour, or through the increased demand for goods and services of non-receiving households.

The case of Village 2 of Ward 19 in Tsholotsho District of Zimbabwe (hereafter the study area) was selected to conduct the study, given that more than half of the households in the area receive migrants' remittances and the researchers had access to the location. Although the remittance inflow is high in the location, not much has been done to measure their amount as well as assess their impact on households' asset status and subsequently local development. In general, remittances in Zimbabwe have a longer tradition than in various other places and its research has also been richer.

The research chose to "follow the money" as a research method, which consists in a careful and in-depth study of the use that is given to the remittances' funds in several rounds of economic exchanges. The researchers first located recipient households and conducted a series of interviews with them to find out how the transfers were spent in the first round of exchange. According to their answers, a second series of interviews was conducted with the persons that had received payments for sales of goods, services and labour to the group of recipient households. In turn, these indicated how they had spent the cash and, following their answers, a third series of interviews was conducted with those who had obtained cash from the second group. Three rounds of interviews allowed the researchers to follow the path of the cash transfers and place the local economy as main object of study.

Data was collected in July and August 2010 through 30 semi-structured interviews, twenty of them at household level, four with entrepreneurs and two with providers of health and education services. The four entrepreneurs were one general dealer shop-owner, a butcher, a brick moulder and a motor mechanic, all of whom had more than one business. The two service providers were the local primary school headmaster and a medical doctor who owns a surgery in the area. Furthermore, two interviews were held with the Ward Councillor and with the village leader. Another interview was held with IOM in a bid to get the organisation's views on current trends in migrant remittances in the country. In line with all this, some personal observations about migrant remittances were made as the interviews were being conducted in an attempt to contrast the information gathered from the respondents against the realities seen on the ground.

Given the sensitivity of the topic and the short duration of the fieldwork, purposive sampling was used to choose receiving households, with high reliance on personal networks of one of the researchers and the support of the village-head who identified the households that do and do not receive remittances in the village. This was further necessitated by the fact that some of the households approached were not forthcoming in releasing the information on how much monetary remittances they receive and what they use them for. The researcher had to emphasise assurance of confidentiality and safety of the shared information to the interviewed households. A control group of seven non-receiving households was established with a similar sampling technique. To uphold safety and confidentiality of respondents, the study adopts pseudo names in quoting all the respondents from households.

Given the limited financial resources of the study, the short time allocated for data collection and the focus on only one village, it is clear that the present research findings are modest and lack the scope necessary to generalise the results. In view of these limitations it was never the goal of the study to generate broad and general findings, but to better understand the mechanisms by which local economies are affected by migrant remittances in localities where recipient households are abundant. In the case of the village where the fieldwork was conducted, approximately two thirds of the households receive transfers.

## **2 Remittances in local development**

There are diverse views on the effects of remittances on local development at large and these range from optimistic ones to pessimistic ones. Optimistic views generally uphold the positive impact of remittances on local development while pessimistic views portray remittances as promoting dependency and flashy lives that are not a result of local economic activity and hence do not guarantee sustainability. It should be noted that an important share of remittances are transferred through informal channels, which makes them difficult to account for in national account statistics but have an equally important effect on local development.

In the optimistic vein, Maimbo and Ratha (2005: ix) note in Sub-Saharan Africa that 'given the low rate of domestic saving and high government expenditure in many developing countries, external sources of finance, particularly remittances, have played a critical part on local economic development and poverty reduction strategies'. They further state that remittances do not only increase the consumption levels of recipient families; they also, 'if conscientiously saved and aggregated, contribute to infrastructure development and investment for increased income in the long run' (Ibid). Similarly, Ghosh (2006:52) notes that 'increased household consumption, especially in the form of expenditure on health, education and family welfare, also contribute to human welfare and capital development at the community level'.

Other researchers in Sub-Saharan Africa suggest that a large amount of remittances are invested in real estate, reflecting both a desire by migrants to provide housing to families behind and a lack of other investment instruments in the recipient community (Chami et al 2005; Maimbo and Ratha 2005; Taylor et al 1996). This is mainly the result of the absence of sound economic policies to promote stable economic growth (Taylor et al 1996), as well as weak financial systems and services in much of Africa (Maimbo and Ratha 2005), consequently weakening the potential positive impact of remittances on development.

There are also some pessimistic views about migrant remittances and development. Taylor et al (1996) discuss the assertion that international migration reinforces dependent community development because the higher living standards achieved critically rely on the inflow of money from abroad rather than from the expansion of economic activity at home. For example, in Morocco Ghosh (2006: 52) found that remittances had a negative impact on



agricultural output because some households were able to live off remittances and thus abandon cultivation, creating dependency. Remittances would frame “a way of life that cannot be sustained through local labour, yielding a host of negative side effects, including income inequality, inflation, lost production and higher unemployment” (Taylor et al, 1996: 397). These conclusions, however, do not take into account the indirect effects of emigration on sending communities, like consumer demand or investment.

