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The state and black business development: The Small Enterprises Development Corporation and the politics of indigenisation and economic empowerment in Zimbabwe

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Abstract

Using the historical experiences of the Small Enterprises Development Corporation (SEDCO), a Zimbabwe statutory corporation created to finance and support viable small to medium enterprises (SMEs), the article examines the state's shifting black economic empowerment policies in the post-colonial period. SEDCO went through a decline following the creation of a SME ministry in 2002 and the subsequent passing of the Indigenisation and Economic Empowerment Act in 2007, thus an analysis of its history is significant to unpacking the nature and trajectory of debates on black economic empowerment. The corporation's history is also examined in an effort to understand the state's changing interaction with the black businesspeople it had targeted as needing support to redress past disparities and to establish future national economic development. Here, the article examines issues on redressing the colonial legacy and economic justice, well aware of the Zimbabwean government's early 1980s moderate response to the interests of black businesspeople and how this moved radically towards black empowerment rhetoric to prop up its waning political support. This article shifts the academic focus from land reform, by using SEDCO's historical experiences to examine the "third chimurenga" (war of economic liberation) from an indigenisation and economic empowerment perspective.

Keywords: Zimbabwe; indigenisation and economic empowerment; state politics; economic development; Small Enterprises Development Corporation.

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Opsomming

Hierdie artikel stel ondersoek in na die geskiedenis van die Small Enterprises Development Corporation (SEDCO), ’n Zimbabwiese staturêre liggaam wat gestig is om lewensvatbare klein- en medium ondernemings (KMO’s) te finansier en te steun. Daardeur bestudeer die artikel die staat se wisselvallige swart ekonomiese bemagtigingsbeleid in die na-koloniale tydperk, veral gegewe SEDCO se agteruitgang ná die totstandkoming van’n KMO-ministerie in 2002 en die daaropvolgende aanvaarding van die Verinheemsing- en Ekonomiese Bemagtingingswet van 2007. ’n Ontleding van sy geskiedenis is belangrik ten einde die aard en trajek van debatte oor swart ekonomiese bemagtiging te ontrafel. Die instansie se geskiedenis word ook onder die loep geneem om sodoende die staat se veranderende interaksie met swart besigheidsmense, naamlik dié wat geteiken is vir hulpverlening om historiese ongelykhede aan te spreek en toekomstige ekonomiese ontwikkeling te vestig, te verstaan. In hierdie opsig stel die artikel ook ondersoek in na vraagstukke betreffende die hantering van die koloniale nalatenskap en ekonomiese geregtigheid, met inagneming van die Zimbabwiese regering se aanvanklike gematigde houding jeens die belange van swart besigheidsmense, en die wyse waarop dit radikaal omgeswaai het na swart ekonomiese bemagtigingsretoriek ten einde kwynende politieke steun die hoof te bied. Die artikel verskuif die heersende akademiese fokus, weg van grondhervorming, deur gebruik te maak van SEDCO se ervaring om sodoende die “derde chimurenga” (ekonomiese vryheidsoorlog) vanuit die hoek van verinheemsing en ekonomiese bemagtiging te bestudeer.

Sleutelwoorde: Zimbabwe; verinheemsing en ekonomiese bemagtiging; staatspolitiek; ekonomiese ontwikkeling; Small Enterprises Development Corporation (SEDCO).

Introduction

This article examines the historical experiences of a Zimbabwean statutory institution, the Small Enterprises Development Corporation (SEDCO) established in 1983 to support emerging and growing black small to medium enterprises (SMEs), in accordance with the country’s indigenisation and economic empowerment (IEE) policies.[1] At the heart of these policies were crucial questions about the extent to which political independence could increase economic opportunities for black Zimbabweans. Zimbabwe also offers a particularly interesting case for study because IEE issues became increasingly topical in

1. While the term Black Economic Empowerment (BEE) and now Broad-Based Black Economic Empowerment is synonymous with South Africa, where the BEE Act was passed in 2003 and the B-BBEE Act in 2004, the concept of Indigenisation and Economic Empowerment (IEE) is used in Zimbabwe. The policies were inaugurated to address the colonial legacy of the marginalisation of Africans from the mainstream economy in the hope of instituting transformation. However, the nature of the two countries’ policies and approaches differ, informed by respective local politics as the names imply.

Zimbabwe's political discourse in the late 1990s and at the turn of the millennium, especially in the wake of the Zimbabwe African National Union Patriotic Front (ZANU PF)'s Fast-Track Land Reform Programme (FTLRP).[2] Land reform involved the seizure of white owned land for distribution to landless Africans but although benefiting some landless people, the process was characterised by partisan politics which enriched ZANU PF politicians who ended up owning many profitable commercial farms.[3] Concerns about indigenisation in commerce and industry inspired the formation of a ministry in 2002 to deal with Small and Medium Enterprises Development (the SMEs ministry). Thereafter the Indigenisation and Economic Empowerment Act (IEEA) of 2008 was passed. The Act was designed to facilitate, through the Ministry of Youth, Indigenisation and Economic Empowerment, that 51 percent equity be reached of white and foreign owned companies to black Zimbabweans through management and share ownership schemes/trusts or community share ownership schemes/trusts.[4]

Foregrounding the history of the origins of SEDCO and its role in spearheading entrepreneurial development in Zimbabwe, this article traces the trajectory of IEE to 2013. Between 1990 and 2000 SEDCO's policies were criticised by indigenisation lobby groups for being too moderate. These groups, such as the Affirmative Action Group (AAG) and the Indigenous Business Development Centre (IBDC), preferred a more radical redistributive approach. ZANU PF's pre-2000 IEE policies can be gleaned from the experiences of SEDCO, which was administered through the Ministry of Trade and Commerce until the formation of the SMEs ministry in 2002 and subsequently, the passing of the IEEA in 2008. This article examines the extent to which these policy changes addressed IEE concerns, and whether it remedied the "ills of the past", a situation in which local white and foreign capital marginalised black businesses. It also evaluates whether the IEE policies were genuine or mere rhetorical devices deployed for political expediency.[5]

The article is divided into four main sections. The first defines IEE in the context of Zimbabwe. Section two focuses on SME advancement through SEDCO in the period from the 1980s to the late 1990s. The third section examines the shift towards radical

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2. S. Moyo, *Reclaiming the Land* (Zed Books, London, 2005); P. Matondi, *Zimbabwe's Fast-Track Land Reform* (Zed Books, London, 2012); I. Scoones et al, *Zimbabwe's Land Reform: Myths and Realities* (James Currey, Woodbridge, 2010); J. Hanlon et al, *Zimbabwe Takes Back its Land* (Kumarian Press, Sterling VA, 2012); R. Pilossof, *The Unbearable Whiteness of Being: Farmers' Voices from Zimbabwe* (UCT Press, Cape Town, 2012). See also T. Nyamunda, "Insights into Independent Zimbabwe: Some Historiographical Reflections", *Strategic Review of Southern Africa*, 36, 1 (2014), pp 72–89.
3. See T. Nyamunda, "Did Zimbabweans Get their Land Back?", *Journal of Southern African Studies*, 40, 4 (2014), pp 886–888.
4. See www.mydie.gov.zw/index.php/en/articles
5. A.M. Makwiramiti, "In the Name of Empowerment: A Case for South Africa and Zimbabwe", *Consultancy Africa Intelligence*, 16 February 2011.

redistributive policies in which SEDCO was sidelined and the focus turned to the creation of the SME ministry and eventually the IEEA. The final section evaluates whether the redistribution project benefited those who it intended to assist, and considers the role of political interference in the redistribution process.

