
Innocent Chirisa
Department of Rural and Urban Planning, University of Zimbabwe
Zimbabwe

Smart Dumba
Department of Rural and Urban Planning, University of Zimbabwe
Zimbabwe

Tamuka Mukura
Department of Economics, University of Zimbabwe
Zimbabwe

ABSTRACT

This paper examines the role and place of innovative planning in a changing world with reference to Zimbabwe. Specifically the paper tries to answer the questions: What is innovative planning? What new challenges in the economy, the environment, the state? The paper puts into context the issue of planning with and for informality and tries to pose questions for appropriate policy and public solutions in terms of possible and existing challenges, opportunities and threats. It acknowledges that urbanisation is a reality which is concomitant with increasing informality which is quite difficulty to plan for and consequently manage.

INTRODUCTION

Zimbabwe has perhaps gone a full cycle in terms of policy and ideological schematics and practice. In the process, there has been an ever deepening of poverty. Households and families have sought alternative ways to have their heads above the waters. A great number have resorted to informal sector operations with a few graduating into viable small-to-medium enterprise ventures. The Zimbabwe 2003 Poverty Assessment Study Survey Summary Report by the Ministry of Public Service, Labour and Social Welfare (MPSLSW) (2006:64) states that:

There is need to recognize the role played by the informal sector in providing employment especially to the poor as it accommodates 28 percent of those employed .... In so doing, it is important to support the graduation for the informal enterprises into registered viable SMEs that generate employment and contribute to economic growth.
The residual informal sector should be continuously supported to enhance their operational environment, particularly in terms of infrastructure and capital. Business support should also be gender sensitive and should pay particular attention to urban areas.

Four critical points can be noted in this packed statement, that is, (a) the informal sector can graduate into viable small-medium enterprises which can contribute significantly to national economic growth; (b), economic growth and employment creation are closely knit; (c), there is always a residual type of informal sector that thrives on a supportive infrastructure base; and (d), gender sensitivity and urbanity are central to the discussion of the small businesses and enterprises. Also the pronouncement of these, as coming from a government ministry shows an indispensable realization that instead of merely anathematizing initiatives by households and small operators, the government has a critical role in ensuring the existence of an enabling environment to these noble undertakings. One reviewer, in Chirisa (2009), had this to say about Zimbabweans; “I understand that Zimbabweans are enterprising people; despite the hardships they have gone through and are going through, they still believe in running small family businesses instead of engaging in violence and robbery.” Indeed, this is the thrust of this paper, to show the resilience and adaptive styles of small businesses mainly in the category of informal business operations and the SMEs.

This paper seeks to document the innovative, adaptive and survivalist strategies by small enterprises/businesses as well as households in the period from 1990 to 2011, explaining the planning implications thereto. The discourse is informed by the fact that over the two decades, SMEs in Zimbabwe have undergone a series of challenges in which they have learnt to swim against the tide or perish. From 1980 to 1990, the first decade of independence, the government pursued “…a strong social policy framework, especially with respect to education and health, which was difficult to sustain due to erratic growth” (Tsvangirai,, 2011). After this came the experimental policy referred to as the Economic Structural Adjustment Programme (ESAP) which ran from 1991 to 1996 (cf. Tevera and Chimhowu, 1998). Such was a paradigm shift from a socialist policy framework to a liberal and market-driven approach to development (Mitlin, 2002). It witnessed a number of policy reversals as the social-orientated gains that had accumulated over the years were literally put to the grill and lost. A reactive policy framework came to ‘undo’ the harm of ESAP, in the form of the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). It was never fully implemented (Maphosa, Kujinga and Chingarande eds., 2007; Masaka, 2011; Masunungure and Chimaniikire, 2007). After this came a third national developmental phase marked by serious policy incoherencies, inconsistencies and vacillations (Masunungure and Chimaniikire, 2007).

Tsvangirai describes the period as characterized by “crises and crisis-management practices”. A series of knee-jerk, fire-fighting reactionary policies were marked by policy inconsistencies, contradictions and reversals. Not surprisingly, such policy incoherence saw the economy descend into hyperinflation in August 2007, and paralysis in 2007-2008…” In 2008, the three

---

1 Interview of Morgan Tsvangirai on Nehanda Radio, 30 June 2011
political parties that had garnered substantial votes in the Harmonised Elections organized in the same year, signed the Global Political Agreement (GPA) on 15 September. This ushered in an Inclusive Government, also referred to as the Government of National Unity (GNU) which took office in March 2009 (Masaka 2011). After years of battering and sinking, the new government brought stabilization to the economy. One major step was the adoption of the multi-currency regime also referred to as dollarization. “Despite these steps, due to among other factors, in-fighting within the government, the majority of the population remains in dire poverty as industry and commerce continue to face serious challenges.” In this aspect, the bulk of the population continues to live under the poverty datum line; they engage in informal and small business operations. These are labelled as micro, small to medium enterprises (MSME). In Zimbabwe, like in many other countries, these are often family or individually run. This means, much as they hinge on financial capital, social capital often plays an integral role in their successes or failures.

