SEDCO\(^1\) and black SME development: From ‘access’ to ‘redistributive’
Indigenisation and Economic Empowerment in Zimbabwe

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Abstract

Using the case study of SEDCO, the paper examines shifting discourse on black economic empowerment in Zimbabwe. Created as an instrument for indigenisation and economic empowerment in 1983, SEDCO became increasingly obscure after the creation of an SMEs ministry in 2002 and the passing of an Indigenisation and Economic Empowerment Act of 2008 which sidelined the corporation as an instrument for supporting black businesses. Its history is important for two reasons; firstly it provides a nuanced but evocative commentary for broad black economic empowerment issues generally in African countries. Secondly, the SEDCO narrative challenges the concentration of the natural and economic resources debate that narrowly focuses on land and land redistribution in the post 2000 timeline to include developments in the commercial and industrial sector, a key component of national economic affairs. Moreover, a longer time perspective of the colonial period and post-colonial transition is important in illustrating the trajectory of state interaction with aspiring but historically disadvantaged black businesspeople. I interrogate the dialogue surrounding redress of the skewed colonial economic legacy, calls for social justice and the state’s shifting response. While demands from black businesspeople were amplified in the early 1980s, the Zanu PF government’s response was moderate, tainted by its alternative attempt to consolidate political power especially through the pursuit of a one party state. With growing unpopularity and threats to its political hegemony as a result of the deteriorating economic situation, Zanu PF made a belated radical shift towards ill-planned politicized and racist redistributive policies in any attempt to gain revolutionary legitimacy which proved inadequate to address the desires of the electorate. Manifesting in land reform in the agrarian sector, the SME sector was also radicalized as an avenue for indigenisation. I therefore interrogate, using the lens of the SEDCO narrative, the origins of third chimurenga (war of economic liberation) and how it constructed indigenisation and economic empowerment.

\(^1\) SEDCO is an acronym for the Small Enterprises Development Corporation. SMEs, for the Small to Medium scale enterprises. I must note that the paper was developed and updated from my undergraduate project, Tinashe Nyamunda, “Spearheading the development of viable SMEs? An analysis of the origins, development and impact of SEDCO on small to medium scale businesses, 1983 to 1994”, BA honours in Economic History dissertation, University of Zimbabwe, 2003. Paper also presented at “The 8th new frontiers in African Economic History workshop, Department of Economic History, Lund University”, 6-7 December, 2013.
Introduction

Indigenization and empowerment issues became increasingly topical in Zimbabwe’s political discourse at the turn of the millennium, culminating in ZANU PF’s Fast Track Land Reform Programme (FTLRP). In commerce and industry, indigenisation inspired the formation of the Ministry of Small and Medium Enterprises Development (hereafter SMEs ministry) in 2002 and the passing of the Indigenization and Economic Empowerment Act (IEEA) of 2008 (governed by the Ministry of Youth, Indigenization and Economic Empowerment) which provided that white and foreign owned companies avail a 51 percent equity to black Zimbabweans through, management and share ownership schemes/trusts or community share ownership schemes/trusts. ZANU PF’s 2013 election campaign was anchored on initiating 100 percent black empowerment. While land reform had been coined the ‘third chimurenga’, the empowerment drive was presented as the pursuit for ‘total emancipation’ meant to consolidate the gains of political independence through redistributing all economic resources. President Robert Mugabe even claimed that the 2013 elections had given his party ‘a resounding mandate’ to complete the black empowerment programme. While redistribution policies were pursued after 2000, they were a reaction to the mounting political challenge from the Movement for Democratic Change (MDC), a political party established in 1999. The 2013 elections proved, as Simon Alison observed of the implications of the IEEA that ‘government doesn’t really want to devastate the economy again, 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.’ This populist ‘game of thrones’, potently mixed with the repression of dissenting
voices made up the survival strategy of ZANU PF. The noise around indigenisation was just meant to win the elections.6

Initially, empowerment generally emphasised access to finance and education/extension services to previously excluded and disadvantaged blacks through government programmes between 1980s to c.2000. At the turn of the millenium, IEE policy became increasingly redistributive, focusing on asset seizures/transfers. The paper will focus on the implementation and trajectory of such policy shifts through an assessment of the operations of one statutory institution, the Small Enterprises Development Corporation (SEDCO), formed in 1983. This corporation spearheaded entrepreneurial empowerment in Zimbabwe, but its operations were increasingly criticized by indigenisation lobby groups such as the Affirmative Action Group (AAG) that preferred rigorous redistributive policies. ZANU PF’s pre-2000 record towards Black Economic Empowerment (BEE)7, at least in the Small to Medium Enterprise (SME) sector, can be gleaned from the experiences of SEDCO under the Ministry of Trade and Commerce until the formation of the SMEs ministry and subsequently, the passing of the IEEA. Prior to 2000 BEE was increasingly regarded as ‘Black Elite Enrichment’8, therefore explaining attempts to broaden its scope. This paper thus interrogates whether these policy changes were inspired by a genuine attempt to remedy IEE policy or just the politics of avenging ‘the ills of the past’9 of foreign capital.