Other studies done in Africa also indicated that migrant remittances are spent on consumption (Maphosa 2007), with substantial amounts of the money earned through foreign labour channelled overwhelmingly towards housing, purchase of other real property and family maintenance and leaving little money available for productive investment (Bracking and Sachikonye 2007; Maimbo and Ratha 2005; Taylor et al 1996). The same conclusions hold for some Asian countries where research reports note that these regions are characterised by ‘brightly painted luxury houses of returned migrants which are filled with stereo sets, electric refrigerators, televisions, vans and gas stoves’ (Taylor et al 1996:401), with further criticisms of wasteful consumption, e.g. construction of large houses (Smith and Naerssen 2009: 19). However, even when remittances are used for consumption, they generate a ‘multiplier effect’, especially in countries with high unemployment, (Maimbo and Ratha 2005: 32; Rwelamira and Kirsten 2003: 6).

Another area on which “living on remittances” has been heavily criticised is the inequality at the local level that they seem to generate. International migration is portrayed as a palliative that improves the material wellbeing of particular families without leading to sustained economic growth within migrant communities, “promoting inequality and undermining local development” (Maimbo and Ratha 2005: 6). Taylor (1997: 401) considers this pessimism is unwarranted and suggests that under right circumstances, a significant percentage of migrant remittances and savings may be devoted to productive enterprises and overcome capital constraints to finance public works such as parks, churches, schools, electrification, road construction and sewers, for example, in the Philippines.

Migrant remittances have also been criticized for having a ‘destabilizing effect’ on the receiving economies (Grabel 2009: 17), with particular reference to ‘their tendency to lead to an appreciation of the real exchange rate which will undermine the competitiveness of the export sector, the so called Dutch disease effect’ (Bayangos and Jansen 2010: 4). Moreover, the increase in remittances is followed by an increase in spending by the households receiving the transfers leading to an increase in the price of goods thus leading to high inflation. Although these assertions are true, the ultimate effect of remittances on development depends on the economic policies in the receiving countries.

The new economics of labour migration has been conducive in the understanding that remittances can have both positive and negative at the local level at the same time. Durand and Massey (1996:402) posit that: “Rather than concluding that migration inevitably leads to dependency and a lack of development, it is more appropriate to ask why productive investment occurs in some communities and not in others”. According to the authors, migrant remittances have been instrumental in the development of a village in The

Philippines in terms of raising agricultural productivity by providing both a source of capital for cash-crop production and a means of acquiring land and ending exploitation by wealthy landlords, for example.

There are many factors that should be in place so as to facilitate for remittances' contribution to local development, whereby local development is defined as the creation of liveable communities with lessened burdens for access to basic goods and services. It involves the provision of basic household infrastructure, goods and services as well as creation of liveable, integrated cities, towns and rural areas, and the promotion of local economic development (Helmsing, 2005).

It has been noted that it is probably unrealistic to expect remittances to promote local development where complimentary infrastructure, services and ecological conditions are not favourable (Grabel 2009; Maimbo and Ratha 2005; Taylor et al 1996). However, there is a series of other elements included in the notion of local development, like the reduction of household vulnerability. To overcome vulnerability, rural households tend to employ a number of non-agricultural livelihoods techniques to boost their asset base as well as ensure their security and migration is one of the most common. Ellis (2005:6) sees migration as one of the manifestations of the more wide-ranging phenomenon of livelihoods diversification, as remittances have the potential to boost the household asset base by increasing income and reducing vulnerability. Moreover, they can increase the likelihood of the receiving households to venture into entrepreneurship or promote enterprise creation in the locale. The latter is mainly a result of increased income, hence consumption and ultimately demands for consumer goods that may trigger non-receiving households to invest in enterprises that will meet the demand.

### **3 Zimbabwe's long experience with migration**

Over the past decades, Zimbabwe has experienced extensive economic and political instability that incapacitated both the central and local government's ability to deliver services to its citizenry. As a result, most government departments have failed to meet their legal mandate and a lot of their planned interventions have remained on paper with no resources to implement them. The interventions by the civil society, mainly non-governmental organisations, have also been on the curative side in relation to development because of their increased bias towards relief services for the select few, rather than development-oriented interventions. This has left a significant number of the general populace vulnerable, resulting in a substantial exodus of human capital, both professional and non-professional, to different countries of the world through migration. This has become one of the livelihood strategies adopted by a number of people to provide for their families and communities and reduce economic vulnerability.

Zimbabwe has over the past decade and beyond experienced a heightened exodus of its citizens with its migration history being labelled as unusual (Tevera and Zinyama, 2002:2). Historically, countries were either recipients or senders of migrants but Zimbabwe had always been in the unusual position of being both - a situation that has seen significant changes. The country has

become a more significant exporter of migrants due to gradual deterioration of economic and political conditions from 2002 which climaxed around 2008 - 2009. However, amidst the significant outflow of human capital, there has been an increase in the amount of remittances flowing into the country (Ibid) and the study area in particular.

Although the country has lost a considerable amount of human capital in the process, there has been a substantial inflow of benefits accruing from the migrants' proceeds sent back in the form of remittances. Amidst the inflow of remittances, there has not been much research done in an attempt to measure their impact on local development and household asset status, especially measured against the local government's inability to perform its mandate of service delivery and promotion of local development in rural areas.