Zimtrade (2004) as cited in Chirisa (2004: 23), defines a Small to Medium Enterprise (SME) as “...a manufacturing company employing between 25 and 200 people, with a realistic potential to export its product(s).” Then, Zimtrade opened a new department to house the SME section whose key objectives, according to Zimtrade (2004), were as follows:

- To create an export culture among SMEs in Zimbabwe;
- To improve the export competitiveness of SMEs;
- To identify markets for SMEs products;
- To match SMEs with regional and international buyers;
- To promote joint surveys of SMEs and foreign partners;
- To carry out supply surveys of SMEs to establish their ability to supply export markets;
- To carry out demand surveys of SME products;
- To organise trade fairs, solo exhibitions, inward and outward missions for SMEs; and
- To lobby for organizational and national support for SMEs.

Zimtrade (2004) also notes that the emerging SMEs were mainly concentrating on satisfying local market needs. By way of a process approach, as they progressed, they then looked at exports to grow market share. Unfortunately growing SMEs has never been an easy task, especially in developing countries, due to policy and environmental challenges as those through which Zimbabwe has undergone in recent years. Romanelli (1989) speaks of the environments and strategies of organization start-up putting emphasis on the effects on early survival. Chichoni (2010) argues that Zimbabwe’s major portion of small business activity is in the informal sector (cf. Chirisa, 2007; 2009a; 2009b). In this sector, the principal contour of business is retailing (Chirisa, 2004). In the current regime the small business operators trade in cheap imports from Asia and South Africa. This has witnessed a trend where, for instance, downtown Harare has become “…a hive of construction activity, with old buildings being remodelled and partitioned to accommodate even more tiny retail shops in addition to the numerous flea markets. The retail industry is probably the fastest growing” (Chichoni, 2010:2).

---

2 Interview of Morgan Tsvangirai on Nehanda Radio, 30 June 2011
Regarding SME financing, Jongwe (2011:4) says that, traditionally, Zimbabwean banks have had “...an uneasy relationship with small businesses when it comes to advancing loans.” Financial institutions consider this sector as ‘high risk’ and unable to meet the collateral requirement for any loans. Jongwe notes, however, that a few banks like Barclays used to operate fully-fledged SME centres before the economic crisis. Yet the bulk of other similar institutions have never considered this sector as a viable source of business. Observing this gap, government guarantees of any loans disbursed by these banks to small businesses have been tried though with limited success.

Small businesses in Zimbabwe face a number of critical challenges, which would portray a picture of non-seriousness on the part of the operators. Chichoni (2010:3) has remarked that though “....some “briefcase” firms brought on this stereotyping of SMEs as “vanaMusiyamwa”, the majority are genuine business people working hard to grow their enterprises.” He singles out specific problems associated with SMEs, namely:

- Their failure to express their own vision and to present a professional image to their enterprises and firms;
- Dependency on operating on a “shoestring budget” while getting off the ground; and
- Failure to acquire critical resources for business management including, proper business stationary in the form of letterheads and business cards, a professionally done company profile, a bank account, up to date tax clearance and business licenses.

Chichoni divides between entrepreneurs and ordinary business owners. He hammers that it is the “size of their imagination” which makes the difference. In his terms, ordinary business owners “...are satisfied with smallness while the former think big”. The recipe for business success according to this writer hinges on courage, diligence and persistence. He stresses that success in business “... takes hard work and persistence. Success does not come overnight” (ibid.)

**ENTERPRISE DEVELOPMENT: THEORY AND PROCESSES**

Chichoni (2010) has noted the relationship between small business and entrepreneurship, that these are related yet not synonymous concepts. Stevenson and Gumport (1991) cited by Chichoni (2010:1) point out that while entrepreneurship is a type of behaviour (typical of both small and large businesses); small business, on the other hand, “...can be a vehicle that entrepreneurs use to introduce new products and processes that change the industry, and can also be used by people who simply want to own and run businesses for a living.” He further elaborates that:

The distinguishing feature of entrepreneurs is that they are innovative risk takers who challenge existing firms by introducing new inventions that make current technologies and products obsolete. This process, which Schumpeter called “creative destruction” (Theory of Economic Development, 1912), is the main driver of economic growth.
Enterprise development, in which SMEs are seen as the embryonic input, has been explained by a number of theorists. The notion hinges on issues of invention, innovation, survival and adaptation. Such ideas have been explained by such scholars like Joseph Schumpeter (1934; 1939; 1942; 1947) and Storper and Walker (1989). Regarding survival of SMES, Mboko and Smith-Hunter (2009) have pointed out that “... mortality of small businesses in general is high, particularly in the first three years of operation, and the odds for survival improve as the firm grows older...in the sense that continuation of business activities can be taken as a criterion for success....” To survive, thus, businesses must strive to be adaptive. Yagi (2006:11), on Schumpeter’s approach to entrepreneurship and innovation, argues that “...entrepreneurs and inventors, or innovation and invention are separated into two different worlds of actions and ideas.” In this aspect the issue of praxis is critically relevant. In practice, business start-up is often met with a number of challenges some of which are gender-related. For example, Shabbir (1995) has explained on how gender affects business start-up with evidence from Pakistan. She outlines the problems faced by women being related to their social status of womanhood, choice of business, access to capital, lack of business experience - especially the experience of public dealing, lack of credibility as women entrepreneurs, restrictions in terms of spatial mobility and the challenges of managing employees. Mboko and Smith-Hunter (2009:2) have pointed out that the obstacles that women “entrepreneurs face worldwide include: a lack of financial capital, inadequate human capital potential, lack of adequate networking structures, especially one lacking access to international networks, and stifling government policies”

