AN ANALYSIS OF INDIGENISATION AND ECONOMIC EMPOWERMENT IN ZIMBABWE.

by

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ABSTRACT

Zimbabwe's Indigenisation and Economic Empowerment Programme, (IEEP), is one of similar programmes implemented by most former colonies meant to address socio-economic inequalities. It falls within the same category as economic nationalism, which is also popular in Third World countries which are endowed with abundant natural resources.

The IEEP has courted a lot of controversy with opponents arguing that the programme is a populist one which will destroy the economy in the same way Zimbabwe's land reform before it did. However, the government of Zimbabwe touts the programme as a major pillar of poverty reduction in the country. For empowerment programmes in the mould of the IEEP to reduce poverty, they need to be broad-based and avoid elite empowerment.

This research sought to unpack the IEEP, and inquire into the possible impediments to the success of the IEEP. The research also sought to find out how other countries had implemented and fared in the implementation of similar programmes. Ultimately, the research sought to discover conditions necessary for the success of programmes such as the IEEP and make recommendations for the adoption of such conditions for the success of Zimbabwe's IEEP.

The findings reveal that generic empowerment programmes like the IEEP, are indeed necessary in former colonies like Zimbabwe to address inherited socio-economic inequalities which may pose a threat to social stability if left unattended. However Zimbabwe's IEEP in its current form may not succeed in its aims. It is the conclusion of the research that the IEEP is not comprehensive enough, has too short an implementation time frame, among other weaknesses which may militate against its success. Using the experiences of the implementation of empowerment programmes elsewhere, the research makes recommendations on how the programme and its manner of implementation can be improved upon if the programme is to achieve its stated objectives. The recommendations mainly relate to lowering the indigenisation targets, attracting FDI, getting the buy-in of all stakeholders among other recommendations.

OPSOMMING

Zimbabwe se ‘Indigenisation and Economic Empowerment Programme’ (IEEP) is een van soortgelyke programme wat geïmplementeer was deur voormalige kolonies om ekonomiese ongelykhede aan te spreek. Dit val in dieselfde kategorie as ekonomiese kapitalisme, wat ook baie populêr is in ontwikkelende lande wat beskik oor baie natuurlike hulpbronne.

Die IEEP program het ook baie teenkanting ontvang van opponente wat meen dat dit populisties van natuur is, en uiteindelik kan lei tot die vernietiging van die ekonomie, in dieselfde manier as Zimbabwe se grondhervormingsprogram wat dit vooraf gegaan het. In teenstelling, verwys die Zimbabwiese regering daarna as ŉ belangrike deel van sy armoede verligting strategie. Programme van dieselfde aard as die IEEP kan effektief wees in hulle doel om armoede te verlig, deur te fokus op breë gebaseerde bemagtiging en om elite bemagtiging te vermy.

Die navorsing fokus op die verduideliking van IEEP, sowel as die moontlike struikelblokke wat sukses kan beïnvloed van die program. Die navorsing fokus ook op ander lande wat soortgelyke programme geïmplementeer het, en spesifiek hoe hulle gevaar het in terme van die programme. Die navorsing het dit ten doel om toestande wat nodig is vir die sukses van programme soos die IEEP te ontdek, terwyl dit ook aanbevelings maak vir die aanvaarding van voorwaardes wat uiteindelik na die sukses van Zimbabwe se IEEP kan lei.

Die bevindinge dui daarop dat generiese bemagtigingsprogramme soos die IEEP, inderdaad noodsaaklik is vir voormalige kolonies soos Zimbabwe. Sulke programme spreek geërfde sosio-ekonomiese ongelykhede aan wat 'n bedreiging inhou vir sosiale stabiliteit. Zimbabwe se IEEP in sy huidige vorm kan nie daarin slaag om sy doelwitte te bereik nie. Die die oorhoofse gevolgtrekking van die navorsing is dat die IEEP nie omvattend genoeg is nie en dat dit ŉ baie kort implementeringstyd het. Dit is slegs twee van die swakpunte wat dalk strydig kan wees met sy sukses. Deur te fokus op die ervarings van implementering van bemagtigingsprogramme elders, kan die navorser aanbevelings maak oor hoe die program en sy wyse van implementering verbeter kan word. Die aanbevelings verwys hoofsaaklik na die verlaging van die verinheemsing maatstawe en teikens, die lokking van direkte buitelandse beleggings (FDI), en die verkryging van ondersteuning en deelname van alle belanghebbendes.