Defining indigenisation and economic empowerment

The ruling ZANU PF 2013 election campaign was anchored on the grandiose rhetoric of expanding black empowerment from the earlier target of 51 percent equity to a 100 percent equity and total control of foreign-owned companies. The land reform, project regarded as a "third chimurenga", or war of economic liberation, was followed by the IEE, which was marketed as the "total emancipation" of Africans, a bid to consolidate the gains of political independence through the redistribution of all economic resources. President Robert Mugabe later claimed that the 2013 election victory had given his party "a resounding mandate" to complete the black empowerment programme.[6] The land reform pursued after 2000 was partly in response to mounting dissent and political challenge from the Movement for Democratic Change (MDC), a political party established in 1999. Thus, the 2013 IEE discourses added to an already set redistribution campaign and the post-2013 election implementation of the IEEA exposed the rhetorical limits of the state. It became clear that:

> the government doesn't really want to devastate the economy again [as it had done with the adoption of the Economic Structural Adjustment Programme (ESAP) from 1990 to 1995 and the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) between 1996 and 2000] however, and it can't afford (quite literally) to buy out the mining giants who are the real target of their ire. The solution: go after the small fry, the voiceless Chinese and Nigerian small business owners whom no one will stick up for.[7]

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6. Quoted in H. Zharara, "President for 100 Percent Resource Ownership", *The Herald*, 8 July 2013, at www.herald.co.zw/president-for-100-percent-resource-ownership/; also "Zimbabwe: Robert Mugabe Claims Mandate for 'Black Empowerment' Asset Grab", *The Independent*, 13 August 2013, www.independent.co.uk/news/world/africa/zimbabwe-robert-mugabe-claims-mandate -for-black-empowerment-asset-grab-87600069.html
7. S. Allison, "Zimbabwe Goes after the Little Guys in Latest Indigenisation Drive", in *Daily Maverick*, 26 November 2013, http://www.dailymaverick.co.za/article/2013-11-26-zimbabwe-goes-after-little-guys-in-latest-indigenisation-drive/ The report also stated that the "little guys" in certain sectors "had until 1 January to hand over their businesses to Zimbabweans – or face arrest. To avoid prosecution, foreign owners will have to present an indigenisation compliance certificate, which can only be obtained after they've transferred a majority holding in their company to a Zimbabwean". The sectors include: retail and wholesale businesses; hairdressers; beauty salons; bakeries; employment agencies; agriculturists; transport companies; estate agencies; and advertising agencies.

This IEE rhetoric was populist and appealed to the economically disadvantaged voters. Although not full effective, the rhetoric ultimately found expression in the IEEA, one of ZANU PF's political strategies that was used more effectively in election campaigns than it was in actual policy implementation.[8]

Indigenisation, which became a buzzword in the 1990s, was initially conceived as black advancement. It was:

> … a static model of economic liberation of the black populace through policies and practices which saw total black control of state economic institutions, the expansion of state owned enterprises, increased centralization and planning of the economy and overwhelming political hegemony in respects of party politics and the organisation of civil society.[9]

However, this black advancement project received lukewarm government support between 1980 and 2000 in the form of programmes that offered employment opportunities and income, giving limited access to finance and education/extension services to previously excluded and disadvantaged black people. Nevertheless,

> … the role of blacks in the commanding heights of the economy or the private sector especially in areas such as manufacturing, financial services, commercial agriculture, mining and a variety of services was marginal [as] local white firms and transnational corporations retained dominance over most sectors, with open monopolies domineering large segments of critical sectors.[10]

The turn of the millennium witnessed the IEE policy transforming to focus on redistribution, even culminating in asset transfers and buy-outs, owing to the changing political-economic circumstances and shifting alliances between state and big business.[11] According to Raftopoulos and Moyo,

> [Indigenisation] calls for the breakdown of white economic monopolies and their re-regulation; the de-regulation of laws and procedures which fetter black enterprises; calls to compel banks to finance black business; calls for cheap state finance; preferential allocation of government contracts or markets to blacks; land redistribution and for general state support for of black business development.[12]

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8. The rhetoric of indigenisation was very influential. See R. Nyamurundira in his article "Indigenisation Won the Vote", *The Herald*, 12 August 2013, at www.herald.co.zw/indigenisation-won-the-vote/
9. B. Raftopoulos and S. Moyo, "The Politics of Indigenisation in Zimbabwe", Research paper, Institute of Development Studies, University of Zimbabwe, 1994, p 1.
10. Raftopoulos and Moyo, "The Politics of Indigenisation", p 2.
11. "Blacks Gaining Control of Zim's Industry", *The Financial Gazette*, 10–16 April 2003. There were many such headlines in this period.
12. Raftopoulos and Moyo, "The Politics of Indigenisation", p 2.

Thus, '"empowerment' refers to the creation of an environment that enhances the performance of economic activities of indigenous Zimbabweans into which they would have been introduced by indigenisation".[13] Ironically, many beneficiaries of the "access" or advancement of the 1980s and 1990s argue that the turn to radical IEE policies did not improve their conditions because for the most part it benefited the elite. Furthermore the economic contraction coincided with fast track reforms that undermined the SMEs severely.[14]

Indigenisation and economic empowerment has been presented as an important step towards the process of correcting colonial ills.[15] However, it has been suggested that this has been hampered by neo-colonialism and its domination of African markets through foreign direct investment (FDI) in extractive industries as well as the hegemony of white capital in general.[16] Thus, African governments operate at the mercy of an enduring neo-colonial empire.[17] However, Taylor has located the failure of IEE to challenges faced in either economic integration or indigenisation within the postcolonial governments themselves.[18] Although not as fatalistic as Chabal and Daloz, or Bayart, on the political challenges of the continent,[19] Southall argues that nationalist movements that became governments embody post-colonial pathologies, having become authoritarian, patrimonial, intolerant, corrupt, racist and abusive of human rights.[20]

13. Makwiramiti, "In the Name of Empowerment". However, indigenisation seems to have been loosely defined, referring generally to blacks with Zimbabwean citizenship rather than descendants of indigenous people.
14. This emerged from interviews held in Norton, Harare and Mutare with business owners who wished to remain anonymous. Pseudonyms are used in such cases.
15. Issues of African economic empowerment are common throughout the continent. See for example, J. Marcus, *Visions of Black Economic Empowerment* (Jacana Media, Johannesburg, 2007); E. Sidiropoulos, *Black Economic Empowerment* (SAIRR, Johannesburg, 1993).
16. A. Mbembe, *On the Postcolony* (University of California Press, Berkeley and Los Angeles, 2001); S.J. Ndlovu-Gatsheni, *Empire, Global Coloniality and African Subjectivity* (Berghahn Books, New York and Oxford, 2013); R. Saunders, "Crisis, Capital, Compromise: Mining and Empowerment in Zimbabwe", *African Sociological Review*, 12, 1 (2007), pp 67–89.
17. M. Hardt and A. Negri, *Empire* (Harvard University Press, Cambridge MA, 2000).
18. S.D. Taylor, "Race, Class and Patrimonialism in Zimbabwe", in R. Joseph (ed.), *State, Conflict and Democracy in Africa* (Lynne Reinner, Boulder, 1999); B. Raftopoulos and D. Compagnon, "Indigenisation and Neo-authoritarian Politics in Zimbabwe", in S. Darnoff and L. Laakso (eds), *Twenty Years of Independence in Zimbabwe* (Palgrave, London, 2003).
19. P. Chabal and J.P. Daloz, *Africa Works: Disorder as a Political Instrument* (James Currey, London, 1999); and F. Bayart, *The State in Africa: The Politics of the Belly* (Longman, London, 2008).
20. R. Southall, *Liberation Movements in Power: Party and State in Southern Africa* (UKZN Press, Pietermaritzburg, 2013), p 5.