Solymossy and Penna (2001) citing Churchill and Lewis (1983) on their seminal work whose focus was on small, entrepreneurial businesses identified key problems and patterns exhibited by growing entrepreneurs. Churchill and Lewis established that firms could be classified within five growth stages in which a firm begins its existence as an entrepreneurial firm, without formality of processes or organizational structure per se. at this stage, the entrepreneur “…fulfils multiple roles – performs multiple tasks, including the tasks of management by direct supervision” (Solymossy and Penna, 2001:6). They argue that the initial stage of venture initiation is followed by the survival stage. Given that there is success, resources are then required to facilitate growth: financial, managerial skills and human resources. With growth, the entrepreneur transitions into 2 stages of functional structure, then into a divisional structure. One critical observation by researchers, according to Solymossy and Penna (2001:7) is that:

As the firm experiences challenges (or crises), the firm both adapts and changes, or it fails. Each change modifies the firm’s management and structure. The firm transitions from an entrepreneurial firm to a functional structure, seeks economies of scale and efficiencies. This requires the implementation of formal structures and a functional style of management - a significant change from the previously unstructured entrepreneurial firm.

According to Scott and Bruce (1987) as a small business develops it moves through five growth stages. Each of these stages has its own distinguishing features. Change associated with the transition from one stage to the next is accompanied by some crisis or another. Scott and Bruce assert that crises are disruptive hence managers ought to be proactive rather than reactive in
order to adequately address the concomitant challenges. They then propose a model of small business growth to enable managers of small businesses to plan for future growth. In the same vein, Manggala (2003) argues that “...adaptation and innovation are very important for business firms to survive in the competition”. Storper and Walker (1989:44) distinguish between weak and strong competition (the two faces of competition). The latter is a survival of the fittest situation, whereby business firms thrive on their capacity to ‘stand the ground and proving to be a force to reckon with even in the face of stiff rivalry’. Competition is said to be weak when firms “…jostle for advantage in commodity markets: they seek market share by under-pricing and by enticing customers; they try to get the best price on materials from suppliers; and they work to secure the best labour at the lowest wage. In the capital markets, they try to keep their shares high and pay low interest rates on bonds and bank loans.” There is a lot of hoodwinking in a weak competition scenario. Storper and Walker (1989:44) define competition as “…the search for advantage by one firm over another.” This is the basic feature of capitalism. Survival in competition should be a continuous quest for dexterity measures of adaptation and innovation. Jongwe (2011:2) has argued that indigenous entrepreneurship “…to grow new small businesses which can outlive competition”. With these aspects in mind, it is important to look into the enterprise development process with regards to Zimbabwe over the past two decades or so.

The informal sector has had an invaluable contribution to employment in Zimbabwe during its trying times (ICG, 2005; Tibajjuka, 2005; Chirisa, 2009b). Improvement in productivity and working conditions of small-scale producers and micro-enterprises is very critical. For instance, in Cali, Columbia, a micro-enterprise promotion programme has been a success story. It recognized that poor people (women included) moving into the city are resourceful, creative and hardworking; and have a high propensity to save. In recent years the demand for goods and services from the informal sector has risen in many countries as a result of the structural adjustment programmes (SAPs) and the contraction of the formal labour market. There has been a discontinuity in company departments and activities resulting in the sub-contracting of the informal sector (often former employees). A host of informal producers even succeed in producing for export. In cities, the informal sector has links with the primary sector in the hinterland, especially in secondary cities.

Small to Medium Enterprises (SMEs) are recognized worldwide as engines for economic growth and are potentially the future giants for both local and international markets (Reserve Bank of Zimbabwe, 2007). “The main argument for favouring SMEs in developing countries is that they are increasingly playing a strategic role in economic growth and development through their contribution to the creation of wealth, employment, and income generation” (Kasekende, 2001). Access to finance has been identified as a key element for SMEs to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries (United Nations, 2001). Evidence from international finance and economics literature shows that SMEs in developing or emerging economies face more constraints in access to finance than their developed world counterparts. According to Beck et al (2007), small firms do not only report higher financing obstacles, but are also more adversely affected by them. The obstacles have twice the effect on the growth of small firms than on that
of large firms (Beck et al, 2005). This assertion is in line with the Credit Rationing Theory by Stiglitz and Weis (1981) which accentuates the possible prevalence of “redlining”, that is, the exclusion of some firms or classes of individuals from the credit market. The debt market for small business finance is plagued by information and agency problems arising from the fact that small firms are information opaque as they do not have audited financial statements and are not monitored by rating agencies (Barnea et al, 1980, 1985; Klinkhamer, 2009). In Zimbabwe, SMEs suffer from financial exclusion with banks citing high information, transaction and monitoring costs, dispersed and intermittent demand for financial services and lack of collateral, among other challenges (RBZ, 2011). This has caused SMEs to heavily rely on government facilities under sector ministries and microfinance institutions. However, these sources have not been very helpful especially during the hyper inflationary era and also under the current liquidity constrained multi-currency regime.