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LIST OF ACRONYMS

IEEP	Indigenisation and Economic Empowerment Programme
ZANU PF	Zimbabwe African National Union Patriotic Front
TTL	Tribal Trust Land
AEE	Afrikaner Economic Empowerment
UNDP	United Nations Development Programme
MDGs	Millennium Development Goals
ZIMSTAT	Zimbabwe Statistical Agency
GDP	Gross Domestic Product
GNP	Gross National Product
FDI	Foreign Direct Investment
ESAP	Economic Structural Adjustment Programme
RBZ	Reserve Bank of Zimbabwe
CBZ	Commercial Bank of Zimbabwe
POTRAZ	Posts and Telecommunications Regulatory Authority of Zimbabwe
IDC	Industrial Development Corporation
DTI	Department of Trade and Industry
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
NEP	New Economic Planning
FNB	First National Bank
CSOS	Community Share Ownership Scheme
ESOS	Employee Share Ownership Scheme

CHAPTER ONE: INTRODUCTION

1. 1 Introduction

On 17 April 2008, the Indigenisation and Economic Empowerment Act No. 14 of 2007 (Chapter 14:33) was signed into law. The Act compels all companies with a share capital above US $500 000 operating in Zimbabwe to cede or make arrangements for ceding 51% of their shares or interests therein to indigenous Zimbabweans (Government of Zimbabwe 2008: 1). On the 29th of January 2010, the Indigenisation and Economic Empowerment (General) Regulations, 2010, were gazetted. The effective date for the operation of the regulations was set for 1st March 2010.

In keeping with the aims and objects of the enabling Act, the Regulations' proclaimed objective is to ensure that every business operating in Zimbabwe which has an asset value of US $500 000 or more, must, within five years, —cede a controlling interest of not less than 51% of the shares or interests therein to indigenous Zimbabweans unless a lesser share, or longer period within which to achieve the indigenisation of the business, is justified (Matyszak 2010: 1).

The background to the Indigenisation and Economic Empowerment Programme is a drive to empower the black Zimbabweans and dilute the preponderant influence of foreigners and white Zimbabweans in the Zimbabwean economy. The Indigenisation and Economic Empowerment Programme (IEEP), is part of a wider drive by the government of Zimbabwe to empower indigenous people which started with the land reform programme in the year 2000. Both the land reform programme and the Indigenisation and Economic Empowerment Programme, are controversial policies attracting detractors and passionate supporters almost in equal measure. These empowerment initiatives come against a background of a history of social and economic discrimination against indigenous black Zimbabweans inherited from the colonial era. Independent Zimbabwe thus inherited economic inequalities brought about by racial segregation on social and economic lines practiced by successive colonial regimes.

At independence, the new government of Zimbabwe took over a society which was divided and in which the socio-economic structure was not only racially fragmented, but also characterized by gross inequalities in all spheres of life. At independence the Zimbabwean economy was mainly tailored to serve the needs of the white minority, deliberately leaving the blacks on the periphery of the country's economic activity thus condemning them to the vicious cycle of poverty, unemployment and underdevelopment that this state of affairs produced (Gaomab, 2004). While independence brought about majority rule and political self-determination for indigenous Zimbabweans, economic prosperity remained elusive as the economy continued to be skewed in favour of the white minority and other foreign investors.
The majority black government inherited an economy characterised by a gross inequitable pattern of income distribution and predominant foreign ownership of assets (Government of Zimbabwe 1981:110). At the heart of the struggle for independence was a desire to equitably

distribute the fruits of the national economy. In Rhodesia, as Zimbabwe was called before independence, the economy was largely in the hands of white Rhodesian settlers as well as multinationals like Unilever, Coca Cola, Anglo-American and Union Carbide which dominated the Rhodesian economy. Some South African companies like insurance giant Old Mutual also controlled a large percentage of the Rhodesian economy. The South African companies became dominant in the Rhodesian economy, following the imposition of economic sanctions on Rhodesian after Rhodesians' unilateral declaration of independence from Britain in 1965, and the subsequent withdrawal from Rhodesia by a lot of companies from the West (Mandaza 1980). Black Zimbabweans were discriminated against in employment, skills development, in ownership and control of business as well as in access to basic social and physical infrastructures. The racially discriminatory policies of the successive settler governments in Rhodesia had the effect of excluding the majority of blacks from the formal economy.