With the challenges facing IEE, the quest for self-determination and the attempts to reduce inequality and eradicate poverty have proved difficult. It has been suggested that liberation from colonial rule has meant that the efforts of nationalist parties have led to the "equality of peoples as 'nations' [rather] than… the equality of peoples as individuals".[21] Melber observes that:

> When … liberation movements took power, their leaders in government remained shaped by military mindsets. Since then, this mindset has become deeply entrenched in an authoritarian and political culture that has fallen short of the expectations of those who believed that the struggle against settler colonialism was also a struggle against economic exploitation and for economic redistribution.[22]

Thus, it is clear that the fruits of national liberation have not been available for the population at large; instead there is an exclusive brand of nationalism which only privileges a few.[23]

Having inherited authoritarian security apparatus from the colonial state, the ZANU PF government, like FRELIMO and MPLA before it, negated promises of a socialist transformation.[24] In fact, Bond suggests that, "the connection between those directing the struggle and the constituencies meant to benefit, was ultimately tenuous".[25] Indeed, Phimister argues that the "alliance of rural class forces underpinning the struggle which eventually overthrew Ian Smith's Rhodesian regime was united in opposition to colonialism but little else".[26] The policy orientation in the 1980s reflects the misalignment, manifesting in the country's transformation only in political terms.[27] The policy of reconciliation of the ZANU PF government in the 1980s has been perceived as "Zimbabwe's reconciliation with Rhodesia",[28] which established a single multi-racial elite based on a convergence of political and business interests. The state established a neo-patrimonial system "strengthened the development of a dependent, state based capitalist class – a 'bureaucratic bourgeoisie' – rather than an independent class".[29] In this article, neo-patrimonialism is governance through "personal patronage rather than ideology or rule of law, where the achievement of personal wealth and status by 'big men' becomes

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21. Southall, *Liberation Movements in Power.*
22. H. Melber, "Southern African Liberation Movements as Government and the Limits of Liberation", *Review of African Political Economy*, 36, 121 (2009), p 451.
23. See Nyamunda, "Insights into Independent Zimbabwe", p 75.
24. P. Bond, *Uneven Zimbabwe: A Study of Finance, Development, and Underdevelopment*, (Africa World Press, Trenton NJ, 1997), p 151.
25. Bond, *Uneven Zimbabwe*, p 151.
26. I. Phimister, "'Rambai Makashinga': Zimbabwe's Unending Crisis", *South African Historical Journal*, 54, 1 (2005), pp 112–126.
27. R. Weiss, *Zimbabwe and the New Elite* (British Academic Press, London, 2004).
28. Weiss, *Zimbabwe and the New Elite*, p 7.
29. Taylor, "Race, Class and Patrimonialism in Zimbabwe", p 240.

an accepted rationale for public office".[30] Despite "claims to be actively fostering a sense of nationhood", this was largely limited to "the fabrication of national symbols in the form of flags" in a context where "it was the elite itself which provided a highly unstable platform for the completion of the nation-building project".[31] There was a continuation of colonial era exclusion of Africans, where indigenous merchants had been "squeezed out by the large European firms which were better capitalized and enjoyed direct access to the corridors of power".[32]

The article examines the role of SEDCO across two critical junctures. It will reveal the way the institution was used as a rhetorical device during the period of moderate implementation of IEE policies and when it was sidelined with a move towards a more radical phase expressed through the Ministry of SMEs and the IEEA. The first period is characterised by mutually beneficial state–settler and foreign capital relations from 1980 to 1999. In the period from 2000 onwards, the ZANU PF government abandoned its alliance with foreign capital, white commercial farmers and industrialists in favour of populist yet patrimonial redistributionist policies.

From exclusion to "access": The origins of SEDCO and the trajectory of black empowerment in colonial and early post-colonial Zimbabwe

This section focuses on two main aspects. Firstly, it provides a brief outline of the exclusion of African enterprises from the colonial economy. It also traces the emergence of the first institutions that were established to provide limited assistance to African businesses between 1972 and 1980. Secondly, it examines how the transition to majority rule facilitated, through the new government, the creation of SEDCO as a vehicle for black advancement. As the inadequacies of SEDCO became apparent, African business civil societies such as the Affirmative Action Group (AAG) and the IBDC became increasingly vocal, sparking debate about how IEE had progressed since independence.

From exclusion to marginal inclusion: African businesses in colonial and early post-colonial Zimbabwe

The Zimbabwean government established SEDCO to rationalise pre-existing financial and extension services through an amalgamation of four entities, most of which were created in the 1970s. Hitherto, no state facilities really supported black businesses. In fact, the colonial state had artificially dualised the economy into a modern capitalist sector and an African sector as expressed in Barber's work.[33] While the colonial state governed the mainstream economy, African affairs were generally relegated to the Native Affairs

30. Taylor, "Race, Class and Patrimonialism", p 240.
31. P. Nugent, *Africa since Independence* (Palgrave Macmillan, New York, 2004), p 63.
32. Nugent, *Africa since Independence,* p 63.
33. W.J. Barber, *The Economy of British Central Africa: A Case Study of Economic Development in a Dualistic Society* (Praeger, London, 1961).

Department between 1897 and 1962, and thereafter they were managed by the Ministry of Internal Affairs.[34]

In real terms however, as Arrighi's seminal study demonstrates, this division was artificial because the unfair apportionment of land and material resources had gradually destroyed pre-colonial economic foundations and the rural economy became part of a process of proletarianisation to supply cheap labour to the European mines, farms and industries.[35] The marginal success of African enterprises was funded by constrained capital from saved wages, more often than not earned from activities such as teaching, driving, etc., but it could not compete with established corporations and white enterprises that benefited from state support.[36] The most prominent black business people such as Zacharia Chigumira, Ben Mucheche, Alfred Banda, Kenneth Marechera, Micah Bhebhe, Adrian Mwamuka and Ruth Chinamano,[37] found that their operations were "eliminated from the towns and confined to the 'locations'".[38] Other black entrepreneurs managed to farm on freehold plots adjacent to urban locations or to run small shops in the rural areas, where they had to rely largely on the provision of rural transport which often proved unreliable.

The United Federal Party (UFP) government drew up some reform measures in the 1950s.[39] The federal government attempted to co-opt influential African business people in an effort to weaken the middle class base of African nationalist demands for majority control that began to rise in the 1950s. The government established an inter-territorial committee on the promotion of African business and industrial enterprise in 1960 to "consider what steps might be taken in the interest of stimulating the growth of a prosperous middle class, and improve the efficiency of African industrialists and traders and their knowledge of business practices".[40] The logic behind this was that a "contented and prosperous business community … is probably the greatest contributing factor in the development of a middle class African, and maintenance of political

34. M. Bratton, *From Rhodesia to Zimbabwe: Beyond Community Development* (CIIR, Harare, 1978); and J. Alexander, *The Unsettled Land: State Making and the Politics of Land in Zimbabwe, 1893–2003* (James Currey, Oxford, 2006).
35. G. Arrighi, "Labour Supplies in Historical Perspective: A Study of the Proletarianisation of the African Peasantry in Rhodesia", *Journal of Development Studies*, 6 (1970), pp 197–234.
36. V. Wild, *Profit Not for Profit's Sake: History and Business Culture of African Entrepreneurs in Zimbabwe* (Baobab Books, Harare, 1997), p 27.
37. Wild, *Profit Not for Profit's Sake,* p 27.
38. Raftopoulos and Moyo, "The Politics of Indigenisation", p 4.
39. The UFP was a colonial government that came to power in 1953 when the Federation of Rhodesia and Nyasaland (1953-1963) was formed. This was a loose integration of the British colonies of Northern Rhodesia (Zambia), Nyasaland (Malawi) and Southern Rhodesia (Zimbabwe).
40. National Archives of Zimbabwe (hereafter NAZ), PA, F263, CX29/3, "The Inter-territorial Committee on the Promotion of African Business and Industrial Enterprise, First interim Report, 1962", pp 4–5.

stability".[41] The committee recommended that a subsidised agency be set up to promote African enterprise but such initiatives, in the opinion of the white political constituencies who voted the right wing Rhodesian Front (RF) into government in 1962, were regarded as too liberal for the early 1960s. The RF opposed such initiatives on the platform that such policies promoted a diminution of white colonial authority. This, among other grievances, led to the outbreak of the liberation war in the mid-1960s which escalated in the early 1970s, forcing the RF government to reconsider its policy towards Africans. RF policies thus delayed the agenda of African empowerment.