THE PROCESS OF ENTERPRISE DEVELOPMENT IN ZIMBABWE

As pointed out earlier on, the last twenty years in Zimbabwe have been marked by a precipitous economy, making the terrain for enterprise and business development unsustainable. For instance, SAPRIN (1999) organised a discussion on structural adjustment and its impact on Zimbabwe. Participants at the roundtable categorically pointed out that ESAP and its successor, ZIMPREST, were a great disappointment to the nation as they failed to meet their targets which included raising GDP, reducing unemployment, and reducing inflation despite the fact that Government, the World Bank and the International Monetary Fund (IMF) had forged ahead to pursue them with vigour. It was noted that the percentage of those households classified as poor rose from 40 percent in 1991 to 60 percent in 1995, and average consumption levels dropped by 25 percent (MPSLSW, 1995; 2006). Concurrently there were cutbacks in public expenditure which, in turn, negated achievements in health and education made during the first decade of independence (before the implementation of structural adjustment). Participants also lamented the growth of the informal sector at the expense of the formal sector. They specifically pointed out that ESAP neglected the sectors with the greatest potential for job creation - the informal and small and medium-sized enterprises. Changes resulted in increased unemployment and decreased real wages. Inflation rose from 15.5 percent in 1990, when the first ESAP was implemented, to 42.1 percent in 1992; by August 1999 it had reached 68.8 percent. Life became hard for the ordinary citizen a development whose sequel included the increased incidents of crime, destitution, prostitution, family disintegration and homelessness. Benefits intended for the poor and marginalized groups failed to get to the targeted groups. Rather, a situation of the rich getting richer and the poor poorer subsisted such that the government’s Poverty Assessment Study Survey established that 61 percent of households lived in poverty and 45 percent in extreme poverty with the most vulnerable segments of the population, including women, youth and the disabled (SAPRIN, 1999; Maphosa, Kjinga and Chingarande eds. 2007).

The Zimbabwean economy was to remain in a shape of crisis with economic growth remaining erratic and below targets (Tevera and Chikanda, 2000; MPSLSW, 2006). A highly polarized economy divided between the formal and the informal sectors has persisted with the latter
dominating the stage overtime (Chirisa, 2004; 2007; 2009a; 2009b). The hyperinflation that characterised the economy especially from 2005 to early 2009 saw the Reserve Bank of Zimbabwe (RBZ) having to print lots of Zimbabwean dollars, cancelling zeroes and other related measures (Gono, 2008; Mawere, 2008; Masaka, 2011). These were fire fighting measures. By mid-2008 some shops and landlords were charging for their services in foreign currency, although then it was considered a criminal activity. Thus informal dollarization came before official dollarization (Chirisa, 2009a; 2009b). Kwidini (2009:1) records on how (the informal) dollarization was impacting on poor households in the country well before the official announcement of the nation taking this position. He notes that:

The collapse of the Zimbabwean economy has led to the “dollarisation” of the economy – and even to what some, who have still maintained some sense of tragicomedy, call the “petrolisation” of the economy because of the re-emergence of barter trade....According to a recent report ... “most retailers are not accepting Zimbabwean currency. Goods are being sold mainly in US dollars and South African rands, which has pushed up the prices of basic food items, water, fuel and medicines, putting them out of reach for ordinary people.

The 2008 March Elections ushered in some post-election violence. Food shortages, compounded by the drought situation in the entire nation, brought a lot of misery to the population. Accordingly, Mpofu (2007:1) has put it forward, regarding Zimbabweans in their times of turmoil as “...the sturdy resilience and fortitude with which my countrymen meet these difficulties on a daily basis makes them, in my opinion, true Houses of Stone.” She goes on to talk of the “Self-Employment Solution” by the Zimbabweans in order to cope with the challenges they were going through. Furthermore, she singles out youth unemployment as “...one of the most formidable problems facing the country and the pattern of unemployment by age reveals that young Zimbabweans have the highest unemployment rates.” Kwenda (2009) underscores that many millions of people in Zimbabwe “…lost their jobs over the past decade in the troubled southern African country as a result of business closures in the manufacturing, service, farming and mining sectors. This has also had a devastating effect on downstream industries.”

It must be noted that the 2005 Operation Murambatsvina saw the destruction of over 700,000 small businesses and enterprises throughout the country (Tibaijuka, 2005; Chirisa, 2009b). The worst affected areas were major urban centres. Chirisa (2007) opines that though the destructions were heinous to the bulk of households and business operators, just a year or two later, the business approach by the small business operators had taken new forms. In other words, the pressure just led to a metamorphosis in the way that SMEs and informal sector actors chose to survive and thrive (cf. Box 1). Kwenda (January 22, 2009) gives a snapshot of informal sector businesses in Zimbabwe before the stability brought about by dollarisation:

Long lines of stalls, run by women, have sprung up next to many of Zimbabwe’s highways, selling honey, milk, mushrooms, tomatoes, onions and chickens. As prices in towns skyrocket due to unprecedented inflation levels running into the millions, people leave their towns to purchase basic commodities. This precarious way of survival involves child labour and exposes the traders to
dangers ranging from bad weather and disease to robbery and being run over by cars. Children labour alongside the adults to eke out an existence. Small children as young as three years are involved in the selling of goods. This is justified by some as children being allowed to grow an enterprising spirit and to be able to work for themselves. Usually the places of trading have no shelter or sanitary facilities, exposing people to the ravages of weather and disease. Roadside trade can be dangerous for other reasons too. Several roadside traders have been hit by cars as they try to outrun each other to reach would-be customers on either side of the road. They are also at risk of being robbed of their earnings by the same motorists that they seek to serve. “We are aware of these dangers but there is nothing we can do. It’s like a casino: we live each day as it comes,” a roadside trader told Inter Press Service with a resigned tone.