In the IEEA, “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’.10 The paper thus traces the trajectory of IEE policies from the establishment of SEDCO, as the main statutory institution for advancing previously

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6 See how influential the rhetoric of indigenisation was, at least for journalist Rangu Nyamurundira, “Indigenisation won the vote”, in The Herald, 12 August 2013, www.herald.co.zw/indigenisation-won-the-vote/
7 While the term Black Economic Empowerment (BEE) and now Broad-Based Black Economic Empowerment is synonymous with South Africa with the BEE Act being passed in 2003 and the B-BBEE Act in 2004, Indigenisation and Economic Empowerment (see the IEEA-2008) is used in the Zimbabwean case. While they are meant to address the colonial legacy of marginalization of Africans in the mainstream economic in the hope of instituting transformation, their trajectories and approaches differ significantly and are informed by respective local politics as the names imply.
9 Ibid.
10 Anthony M. Makwiramiti, “in the name of empowerment: A case for South Africa and Zimbabwe”
disadvantaged blacks until the mainstreaming of SME policy through the creation of a separate SMEs ministry and the passing of the IEEA. Ironically, many beneficiaries of the ‘access’ phase of empowerment in the 1980s and 1990s argue that rather than improve their conditions, the ‘redistributive’ shifts in IEE policy only benefited elites and in fact, the economic contraction associated with fast track indigenisation actually undermined SMEs. The paper also interrogates the political commitment of the state to the mandate of statutory financial institutions and the ultimate broadening and radicalization of issues of indigenisation and empowerment. It is divided into two main sections. The first one focuses on the reformative phase of indigenisation and empowerment spearheaded by SEDCO. The second one examines the shift towards radical redistributive policies in which SEDCO was sidelined, and focus turned to the creation of the SME ministry and eventually the IEEA.

Facilitating ‘Access’: The origins of SEDCO and the trajectory of black empowerment in colonial and early post-colonial Zimbabwe

This section focuses on three aspects. Firstly, it examines broader the indigenisation and empowerment thinking of the newly independent government in the 1980s and how this evolved over time. Secondly, it traces history of the promotion of black businesses before the formation of SEDCO in 1983. Thirdly, it looks at the debates surrounding the formulation of the SEDCO Act which provided for the creation and operational parameters of the institution. In this context, the fears and aspirations of policy makers are captured, especially in the context of the indigenisation and empowerment drive.

1. The Independent State and Indigenisation and Empowerment

Resource redistribution, especially land, was used to inspire the liberation struggle. In 1979, Robert Mugabe emphasised the need to create a socialist country and implement land reform to prevent a ‘situation like in the United States where the Rockefellers and Fords hold the rest of the people to ransom’. For Edison Zvobgo, they waged the war ‘against the system which Ian Smith and the other settlers operate(d)... in the country.’ Victory against colonialism thus entailed that for ‘...the majority... Africans who comprise(d) 97 percent... (were) going to get a much better deal...’. Contrary to these principles however, the period between the years 1980 and 2000 saw African empowerment assuming a somewhat corporatist structure. The main

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11 This emerged from some interviews held in Norton, Harare and Mutare with business owners who did not wish to be named. As such, I will only use pseudonyms for all who were interviewed for this paper.
13 Ibid.
14 Ibid.
proponent of the concept of corporatism defined it as ‘a system of social and political organization in which major societal and interest groups are integrated into the governmental system, often on a monopolistic basis or under state guidance, tutelage and control, to achieve coordinated national development.’\textsuperscript{15} In the sphere of indigenisation and economic empowerment, and with specific focus on black business operators, SEDCO was the corporation created by government to spearhead this. However, the detrimental policies implemented by the state, especially the Economic Structural Adjustment Programme (ESAP) from 1990 to 1995\textsuperscript{16}, the pursuit of a one party state\textsuperscript{17} and the politics of patronage and corruption led to much popular dissent by the late 1990s.\textsuperscript{18} As such, 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.\textsuperscript{19}

Formed principally for the purpose of providing a nationwide programme of financial and technical assistance to co-operatives and small scale commercial and industrial enterprises in 1983, SEDCO was the product of an amalgamation of four different statutory entities mostly formed in the late colonial period. These institutions included the Zimbabwe Industrial Advisory Service (ZIAS) formed in 1972, Institute of Business Development (IOBD) created in 1975, and Finance Trust for Emergent Businessmen Company (FEBCO) established in 1977, and the

\textsuperscript{15} Howard J. Wiarda, ‘The Political Sociology of a Concept: Corporatism and the “Distinct Tradition”’, in The Americas, 66: 1, 2009, p. 93; The earliest references to corporatism can be traced to fascist Italy in the 1930s in which ‘the economy was organized in corporations, one for each trade and industry’. http://www.bloomberg.com/news/2013-07-15/fascist-italy-s-experiment-with-economic-corporatism.html; The concept of corporatism was synonymous with Europe, while in the USA, it was called Fordism. In the context of 1980s Zimbabwe, SEDCO would therefore cater, in corporatist manner, for the SME sector. For more concise reading on the concept and how it applies to Zimbabwe, read Edward A Brett, “From Corporatism to Liberalisation in Zimbabwe: Economic policy regimes and political crisis, 1980-97”, in International Political Science Review, 26: 1


\textsuperscript{18} One of the key texts to examine how economic corruption, patronage networks and poor policies led much dissent by 1997 in Zimbabwe is Patrick Bond and Masimba Manyanya (2003) Zimbabwe’s plunge: Exhausted Nationalism, Neo-liberalism and the search for Social Justice, Harare: Weaver Press