The RF government ultimately established institutions to support black businesses in 1972. The state, in conjunction with the United Nations Development Program (UNDP), established the Small Industrial Advisory Service (SIAS).[42] The organisation provided assistance to black business people by appraising projects, providing extension services and conducting seminars and workshops to enhance best practices in business. It also assisted Africans with their project proposals before they submitted them to financial institutions, identifying "areas of weakness … to strengthen them through training".[43] However, the biggest hurdle lay with financial institutions as Africans could virtually never qualify for financial assistance products because they could not meet the necessary security requirements of commercial banks. Although these new initiatives were designed to assist Africans to produce more attractive projects to access finance, many remained excluded from access because of stringent bank requirements.

In 1975, the Institute of Business (IOB) was formed by the RF government with similar terms of reference as SIAS but biased towards commercial businesses.[44] It provided personalised consultancy services, a centre for collation, collection, and distribution of business relevant information such as credit control, stock control, cash management, accounting and other matters.[45] While financial assistance was sought from various sources outside Rhodesia, the major focus of the IOB was extension services.[46] Despite the promising projects that were supervised by these support institutions, financial support was marginal because Africans competed for loans with established white businesses and other major corporations. Most could not provide sufficient security to qualify for loans available at costly market rates.[47] Moreover, many black businesses were located in rural areas further down the value chain.

41. NAZ, PA, F263, CX29/3, "The Inter-territorial Committee".
42. Interview with D. Mlambo, a former senior business consultant at SIAS, later assistant general manager at SEDCO, Harare, 8 July 2003.
43. Interview with Mlambo, 8 July 2003.
44. NAZ, S/in 41, *Institute of Business (IOB) Newsletter and Journal*, March 1982, p 7.
45. NAZ, S/in 41, *IOB Newsletter and Journal*.
46. NAZ, S/in 41, *IOB Newsletter and Journal*.
47. Interview with Mlambo, 8 July 2003.

In an attempt to remedy these constraints, a lobby of the Reserve Bank and commercial banks that received loan applications for start-ups encouraged the government to create the Finance Trust for Emergent Businessmen Company (FEBCO) in 1977.[48] Although availing relatively affordable credit for smaller businesses, the application process remained rigorous because of security requirements. Furthermore, the projects that were approved by SIAS and FEBCO still had to be accepted by branch managers of commercial banks before being forwarded to the severely undercapitalised FEBCO.[49] Later, the Development Finance Company (DFC), an organisation which almost collapsed in less than two years because of undercapitalisation, was formed in April 1980, to consolidate the small businesses assistance programme. The chief executive officer (CEO) of IOBZ, A.P.S. Sheridan, aware of the fact that the autonomous services of these organisations would not achieve the desired goals, suggested amalgamating them into one efficient corporation. He saw great potential, "Granted that one organisation is formed, there is no reason why the situation should be any different from the USA, where 95 percent of businesses are in the hands of small enterprises".[50] These ideas resulted in the first of the mergers between IOBZ and SIAS in October 1981, a year after Zimbabwe's independence, and subsequently FEBCO and DFC to form SEDCO by 1983.[51] The merger of these organisations was largely hailed as facilitating African businesses financial inclusion, a claim the next sub-section interrogates.

Inclusion? Black advancement, the ZANU PF state and the creation of SEDCO, 1983

Victory against colonialism and the conditions during the post-liberation struggle dispensation were expected to entail '… the majority… of Africans who comprise[d] 97 percent… [who were] going to get a much better deal'.[52] Yet, by the mid-1990s, 50 percent of manufactured output was accounted for by just three firms while commercial farming was controlled by 4 000 farmers who owned 27 percent of the farmland in the country.[53] In 1980, an estimated 10 percent of national wealth was controlled by blacks, 20 percent by whites and 70 percent by foreign capital.[54] The 1990s witnessed various foreign companies' disinvesting from the Zimbabwean economy, however, the shares of the disinvested companies were predominantly taken over by local white businesspeople and not by blacks.[55] In 1990 this prompted agitation against the government from black business lobby groups. They claimed, albeit exaggeratedly, that

48. NAZ, S/in 41, *IOB Newsletter and Journal*, March 1978, p 4. FEBCO was the result of a lobby by the Zimbabwean Reserve Bank and several commercial banks.
49. NAZ, S/in 41, *IOB Newsletter and Journal*.
50. "A Helping Hand for Small Firms", *The Herald*, 10 September 1981.
51. "A Helping Hand for Small Firms", *The Herald*, 10 September 1981.
52. Quoted in "Portrait of a Terrorist", *Radio Times*, BBC Two England, 19 April 1979.
53. Taylor, "Race, Class and Patrimonialism", p 243.
54. Taylor, "Race, Class and Patrimonialism", p 243.
55. Taylor, "Race, Class and Patrimonialism", p 243.

white people still controlled 98 percent of the country's economy.[56] This scenario gave rise to difficult questions about whether the IEE and its main institution in this regard, SEDCO, were driven by the state. What follows elaborates the aspirations and debates expressed as the SEDCO Bill was debated in parliament prior to the passing of the SEDCO Act of 1983.

The effectiveness of IEE was deliberately undermined by ambiguous policies. Although socialist rhetoric was deployed to mobilise support for the party and this even found expression in the policy of Growth with Equity, introduced between 1980 and 1985, its implementation was only limited to welfarist subsidies of health, education and transport and did not impact positively on economic transformation. It appears that the state was never fully committed to IEE beyond token social policies in health and education. In 1982, for example, the Finance minister, Bernard Chidzero was compelled to set the record straight on Zimbabwe's stance on socialism, stating at an international investment conference in New York, that as much the Zimbabwe government was socialist in outlook it was "simply pragmatic" about avidly "grabbing" foreign investment.[57] In fact, a parallel policy, the Transitional National Development Plan (TNDP) "recognise[d]… capitalism as an historical reality … to be purposefully harnessed, regulated and transformed as a partner in the overall national endeavour to achieve national plan goals".[58] This grey area between the claim to socialist ideals and "pragmatism" allowed powerful political elites access to personal accumulation. This was the context in which SEDCO operated from 1984.

A product of a merger of four late colonial statutory entities, SEDCO was established principally for the purpose of providing a nationwide programme of financial and technical assistance to registered co-operatives and commercial and industrial SMEs.[59] The deputy minister of Trade and Commerce, John Alfred Landau, commented at the second reading of the SEDCO Bill on how the new institution would address

> … the dichotomy in the economic structure of our country. On the one hand, there [was] a sophisticated commercial and industrial sector mainly in the urban areas, while … the communal areas, where the majority of the population live[d] were comparatively undeveloped … therefore [there was] a need to reconstruct, rehabilitate and develop small scale commercial and industrial enterprises …[60]

SEDCO would be mandated to spearhead IEE. However, SEDCO's capacity was constrained by persistent undercapitalisation.

56. Taylor, "Race, Class and Patrimonialism", p 243.
57. Bond, *Uneven Zimbabwe*, p 234.
58. Bond, *Uneven Zimbabwe*, p 234.
59. *Zimbabwe Parliamentary Debates*, Vol. 7, 5 July 1983, p 151.
60. *Zimbabwe Parliamentary Debates*, Vol. 7, 5 July 1983, p 155.