Box 1: Zimbabwe - Economic crisis batters small business

In February last year, Glen Norah furniture maker Panganai Gido drew up a plan to expand his enterprise to regional markets by the start of 2005, with the greater part of the investment coming from a hard-won bank loan. But 11 months later, he has shelved export plans and cut staff by more than half to seven to survive.

"I didn't know 11 months could make such a big difference in business. I'm almost bankrupt and yet at the beginning of last year I was financially stable," he said, staring at bank correspondence demanding immediate repayment of the loan he had secured for the shelved furniture export project.

Gido, a carpenter-turned-entrepreneur, is in a situation many Zimbabwean businessmen find themselves in as the country grapples with its worst economic crisis in two decades. Zimbabwe, with inflation hovering around 150% and interest rates of more than 100% coupled with unemployment of over 70%, has the weakest economic fundamentals in the region, if not the whole of Africa.

Both the International Monetary Fund (IMF) and the World Bank, under pressure from the big Western nations, pulled the plug on Zimbabwe three years ago, accusing the government of not being committed to economic reform.

The IMF alone withdrew a balance-of-payments support package worth US$193 million, influencing several other multilateral and bilateral donors to similarly cut off aid to the country last year.

Unable to access crucial international funding, the economy has been in free-fall since, experiencing acute shortages of most imported products such as power and fuel which were rationed throughout 2004.

It declined by minus 4.2% last year, while the budget deficit ballooned to 23% from a projected 3.8%.

The sectoral slump was even worse. The manufacturing sector declined by 10.5%, tourism 16% and mining 14% in the four years since 2000.

Agriculture, once the mainstay of the economy, managed to claw back, growing by 3% last year, but not enough to stabilise the economy.

It is against this background that Gido and other Zimbabwean entrepreneurs are finding it
increasingly difficult to keep their businesses afloat, let alone pursue expansion plans, however viable.

The Confederation of Zimbabwe Industries (CZI), the country's main business representative body, says more than 800 companies in the manufacturing sector alone closed shop last year because of the unstable macro-economic situation, particularly shortage of foreign currency. "Several companies have informed us that they are closing down for good or will re-open when the situation gets back to normal, but if things do not improve, even more companies will be forced to close their businesses," a CZI business development manager told the Zimbabwe Independent.

"The issue of foreign currency needs to be addressed urgently. Companies do not have the money to import raw materials, so they are having to close their businesses," he said.

A survey carried out by the CZI last year indicated most of its members were operating at a maximum of 50% of capacity due to myriad difficulties businesses faced in the country. Its counterpart, the Employers Confederation of Zimbabwe, says more than 60,000 jobs in the formal sector were lost in the first 10 months of last year, and expects the figure to be much higher this year.

But the government, which is widely blamed for the economy's troubles, says Zimbabwe's difficulties are largely caused by external factors beyond its control, citing sanctions, inflation and low mineral prices, among others. "A lot of inflation is not because of the goods we produce here. A lot of inflation is imported," President Robert Mugabe told the nation recently.

He also blamed the economic crisis on low prices for Zimbabwe's chief agricultural and mineral exports, and denied his government had mismanaged the economy. "I know that there are areas where the government is being blamed for following wrong policies and that we are responsible for prices going up," he said.

But critics of the government say top-level corruption in the public service and excessive state borrowing, among other factors, are chiefly responsible for the country's economic ills. Senior government officials allegedly siphoned billions of dollars from a state-owned oil company last year, while the cash-strapped administration is borrowing more than $2 billion a week on the local capital markets to finance its operations.

The government partly admits its rising domestic debt, estimated at more than $200 billion (US$4 billion), was crowding out the private sector from the capital markets and hardening interest rates. "Government is increasingly spending beyond its means, for consumption, at the expense of capital investment," opposition Movement for Democratic Change shadow finance minister Tendai Biti said in a critique of the 2005 budget in November.

Economists say they were pessimistic 2005 would be any better for the economy, unless the government restored links to international capital.

"Our long-term salvation lies in the government re-establishing contacts with the IMF, World Bank and other international financial players. We need their assistance desperately," said a bank economist.