One of the most important aims of the colonial policies was to suppress black entrepreneurship in order to defend and support the interests of white economy. The Land Apportionment Act of 1930 divided the country into racial enclaves with black people consigned to the unproductive communal areas, christened Tribal Trust Lands, (TTL). The Land Apportionment Act of 1930 and the Land Tenure Act of 1969 decided where black people were allowed to live and coupled with other policies and subsidiary legislation black people's right to move freely around the country was greatly curtailed. The net effect of all the population control policies and legislation was an expression of the government philosophy that blacks were temporary residents in the 'white urban areas', and their only purpose during their brief sojourn into the urban areas was to provide labour for white industry , commerce and domestic needs (Mazingi and Kamidza 2010:339).

The Land Apportionment Act of 1930 meant that blacks were prohibited from purchasing land outside the 'native areas'. In the Tribal Trust Lands – where blacks were restricted to, land allocation was disproportionately low. The quality of the land was also very poor. This adversely affected black people in many ways. Not only did it curtail development of the black farming sector, but it also excluded them from the financial market by denying them the means to provide sound security for loans (Zhou 2010: 122).

Legislation related to the marketing of agricultural produce like the Maize Control Act of 1934 and similar policies gave white farmers advantage over black farmers (Mlambo 1996: 22). Only small businesses, selling the daily essentials of living, were allowed to operate in the urban black townships. Even in these black townships, the authorities controlled the allocation of all business sites in the area.

The 'job reservation' policy was yet another policy meant to shield white businesses from competition by black entrepreneurs, while limiting black entrepreneurship. The job reservation policy created a white monopoly on skilled labour by restricting blacks from jobs in certain skilled trades and from holding positions above a certain level. This resulted in a deficiency of the technical and managerial skills necessary to operate businesses, among blacks (Mazingi and Kamidza, 2010:339).

The 'job reservation' policy was reinforced by a system similar to the South African Bantu Education system, which was tailored to produce blacks suited for menial jobs and some such undertakings. The education and training blacks received under the auspices and parameters of the Bantu Education system deliberately underdeveloped the capacity of blacks preparing them only for lives of subordination. Black people could aspire to join the nursing and teaching professions, with the vast majority of professions closed to blacks, especially professions in the natural sciences. The Bantu Education system also limited the number of blacks who could access higher education (Mazingi and Kamidza 2010: 340).

The effect of the segregationist politics practiced by the successive Rhodesian governments was disastrous for black business and for the human capital essential to self-fulfilment, social development and economic advancement in a modern society. As a result of the politics and policies of segregation by the Rhodesian settler regimes, blacks lagged behind in social and economic development at the dawn of independence in 1980. All the social indicators pointed to black Zimbabweans lagging behind their fellow white citizens.

At independence in 1980 and for a long time thereafter, Zimbabwe had one of the most unequal distributions of income in the world. This income inequality was mainly along racial lines, with blacks lagging behind their white counterparts. This was in large part a culmination of over 100 years of racially skewed policies, that favoured whites citizens while deliberately placing obstacles against the advancement of black citizens(Zhou 2010: 140).

These policies of racial segregation resulted in extremely low levels of black participation in the economy. The result of these racially skewed policies was that, the white citizens in Zimbabwe (or Rhodesia as it was then known) who constituted between 3-4% of the country's population controlled over 90% of the economy in terms of owning the means of production. The blacks who made up 96% of the population controlled a mere 10% of the economy, and this in areas peripheral to the economy, as opposed to the commanding heights of the economy (Mazingi and Kamidza 2010:323). The income distribution along racial lines is illustrated in Table 1.

At independence in 1980, whites who constituted between 3-4% of the population controlled over two thirds of the Gross National Income (GNI) (Stoneman and Cliff 1980, quoted in Mazingi and Kamidza, 2010:328). According to the World Bank, at independence in 1980, incomes of blacks were one tenth of the incomes of whites (World Bank in Mazingi and Kamidza 2010:328).