The SEDCO Bill was debated in 1983 amid the ambiguity between socialist principles in the policy of Growth with Equity and the TNDP. There was parliamentary consensus about the necessity of providing financial and technical support for 20 000 businesses in rural areas where 70 percent of the population lived.[61] In fact the small enterprise sector was the "main provider of basic commodities and essential services" in rural areas.[62] Projects would be financed on "the basis of entrepreneurial identification and development, management training and counselling … possibly to build a sufficient amount of reliable investment capital to remain in business".[63] Entrepreneurial support was predicated on the knowledge that no radical land reform was imminent. In addition, the ZANU PF government, in a move resonating with the colonial state's community development policies, encouraged African development in communal areas. The rural development policies of the 1980s focused on decentralisation of economic activities to expand "growth points", initiated by Smith's RF government to stimulate production in the African countryside. The financial support provided to SMEs would only be enough for them to "remain in business", offering little prospect for growth.[64] Therefore, the sum of these policies could never appease the rural populace or African urban entrepreneurs, the burden bearers of imbalances in the national economy.

During the readings of the SEDCO Bill, one member of parliament (MP) inquired about the security required for black businesses to qualify for support.[65] Landau responded that the criteria used by any "prudent person or corporation" needed movable and immovable property, apart from stock in shop in order to qualify.[66] He went on to say that SEDCO would provide a loan (not a grant facility), and that the cost of credit would be lower and specialised extension services would be provided, in contrast to commercial bank practices. Another MP asked whether assistance would only be granted to enterprises that were operating on sound business and commercial principles, in other words enterprises that were making money. If this was indeed the case, "how do you do this while adhering to socialist principles?"[67] Others were worried that the granting of a loan by a semi-state organisation such as SEDCO might well depend on the political outlook of the applicant:

> Government tends to give rise to fears that might be politically shown by such a quasi-government organization to people who are ideologically and politically

61. Noted by J.A. Landau at the tabling of the SEDCO Bill, *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 157.
62. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 157.
63. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 157.
64. Interview with Mhuriro (pseudonym), small business operator who benefited from SEDCO, Norton, 12 July 2003.
65. W.H. Khona, Midlands MP quoted in, *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 234.
66. Landau's response, quoted in *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 234.
67. MP Beckout, quoted in *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 234.

> motivated. People who do not adhere to the party line and who do not carry a card might be ignored by such a corporation.[68]

MP Goddard found it difficult "to reconcile the establishment of such a corporation with the government intention, specifically with the Prime Minister's intention of moving away from capital oriented type of society to a totally socialist one."[69] He rhetorically asked, "If the object of this Bill is fundamentally capitalist … how does the Minister [Landau] reconcile this with the central theme of government thinking?"[70] These concerns demonstrated the ambiguity in government rhetoric about socialism and actual economic practice.

Further concerns that SEDCO, a potentially crucial institution for African businesspeople, would be reduced to a mere political patronage device, were raised during the debate on the Bill. In response, Landau argued: "We are a business and not a political organisation".[71] He added that he did not believe that parliament was the "right forum to discuss the subject of socialism against capitalism" and that he felt "the particular case would be better left unanswered".[72] The debates on the creation of SEDCO reveal how the principle of resource redistribution was subordinated to maintaining the economic status quo. While Goddard was confident that SEDCO was particularly suited to stimulate the "lower levels of our business field",[73] the initiative was introduced against the background of a declining level of investment in the country. He hoped that "the ideology behind this Bill will give confidence to those who might otherwise not have invested their money."[74] Clearly, SEDCO was not structured for the radical transformation of the country's financial landscape. It merely consolidated the reforms initiated by Smith's RF government in the 1970s. An insufficiently funded SEDCO, as was the case in the 1990s, was thus not effective enough to challenge the dominance of foreign and white capital in the mainstream economy.[75]

Despite the fears about SEDCO's role in an ambiguous policy and ideological environment, the "fact that all these small splinter (colonial) organisations which have been trying to help the emergent businessman, each perhaps under its own initiative, are coming under one umbrella" was an important development.[76] As such, one MP concluded, "we will gain because there appears to be just one organisation handling the

68. MP Goddard, quoted in *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 167.
69. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 167.
70. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 167.
71. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 171
72. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 171.
73. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 318.
74. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 318.
75. H. Bonyongwe, "An Update of the Ownership Profile of the Zimbabwe Manufacturing Sector", Report of the Confederation of Zimbabwean Industries, 1996.
76. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 318.

whole thing, and not many".[77] Although not geared toward radical economic transformation, SEDCO was established with a view to keeping black businesses afloat and in the hope that some would utilise the opportunity to break into the country's mainstream commercial and industrial sector.

From moderate IEE policies to political crisis and economic exclusion: SEDCO and shifting IEE policies

This section appraises SEDCO's role, from 1984 onwards, as an instrument for spearheading SME development within the context of shifting IEE policies. Two distinct phases of its operations are identified. The first was characterised by the state's use of SEDCO as a device to implement its moderate IEE policies until the 1990s. The second is associated with the shift towards a more radical IEE strategy which prompted the formation of a Ministry of SMEs in 2002 and the passing of the Indigenisation and Economic Empowerment Act (IEEA) in 2007.

The Moderate Phase: SEDCO as the leading IEE institution

Although established as the leading institution for SME development in the 1983, SEDCO's work was complemented by programmes run by the Zimbabwe Development Bank (ZDB) and the Credit Guarantee Company of Zimbabwe.[78] According to its CEO for the period 1986 to 2002, Joseph Nyamunda, the statutory institution made the best of the resources it was allocated.[79] SEDCO successfully outsourced funding from organisations such as the United Nations Development Program (UNDP); the Canadian International Development Agency (CIDA); the Manitoba Institute of Management (MIM); and the Institute of Management and Productivity (IMP). It also created strategic partnerships with other stakeholders such as the United Nations Industrial Development Organization (UNIDO).[80] An assessment of SEDCO's terms of reference demonstrates the relative success of the organisation within its operational parameters. With its limited resources, it succeeded in assisting SMEs that approached it. But when confronted with broader national IEE requirements, SEDCO was undermined by the limits of its corporate design and the limited financial resources at its disposal.

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77. *Zimbabwe Parliamentary Debates*, Vol. 7, 1983, p 318.
78. *SME Policy and Strategy*, White Paper submitted to the Ministry of Industry and Commerce, 2002, p 8.
79. Interview with Joseph Nyamunda, Harare, 7 July 2003. A formal follow-up interview was held on 12 December 2012 (although Nyamunda was no longer CEO of SEDCO. His comments were based on his experiences after the 2003 interview while he was still at SEDCO). He later left for another position in Botswana.
80. *SEDCO, Annual Report*, 1986, p 4.

SEDCO had four departments focusing on Project Identification and Development; Management Consultancy; Management Training; and Entrepreneurial Development.[81] The range of products offered through these respective departmental divisions included project writing and appraisal; consultancy and counsel in areas relating to management; production, marketing, finance and personnel; various training programs in accounting, bookkeeping and other administrative elements; as well as financing and extension services for approved projects.[82] The Ministry of Co-operative Development, created in 1986 to develop co-operatives, also partnered with SEDCO.[83] Furthermore, SEDCO signed agreements with the World Bank in an effort to enhance the financing and development of Zimbabwean SMEs. It consistently consulted its parent ministry in areas that needed improvement. A good example is in those cases where SEDCO failed to recover loans because it lacked the legal power to enforce the liquidation of businesses failing to pay back its loans, a crucial contribution to its revolving fund. This prompted a 1988 amendment of the SEDCO Act (to be reinforced in 1998) to maintain a working relationship with the Credit Guarantee Company of Zimbabwe.[84]

Although SEDCO's mandate of "spearheading the development of viable small to medium scale enterprises"[85] was compromised by limited funding, Nyamunda cites some success stories, such as that of the mobile network mogul Strive Masiyiwa.[86] Although his case is more exceptional and hardly representative of the general fortunes of Zimbabwean businesspeople, Masiyiwa received some support from SEDCO to start his business, trading as Retrofit. He eventually went on to found the biggest mobile network provider in Zimbabwe, Econet wireless, which began its operations in 1998.[87] Masiyiwa went on to acquire a majority stake in what became Masiyiwa Communications (MASCOM) in Botswana, and also expanded to Kenya and Burundi.[88] However, Masiyiwa had managed to spread his investments before Zimbabwe's economic plunge, a move which protected his business interests. Other black businesses were not as fortunate and their investments were affected by the decline of the national economy during the years