Source: Phiri (Friday, 14 January 2005)
SMEs IN ZIMBABWE AND SPATIAL PLANNING: SOME CRITICAL CONCERNS

As already highlighted, rather than stimulate economic growth, ESAP caused huge reductions in local manufacturing concerns leading to massive staff retrenchments. The country found itself with a large critical mass of skilled and experienced people out of employment. As an adaptive measure, most of those people started their own business ventures leading to the birth of the SME sector. The informal sector has ever been a major source of income for households and is where women mostly work (Chirisa, 2004; 2011; Maphosa, Kujinga and Chingarande eds. 2007). Zimbabwean government policies often discourage the expansion of this sector, either inadvertently or because of concerns of enforcing tax and health laws and other industrial regulations (Toriro, 2007). Conditions that tend to stifle the urban informal sector include zoning laws, laws prohibiting informal firms from selling their products in the most profitable locations and harassment by local and municipal police, often seeking bribes. Moreover, it has been argued that government intervention in labour, raw material and capital markets can distort prices in favour of formal businesses, reducing the competitive edge of informal firms.

The inhibitive land use planning system

Zimbabwe’s land use planning system was largely modelled to support large-scale commercial and industrial activities and hence planners found themselves ill prepared to handle the challenge of illegal structures (Tibaijuka, 2005). The reaction generally took two forms: the first one was ruthless and retrogressive; the emerging ‘illegal’ activities were destroyed using both the law and land use plans (Kamete, 2002). The second was more progressive and supportive of the SMEs; places identified for them from which to operate. The institutionalization of the Ministry of Small and Medium Enterprises – MSME- in 2002 was a pro-active development to tackle this effect. SMEs in the country had been facing manifold problems owing to their size and magnitude of operation, the policy and regulatory environment, the traditional attitude of institutional and business support systems towards these enterprises and lack of technical and managerial skills. SMEs have great potential for employment creation and income generation, thereby working towards poverty reduction. They also have latency for expansion, growth and improvement of the livelihoods of owners and employees “… to levels beyond mere survival” (Herald, 21 June, 2004 cited in Chirisa 2004:36).

The rigid land uses classification – residential, industrial, commercial, recreational, and institutional has influenced the process and practice of planning. The economy that was prevalent since the days of colonialism was one atypical of the present day i.e. one where the operations of the SMEs is the order of the day. The first reaction to the emergence of SMEs was one of trying to efface or completely annihilate them from the city-townscapes by way of using the long arm of the law. The planners’ perception was: anything unplanned is undesirable hence subject to development control through enforcement action. This also took two forms. Where the small enterprise was being undertaken in a ‘wrong’ use zone but in privately owned premises, the Regional Town and Country Planning Act was used to serve an Enforcement Order upon the owner or occupier of the premises and ordering them to cease the use within thirty days or the local planning authority would move in and seize all tools or
office equipment used in the operation (Toriro, 2007; Tibajuka, 2005; ICG, 2005). This is the procedure used to deal with activities such as offices in residential areas. The second reaction referred to small-scale servicing and manufacturing being undertaken on vacant municipal land. These have always been even more vulnerable before planning law. In terms of the Model Use and Occupation of Municipal Land By-Laws of 1979, they are only entitled to forty-eight hours notice before eviction.

**Light at the tunnel end**
Most planners have however raised concern at the difficulties associated with planning for SMEs. Most of them are said to operate from illegal areas more out of reluctance to pay than failure to secure appropriate premises. Their failure to consider environmental sustainability in their operations has also not gained them support particularly amongst environmental planners. Harare completed shell factories for the SME sector in 2004 and the planners eagerly awaited occupation of the premises so that they could weigh the merits of replicating such premises. The setting up of small-scale commercial activities has been implemented in some areas and has drawn mixed reactions. In Harare’s Milton Park, the old residents of the suburb have opposed the move arguing that it encroaches on their privacy. On the other hand, beneficiaries of the move have applauded the authorities for being responsive to their needs. As it dawned on land use planners that the SMEs sector is increasingly growing at a time when the large-scale sectors are declining, there has been a measured change of attitude from viewing SMEs as a nuisance to an acknowledgement of their role and potential if nurtured and supported (MPSLSW, 2006). This is a testimony to the philosophy of Local Economic Development (LED), particularly the intent of local economic initiatives. The first positive reaction was the setting up of SME areas of operation; particularly those in servicing and manufacturing. This is the reaction that brought about the various ‘home industrial sites’ found adjacent to most residential areas in the country’s towns and cities. Some cities went a step further by setting up factory shells and industrial incubators. Both are supposed to be transitional phases of SME development before they can develop into large-scale operations (MPSLSW, 2003). Interventions must build on the entrepreneurial vitality of the informal sector to ensure quick results in improving living conditions and employment opportunities. Such interventions ought to create an enabling environment for informal sector growth through deregulation, assistance to micro enterprises and access to raw materials, markets and technology (MPSLSW, 2003). Also necessary is institutional development, so those informal sector operators can collectively negotiate regulations and services that support rather than undermine their activities.

In terms of offices in residential areas, the Ministry of Local Government came up with a new statutory instrument. This became Statutory Instrument 216 of 1994. It gave room for the setting up of offices and small-scale non-polluting manufacturing in residential areas. Not all planners received the provisions of the instrument uniformly. Some have received the measures with uncertainty and therefore half-heartedly implemented them (Chaeruka and Munzwa, 2009). Others have, however, eagerly embraced the measures and now make it a
land use requirement to set aside land for SME developments in all areas whilst they have incorporated the statutory instrument in their plans.