At national level, efforts to harness these remittances and maximising their development impact were made by the Reserve Bank of Zimbabwe (RBZ) which set up a policy initiative in 2005 that initially emerged as a money-transfer system known as Homelink, and sought to increase the amount of remittances in the mainstream economy.<sup>1</sup> Its reputation however, was tainted from the onset by the mere fact that it was a brain child of the RBZ which had been discredited as a subsidiary of the political elite in the country. This resulted in most emigrant Zimbabweans becoming reluctant to use the Homelink scheme leading to its gradual collapse (Tevera and Zinyama 2002). Despite all the efforts in trying to harness remittances flowing into the country to spruce up national development, the political turmoil prevailing in the country blighted the potential of remittances on the economy. Interestingly, although there has been system malfunction at national level, remittances still continue to flow into the country as a source of subsistence for the general populace, albeit through informal channels. One can argue that they have kept the economy moving at a time when all other forms of formal economic production in the country had collapsed.

A number of studies have been done on migrant remittances in Zimbabwe and general conclusions point to the notion that remittances are largely used for consumptive purposes. Orozco and Lindley (2007:6) state that in Zimbabwe, 'approximately 85% of remittance money is sent to support family, 4% to build homes, 3% to invest in a business and 2% to support friends'.

These estimations were corroborated by Maphosa (2007: 130) who noted that 'remittances are used for household basic needs, including food, clothing, shelter, education and health care'. There is however, an acknowledgement that channelling remittances towards education, health care and nutrition is not merely consumptive but leads to development in the long run. Maphosa (2007) also noted that a significant number of remittance-receiving households in rural Zimbabwe invest in livestock, while some households establish formal businesses such as general dealer shops, grinding mills and bottle stores. The author also found that 'remittances in the country-side have been invested in buying scotch-carts, which are a major means of transport in many rural areas, used for transport for daily needs such as fetching water and collecting firewood and also used as ambulances and hearses' (Maphosa 2007: 131). In

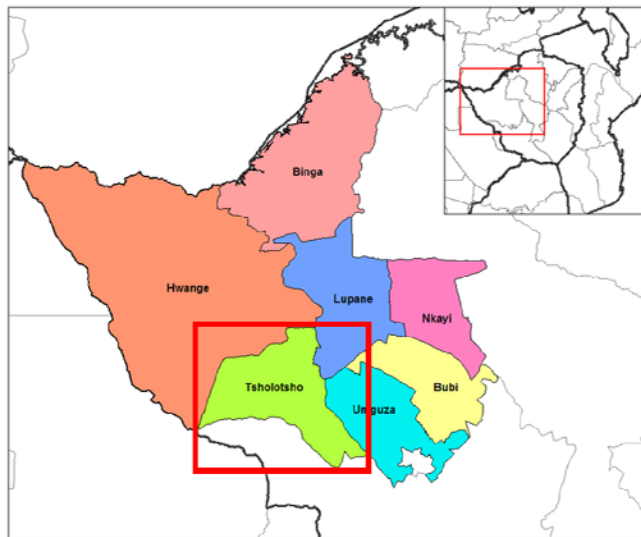
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<sup>1</sup> <http://www.zimembassy.se/links/news/homelink.pdf>

addition, there is a large inflow of in-kind remittances into the country and these include bicycles which are also a useful means of transport for school children, particularly secondary school children who would otherwise walk long distances to and from school (Maphosa 2007). All these are ‘unacknowledged’ effects of remittances on local development in the receiving areas and facilitate access to services that local government could not provide on its own.

Tsholotsho is a rural district in western Zimbabwe and is close to the Zimbabwe-South Africa boarder. A census in 2002 revealed that it has a population of 119 181 females and 54 794 males. Ward 19 had 3516 females and 2833 males. Village 2 studied here had 200 households. Traditionally, the district as a whole has had a significant migration history especially to South Africa. This is partly due to the economic hardships fuelled by political unrest, as discussed above and also unproductive agriculture in general. These political, economic and ecological conditions have caused households to employ other coping strategies of which migration is part. This partly explains the huge difference in the female and male population of the district because males are the ones who migrate most. The migrants from this district have thus been responsible for the significant inflow of remittances to this region. Inflation was high in this area, like in most of Zimbabwe.

**Map 1**  
**Map of Tsholotsho Rural District**



Source: Google images<sup>2</sup>

<sup>2</sup> Map of Tsholotsho District, Zimbabwe from Google images. Districts of Zimbabwe: references.

[http://images.google.com/images?hl=EN&biw=1366&bih=677&gbv=2&tbs=isch:1&sa=1&q=map+of+tsholotsho+district+in+zimbabwe&aq=f&aqi=&aql=&oq=&gs\\_rfai=](http://images.google.com/images?hl=EN&biw=1366&bih=677&gbv=2&tbs=isch:1&sa=1&q=map+of+tsholotsho+district+in+zimbabwe&aq=f&aqi=&aql=&oq=&gs_rfai=)

The study area is located about 21 kilometres South of Tsholotsho Business Centre (TBC) which is the administrative centre for Tsholotsho District, and about 92 kilometres from Bulawayo (Zimbabwe's second largest city). It falls under agro-ecological region five, characterised by low rainfall patterns and relatively poor soils. Subsistence agriculture is the most widespread due to low rainfall, making it almost impossible for households to embark on extensive commercial agriculture. Due to the prevailing unfavourable climatic conditions, even the subsistence agriculture has been affected with harvests gradually decreasing. This is because in a good rainy year, households could produce enough for subsistence and sell a part of their produce. Wage employment is very low hence most of the villagers involved in wage employment work as migrant workers outside the District - in or outside the country. The geographical placement of the district is shown in map 1.