81. *SEDCO, Annual Report*, 1990, p 4.
82. *SEDCO, Annual Report*, 1990, p 4.
83. *SEDCO, Annual Report*, 1987, p 6.
84. *SEDCO, Annual Report*, 1999, p 9.
85. See the SEDCO's mission statement which appears in all the annual reports.
86. Interview with Joseph Nyamunda, 14 December 2012.
87. Strive Masiyiwa*:* Zimbabwe's First Billionaire, http://www.emergingstars.com/success-stories/strive-masiyiwa-zimbabwe%E2%80%99s-first-billionaire.
88. The Telecom giant continues to expand. Its chairman, Masiyiwa had other interests, such as ownership of *The Daily News*, the only independent newspaper in Zimbabwe until 2003 when it was banned. His business portfolio includes interests in financial services, renewable energy supply, beverage bottling, hospitality and insurance. To demonstrate how the state was not always dedicated to indigenisation and attempted to block the growth of an independent middle class, Masiyiwa faced hurdles while trying to acquire a telecom license from POTRAS. The state blocked his efforts until the intervention of the vice president, Joshua Nkomo, in 1998.

2000 to 2008. However, not all who managed to harness SEDCO support successfully sustained the breakthroughs that Masiyiwa made. This was largely because of the political crisis and economic decline, especially if their investments were confined within the borders of Zimbabwe. Indeed, many of the businesses that had received SEDCO assistance declined after 2000.

It is evident that prior to 2000, the state delegated the task of stimulating the growth of African entrepreneurs through the mildly supported statutory institution. It was wrongly "assumed that the new professional elites would use state institutions to deliver modern services to a 'traditional' and dependent citizenry".[89] Comparing this earlier corporatist approach to the liberalisation policies of the 1990s, Brett observed that "both assume that the outcome of any developmental strategy will be determined by the adequacy of rules and incentives that govern resource allocation".[90] The corporatist approach that was deployed in early post-colonial economic planning was however not accompanied by any sustainable programme of resource redistribution that would unlock mining, agriculture and industry for the majority of the excluded black entrepreneurs. Thus, although SEDCO financed African businesses through its Entrepreneurial Development Programme (EDP) that was launched in 1986 to enable businessmen to invest their way into the largely exclusive sectors, the EDP was handicapped by a perennial shortage of funding.[91] As such, the "rules and incentives"[92] were insufficient to govern sustainable resource allocation.

A survey of supply and demand of SEDCO services demonstrates the effects of lack of funding. For example, out of the 1 376 applications made during the period between 1984 and 1986, only 5.7 percent were approved, 39 percent were under process while the remainder either lapsed because of lack of funding or were rejected.[93] This did not inspire confidence to the sole proprietors (constituting 83 percent), companies (9.3 percent), partnerships (4.6 percent) and cooperatives (3 percent) that had applied. A successful application required ZZ$14.8 million versus the availed amount of only ZZ$3.9 million.[94] Mhishi, who had been in business from the 1980s in Mufakose (a high-density suburb in the capital city, Harare) commented:

> The loans are inadequate to make any meaningful investment and expansion of the businesses in the really capital intensive but profitable areas of the economy. As such,

89. E.A. Brett, "From Corporatism to Liberalisation in Zimbabwe: Economic Policy Regimes and Political Crisis, 1980–97", *International Political Science Review*, 26, 1 (1998), p 92.
90. Brett, "From Corporatism to Liberalisation", p 92.
91. Interview with Joseph Nyamunda, Harare, 14 December 2012.
92. Interview with Joseph Nyamunda, 14 December 2102.
93. *SEDCO, Annual Report*, p 16.
94. *SEDCO, Annual Report*, p 16.

we remain trapped in the easy entry, less rewarding businesses with very little hope of any meaningful progress.[95]

The capitalisation problem persisted and was worsened by the government's adoption of the Economic Structural Adjustment Programme (ESAP). Under this programme, designed to stabilise domestic fiscal and balance of payments (BOP) deficits, the state was restructured in a manner that did not benefit statutory corporations that ran on government funding.[96] The result was that SEDCO did not receive the promised funding from 1993 to 1997.[97] In fact, it failed to reach its set targets for the 1993 to 1995 financial year because it had received nothing from the government while operating on limited outsourced funds.[98]

During the 1990s, SEDCO's role of spearheading the creation of viable SMEs was undermined by the "limited scope of [its] activities, and its severe loan terms".[99] It faced problems that arose from lack of support from other government departments that were expected to complement its activities. A typical example cited by one of its employees is that the institution was supposed to assist mostly rural businesses. Yet the District Development Fund (DDF), mandated with the development of roads, dams and buildings was in near collapse by the mid-1990s.[100] The infrastructure remained undeveloped in many areas of the country and the rural economy continued to decline owing to persistent droughts and unprofitable commodity markets. In the end, rural entrepreneurship suffered and many rural businesses failed.[101]

To create an alternative platform "to press for more black participation and control in the Zimbabwe economy", the IBDC was formed with "the blessing of the Head of State" in December 1990.[102] Although provincial development associations in some provinces had initially been launched to articulate black middle class interests, the IBDC became a nationwide platform with structures at national, district and ward level, boasting to be the only "authentic" businessmen's association in the country and also catering for various business lobby groups such as the Zimbabwe National Farmers' Union (ZNFU), the Women in Business Group (WBG), and the Zimbabwe Transport

95. Interview with Mhishi, Norton, 27 June, 2003; Mhishi echoed the position of many entreprenuers and political figures who campaigned for the improvement of small businesspeople dating back to the early post-colonial period. See for instance the article "Let Small Man Make a Profit too says Todd", *The Herald*, 16 November 1982.
96. Interview with D. Mlambo, 8 July 2003.
97. *SEDCO, Annual Report*, 1999, p 9.
98. *SEDCO, Annual Report*, 1999, p 9. In this period, there was increasing concern from various black business people and the media headlines publicised these. For example, see "Late SEDCO Funding Worries Businessmen", *The Manica Post*, 24 June 1994.
99. Raftopoulos and Moyo, "The Politics of Indigenisation", p 7.
100. Interview with Brian (pseudonym), Harare, 8 October 2003.
101. Interview with Brian, 8 October 2003.
102. Interview with Brian, 8 October 2003.

Organisation (ZTO).[103] However, even with alternative initiatives launched through the IBDC to supplement SEDCO's activities, such as the launch of the ZZ$100 million facility called the National Economic Recovery Fund (NERF) targeting viable SME projects in 1992, the state intervened and imposed a 15 percent interest rate amid a stringent disbursement process maturing in one year. In comparison a ZZ$400 million facility was advanced to white commercial farmers and businesspeople at 5 percent, well below prevailing market rates and disbursed just two days after their application was submitted,[104] exposing the state's efforts to undermine the emergence of an independent, and vibrant African middle class. It also shows how the IBDC became another rhetorical device, representing IEE but not powerful enough to dislodge patrimonialism.