\textsuperscript{19} One of the striking works that interrogate the post-colonial crisis generally, and in this case Zimbabwe is Henning Melber, “Beyond Settler Colonialism is not yet emancipation: On the limits to liberation in Southern Africa”, in Socialist History: 32
Development Finance Company (DFC) of 1980. The deputy Minister of Trade and Commerce, John Alfred Landau, commented at the second reading of the SEDCO Bill how the new institution would address the ‘dichotomy in the economic structure of our country. On the one hand, there exist(ed) a sophisticated commercial and industrial sector mainly in the urban areas, while... the communal areas, where the majority of the population live(d) (a)re comparatively undeveloped... (t)herefore the need to reconstruct, rehabilitate and develop small scale commercial and industrial enterprises...’ He noted how the colonial state had neglected the communal areas in nation building programmes.

Contrary to leftist liberation rhetoric, support for black enterprises was provided along structural functionalist contours, within the confines of a market system and without any radical socialist transformation. Ironically, while ZANU PF preached socialism and maintained a welfare state, they encouraged private enterprise. Foreign and white capital dominated the mainstream economy leaving little room for black enterprise. As such, support for SMEs became geared towards facilitating ‘access’ rather than transformation or ‘redistribution’. Andre Astrow suggested that ZANU and ZAPU had, like FRELIMO and MPLA before them, negated promises of a socialist transformation. He argued that the new government simply inherited settler-created legal and government apparatus from the Rhodesian front. With reference to the liberation movement’s association with peasants and workers, Patrick Bond suggested that, ‘the connection between those directing the struggle and the constituencies meant to benefit was ultimately tenuous’. Ian Phimister concluded 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’. The policy orientation in the 1980s reflects the misalignment.

The post 1990 historiography generally reflected ‘a sense of disenchantment with the government’ presenting ZANU PF as never having been committed to socialism. While Kate Law correctly observed that historiographical pendulum had ‘arguably gone too far’, ZANU PF’s commitment to socialism was expressed only through its welfare reforms in the 1980s but

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20 *Zimbabwe Parliamentary Debates*, vol 7: 5 July 1983, p. 151
21 Ibid, p. 155
26 Quoted in Ibid.
28 Ibid.
nowhere else. The State’s approach, as demonstrated by Landau at the reading of the SEDCO bill, was reformative rather than transformative. For Ruth Weiss, the country was only transformed in political terms.\(^{29}\) The most immediate policy announced by the incumbent ZANU PF government of reconciliation became ‘one of the factors that inhibited the Mugabe government from introducing socialist principles instantly.’\(^{30}\) In fact, Weiss characterizes this policy as ‘Zimbabwe’s reconciliation with Rhodesia’\(^{31}\) which ultimately established a single multi-racial elite based on a convergence of political and business interests. Black empowerment discourse was thus altered from one espousing the avoidance of the ‘Rockefellers and Fords’ to one embracing them while insufficiently appeasing aspiring elites through creating such institutions as SEDCO. The bigger picture was attracting big capital, not promoting indigenous SMEs.

Development economics trained technocrats also influenced the empowerment drive. Their ideas of economy never really involved radical transformation, but economic modernization on the basis of orthodox economic frameworks. According to Charamba, an economist in the Ministry of Finance and Economic Development in the 1980s, the conditions of service were guided by the vision of the Minister, Bernard Chidzero who was educated at Harvard and worked for the International Monetary Fund.\(^{32}\) Speaking at a 1982 investment conference in New York to set the record straight on socialism, Chidzero reiterated, ‘We are socialists. Are we encouraging you to come so that tomorrow we can grab you? If that’s what you think (it is incorrect-own emphasis) we... are simply pragmatists’.\(^{33}\) The 1982 Transitional National Development Plan (TNDP) which Chidzero presided over articulated that it ‘recognize(d)...capitalism as an historical reality... to be purposefully harnessed, regulated and transformed as a partner in the overall national endeavor to achieve national Plan goals’.\(^{34}\) Eventually, the ideological shift from radical socialist ideals allowed powerful political elites to access to personal accumulation, hence the criticism for BEE as Black Elite Enrichment. This was the context in which SEDCO would operate upon its formation in 1983.

2. Exclusion: Tracing the history of black business enterprises in colonial Zimbabwe

SEDCO was thus a product of rationalizing pre-existing financial and extension services under one roof through an amalgamation of four entities, most of which were created in the 1970s. Hitherto, no state facilities supported black businesses. While the Second World War had prompted the growth of secondary industry, the state only supported white industrial and

\(^{31}\) Ibid.
\(^{32}\) Interview with Mr. Charamba, Harare, 14 December 2012
\(^{33}\) Patrick Bond, *Uneven Zimbabwe: A study of Finance, Development and Underdevelopment*, p. 158
\(^{34}\) Ibid.
commercial establishments. The outbreak of hostilities in Europe created supply bottlenecks, triggering Import Substitution Industrialization (ISI). Also, large corporates like Lonrho and Anglo America dominated the mainstream economy. Volker Wild notes how African enterprises operated on constrained capital from saved wages earned from teaching, driving, purchase area farming, for instance, could not compete with established corporations and white enterprise that benefited state support. The most prominent black business people, whose operations were restricted to rural transport provision and small shops, sought reform through the Associated Chamber of Commerce of Rhodesia (ACCoR) in vain, until the liberation war forced the colonial state to reconsider.