#### **4 Remittances and Tsholotsho district**

Fieldwork revealed that almost three quarters of the households in the study area had a member who resided in or migrated to South Africa, hence the number of the non-receiving households is relatively low. There was significant seasonality in the flows and households reported that the highest amount of remittances come in when the migrant is the one bringing them in person and during the December Christmas holidays.

Seasonality holds for both the monetary and in-kind remittances in which high amounts of transfers are received. For migrants in very distant countries like the United Kingdom (UK) remitting in-kind was not easy thus they would remit cash instead. In terms of its impact on the local economy, it is important to notice that in-kind transfers benefit neighbouring countries like Botswana and South Africa. In the past it was common to purchase in those countries the basic commodities that were in scant supply in Zimbabwe. This resulted in what has been referred to as the "diverted remittances" phenomenon whereby 'the remittances received in a country are not spent on the country's economy but are spent in the neighbouring countries propping up the manufacturing and retail sectors in those countries' (LEDRIZ and S. P. Alvarez 2009: 49). In more recent times, recipients informed that it is now expensive to send groceries from South Africa because of the transporting charges, so they now resort to sending cash remittances. The in-kind remittances usually consisted of food, toiletries, clothes, footwear, furniture, building materials, home appliances among others, most of which are now easily accessible in Zimbabwe at relatively cheaper prices.

Receiving-households reported that the amounts of the cash transfers range from ZAR150 – ZAR2000, depending on the time of the year and also on the purpose for which they are sent. Most of the in-kind remittances are now brought in by the migrants themselves during their yearly visits to the country. Migrants may occasionally send furniture and other non-consumable items that they may have bought or been given by their employers in South Africa, especially those working for whites as domestics or gardeners. Some also reported receiving clothes depending on the time of the year, most of which are received during the Christmas holidays. Quantities depended on

products being received, especially for groceries while for cash remittances it depended on the purpose for which they are sent.

On average households receive ZAR500 a month to cater for their needs. However as noted by Ghosh (2006) and Hall (2007) figures have to be interpreted cautiously because receiving households may not keep records of real amounts received or may not disclose the required information fearing to attract attention. Notably, there is a difference between findings by the IOM 2009 study and the findings from this research. The IOM study showed that 'goods are the most preferred form of remittances, accounting for 53% of the total informal remittances' (LEDRIZ and Alvarez 2009: 51) while from this study it was gathered that in-kind remittances are not common anymore but rather cash remittances top the list. This therefore reflects how volatile the nature of remittances is in this area and probably Zimbabwe at large and also how their nature is so dynamic and largely dependent on the prevailing economic conditions.

In the study area, remittances are the major source of income for the receiving households. They are used for securing necessities such as food, clothing, consumer items, education and health services as well as other utilities. This is in line with what Hall (2007: 313) asserts that 'families have become increasingly dependant on international cash transfers to meet their basic needs'. Clearly, remittances are used mainly for cushioning households from vulnerability and poverty.

Remittances have also been deployed in these households to boost income flows. A majority of the households reported that the remittances received have allowed them to purchase assets that come in handy in boosting their income streams and sustaining them in the eventuality of environmental shocks. A number of households indicated that through remittances, they now own assets like scotch-carts, livestock, modern housing structures, wheelbarrows, tools, solar panels, generators, agricultural equipment, bicycles and sewing machines, among others. They productively deploy some of these assets, consequently boosting their income flows. For instance, an interviewee had bought a cart that she hires out to people at a fee to get additional income, while another one received a sewing machine from her husband in South Africa that she uses to sew items for sale and make more money. Others use them to purchase agricultural inputs that increase productivity and allow them a bit of surplus produce to sell. This defies the orthodox view that remittances are mainly consumptive because they also go a long way in boosting households' income flows through increasing their asset base. The findings concur with Ellis's (2005:6) assertion that 'migrant remittances play multiple roles in reducing vulnerability of households and in potentially enabling virtuous spirals of asset accumulation that can provide families with exit routes from poverty'. Remittance inflows do not need to be in large amounts to initiate meaningful asset accumulation.

Non-receiving households in the study area have highly diversified livelihoods but not much in terms of assets. Although agriculture is the mainstream, they also resort to cutting firewood for sell, cutting fencing poles, fishing, brick moulding, mixing mud for builders, growing and selling tomatoes, selling labour, basket weaving, buying and selling as well as clearing

fields in preparation for the farming season (these largely depend on gender). A quick observation of the study area revealed that there were very few non-receiving households and most of them were female headed. The common feature in all of them was that they exhibited significant degrees of vulnerability be it in terms of assets, food or income. Their livelihood strategies revolve around the expenses of remittances of receiving households, seen as the target 'market' from which they can get income or otherwise. Remittances thus play a crucial role directly and indirectly in the livelihoods of the receiving and non-receiving households respectively.

Compared to the non-receiving households, the receiving households' livelihoods are not so diversified, the remittances they receive have the potential to sustain them and they just make efforts to boost agriculture and manipulate some of their assets to get extra income. On the other hand the non-receiving households employ as many strategies as they can as long as they can get some income from there. This concurs with Neefjes's (2000: 63) assertion that 'livelihood strategies choices depend on people's degree of vulnerability and the assets they have. Their strategies may be one of survival or one of sustaining and improving what they already have and do'. For the non-receiving households, their strategies are for survival while for the receiving households they are for sustaining what they already have.