Table 1: The Distribution of Income by Race

Group	Proportion of population	Share of Wages & Salaries
African	97.6 %	37.0 %
Europeans	2.0 %	60.0 %
Coloured	0.3 %	2.0 %
Asians	0.2 %	1.0 %

Source: National Manpower Survey, Vol. 1, 1981

For many black people in Zimbabwe, there is a strong feeling that independence did not bring about the change in their economic fortunes that they had hoped for. For them, the only difference in their existence in the post-independence era, compared to the era of apartheid, is that their legal status has improved. Such socioeconomic disparities and distortions as inherited by the majority government at independence required policies that would restructure and transform the inherited inequalities in the distribution of, and access to income, productive resources and services, and establish the conditions for sustainable growth. Faced with such circumstances of gross socio-economic disparities, the government of Zimbabwe committed itself to the alleviation and reduction of poverty through the adoption of a number of legislative measures, programmes and policies in order to redress this anomaly

The initial thrust of the ZANU PF government at independence was to create a socialist and egalitarian society in Zimbabwe, through raising the standard of living of the poor, (predominantly black), rather than dropping those of the rich (Roussos 1987:1). The ZANU PF government enunciated a policy of Growth with Equity (Government of Zimbabwe 1981) to overcome the colonial legacy of economic imbalance. The thinking was that to counterbalance Rhodesian and foreign control and ownership of the economy, government would increase participation in the economy and ownership of the economic assets, (Roussos 1987, Zhou 2001). Increasing government ownership of economic assets was in keeping with the government's espoused ideology of socialism, where the ruling party would be the vanguard of the revolution and holding economic assets on behalf of the masses. As part of the equity and redistribution part of the government policy, government increased minimum wages, subsidized parastatals, expanded the health and education services and launched an agricultural resettlement scheme in the first decade of independence from 1980 to 1990, (Roussos 1987:5).

The majority government in Zimbabwe however, seemed to change tack over time in its philosophy of eliminating economic inequalities inherited from the colonial past. Whereas in the past it espoused the principle of the government owning the economy on behalf of the masses inspired by the government's socialist inclinations, this changed with the collapse of socialist states in Eastern bloc. Government now focused on empowering and nurturing black capitalists. Thus the ZANU PF government's empowerment philosophy changed – from using the state or the ruling party as the vanguard of the revolution and holding economic assets on behalf of the masses to using the state to nurture, and create a national bourgeoisie. Going forward, the government now wanted to create a rich middle class and also create an indigenous entrepreneur who could be relied upon to complement government policies in business, not undermine it. The need to create indigenous entrepreneurs in business as government partners in business became very urgent for the ZANU PF government following what it perceived as resistance in implementing the land redistribution programme in a sector dominated by non-indigenous farmer entrepreneurs.

Zimbabwe's far-reaching land reform programme implemented in 2000 represented Zimbabwe's radical departure in its policies aimed at reducing inequality from policies grounded in the trickle down economic theory and the state-represents-the-people-in-business approach to a root and branch destruction of the economic status quo to create a completely new economic dispensation where the previously disadvantaged indigenous black people are empowered mainly in their individual capacity. It is in that context of a radical change of approach by the ZANU PF government in eradicating colonial economic inequalities, that the Indigenisation and Economic Empowerment Programme should be viewed. The Indigenisation and Economic Empowerment Programme also comes at a time when international contemporary programmes of empowerment are rooted in economic nationalism, and various shades of resource nationalism.

Zimbabwe's Indigenisation and Economic Empowerment Programme (IEEP) can therefore be described as a programme meant to redress the imbalances in the ownership and control of Zimbabwe's economic resources by increasing black participation at all levels of the economy, increase black economic participation by job creation, poverty alleviation, specific measures to empower black women, education, skills transfer and management development, meaningful ownership and access to finance to conduct business. It is also intended for this programme of indigenous economic empowerment to deepen and broaden the economy and stimulate economic growth in Zimbabwe, by releasing the economic potential of the black citizens. The indigenization and economic empowerment programme also aims, among other things to use black economic empowerment as a mechanism to create a black middle class with interests in the economy.

The indigenisation and economic empowerment programme launched in 2007 is part of the efforts by the government of Zimbabwe to redress economic inequality and widespread poverty in Zimbabwe. This programme is part of a radical shift in economic ownership policies adopted by the ZANU PF government, after 33 years of independence. The programme represents a move away from the growth with equity policy adopted at independence where government's preferred route to reducing income inequality was to empower the previously marginalised blacks on the back of an expanded economy as opposed to the expropriation of wealth from the local whites and foreign owned companies. The Indigenisation and Economic Empowerment programme in Zimbabwe as touted by the ZANU PF government and its supporters is generally viewed as an essential transformational and developmental tool that is integral to the fight against black economic disempowerment. It is also touted as the panacea in the fight against rampant poverty among the black populace in Zimbabwe.