Prompted by the threat of an intensifying of the nationalist movement in the 1950s, especially the anti-federation riots in Northern Rhodesia and Nyasaland, the United Federal Party (UFP) government tried to implement some reforms. In attempting to co-opt influential African business people and purchase area farmers as a way of weakening the middle class base of the nationalist campaign, the government called for the creation of 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’. Although the UFP Prime Minister Garfield Todd was regarded liberal, (his cabinet had even considered abolishing the Land Apportionment Act- the anchor of white colonial domination in Southern Rhodesia), the committee was set up on the premise that a ‘contended and prosperous business community... is probably the greatest contributing factor in the development of a middle class African, and maintenance of political stability’. The committee recommended that a subsidized agency be set up to promote African enterprise but such initiatives were regarded too liberal leading to the UFP’s defeat in the 1962 elections by Winston Field’s Rhodesian Front party (RF). The RF feared that such policy would promote a diminution of white colonial authority.

It was only in 1972, under the pressure of busting sanctions, encouraging domestic investment and under the threat of an intensifying liberation war that the RF government started supporting black businesses. The state, in conjunction with the United Nations Development

37 Among these included people like Zacharia Chigumira, Ben Mucheche, Alfred Banda, Kenneth Marechera, Micah Bhebe, Adrian Mwamuka and Ruth Chinamano. See Ibid.
38 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
39 Ibid.
Program (UNDP), established the Small Industrial Advisory Service (SIAS).⁴⁰ The organization provided assistance to black business people by appraising project and providing extension services. SIAS also conducted seminars and workshops to enhance best practices in business. Some Africans were not adequately educated to be able to operate in a capitalist market hence the assistance with ‘their projects before they approached financial institutions at the pre-appraisal stage (to look) for areas of weakness... to strengthen them through training’.⁴¹

In 1975, the Institute of Business (IOB) was formed with similar terms of reference to SIAS but biased towards commercial businesses.⁴² It provided personalized consultancy services, a center for collation, collection, and distribution of business relevant information such as credit control, stock control, cash management, accounting and other matters. However, all this work was handicapped by one major problem.⁴³ While financial assistance was sought from various sources such as the British High Commission, the major focus of IOBD was extension services.⁴⁴ In spite of the promising projects supervised by these support institutions, 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.⁴⁵ Moreover, many black businesses were located in rural areas where operators could not afford to visit SIAS and IOBD for training, especially with no guarantee of financial injections into their businesses.

Realizing the above constraints, a lobby of the Reserve Bank and commercial banks that received many loan applications for startups encouraged the creation of the Finance Trust for Emergent Businessmen Company (FEBCO) in 1977.⁴⁶ Although availing affordable credit for smaller businesses, the application process remained rigorous because of security requirements. Though stringent compared to commercial financial markets, projects approved by SIAS and FEBCO still had to be approved by branch managers of commercial banks before being forwarded to FEBCO were another period of waiting was required, without the guarantee that the loan would be approved. FEBCO was also severely undercapitalized.⁴⁷ In April 1980, a state initiative to consolidate efforts already made in assisting small businesses resulted in the formation of the Development Finance Company (DFC), an organization which almost collapsed in less than two years also because of undercapitalization. Citing these problems, the Chief

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⁴⁰ Interview with D Mlambo, a former senior business consultant at SIAS and would become Assistant General Manager at SEDCO, SEDCO boardroom, Harare, 8 July 2003
⁴¹ Ibid.
⁴² NAZ, S/in 41, Institute of Business (IOB) newsletter and journal, March 1982, p. 7
⁴³ Ibid.
⁴⁴ Ibid.
⁴⁵ Interview with D. Mlambo, SEDCO board room, Harare, 8 July 2003
⁴⁶ NAZ, S/in 41, IOB Newsletter and Journal, March 1978, p. 4. FEBCO was the result of a lobby of the Reserve Bank and several commercial banks.
⁴⁷ Ibid.
Executive Officer of IOBZ, A.P.S Sheridan realized that the autonomous services of these organizations would not achieve the desired goals hence the need to consolidate them into a more efficient one stop corporation. He saw great potential, ‘Granted that one organization 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’. These ideas resulted in the first of the mergers between IOBZ and ZIAS in October 1981.

The idea to form a consolidated SEDCO, under the new government gained momentum and by 1983, the institution was formed. However, a number of pertinent points must be noted. Instead of being transformative, black empowerment policy was reformist, seeking to accommodate some blacks in a market dominated by foreign corporate and domestic white industrial and commercial capital. In this context, black businesses posed no serious challenge to established multi-nationals and white enterprise. Given the small size of most African businesses, most of which were located in less profitable remote areas, opportunities for growth were limited. In fact, some black entrepreneurs that managed to expand their businesses were aided by powerful political connection or became tenderpreneurs.