As noted earlier, agriculture dominates the livelihood strategies of the households in the study area. Environmental changes have compromised the activity, the fertility of the land is gradually decreasing, affecting both the quality and quantity of harvests and impacting negatively on food and seeds security. However, this has not been much of a challenge to the remittance receiving households, which have access to some agricultural inputs that boost land fertility and harvests. A substantial number of them noted that there is a complimentary role between the remittances received and agricultural produce, because remittances allow them access to some inputs that they could otherwise not access. These include labour, ploughing implements, livestock, manure, fertiliser, seeds and livestock vaccines. This is contrary to some of the views held by other scholars that remittances appear to encourage migrant farming households to reduce or abandon agriculture (Rwelamira and Kirsten 2003:6) because they are able to live off remittances and thus abandon cultivation Ghosh (2006: 52). As a matter of fact, receiving households put much effort in ensuring that remittances boost their agricultural productivity to reduce agricultural vulnerability and food shortages, so agricultural production in the locality has been strengthened by the cash transfers.

In contrast, non-receiving households do not have the required implements to sustain agricultural production but they still have come up with notable coping strategies. A common one is that they negotiate with households that have enough implements to use them in their own plots and then they pay back by weeding the same amount of land for the household that lent the equipments. The households that have almost all the assets for farming are usually those that receive remittances. Under these arrangements, the portion of the non-receiving households' fields that gets ploughed depends on how much they can weed for the receiving households in payment. A significant number of the non-receiving households hires out their labour,

mainly to work in the fields of the remittance receiving households. The payment here could be in cash, a minimum of which will be ZAR200<sup>3</sup> for the smallest piece of land worked on and in other instances could be in kind. In-kind payments include basic items like soap, shoes, blankets and clothes. This increases their income flows and bearing in mind that they do not have one main source of income, any activity they embark on has a positive effect. A respondent from such a household, without cattle of her own, received payment in-kind like buckets of maize, millet, sorghum, clothes, blankets and shoes in exchange for work in their fields.

Furthermore, non-receiving households embark on other livelihood strategies outside agriculture which include fishing, brick moulding, buying and selling, growing and selling tomatoes and fruits as well as cutting firewood. The products are mainly targeted at the households that receive transfers. All the livelihood strategies they embark on revolve around the needs and wants of the receiving households.

The remittances of receiving households also benefit non-receiving households through job creation. There is a high incidence of domestic workers, that is, maids and herd-boys in the receiving households. The nature of most of the receiving-households is such that mostly men, either as husbands or sons, are away as emigrants and wives or mothers are the ones manning the household. There is however, a significant number of daughters emigrating as well, most of whom leave their young or primary-school going children with their mothers (children's grandmothers). As a result, these mothers and/or wives remaining at home need help in running the affairs of the households. Resultantly, they employ the help of maids and/or herd-boys, most cases of which have both. These workers help women fulfil their practical gender roles and ease the workload they have to bear in fulfilling the responsibilities of manning the household and raising the children in the absence of their male counterparts. The money for paying the wages of these domestic workers comes from the monthly remittances received. These workers assist in looking after livestock, fetching firewood, fetching water, working in the fields and processing harvests, which ideally are duties to be performed by the women or wives responsible for manning the household. Thus remittances play a vital role in easing the increased burden on women in the study area, contrary to the traditional view that migration compromises the productivity of the families especially in agriculture since it takes away manpower and increases the workload on women. Remittances hence promotes employment creation, although precarious and at low wages.

Remittances in the study area are also used for building modern housing structures. This finding is in line with the prevalent view in development literature that remittances are mainly used for building houses for the receiving households (Taylor 1999). These are structures built from proper baked bricks and roofed with zinc or asbestos sheets compared to the traditional mud and grass thatched huts. These modern structures are constructed by trained builders who may need one or two helpers depending on the amount of work

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<sup>3</sup> 200ZAR is equivalent to USD28.96 according to Xe—The World's Favourite Currency Site (<http://www.xe.com>).



to be done during the building process. These structures are easy to maintain, safer and healthier to live in. The building process creates employment for the locals who may not have any source of income and these are mainly from the non-receiving households.

Generally, the villagers consider the brick, cement and asbestos structures the best as highlighted in some of the interviews. The resulting inequalities are well-perceived by the neighbours themselves and an interviewee said, “those who do not receive cash stay in dilapidated structures while those receiving have proper houses made of proper baked bricks and roofed with zinc or asbestos sheets and most of them have cellular phones as well as electricity from solar panels and generators. Their own grass thatched houses are well maintained and in good shape unlike those of non-receiving households”.

**PICTURE 1**  
**Modern vs. traditional housing structures**



At community level, remittances were also reported to play a significant role in promoting community development initiatives. In an interview with the Ward Councillor, it became apparent that remittances play a vital role in community development projects in the locale. He highlighted that the migrant community in South Africa since formed a steering committee to help take care of the development issues that need attention in their home area. Two outstanding cases were alluded to through out the fieldwork. These are the local clinic and a local dam that needed to be reconstructed to ensure availability of water for livestock and also for entrepreneurs who may want to grow vegetables. The councillor indicated that the money sent has been very helpful: “For the dam, each household was required to pay ZAR50 and the money was mobilised from the emigrants in South Africa by the stirring committee they have formed. The same was done for the completion of the local clinic which is almost finished now and will be opening soon”.