For observers and other stakeholders, a credible indigenisation and economic empowerment programme should address the colonial era legacy of economic inequalities and create the right socioeconomic counterbalance to ensure fair and equitable national economic representation of all races, national economic progress for all, complete with a broader scope for the equitable creation and distribution of wealth amongst the poor. Overall, the indigenisation and economic empowerment model of wealth redistribution should be a viable means for attaining the eight (8) United Nations (UN) Millennium Development Goals (MDGs), in-Zimbabwe, particularly the ones on eradication of extreme poverty, employment creation and gender equality. The eight (8) Millennium Development Goals (MDGs) are: MDG 1: Eradicate extreme poverty and hunger; MDG 2: Achieve universal primary education; MDG 3: Promote gender equality and empower women; MDG 4: Reduce child mortality rates; MDG 5: Improve maternal health; MDG 6: Combat HIV and AIDS, malaria, and other diseases; MDG 7: Ensure environmental sustainability and MDG 8: Develop a global partnership for development (Business Council of Zimbabwe 2011:1).

The best poverty reduction policies should address the root cause of poverty, while simultaneously empowering the poor to earn their own livelihoods and availing them opportunities to fully-take part in society's economic activities (Hobbs, Sherbourne, Hansohm and Frodema 1999:3). Poverty reduction strategies should be multifaceted, if they are to effectively address the multifaceted dimensions of poverty. A single policy or programme may therefore not necessarily be the panacea for reducing poverty and inequality once and for all. When all is said and done, policies and programmes to fight poverty and inequality in Zimbabwe should ultimately give birth to a new Zimbabwean economy providing income and livelihood for all Zimbabweans in an equitable manner.

As is the case with post-colonial economic dispensations in Southern African countries, the Indigenisation and Economic Empowerment Programme (IEEP), is part of generic policies variously named, which are essentially development strategies to complete the unfinished business of decolonization, by removing colonially bequeathed socio-economic inequalities. These programmes and policies are aimed at levelling the economic playing field in pursuit of poverty and unemployment reduction, (Zhou 2010: 123).

Since the attainment of independence in 1980, the ZANU PF government instituted a number of policies and programmes aimed at redistributing wealth, reducing poverty and increasing the participation of the previously marginalised blacks in the national economy. The results of these initiatives have been mixed. In spite of the many policy interventions by government over the past 33 years to reduce poverty, statistics reveal that poverty remains widespread in Zimbabwe and the gap between the rich and the poor remains wide and is actually widening (Zimbabwe-National Statistics Agency 2012:18). Poverty reduction, tackling unemployment and creating a more equitable economic dispensation therefore remain at the top of the economic agenda in Zimbabwe. High levels of inequality as are being experienced in Zimbabwe hinder economic growth, development and employment creation as the potential of a large section of the population remains untapped. Zimbabwe is classified as a low income country by the World Bank (Zimbabwe National Statistics Agency, 2012: 01). As at 2012, 62, 6 % of Zimbabwean households were deemed poor while 16.2% of the households were in extreme poverty (Zimbabwe National Statistics Agency 2012:18).

It is against the background outlined in the foregoing paragraphs that the government of Zimbabwe launched the Indigenisation and Economic Empowerment Programme. The programme should therefore be a tool to attain poverty reduction and achieve the aim of evenly distributing economic benefits amongst all Zimbabweans if properly and effectively implemented. The indigenisation and economic empowerment model of affirmative action chosen by the Zimbabwean government should be sufficiently broad-based so as to benefit the majority of the targeted black populace instead of benefiting only the elite, thus replacing white elite with black elite in the economy of Zimbabwe.

Against the above background, it is the aim of this study to analyse the indigenisation and economic empowerment programme in Zimbabwe to establish the likely impediments it may face, its chances of succeeding and how best it can be implemented to achieve its intended goals and objectives and generally understanding what the programme entails.

1.2 Motivation for the study

The Indigenisation and Economic Empowerment Programme, (IEEP) is a very emotive subject which has brought up a lot of passion for both the proponents and opponents of the programme. So radical is the programme of economic empowerment and indigenisation in Zimbabwe, that just like the land reform before it, it is viewed as a test case of economic redistributive policies not only in African former colonies but the world over (Mandaza 2002:9). The Indigenisation and Economic Empowerment Programme is viewed in the same light as the late President of Venezuela, Hugo Chavez's policies of redistributing oil wealth in Venezuela. So the implementation of the programme is being closely watched with keen interest by many observers and stakeholders as its success or failure will be used as a lesson on how to do a successful economic redistribution exercise or how not to do the same. Zimbabwe's economic empowerment and indigenisation programme has become a battle ground between supporters of different models of economic empowerment.