3. Inclusion: The creation of SEDCO as an instrument for Indigenisation and Empowerment

The legislators debating the SEDCO Bill in 1983 identified the ambiguity between socialist principles that were embodies in the Growth with Equity policy which contrasted the market orientation the proposed SEDCO. However, the prospect of providing support for 20000 rural businesses where 70 percent of the population lived prevailed. The ‘small enterprise sector (w)as the main provider of basic commodities and essential services...’ in rural areas. Projects were financed on ‘the basis of entrepreneurial identification and development, management training and counseling...possibly to build a sufficient amount of reliable investment capital to remain in business.’ Entrepreneurial support was predicated on the knowledge that no radical land redistribution was imminent. Like Smith’ UDI RF government, the ZANU PF encouraged

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48 “A helping hand for small firms”, The Herald, 10 September 1981
49 Ibid.
50 In a similar South African context, ‘the infamous term “tenderpreneur” made its way into our vocabulary, entrepreneurial enterprise became tainted with cynicism...it (is) associated with practices where individuals and/or companies leverage their political connections, as opposed to their craftsmanship and skills, at the expense of more deserving candidates...”, Erica Penfold, “Create Entrepreneurs not tenderpreneurs”, http://transformationaudit.org/blog/wp-content/uploads/2013/02/Create%20entrepreneurs%20instead%20of%20tenderpreneurs.pdf. In the Zimbabwean context, elite enrichment came to be associated with madhiri (underhand deals), corruption and clientalism. See Patrick Bond, Uneven Zimbabwe: A study of Finance, Development and Underdevelopment, p. 217
52 Ibid.
53 Ibid.
African development in communal areas without transforming prevailing economic arrangements. Within this framework, the ‘coloniality’ of power was transforming into its ‘nationality’ form. Moreover, the financial support provided was just enough to ‘remain in business’, but with little support for growth. The rural development policies of the 1980s focused on decentralization of economic activities to expand ‘growth points’ meant to stimulate production in the African countryside. Theoretically, the sum of these policies was meant to appease the rural populace, the burden bearers of imbalances within the economy.

A Member of Parliament (MP) for the Midlands, W. H Kona, inquired about the sort of security required for black businesses to qualify for support. Landau responded that the criteria used by any ‘prudent person or corporation’ would be the movable and immovable property the applicant had apart from stock in shop. While the cost of credit would be lower and specialized extension services provided in contrast to commercial bank practices, like them, SEDCO would have a loan, not grants facility. MP J. P Berkhout wondered, ‘if assistance is to be granted to enterprises that operate on sound business and commercial principles, which means “to make money”, how do you do this while adhering to socialist principles?’ Another MP, A Goddard was worried that, ‘Government tends to give rise to fears the? might be politically shown by such a quasi-government organization to people who are ideologically and politically motivated. People who do not adhere to the party line and who do not carry a card might be ignored by such a corporation’. He ‘found it hard 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.’ If the ‘object of this bill is fundamentally capitalist. Now, therefore, how does the Minister reconcile this with the central theme of government thinking?’ These concerns demonstrated the ambiguity in government thinking and practice.

This corporatist approach had been branded ‘pragmatism’ by Bernard Chidzero in 1982. Responding to concerns raised by MPs on the SEDCO Bill, Landau argued that, ‘We are a business and not a political organization’. He added, ‘I do not believe this would be the right
forum to discuss the subject of socialism against capitalism—but I do believe that the particular case would be better left unanswered’. The debates surrounding the creation of SEDCO clearly demonstrated how the principle of resource redistribution was subordinated to, firstly, maintaining the status quo; and secondly, ZANU PF’s other priorities, specifically the pursuit of a one party state. While Goddard was confident that SEDCO was well suited to ‘stimulating especially the lower levels of our business field’, this was at the backdrop of ‘a declining level of investment in this country…and one hopes that the ideology behind this Bill will give confidence to those who might otherwise not have invested their money.’ Clearly, SEDCO was not structured for the radical transformation of the country’s financial landscape, but it merely consolidated the reforms started by Smith’s RF government. As such, by the 1990s, mainstream remained dominated by foreign and white capital.

MP Divaris summarized aspirations of the SEDCO Act being the ‘fact that all these small splinter (colonial) organizations which have been trying to help the emergent businessman, each perhaps under its own initiative, are coming under one umbrella’. As such, ‘we will gain because there appears to be just one organization handling the whole thing, and not many.’ SEDCO was therefore created to keep black businesses in the rural areas afloat within a context of rural development rather than wealth and land redistribution. As demonstrated throughout SEDCO’s experiences in the 1980s and 1990s, such a framework persevered before the radical shift of the ZANU PF government at the turn of the century. Far from indigenizing the economy, such policies offered piecemeal opportunities for the empowerment of previously disadvantaged black businesses. The next section will assess the experiences of SEDCO until the reformist discourse on indigenisation and empowerment shifted towards a radical redistributive form.

**From access to redistribution: SEDCO and shifting indigenisation and empowerment policies**

This section appraises SEDCO as an instrument for spearheading SME development within the context of shifting indigenisation and empowerment discourse. Although designed as the leading stakeholder in SME development, SEDCO’s work was complemented by the programmes run by the Zimbabwe Development Bank (ZDB) and the Credit Guarantee

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65 Ibid.
66 Ibid, p. 318
67 Ibid.
69 Ibid, p. 318
70 Ibid.
Company of Zimbabwe.\textsuperscript{71} By 2002, the state however felt that these institutions’ support for
African enterprise was ‘piecemeal and uncoordinated’,\textsuperscript{72} leading to the creation of an SME
Ministry that straddled populist redistributive indigenisation approach. The Ministry, under
Stembiso Nyoni, became a political mouthpiece for ZANU PF indigenization discourse. After
this, SEDCO was reduced to a tool for reward to loyal ZANU PF supporters with grants for small
projects.\textsuperscript{73}