A full-fledged SME Ministry
The Ministry of Small and Medium Enterprises (MSME) is a sector ministry that was inaugurated in 2002. Its mandate is to promote the development of small business (SMEs); look into the legal and other institutional matters that relate to the SMEs and to finance these through its arm, the Small Enterprises Development Corporation (SEDCO). However, in the deluge of deep economic crisis (c2005-2008) the functions of SEDCO have been greatly undermined such that there now is talk about revitalising it (see Box 2).

Box 2: The Revitalisation of SEDCO
THE Small Enterprises Development Corporation is seeking to enhance its role to become a development partner for small-to-medium enterprises in the country. Sedco was established as a development finance institution for small and medium-scale enterprises. Sedco general manager Mrs Fortunate Sekeso has said that her organisation has over the years acquired vast knowledge of the challenges that SMEs encounter, hence can now play a greater role in supporting the sector.

"The role of Sedco has developed over the years from just being a development finance institution to a co-operating partner for SMEs. "To be able to play a meaningful role in poverty alleviation we have to galvanise the sector and be regarded as a partner rather than a lender.

"As a new home for development finance we have created a hub for SMEs where we convene and together craft and assess their needs and provide cutting-edge solutions," she said.

In addition to project financing, Sedco presently supports the SMEs sector by providing affordable workspace and access to machinery for some entrepreneurs in Chitungwiza, where it runs a complex with state-of-the-art machinery for metal fabrication, woodworking and machining that were provided under the Indo-Zim project.

The Indo-Zim project is a technical co-operation agreement between the governments of Zimbabwe and India, which falls under the Ministry of Small and Medium Scale Enterprises and Co-operative Development.

Analysts contend that the revitalisation of the small to medium enterprises sector will greatly contribute to the socio-economic development of the country.

Over a period of time undersized enterprises can produce competitive products because of the low transaction costs that are derived from their low capital and labour costs, and they can record growth margins even in conditions of liquidity shortages such as the one Zimbabwe is undergoing.

Mrs Sekeso also said that there was still considerable scope for the SMEs sector to grow and accordingly there is need to deepen access to finance for the sector. Statistics for Sedco’s financing projects last year are yet unavailable. However, in 2009, the corporation approved 111 loans amounting to US$323 349,04 and during the same period registered new SME projects which accounted for 92 percent of the loans. Proprietorships came second with 7 percent and finally co-operatives at 1 percent.

According to Sedco, some of the sectors that benefit from the financing include poultry projects, general dealerships, chemical engineering, manufacturing, clothing, beverages and
In respect of alternative forms of SME financing there have been proposals by the Zimbabwe National Chamber of Commerce for the establishment of an SMEs stock market that is less stringent than the current main bourse, whose primary benefit is the attraction local and foreign investments for the sector.


However, the set up of things naturally dictates what goes where, how, why and when. It is a matter of both territorial and functional politics: territorial on the basis of how much say a province or district should get; and functional, depending on the magnitude and definition the activities. The ‘legal’ definition of an SME comes from a taxonomical breakdown of the terms inscriptive to this acronym. The MSME classifies business enterprises into micro-enterprises, small enterprises and medium enterprises (See Table 1).

Table 1: Taxonomy of businesses by the MSME

<table>
<thead>
<tr>
<th>Name of enterprise</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-enterprises</td>
<td>This is the informal sector class</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>Employees 1-50 people</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>Employees 51-75 people</td>
</tr>
<tr>
<td>Big/large business</td>
<td>Employees above 75 people</td>
</tr>
</tbody>
</table>

Source: Chirisa, 2004:51

MSME has fundamentally two funds that it disburses through SEDCO. These are the Productive Sector Fund (PSF) and the SME Fund (SMEF). All the two are revolving loan funds. The PSP is allocated to large businesses involved in the value addition of various resources whatever sector they may fall (agriculture, mining, real estate, manufacturing, etc). On the other hand, the SMEF is targets the small business sector. The terms and conditions of the SMEF stipulate that 25% of the fund is for the rural sector. In 2003 and 2004, the MSME organized its members to also participate at the Zimbabwe International Trade Fair (ZITF) in Bulawayo. At the ZITF 2003, ten members participated and the ratio of men to women was 6 to 4. On the question of how they identify those in the micro-enterprises sector the response was that those in the category ‘know and come to our offices’, and that is how they are identified (Chirisa, 2004). The aim of the MSME becomes that of encouraging those in the micro-enterprises so that in the ultimate they graduate into the formal sector. Thus, it is not a one-day event but a process that will take time, effort, perseverance and dedication.

In giving the way forward to economic empowerment the MSME recommends that all else being equal, if only more resources could be channelled towards rural areas then the women populace would stand a better and striking chance of economic enhancement. They are more disadvantaged than their urban counterparts (see Chirisa, 2004). The channelled resources would help turn their ‘small’ projects into larger ones that would not only be of significance to their rather more localized markets. They would be in a better position to get value for their
hard spent time and labour. Rural women tend to spend more time in the fields and gardens where they will be moiling and toiling. That alone cannot be compared to a woman in town who may be an office worker, a company cleaner and cook or even having a small table before her to display some tomatoes and fruits so that passers-by can buy.