The Indigenisation and Economic Empowerment Act, is the policy instrument through which the programme of indigenisation and black economic empowerment is being pursued. The main thrust of the Act is the transfer of at 51% shares in all companies operating in Zimbabwe whose shares and/or assets amount to at least US$500 000. The Act also reserves some low capital businesses for local indigenous Zimbabweans.-Poverty eradication, economic inclusivity, the creation of a national bourgeoisie, are still problems bedevilling the

Zimbabwean society and to which a multiplicity of solutions are being proffered by different stakeholders.

There are genuine fears and scepticism in Zimbabwe and the world over that the current programme of black economic empowerment and indigenisation, may be a smokescreen meant to cover massive enrichment of a few politically connected individuals within the black community (Zimbabwe Independent 2010:7). Already there have been press reports alleging massive corruption in the implementation of the programme whereby companies are required to cede 51% of their shareholding to indigenous Zimbabweans (Daily News 2013:6, Zimbabwe Independent, 2013:12). A case in which it is alleged that a consultancy firm Brainworks, was allegedly corruptly awarded a contract to handle the transfer of shares in platinum mines, Zimbabwe Platinum, (ZimPlats) earning millions of dollars in commission is cited as an example to show that the programme of black economic empowerment and indigenisation in its current form will not achieve broad-based black economic empowerment, but will only result in the enrichment of a few politically connected black elites (Daily News, Zimbabwe Independent 2013). There are also accusations that the programme of economic indigenisation and black economic empowerment is not a sincere exercise to reduce poverty among the previously disadvantaged black Zimbabweans as well as empower them but a vote buying gimmick by the Zimbabwe African National Union Patriotic Front (ZANU PF) Zimbabwe's liberation party whose support has been waning over the years, (Financial Gazette, 2011:14). Proponents of this view argue that just like the land reform before it, this current programme of indigenising the economy is not a well thought-out programme genuinely aimed at benefiting indigenous Zimbabweans, but a careless populist short-sighted programme with the sole aim of winning votes while endangering the country's economic prospect (Block 2010:7).

Within the group of opponents of the Indigenisation and Economic Empowerment Programme, are major owners of business who are naturally opposed to the programme as its implementation in the current form means they stand to lose majority shareholding in their companies.

Those who support the programme in its current form argue that the world over, economic development of a nation is spurred by the country's citizens. They argue that foreign domination of the economy will result in stunted economic growth, as foreigners can never be committed to the growth of an economy they have no connection to, (Government of Zimbabwe 2010: 16). They point to the fact that Zimbabwe like most African countries relies on commodities for economic survival and because the mining activities are foreign owned, there has been no incentive on the part of the foreign owners of mining companies in the country to beneficiate the minerals mined in the country before exporting them. This has resulted in the country earning less from its minerals as they are exported in their raw form, (Mandaza 2010:21).

Any economic empowerment programme should be handled with particular care as it may stall economic development if it is not properly executed and in the process it will fail to address the socioeconomic problems bedevilling the Zimbabwean society. As a general rule, unequal and inequitable access to the economy presents a great security and stability risk in any society. The exclusion of the country's majority from the national economic activity while the same is seen to be a preserve of a minority who are of foreign origin may have the effect of stalling the national economic transformation and development, (Mandaza 2010:21). In Zimbabwe like in most formerly colonised countries, economic transformation and development to cater to the economic needs of the majority are the essence of independence that the country's previously oppressed fought for.

The rationale for the research is born out of the passionate debate about the efficacy or lack thereof of the country's indigenisation and economic empowerment programme in its current form as shown in the sentiments expressed and positions taken by proponents and opponents of the programme in the foregoing paragraphs. The world-over affirmative action programmes are supposed to benefit the majority of the targeted group and ensure that they escape from the clutches of poverty. In cases of countries whose economies were developed during colonial times resulting in an economic scheme of things favouring foreigners or citizens of foreign extraction at the expense of the indigenous people, affirmative action programmes also aim to create a genuine national bourgeoisie in the process, (Mandaza 2010:21.) Therefore, Zimbabwe's indigenisation and economic empowerment should be scrutinised to see whether or not it is the right vehicle to bring about poverty reduction, increase the meaningful participation of the previously disadvantaged blacks in the mainstream economy and give birth to a genuine national black bourgeoisie.