However, while SEDCO’s operations were ridiculed as piecemeal, it had operated in under
hostile political economic conditions, especially with regards to a state that did not sufficiently
support it.\textsuperscript{74} According to its Chief Executive Officer from 1986 to 2002, Joseph Nyamunda, the
statutory institution made the best of the resources it was allocated.\textsuperscript{75} If fact, SEDCO
successfully outsourced funding from inter-governmental organisations including United
Nations Development Program (UNDP), Canadian International Development Agency (CIDA),
Manitoba Institute of Management (MIM), the Institute of Management and Productivity, and
created strategic partnership with other stakeholders such as the United Nations Industrial
Development Organization (UNIDO).\textsuperscript{76} An assessment of SEDCO’s terms of reference
demonstrates the success of the organization within its operational parameters. In the
corporatist sense, the organisation did very well but when confronted with broader
indigenisation and economic empowerment policy that was the preserve of the state. It was
only after waning support for the ZANU PF and failing neo-liberal policies in the 1990s
government turned radical policy. The party-state hoped to redeem itself by encouraging
redistribution, first in land, and then elsewhere in the economy.\textsuperscript{77}

SEDCO operated through four departments of Project Identification and Development;
Management Consultancy; Management Training; and Entrepreneurial Development.\textsuperscript{78} The
range of products offered through 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, extension services for approved projects.\textsuperscript{79}
The Ministry of Co-operative Development had been created in 1986 with the intention of

\textsuperscript{71} SME Policy and Strategy, White paper submitted to the Ministry of Industry and Commerce, 2002, p. 8
\textsuperscript{72} Ibid.
\textsuperscript{73} Interview with Moyo-Sithole (pseudonym), 14 December 2012.
\textsuperscript{74} See SEDCO annual reports, from 1984-2002.
\textsuperscript{75} Interview with Joseph Nyamunda, SEDCO boardroom, Harare, 7 July 2003. There was a formal follow up
interview on 12 December 2012.
\textsuperscript{76} SEDCO annual report, 1986, p. 4
Historical materialism, 12: 4, pp. 355-382
\textsuperscript{78} SEDCO annual report, 1990, p. 4
\textsuperscript{79} Ibid.
boosting the development of co-operatives, and it partnered with SEDCO. Furthermore, the corporation signed agreements with the World Bank in an effort to enhance the financing and development of Zimbabwean SMEs. Moreover, the corporation was consistently in consultation with its parent ministry in citing areas that needed improvement. A good example is how SEDCO would sometimes fail to recover loans mostly because it needed legal powers to enforce liquidation of those failing businesses it would have funded leading to the 1988 amendment, which was also revised in the 1998 amendment. This explains how its relationship with the Credit Guarantee Company of Zimbabwe was forged.

Arguably, SEDCO’s mandate of ‘(s)pearheading the development of viable small to medium scale enterprises was, given its resources, successful. Nyamunda cited some success stories, for example, mobile network mogul Strive Masiyiwa. When he started his business Retrofit, Masiyiwa got some support from SEDCO eventually founding the biggest mobile network provider in Zimbabwe, Econet wireless which started operating in 1998. Eventually, he acquired a majority stake in MASCOM in Botswana, and expanded to Kenya and Burundi. Masiyiwa’s business acumen is reminiscent of Lonrho’s Roland Tiny Rowland and Anglo America’s Sir Ernest Oppenheimer. However, Masiyiwa managed to spread his investments before Zimbabwe’s economic plunge, a move which protected his business interests. Other black businesses were not so fortunate and their investments were affected by the decline of the national economy. As such, those who harnessed SEDCO support, exploiting available opportunities made serious breakthroughs as Masiyiwa’s example demonstrates.

Clearly, prior to 2000, the state had delegated the task of stimulating the flow of wealth towards black entrepreneurs through corporate statutory instruments. In his analysis of such approaches, Edward A Brett noted how ‘corporatists assumed that the new professional elites would use state institutions to deliver modern services to a “traditional” and dependent

80 SEDCO annual report, 1987, p. 6
81 SEDCO annual report, 1999, p. 9
82 SEDCO’s mission statement which appears in all the annual reports I used.
83 Interview with Joseph Nyamunda, 14 December 2012
85 Ibid, The Telecoms giant continues to expand. Its Chairman, Masiyiwa had other interests, owning The Daily News (which was then 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 etc. To demonstrate how the state was not always dedicated to indigenisation, Masiyiwa faced a torrid time trying to acquire a telecoms license from POTRAS. The state blocked his efforts until the intervention of Vice President Joshua Nkomo in 1998.
87 Read the profile of Ernest Oppenheimer written by his son in 1967 and published in Optima. It can be accessed from http://www.brenthurst.org.za/sirernest.cfm
Although comparing the corporatist approach to liberalization, he 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’. While the corporatist approach was viewed as efficient in early post-colonial economic planning, it was not accompanied by any sustainable programme of resource redistribution to unlock areas of the economy in mining, agriculture and industry for the majority of the excluded black entrepreneurs. As such, the ‘rules and incentives’ were insufficient to govern sustainable resource allocation. Established Multi-National Companies and domestic white capital continued to dominate the most lucrative investments in the economy. Perhaps SEDCO could have financed Black businesses, as indeed they did in very few cases through its Entrepreneurial Development Programme (EDP) that was launched in 1986, to invest their way into the largely exclusive sectors. However, they were seriously handicapped by a perennial shortage of funding from the state.