Furthermore, according to one MSME officer, women in the productive sector need to form networks (some form of ‘coming together’) or cluster groups (not necessarily co-operatives). In this discourse, this coming together can be regarded as an innovative tool to self-advancement by the small business operators. Thus, for example, if some buying corporate or organization appears from anywhere and forwards the demand for say, hundreds of tonnage of a commodity of their preference, these women are in a better position to supply with minimal, if any difficulties. Group effort is more superior to that of an individual. ‘Piecemeal’ efforts do not always produce laudable impact. Some form of specialization may be encouraged through the cluster approach. Thus, for a bedroom set or suite, one may deal in the production of rags, some, pillows, and others on reed mats, etc; the market is ready for such things especially if they are made through indigenous materials, using indigenous knowledge.

NEW POLICY DEVELOPMENTS AND IMPLICATIONS ON SME PROMOTION

The government through the Ministry of Youth Development and Economic Empowerment (MYDEE) has made moves towards indigenising the economy. According to Jongwe (2011:2), the indigenisation and economic empowerment programme recognises “...investments in communities and training and education by companies and this programme can be used to push tax policy reform as well as promoting small business development.” He goes further to propose some recommendations, for instance the need for Government “...to eliminate those government regulations that stymie business growth”. Jongwe believes that the removal of bottlenecks in the registration process of small businesses can lead to considerable expansion. One notable challenge in the development of entrepreneurship in the country has been the disregard for the safeguarding of intellectual property. The main policy objectives of the indigenization policy are spelt out as:

The economic empowerment of indigenous Zimbabweans by increasing, mainly through economic expansion, their productive investment in the economy so as to create more wealth and eradicate poverty among the majority of Zimbabweans;

- To create conditions that will allow disadvantaged Zimbabweans to participate in the economic development of their country and earn themselves self respect and dignity;
- To reverse differences arising from economic disparities;
- To develop competitive domestic private sector to spearhead economic growth and development, and
- To develop a self sustaining economy.

It can be noted that the growth of small businesses into viable SMEs is implied in these objectives.
CONCLUSION AND POLICY RECOMMENDATIONS

The paper has unravelled various geo-political and economic aspects of SMEs and how the sector evolved, transformed, became a bone of contention and how it survived frictional forces. The current thrust towards SMEs is on how best to integrate them into the formal sector and the broader environmental spheres of zoning regulations, economics and politics. A major thread drawn from the foregoing discourse perhaps points to the reality of the structuralist school which argues that the informal economy and the formal sector co-exist and are inextricably connected and interdependent (Castells and Bendon, 1990). In this school, it is contended that the nature of capitalist development accounts for the persistence and growth of informal production relationships. In light of this structuralist school of thought, some policy recommendations are hinted below. There is need to:

- Amend existing Eurocentric land use planning system to be more characteristic of the Zimbabwean context, cognisant of the critical role the SMEs are playing in employment creation.
- Further research on the possibilities of positive synergies i.e. backward and forward linkages between the SMEs and the wider economy.
- Devise a proper and fair taxation system for the SMEs through acknowledgement of their existence and spatial incorporation. This improves revenue collection through reduction in revenue leakages.
- Improve on the relationship between the SMEs and the lending banks through setting up of a SMEs Collateral Committee, which can model creditworthiness modalities for the SMEs sector.

Acknowledgement

We acknowledge the encouragement by our Dean, Professor Rudo Gaidzanwa for encouraging collaborative research among academics.

Corresponding Author

Innocent Chirisa, University of Zimbabwe, Zimbabwe, chirisa.innocent@gmail.com

References

Beck et al, (2007), Financing Constraints of SMEs in Developing Countries: Evidence, Determinants and Solutions, World Bank, Development Research Group


Chirisa, I. (2009a), Informality, Deceit and the Conscience: survey on Ethical dilemmas in Harare. Journal of Sustainable Development in Africa (Volume No. 2)


Jongwe, A. (Friday, 20 May 2011), State’s Role in Promoting Entrepreneurship, Financial Gazette

Kasekende, L. (2001), Financing SMES: Uganda’s Experience, United Nations Conference on Trade and Development


Kwenda, S. (January 22, 2009), Life Is Like A Casino - We Live Each Day As It Comes, URL: http://www.ipsnews.net/news.asp?idnews=45505


Masunungure, E. and Chimaniikire, D. P. (2007), Policy paradigm shifts in Zimbabwe: From statism to Rolling back the state” to policy vacillations. Maphosa F, K Kujinga and SD


Phiri, G. (Friday, 14 January 2005), Zimbabwe: Economic crisis batters small business, Zimbabwe Independent

Reserve Bank of Zimbabwe (2007), Rural Banking, Financial Inclusion and Empowerment of Small to Medium Enterprises, Supplement to the January 2007 Monetary Policy Review Statement


SAPRIN (1999), Civil Society Perspectives on Structural Adjustment Policies, Deliberations at the Zimbabwe Opening National SAPRI Forum 2-3 September 1999.


United Nations, (2001), Improving the Competitiveness of SMEs in Developing Countries – The Role of Finance to Enhance Enterprise Development, United nations Conference on Trade and Development.

Yagi, K. (2006), Schumpeter and the Concept of Social Evolution: Role of Innovation and Invention, Draft Paper.