To conclude, it stands out that remittances boost the receiving households’ income sources which help increase the productivity of the agricultural sector and have access to better modern housing structures. This reflects the optimism about remittances evident in other scholars’ work that ‘if conscientiously saved and aggregated’, remittances do contribute to infrastructure development and investment for increased income and wellbeing

in the long run (Maimbo and Ratha 2005: ix). Remittances indirectly influence the livelihoods of non-recipients too, as the local economy seems to be affected by a ‘multiplier effect’ triggered by remittances (Maimbo and Ratha 2005: 32; Rwelamira and Kirsten 2003: 6). Non-recipient households have framed innovative coping strategies to rip off some of the benefits brought to the village by remittances and which help them to reduce the risks of hunger and heightened poverty. Not all non-recipient households benefit to the same extent, however, and while some of them may become labourers for recipient households, others may see no progress at all. As a result, it is clear that remittances exacerbate the inequalities in the area and have a significant impact on the local class structure. Receiving households form a consumptive ‘middle class’ that absorbs some labour and purchase products from survival businesses of their non-receiving counterparts, who take marginal steps to improve their livelihoods.

## **5 Remittances and local development**

This section explores the impacts of remittances in the local economic development of the study area. It first scrutinises the creation of new businesses and then concentrates on the second-tier beneficiaries, who are employed by receiving households or who that have sold goods and services to receiving households. The analysis in this section discloses the indirect impact of cash transfers, which Taylor (1999:94) refers to when he posits that ‘many of migrant remittances’ important impacts may not be found in the households that receive remittances’. In line with the LED literature cited above, the ultimate impact of remittances on local development would be reflected on indicators like employment creation, investment in SMEs and increased competitiveness, among others.

It was noted in the previous section that first-hand recipients mainly used their remittances for daily expenses such as food, housing and clothing, and to satisfy education and health care needs. Besides, remittances are occasionally used to invest in agriculture and livestock. These allocations suggest that households first expand and diversify their consumption and when they use the cash for productive uses, they give preference to investments that improve their traditional economic activities in agriculture and cattle breeding. The aggregate effect of these investments is an increase in the rural productivity in the locality, led by the access to agricultural inputs and more abundant harvests, and includes a limited trickle-down effect to non-recipients households. Although these improvements are marginal and start from a low level, they nevertheless represent a qualitative improvement in the competitiveness of the locality.

Few households have ventured into establishing new enterprises in other branches of the local economy, mainly because they feel cushioned from any risks and consider the flow of remittances to be sustainable. As such they are not pressured to invest in any income increasing businesses and do not perceive their dependence on transfers from abroad as a position of vulnerability. De Haas (2006:5) also concluded that there is ‘a weak link between migrant remittances and commercial investment as compared to

housing and agriculture' (de Haas 2006:5) because there is not much pressure pushing them to increase their income flows. Their perception of security is based on the assets that they have accumulated over time as a result of the continued inflow of remittances into their households, as well as to the higher yields that they have achieved in their agricultural activities. As such they feel cushioned from any form of risk especially seeing that they continue receiving transfers from the migrants.

The relatively small proportion of households that did venture into establishing businesses has stuck to activities that were related to agriculture and cattle breeding, with minimum risks and innovation in relation to the activities established in the local economy and based on previously-acquired skills. Examples of these are small shops that sell groceries and trade in agricultural inputs. This point is consistent with the findings of Maphosa (2005: 15), who states that 'most of the businesses [from remittances] are the traditional rural businesses such as general dealer shops, grinding mills and bottle stores'. Although the businesses in the study area fit in Maphosa's description as "traditional" (2005: 15), their potential contribution to the local economy should not be underestimated, particularly in terms of employment creation. Each one of the shops visited employs one or two shop tenders to run the business daily. Some were family immediate members, some extended family and some purely strangers employed on strict waged relations. In turn, the shops provide basic services to the villagers and the absence of the shops could lead to villagers travelling long distances to access these basic services.

Together with a high incidence of the so-called traditional rural business from remittances, there are other entrepreneurial ventures beyond the traditional ones. While the receiving households have enough income flowing in and little incentive to engage in other income generating activities, the remittances exert multiplier effects on the local economy. The main effect is an increase of the purchasing power in the locality, rather than investment capital for the receiving households, so the high levels of consumption spending triggers investments by other households or firms, as hinted by Taylor (1999: 65). Remittances are the source of income used for purchasing whatever products other investors have to offer. These include restaurants, butcheries, motor mechanics, welding, brick moulding among others. Remittances are the lifeline of any businesses going on in the locale. All the entrepreneurs interviewed expressed a common feeling that if remittances were to cease flowing into the locale, their businesses will be at risk. Dumane asserted that:

There is much influence of remittances on my business such that if there be a cessation in the flow of remittances into the local, my business runs the risk of failing to continue (Interview: 26/07/10).

And Moyo said:

Cessation of remittances will be a blow for my business, I will have to start looking in other ways because the buying power for people comes from remittances (Interview: 26/07/2010).