A survey of supply and demand of SEDCO services demonstrates the effects of the lack of funding. In the period between 1984 and 1986, for example, out of the 1376 applications made, only 5.7 percent were approved, 39 percent were under process while the reminder either lapsed because of lack of funding or were rejected. 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 applied. The successful application required Z$14.8 million versus the availed amount of only Z$3.9 million. This prompted respondents such as Mr Mhishi, who had been in from the 1980s in Mufakose (a high density suburb in Harare) to comment that, ‘The loans (we)re inadequate to make any meaningful investment and expansion of the businesses in the really capital intensive but profitable areas of the economy. As such, we remain trapped in the easy entry, less rewarding businesses with very little hope of any meaningful progress.’ The capitalization problem persisted and was worsened by the government’s adoption of the Economic Structural Adjustment Programme (ESAP). Under this programme meant to stabilize domestic fiscal and Balance of Payments (BOP) deficits, the state was restructured in a manner that did not benefit statutory corporations that ran on

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88 Edward A Brett, "From Corporatism to Liberalisation in Zimbabwe: Economic policy regimes and political crisis, 1980-97", p. 92
89 Ibid.
90 Ibid.
91 Interview with Joseph Nyamunda, 14 December, Harare, 2012
92 SEDCO annual report, p. 16
93 Ibid.
94 Interview with Mr. Mishi, Norton 27 June, 2003; Mhishi echoed the position of man businesspeople and other prominent political figures also 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;
government financing. The result was that SEDCO did not receive the promised funding from 1993 to 1997. In fact, it failed to reach set targets for the 1993 to 1995 financial year as it had not received anything from the state but was running from very little funds that were outsourced by the management.

SEDCO also faced problems pertaining to the work of other government departments that were supposed 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) which had been mandated with infrastructural developments in roads, dams and buildings was only operational in name only by the mid-1990s. The infra-structure 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 also suffered and many rural businesses faltered.

The suffocation of capital for SEDCO agitated many black business lobby groups such as the Indigenous Women Business Development Group (IWBDG) and the AAG. These groups campaigned for an equity quota in the corporate sector just as peasant and war veterans associations were pushing for such reforms in land. These entrepreneurs argued that financial support available to them was not only ‘too little to even consider’, but that there was too much gatekeeping for former settler capital and foreign corporates in the mainstream economy. While the voices of such organizations became more prominent in the late 1990s, SEDCO retreated into the background of the indigenisation and empowerment drive, prompting the Zimbabwe National Chamber of Commerce (ZNCC), for example, to call for its privatisation.

Black businesses themselves were bedeviled by price and other state controls from the 1980s, competition from parastatals and private monopolies or duopolies in the latter years, the shortcomings of the ESAP. For them, declining formal employment growth and the contracting market compromised their investments. These outrages more or less coincided with other civil society criticism of the state. Although SEDCO, through its $42.8 million on-lending facility in 1993, for example, could claim that for that year had sustained some 1808 jobs and helped

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95 Interview with D. Mlambo, 8 July 2003
96 SEDCO annual report, 1999, p. 9
97 Ibid.
98 Interview with Brian (pseudonym), Harare, 8 October 2003
99 Ibid.
100 These were captured in “Issues and options for the promotion of small and medium scale enterprise development”, NORAD report, March 1993, p. 1; see also “Late SEDCO funding worries businessmen”, in The Manica Post, 24 June 1994
101 Ibid.
102 “ZNCC urges state to commercialise SEDCO”, in The Daily Gazette, 23 December, 1993

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facilitate the creation of at least 1460 new ones, the general economic climate was declining.\textsuperscript{103} It did not have the capacity to keep pace with 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.’\textsuperscript{104} So, they imagined, under the control of a consortium of private business, SEDCO had the capacity to retain staff, get funding, operate on commercial grounds and thus become a more effective tool for African business indigenization.\textsuperscript{105} This did not materialise because the process would have been self-defeating. Operating for a profit and funded by private capital, the corporation would simply have become another commercial on-lending institution, providing credit at concessionary rates.\textsuperscript{106} To diffuse the tension government promised to release $500 million to SEDCO at the end of 1993, but part of the money was only availed at the end of 1997.\textsuperscript{107}

Complaints from the indigenous business lobby group were justified by the fact that, wherever foreign capital struggled in the deteriorating economy of Zimbabwe in the 1990s, most relocated their investments especially to South Africa leaving behind increasing unemployment. In the markets they abandoned, African enterprise was not structurally and financially equipped to take over hence the gulf was filled by cheap imports. The situation created a vent for informal enterprise, especially in the textiles sector.\textsuperscript{108} As such, the lobby groups increasing intervention and support directly from the state. They were calling for a paradigm shift in indigenisation and economic empowerment thinking, campaigning for a larger stake in the mainstream economy. They argued that if such indigenous enterprise 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.’\textsuperscript{109} In fact, William Bonyongwe in his survey of manufacturing industry noted that 92 percent of firms employing less than 20 people were small scale while the large corporates and the state employed close to 80 percent of the workforce. As the effects of ESAP began to bite, with the state cutting jobs for austerity purposes and the corporates downsized, unemployment soared.\textsuperscript{110} As Bonyongwe observed, the impact of job losses would have been absorbed had there been more investment into the SMEs. Moreover, the downsizing of corporates had also created backward and forward linkages with small business through contracts hence compromising the SMEs as well. The spiral effect of that was that the alternative means to employment was either emigration or participating in