The above and other reasons meant that the post-1990s ushered in "a sense of disenchantment with the government".[105] The state's approach was evidently characterised by mild reformism rather than radical transformation. This was partly because the government's technocratic ideas were influenced by African elites who had been appointed to top government and corporate positions by the state in the 1980s. They were "more interested in not disturbing the mechanics of accumulation in the economy than eradicating racist occupational practices".[106] This class was dependent in the 1980s to mid-1990s on patronage to white and foreign capital, and to some degree, the patrimonial state.[107] Its idea on managing the economy never really encouraged transformation. Members of this class wanted economic modernisation on the basis of orthodox economic frameworks.[108] Under these circumstances, SEDCO retreated into the background of the IEE, prompting organisations such as the Zimbabwe National Chamber of Commerce (ZNCC) to call for its privatisation.[109]

Despite SEDCO's interventions, black businesses were structurally weak, prone to be undermined by price and other state controls from the 1980s, folding under stiff competition from parastatals and private monopolies or duopolies. Towards the end of the 1980s many collapsed under the effects of the Economic Structural Adjustment Programme (ESAP). The declining formal employment and contracting markets witnessed during the 1990s compromised black business investments. These adverse economic factors more or less coincided with other civil society criticism of the state. As a result, although SEDCO, through its Z$42.8 million on-lending facility in 1993, could claim that it

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103. Interview with Brian, 8 October 2003.
104. S.D. Taylor, *Business and State in Southern Africa: The Politics of Economic Reform* (Lynne Rienner, Boulder, 2007), pp 250–251.
105. K. Law, "Episodes of Ambiguity: Socialism in Zimbabwe, 1980–1985", *Australasia Review of African Studies*, 39 (2011), pp 49–63.
106. Raftopolous and Moyo, "The Politics of Indigenisation", p 5.
107. Raftopolous and Moyo, "The Politics of Indigenisation", p 5.
108. Interview with Mr Charamba, Harare, 14 December 2012. He spoke from his vast experience as an economist in the Ministry of Finance in the 1980s.
109. "ZNCC Urges State to Commercialise SEDCO", *The Daily Gazette*, 23 December 1993.

had sustained some 1 808 jobs and helped facilitate the creation of at least 1 460 new ones, the general economic climate was declining.[110] It did not have the capacity to keep pace with the rising inflation, unemployment and indigenous company closures. The ZNCC in fact complained that, "if large companies are not expanding, small companies are collapsing or failing to start new projects".[111] Hence, the ZNCC thought that a privatised SEDCO had the capacity to retain staff, get funding, operate on commercial grounds and become a more effective tool for indigenisation.[112] This did not materialise because the process would have been self-defeating, for the corporation would simply have become another commercial on-lending institution, providing credit at concessionary rates, had it started operating for a profit and receiving funding from private capital.[113] To diffuse the tension, government promised to release Z$500 million to SEDCO at the end of 1993, but part of the money was only availed at the end of 1997.[114]

Business civil society such as the IBDC, complained that most foreign capital providers were relocating their investments, especially to South Africa and leaving behind increasing unemployment as a result of the harsh and deteriorating economy Zimbabwe in the 1990s. These abandoned markets could not be filled by African enterprises because they were not structurally and financially equipped to take over, which resulted in the gulf being filled by cheap imports. The situation created an opening for informal enterprise, especially in the textiles sector. Business lobby groups increasingly demanded intervention and direct state support. They called for a paradigm shift in IEE thinking while campaigning for a larger stake in the economy. The groups argued that if indigenous enterprises could gain support, "it would provide the basis for an investment culture by Zimbabweans for Zimbabweans who won't pack and go if things get a little tough".[115] In fact, Bonyongwe's survey of the manufacturing industry notes that 92 percent of firms employing less than 20 people were small scale while the large corporates and the state employed almost 80 percent of the work force.[116]

Unemployment soared as ESAP forced the state to cut jobs as an austerity measure while corporations downsized. Bonyongwe observed that the impact of job losses could have been absorbed had there been more investment into SMEs. The downsizing of corporates that had backward and forward contractual linkages with small businesses also compromised SMEs. The spiral effect was that the alternative means of employment was either emigration or entrance into the informal sector. Either

110. *SEDCO, Annual Report*, p 6.
111. "ZNCC Urges State to Commercialise SEDCO", *The Daily Gazette*, 23 December 1993.
112. "ZNCC Urges State to Commercialise SEDCO", *The Daily Gazette*, 23 December 1993.
113. Interview with Joseph Nyamunda, SEDCO boardroom, Harare, 2003.
114. *SEDCO, Annual Report,* 1999.
115 . T. Zindoga, "Zimbabwe: AAG for Pack and Go Policy", *The Herald*, 23 November 2013.
116. Bonyongwe, "An Update on Ownership", pp 3-4.

way, the tax base of the state continued to diminish thus plunging Zimbabwe into an even deeper crisis.

The SMEs Ministry, the IEEA and the relegation of SEDCO: The radical phase

Economic contraction culminated in escalating political dissent which in turn meant food riots, political protest and mass job stayaways. Although these were crushed violently, ZANU PF shifted, in 2000, towards more radical and redistributive policies. However, the process involved invoking legitimacy through citing the war of liberation credentials. This was because the state was facing opposition from its former allies, white industrial capital and commercial farmers who openly opposed President Mugabe's ZANU PF government and supported the opposition party, the MDC. To appease the landless and the IEE lobby groups and gain their political support, ZANU PF turned on its former white business allies and started supporting and adopting its distribution discourse. The party-state's policy shifts culminated in the payoff of some of the war veterans to gain their allegiance and turned towards land reform. ZANU PF also extended its brand of exclusive, patrimonial nationalism as it launched its controversial "third chimurenga".[117]

Instead of the privatization of SEDCO called for by the business lobby groups, in 2002 the government created an SME Ministry to enhance its IEE policy. The state justified the establishment of the ministry on the grounds that SEDCO's support for businesses was "piecemeal and uncoordinated". The ministry, under Stembiso Nyoni, became a political mouthpiece for ZANU PF's populist indigenisation discourse. SEDCO was reduced to a micro-financing institution rewarding loyal ZANU PF supporters with grants for small and mostly informal projects.[118] Ironically, although SEDCO programmes had been ridiculed as piecemeal, it endured despite the deepening political economic crisis following the land reform programme because it received far less state financial support.[119] SEDCO's importance waned when the new ministry was established. Its corporate focus shifted from supporting formal registered SMEs towards micro-financing of the mushrooming informal sector enterprises following the politicking of its minister who was more interested in campaigning for ZANU PF than implementing proper SME support policies.

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117. For a concise overview on crisis literature in the post-2000 period, see Phimister, "Rambai Makashinga", pp 112–126.
118. Interview with Moyo-Sithole (pseudonym), 14 December 2012. For a broader reading of the impact of the crisis and how it influenced state patronage, see I. Phimister and B. Raftopoulos, "Zimbabwe Now: The Political Economy of Crisis and Coercion", *Historical Materialism*, 12, 4 (2004), pp 355–382.
119. See *SEDCO, Annual Reports,* 1984–2002. More and more newspaper headlines also publicised the issue, for example, 'Small Firms Fund Fails to Meet Demand', *The Financial Gazette*, 18–24 October, 2001.

Who should *really* be empowered: Nationalist politics, the economy and SMEs

SEDCO's fate showed that power was concentrated with the state and not with the people. It was the political office bearers who determined who should be empowered. Thus, as SEDCO's capacity to support viable SMEs diminished in the context of state neglect and economic decline, many individual politicians expanded their wealth and became richer. The hope that either SEDCO or the policy of indigenisation would assist small business in Zimbabwe has for the most part faded.

In the Zimstat Labour Force Survey of 2015 issued by the government, it is reported that of the 6.3 million people in the country over the age of 15 years who are employed, a staggering 94.5 percent are working in the informal sector.[120] The number of informal sector workers grew from tens of thousands in the 1980s to 27 percent of the labour force in 1991, and by 2003 this had grown to 30 percent.[121] There is little or no assistance for the small businesses in this sector from the state, and little hope that a new middle class will emerge from this grouping. The bald truth is that empowerment is more about powerful individuals and their clients than about the country's citizens.

Politicians have excluded the people at large while allowing themselves to access the country's wealth. A good example in mining is the expulsion of artisanal miners and local companies from Chiadzwa. From 2009 onwards these miners were replaced by state corporations and their foreign companies.[122] Even before regularisation, foreign white investors such as Alan Banks were given uninhibited access to the diamonds fields; this while after 2009 local artisanal miners were shot on sight whenever they attempted to gain access for the purposes on mining.[123] The former Minister of Mines, Obert Mpofu, is just one example of the many politicians who have amassed much wealth from state resources and contributed very negligible amounts to state revenue, let alone failed to uplift the surrounding communities in the diamond-rich Chiadzwa area. Mpofu has made millions and has allegedly bought properties in Zimbabwe and South Africa with the proceeds of diamond sales. Ultimately, state-owned diamond mining activity has led to forced relocations of the indigenous people whose material circumstances it was supposed to improve.