This reveals the fact that remittances are the lifeblood of this rural economy and there is little chance for self-sustenance of the enterprises in question because the markets they sell to are basically dependent on transfers

from abroad. The consumptive and productive demands of the recipients lead to entrepreneurial development among those who perceive opportunities and take advantage of them. Only one of the four entrepreneurs interviewed has established his enterprises from remittances (a general dealer shop, a liquor shop and a butchery). Two entrepreneurs viewed their businesses as small-scale and the other two as medium-scale. All of them exhibited a need for some support to push them further, at least beyond what their savings could do.

Remittances have motivated other local young men and non-receiving households to start seasonal entrepreneurial activities. A specific case is one of a group of young men who were into moulding mud bricks and then baking them in huge ovens to make them strong and resistant to erosion by water and or rain. They mould bricks for sell to households who may want to build houses in their homesteads and these are usually remittance receiving households. Such kind of business is usually done soon after the rainy season because that is when there are plenty open water sources that can be used freely. This is mainly because the brick moulders are not allowed to use community drinking water sources. Upon selling, each brick sells for ZAR0.50 and when sold in bulk, 1500 bricks sell for ZAR1300.00. In a day they can make between 300 and 600 bricks depending on their enthusiasm/motivation and how early they started. These young entrepreneurs indicated that for them to bake the bricks, they need about 4000bricks to build the baking oven (known as a *Wonda* in the local language). These entrepreneurs meet up with different challenges that hinder them from realising their full potential. For instance, they need help with more reliable water sources as well that will enable them to scale up their production to service other markets beyond the domestic demands. During an interview, Ndabeni noted that:

the biggest challenge is that it is not always that bricks will be in demand and if we produce and no one comes for them, which is very rare, they may wear out and be damaged especially if they are exposed to rain for a long time (Interview: 25/07/10)

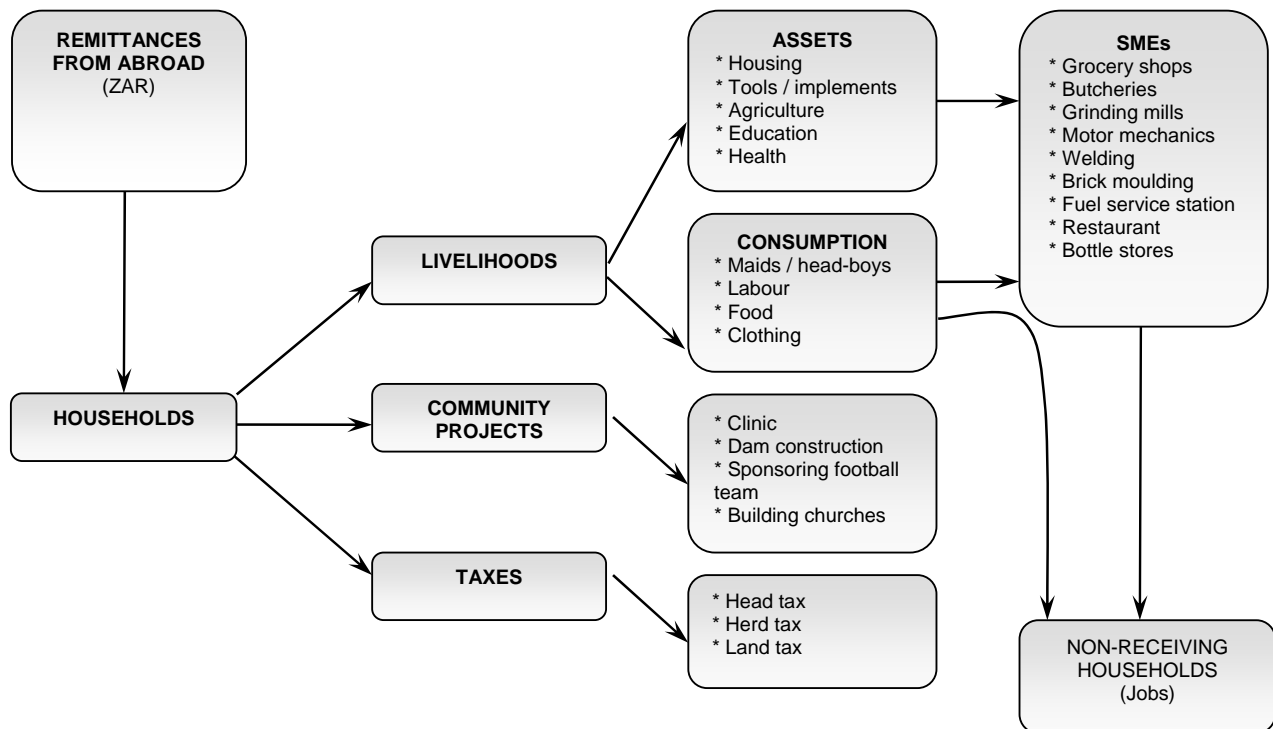
The entrepreneurial venture such as brick moulding is a very good case of enterprise creation as a result of remittances. There was yet another group of young men who were into welding scotch-cuts for sell in the study area. There is also a considerable positive contribution to employment creation in the locale by these SMEs. The enterprises reported having permanent employees that take care of the day to day smooth running of the business. These are mainly youths in the locale who have not 'yet' migrated to South Africa. Resultantly, this increases income flows to the households to which these young people come from and most of whom are from non-receiving households.