The research seeks to analyse whether the indigenisation and economic programme in its current form will succeed in its aim of genuinely empowering the black majority and not just a select few, thus resulting in poverty reduction among the previously disadvantaged black Zimbabweans. The research seeks to find out what could be the impediments to the programme's success, and what lessons can the country learn from those countries that have implemented national affirmative action programmes before. The research also seeks to understand the IEEP as an empowerment programme and a social transformation programme. As the programme is in its infancy, there has not been much research into the programme. There is therefore a dearth of literature on the programme and research focusing on the likely outcomes of the programme would add to the body of literature that could be used to fine-tune the programme to ensure it delivers the promised results. Research on the indigenisation and economic empowerment programme will put more literature in the public domain on the programme thus increasing understanding and debate on the issue. This should add to the body of knowledge on the topic and give pointers to would-be researchers in future on the areas to focus on as well as inform policy makers and other stakeholders on how best to craft or implement similar programmes.

Domination of the economy by foreigners or those citizens of foreign extraction imagined or real is untenable in the long run. It is bound to create resentment against those perceived to be monopolising economic activity, more so if they are perceived as not indigenous. Such resentment may be a source of social instability as is witnessed in South Africa currently and in the recent past where there have been acts of xenophobia against foreign nationals perceived to be dominating the small scale business at the expense of local South Africans. This research should therefore help to proffer suggestions on the best modalities of getting indigenous Zimbabweans into the main stream economy without destabilising the economy to the detriment of the country and its citizens.

1.3 Research Problem

A social problem is defined as the process by which members of groups or societies, through assertions of grievances and claims, define a putative condition as a social problem, (Spector and Kitsue, 1973). A social problem exists primarily in terms of how it is defined and conceived in society therefore; social problems are projections of collective sentiments (Bosk and Hilgartner, 1988). The ownership structure of Zimbabwe's economy, like most economies of former colonies, is a vexed social problem that has exercised the minds of the whole Zimbabwean society and other international observers and stakeholders. The problem therefore needs to be addressed. The domination of an economy by foreigners and the exclusion of the indigenous people from control of the main economic activities of their country is a socio-economic challenge demanding redress. At the same time, the proposed method by which to right the social problem of the exclusion of the indigenous people from the economy and the poverty it spawns is a problem warranting scrutiny to determine whether or not the proposed remedy will cure the social problem.

The ongoing debate about the Indigenisation and Economic Empowerment Programme in Zimbabwe is centred on the vexed question of whether or not this programme is the-right antidote for the problems of widespread poverty among indigenous Zimbabweans, and the equitable, fair and just distribution of the economic cake in Zimbabwe. The debate on the programme of indigenisation and economic empowerment in Zimbabwe essentially revolves around whether or not the programme in its current form will produce desired results, chiefly the alleviation of poverty among the majority of black Zimbabweans. There are those who charge that the indigenisation and economic empowerment programme in its present form and shape can only spell doom and destruction for the Zimbabwean economy, (Block 2011:9). This, they argue, is because it will scare away investors and thus make the economy shrink as investors will not be happy to lose 51% of their companies, (Block 2011:9). Yet other commentators argue that the programme is a ruse meant to benefit the black elite who are politically connected without any benefits accruing to the ordinary black Zimbabweans, (Biti 2010:7). At the other end of the debating spectrum are those who are of the firm view that Zimbabwe is breaking new ground and charting a new revolutionary path set to benefit her people in the long run. They argue that the neo-liberal economic theories based on attracting foreign investment thus creating employment for the locals does not bring about the economic benefits necessary to alleviate poverty among the locals, (Kasukuwere 2012:12). Neo-liberal economic policies result in foreigners creaming off the economy while locals are restricted to the crumbs that accrue to employees, (Kasukuwere, 2012:12).

The Indigenisation and Economic Empowerment Programme should result in the broad-based empowerment of the Zimbabweans thus improving the standard of living of the ordinary black Zimbabwean. The Indigenisation and Economic Empowerment should not be about the self-enrichment of a select few who are politically collected to the ruling elite in Zimbabwe, (Gwisai 2010:18). The programme should also not hurt the economy as that would result in the suffering of the very people the programme is meant to benefit. If the programme does not result in the reduction of poverty among the black Zimbabweans and a significant improvement in the participation of a broader mass of black Zimbabweans in the economy, then it would have failed.