This is characteristic of how politicians have manipulated their position of power. Politicians and their clients have used their position to accumulate wealth, even in cases

120. Government of Zimbabwe, "Zimstat Labour Force Survey" (Government of Zimbabwe, Harare, 2015).
121. Government of Zimbabwe , "Zimstat Labour Force Survey", 2015.
122. T. Nyamunda, "Free for All? Artisanal Diamond Mining and Economic Redistribution on the Edges of the State", in R. Saunders and T. Nyamunda, *Facets of Power: Politics, Profits and People in the Making of Zimbabwe's Blood Diamonds* (Weaver Press, Harare, 2016).
123. A. Martin, "Reap What You Sow: Corruption and Greed in Marange's Diamond Fields" in Saunders and Nyamunda, *Facets of Power*.

where the accumulation compromised the operations of established companies. Another example is the Nestlé incident in which the first lady, Grace Mugabe, confronted Nestlé for refusing to buy her dairy products produced at the former Foyle farm.[124] Gushungo Holdings began supplying close to 15 percent of its dairy products to Nestlé until 2009 when the multi-national company came into the spotlight for supporting the regime which was targeted by sanctions. Nevertheless, the first lady failed in her attempt to force Nestlé to buy her milk, and with the help of the AAG, Grace Mugabe established her own company called Alpha and Omega. The company was supplied with adequate funding at a time when there was acute foreign currency shortages which almost led to the collapse of the Dairy Board, the national milk procurement and marketing parastatal.[125] This exposes how political clout determines who is empowered economically by the state.

Just as Mugabe's wife became "the udder of the nation",[126] so too other favoured politicians benefited in different sectors despite the fact that the economy was in the grip of desperate economic decline, debilitating hyperinflation, record-high unemployment and the closure of big and small industrial and commercial businesses. Those who benefited were ironically not only black people – as long as they were favoured by the state, they had access to the means of production. Among the biggest land owners in the country are Billy Rautenbach, who holds numerous business interests,[127] and Nicholas Van Hoogstraten.[128] Rautenbach, for example, is infamous for his controlling interest in the ethanol plant that supplies all the ethanol used that is blended (compulsorily) with petrol in Zimbabwe. Such people who make millions of US dollars, some of which fund ZANU PF activities, are empowered by the ruling party at the expense of the general populace. Clearly, ZANU PF utilises its position of power to determine who gains access to opportunities for wealth creation. Therefore, the IEE drive under SEDCO remains part of its rhetoric while politicians use their privileged position to exploit opportunities to accumulate at the expense of everyone else.

As ZANU PF politicians grow richer, the fortunes of Zimbabwean citizens are declining. Most of the business people who were interviewed maintained that SEDCO's role continued to diminish in the post-2000s. Its position became even more precarious following the passing of the IEEA in 2007. Instead of strengthening SEDCO, the Ministry of Youth, Indigenisation and Economic Empowerment was allocated state funds for

124. http://www.newzimbabwe.com/news-8412Grace+Mugabe+takes+on+Nestle/news.aspx.
125. Grace Mugabe admitted to using her husband, Robert Mugabe's influence to access foreign currency ahead of other ailing parastatals. See *The Herald*, 30 April 2012.
126. G. Hove, "The State, Farmers and Dairy Farming in Colonial Zimbabwe (Southern Rhodesia), c. 1890-1951", PhD thesis, Stellenbosch University, 2015, p 2.
127. "Rautenbach's Fast and Furious Ride to Riches", *Mail & Guardian*, 20 November 2009.
128. See at www.dailymail.co.uk/news/article-2379698/Mugabes-British-henchman-One-worst-slum-landlords--built-monstrous-mansion-Sussex-rival-murdered-Now-Mail-reveal-Nicholas-Van-Hoogstratens-astonishing-new-life.html.

youth projects. The Commercial Bank of Zimbabwe Youth Facility, offered US$ 2000 one-year loans based on the provision of a guarantor as the only form of security.[129] The other banks involved included the Central African Building Society's "kurera/ukondla" fund and the Meikle's Youth Empowerment facility which provided one-year loans of up to US$5000 under more or less the same terms.[130] There was no mention of interest rates and the facility was largely criticised as inadequate for serious investment and also seen as a way of rewarding loyal and active ZANU PF youth. Ultimately, it was not so much a commitment to the implementation of liberation struggle promises as it was an authoritarian and violent expression of political survival that revived the pursuit of redistributive indigenisation and empowerment. As state IEE rhetoric became radical, SEDCO was side-lined. However, it gained some reprieve from the implementation of the 51 percent indigenisation policy and from other areas of the economy such as the diamond and platinum mining sovereign wealth fund[131] from which SEDCO received an allocation.

Although the SEDCO's 1980s and 1990s position might be difficult to revive, centralising SME financing under its auspices could still provide a good starting point for developing viable African enterprises. The SEDCO became political collateral damage as Mugabe's ZANU PF sought to accumulate wealth and survive politically. The corporation was no longer useful a political tool, let alone an economic device when the SMEs Ministry, the IEEA and the Ministry of Youth overtook it. Its nature and structure were not suited to sustain ZANU PF rhetoric. After all, it was the black business middle class that the state sought to contain because it was seen as anti-establishment. SEDCO was sacrificed at the altar of political survival, demonstrating that as an institution, it was useful only to the extent that it sustained moderate IEE programmes in the 1980s and 1990s. When its operations were attacked by business groups, ZANU PF thought it politically expedient to shift its lack of commitment to IEE and blame SEDCO for failing to achieve its mandate. The fact that SEDCO's efforts were viewed by government as piecemeal and uncoordinated does not reflect the institution's successes under trying conditions and with little financial support. If anything is piecemeal and uncoordinated, it is the ZANU PF government's commitment to the empowerment of its people on a sounder basis.

Conclusion

While SEDCO was created as an IEE instrument in 1983, the institution's work was hindered by an increasingly hostile economic environment and perennial undercapitalisation. After 2000, its role was obscured by the state's shifting IEE policy.

129. See http://www.mydie.gov.zw/index.php/en/growers
130. See http://www.mydie.gov.zw/index.php/en/growers
131. "Sovereign Wealth Fund: Zimbabwe's Brave New World", *Sunday Mail*, 17 September 2013. However, some fear that the sovereign wealth fund might become a Mugabe fund in the longer term.

SEDCO's experience reveals how the ZANU PF government used the IEE policy as a political device and lately, a neopatrimonial tool to reward loyal and influential party members and supporters. There was never any strong political will to drive IEE issues in the 1980s and 1990s. Had there been any vestiges of state commitment towards IEE from the 1980s, SEDCO and other organisations such as IBDC could have facilitated access to previously exclusive areas of the economy.

It should be underscored that SEDCO's programmes had the capacity to gradually transform the economic landscape of the country. Unfortunately, despite the efforts of its dedicated management, the organisation was not well-resourced and lacked the sustained commitment of the government. Ultimately, the organisation's corporate business strategy was compromised by the political interference of the SME Ministry in the 2000s. By the turn of the millennium SEDCO was all but replaced by a radical programme of redistribution imposed directly by the state through the ministries that became mandated to do so. The retreat of SEDCO from driving the IEE agenda is a commentary on the ZANU PF government's failure to utilise such an institution to drive different areas of the country's economic development. It demonstrates the extent to which the ruling party is willing to sacrifice important institutions for its political survival and wellbeing. It is not the needs of the population at large or even the African business community that ZANU PF was concerned with, but rather the accumulation of its own leaders and the maintenance of its political ambitions, even if this meant sacrificing the development of the country's black business community.