All four of the entrepreneurs interviewed had more than one business, a strong drive to make them grow, some skills as entrepreneurs and the willingness to take risks. Interestingly, the bulk of the variations from the traditional types of business are mainly from non-migrants who are not from the area but have been attracted by opportunities to invest in the locale. They are strangers who perceive opportunities for investment and decide to run the risk. Remittances are the attracting factor to these entrepreneurs.

The study area is hence characterised as a local economy with relatively affluent resources that households enjoy but have not generated. Their consumption encourages businesses in the locality but the entrepreneurial skills and resources to settle them come from elsewhere too. This imbalance begs further research, as it suggests that the abundance of remittances generates affluent local economies that have yet to develop the entrepreneurial capacities that would correspond with its effective level of demand and consumption. A demand, in this case, that seems to attract non-local entrepreneurs and is only partially satisfied.

Remittances hence create a breed of vulnerable enterprises that largely depend on the cash transfers to survive. This is mainly because there are no mechanisms in place to allow the entrepreneurs access to credit and other forms of support to help them stabilise and gain other segments of the market. This thus affects the enterprises' potential to contribute to 'sustainable economic growth and the ability to react to change with flexibility' in the event that remittances cease to flow into the study area (ILO 1998:4). Although this is true, it does not undermine the valuable impact of remittances in promoting local development through private sector development in the study area. The missing link is an enabling environment and conscious efforts from local authorities to push these beyond their traditional impact.

**FIGURE 1**  
The path of remittances in the study area



Local economies where remittances are abundant for a relatively long period of time adapt to these circumstances and the inflows are no longer believed to be momentary. Receiving households spend mostly in consumptive expenses and when they invest in capital goods or their own enterprises, these are usually in the traditional economic activities of the locality. The main benefit of remittances lies in increasing the purchasing power and sustaining a robust demand that create opportunities that in turn fuel private sector development. Those that see the opportunities and act upon them, whether themselves receivers or not, take advantage of the inflows of remittances as the bloodline that sustains the local economy. These enterprises supply the remittance receiving households and the study area at large with the goods and services they need for consumption. In addition to that, the enterprises create employment for the local young people who have not 'yet' migrated to help them get some income. The entrepreneurial capacities to satisfy local demand, however, do not necessarily come from the locality either but were developed elsewhere, as it was the case of the income that sustains that local demand. Figure 1 illustrates the path of how remittances change hands in the study area.

## 6 Conclusion

This paper explored the link between remittances and local development and households' asset status in Village 2 of Ward 19 of Tsholotsho District in Zimbabwe. It attempted to answer the question on how utilisation of migrant remittances reshaped the local economy. It highlighted the fact that remittance flows increase income strands whether directly or indirectly for both the receiving and non-receiving households respectively. This can be through employment generated by the enterprises created or through work such as fishing, brick moulding, fetching firewood, building, weeding among others, that non-receiving households do for the receiving households. As such, households' food security is increased, but this happens differentially. As already noted by Adger et al (2002: 360), 'remittances exacerbate income and assert inequality'. Receivers become a consumptive class with limited motivation to run businesses other than upgrading agricultural activities and non-receivers form the pool of the poor whose labour is absorbed by the former group. Furthermore, the analysis shows that the main effect of remittances on the local economy is increasing the households' purchasing power compared to investment capital. Increased purchasing power attracts entrepreneurial investments that boost the local economy, describing what is referred to as 'productive consumption'.

A number of scholars are of the view that remittances are highly consumptive and increase households' consumption patterns (Orozco and Lindley 2007; Maphosa 2007) which make remittances an unproductive resource (Adger et al 2002: 359). This study contradicts those views because productive consumption creates opportunities for investment in growth oriented SMEs, whether their owners are receivers of remittances or not. Remittances do contribute to local development via the promotion of businesses and employment. While some of the new enterprises have notable potential for growth, the main mechanisms by which remittances promote

local economic development are job creation and productivity growth in traditional rural activities.

At the same time, remittances are hardly a panacea for local economic development, at least in their present form. The enterprises and jobs are not of high quality and their sustainability would be compromised in the event that remittances cease flowing in. The enterprises cater for receivers only and barely have the accumulation capacity to get clients outside the study area. Likewise, agricultural production has increased to the point of reaching food security, but it is consumed mainly in the locale as self-provision and in the local markets. As such, the LED that is promoted is dependant on continuous import of purchasing power, a reality that compromises its sustainability unless they find the motivation to search customers from other villages.

A local economy fuelled by remittances alone remains essentially unbalanced and most likely incapable of sustaining local economic development, but remittances basically offer a favourable environment where to implement complimenting mechanisms. It is clear that when left to their own means, these entrepreneurs can only go thus far. The Ward Councillor highlighted that the local authorities do not have much to offer entrepreneurs save for registration and authorisation to operate in the locale. Conscious policy efforts should be put in place to support the enterprises that have the ambition to go beyond the locale. Local authorities should thus make efforts to uphold and implement programs aimed at increasing the rate of enterprise creation, building the capacities of the entrepreneurs and supporting the SMEs' efforts to create jobs in the locality. Rondinelli and Kasarda (1992: 260) highlight that 'SMEs' ability to generate jobs [and promote local development] depends ultimately ...on policies that create an environment conducive for private enterprise development'. There are no support systems in place to push them beyond their ordinary abilities so that they may have more to offer and hence push local development to become sustainable.

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