\textsuperscript{103} SEDCO annual report, p.6  
\textsuperscript{104} “ZNCC urges state to commercialise SEDCO”, in The Daily Gazette, 23 December, 1993  
\textsuperscript{105} Ibid.  
\textsuperscript{106} Interview with Joseph Nyamunda, SEDCO boardroom, Harare, 2003  
\textsuperscript{107} SEDCO annual report, 1999  
\textsuperscript{108} Alois S. Mlambo, The Economic Structural Adjustment Programme: The case of Zimbabwe, p. 34  
\textsuperscript{109} Tichaona Zindoga, “Zimbabwe: AAG for Pack and Go policy”, The Herald, 23 November 2013  
\textsuperscript{110} William Bonyongwe, An update of the ownership profile of the Zimbabwe manufacturing sector, p. 3-4
the informal sector. Either way, the tax base of the state continued to diminish plunging Zimbabwe into deeper crisis.

The effect of economic contraction was increasing political dissent which culminated in a series of riots. Although these were violently crushed, ZANU PF suddenly shifted towards more radical, populist redistributive policies in an attempt to appease the populace by 2000. The process of doing so however, involved invoking legitimacy through of the liberation credentials. Although the needs of the people were expressed through protests against bad policies and historical inequities, ZANU PF imposed a redistributive discourse which manifested through the payoff of some of the war veterans in order to buy their allegiance and the radical turn shifted towards land reform. The state imposed its own brand of exclusive nationalism and branded the radical shift the ‘third chimurenga’, which they marketed as the final war for economic emancipation.111

Instead of the privatization of SEDCO called for by the business lobby groups, the government instead created an SME ministry to step up its indigenisation and empowerment policy in 2002.112 With the creation of the SME ministry and in the context of a deepening political and economic crisis following land invasions, SEDCO’s importance continued to wane. While it continued to operate under the new ministry, its corporate focus also shifted from supporting formal registered SMEs towards micro financing of the mushrooming informal sector enterprises.113 Indeed, many business people I interviewed testified that SEDCO’s role continued to diminish in the post 2000s. Its position was even more obscured following the passing of the IEEA in 2008. Instead of strengthening SEDCO, the Ministry of Youth, Indigenisation and Economic Empowerment were allocated state funds for youth projects which were allocated through the Commercial Bank of Zimbabwe (CBZ) Youth Facility which offers US$ 2000 one year loans, in which having guarantors is the only form of security required for approved projects which would be funded within three months of application.114 The other banks include the Central African Building Society (CABS) ‘kurera/ukondla’ fund and the Miekles Youth Empowerment facility which offer one year loans of up US$5000 under more or less the same facility.115 There is no mention of interest rates and the facility has largely been criticized as inadequate for serious investment and also seen as a way of rewarding loyal and active ZANU PF youth. In all of this, SEDCO is sidelined, but following the implementation of the 51 percent indigenisation policy and from other areas of the economy such as diamond and

111 For a concise overview on crisis literature in the post 2000 period, see, Ian Phimister, “‘Rambai Makashinga (Continue to endure)’: Zimbabwe’s unending crisis”, South African Historical Journal, 54: 1, pp 112-126
112 SME policy and strategy, White paper submitted to the Ministry of Industry and Commerce, 2001
113 This was because of the politicking of its Minister Stembiso Nyoni who was more interested with campaigning for ZANU PF than implementing proper financing policy.
115 Ibid.
platinum mining, a sovereign wealth fund\textsuperscript{116}, from which SEDCO would get an allocation. The corporation’s 1980s and 1990s position might be revived, centralizing SME financing under auspices but this remains to be seen.

**Conclusion**

While SEDCO was created as instrument indigenisation and empowerment in the 1980s, the institution’s work was hindered by an increasingly hostile economic and legislative environment and perennial undercapitalization. After 2000, its role was obscured by shifting policy and other developments in IEE policy. Going by the encounters of SEDCO with government policy and practices towards IEE, it appears that ZANU PF used such organizations merely as rhetorical devices of appeasing influential and opinion making sections of its electorate. As many scholars have noted, there was never any strong political will to drive empowerment issues in the 1980s and 1990s as much as there was efforts to consolidate power through campaigning for a one party state. Indeed, the military investment in funding the attempted political elimination of ZAPU in the 1980s is testimony to this. If such funds had been directed towards the corporate restructuring of the commercial and industrial sector, through SEDCO and other organizations such as the AFC in agriculture along with supported programs for informed redistribution of resources, there is every reason to believe that the political-economic landscape would be different. In the end, the corporate approach outlived its rhetorical use by the turn of the millennium and was replaced by a radical program of redistribution imposed directly by the state through the ministries that were empowered to do so.

\textsuperscript{116} Sunday Mail Reporter, “Sovereign Wealth Fund: Zimbabwe’s brave new world”, *Sunday mail*, 17 September 2013, Some however fear that the sovereign wealth fund might become a Mugabe fund in the long run.