Against the foregoing background, it is imperative to analyse whether or not the Indigenisation and Economic Empowerment Programme can bring about the desired goals of poverty reduction, and the inclusion of a broader mass of black Zimbabweans into the mainstream economy. This is done by way of unpacking the programme to understand what it entails and use existing literature on empowerment to analyse the programme. The research was carried out with the aim and purpose of establishing whether or not the Indigenisation and Economic Empowerment Programme will achieve broad based black economic empowerment and poverty reduction among the black Zimbabweans.

1.4 Research Questions

The research process will attempt to answer the following main question:

Will the Indigenisation and Economic Empowerment Programme result in broad based black economic empowerment and poverty reduction in Zimbabwe? Flowing from the main question, were sub-questions which helped in focusing the research. The questions were:

- What is indigenisation and economic empowerment?
- How is it implemented?
- What are the factors causing success or failure?
- Where else have similar programmes been implemented and how did they fare?

1.5 Research Objectives

Indigenisation and economic empowerment should of necessity be judiciously implemented so as to ensure that it produces the desired results and thus can be called a success. Failure to implement the programme with the requisite care may mean that the vast majority of black people will remain excluded from the mainstream economy and continue to wallow in poverty. It may actually bring about wider socio-economic inequalities; although this time the inequalities will be between the black nouveau riches and the black poor. This will mean continued socio-economic inequality will remain entrenched, although this time it may well be class-based instead of racially-based. Ultimately socio-economic inequalities will inhibit economic development of the country. The research seeks to establish the challenges likely to hamper achievement of the broad-based black economic empowerment and poverty alleviation among black Zimbabweans and how these can be overcome. In order to do this, the following objectives are pursued:

i. Define economic empowerment and indigenisation and describe current government programme on the issue.
ii. To describe the theories informing the indigenisation and economic empowerment programme
iii. To unpack the rationale for economic empowerment programmes
iv. To find out and outline how other countries have implemented affirmative action or empowerment programmes.
v. To make recommendations on how best to implement the programme of broad-based black economic empowerment.

1.6 Delimitation of the Study

The research was primarily of a descriptive nature mainly intended to understand the programme of indigenisation and black economic empowerment and how it is meant to be implemented. The research was meant to understand the programme's aims and objectives and how the government of Zimbabwe intended to implement it. At the same time the research sought to establish how the programme was likely to fare in achieving its set objectives and also derive lessons from similar programmes implemented in other countries.

In analysing the programme, the research sought to unpack the programme of indigenisation and economic empowerment to understand what exactly it entails, how it is intended to be implemented and then analyse its likely chances of success comparing and deriving lessons from the experiences of similar programmes implemented in other countries. The research also sought to understand empowerment programmes in general as a way of comparing and deepening understanding of the programme being implemented by the government of Zimbabwe. It was not the intention of the study to ascertain the social impact of the programme.

1.7 Research Design and Methodology

1.7.1 Research Design

A "research design is a plan for collecting evidence that can be used to answer a research question' (Vogt, 2006-quoted in Vogt 2008:04). Vogt contends that there are seven main types of research designs namely, document analysis; secondary analysis of data,; naturalistic observation; surveys; interviews; experiments and quasi experiments; and participant observation, (Vogt 2008:04). A research design determines the type of study a researcher will carry out to come up with answers to their problem, (Mouton 2004, Brewer and Hunter, quoted in Vogt 2008).

The research will be carried out in the qualitative research stratum making use of secondary data. In their generic definition of qualitative research, Denzin and Lincoln, (2000), contend that:

> ***Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings and memos to the self. At this level, qualitative researchers study things in their natural settings, attempting to make sense of or to interpret phenomena in terms of the meanings people bring to them*** (Denzin and Lincoln, 2000, quoted in Kohlbecher 2006:154).

Cassel and Symon, (1994) say that the defining characteristics of qualitative research are:

> A focus on interpretation rather than quantification, an emphasis on subjectivity rather than objectivity, flexibility in the process of conducting research, an orientation towards process rather than outcome, a concern with context _ regarding behaviours and situations as inextricably linked in forming experience and finally an explicit recognition of the impact of the research process on the research situation, (Cassel and Symon 1994 quoted in Kohlbecher 2006: 234).

Bogdan and Biklen (1992) point out that qualitative research aims primarily to describe, to analyse and, it is concerned with the process rather than the outcome. Galeano1 (2004) quoted in Rode 2009 73-74) say that qualitative research "is directed towards understanding reality as the result of a historical construction process based on the logic of the various social actors, looking 'from within' and retrieving the uniqueness and distinguishing features of social processes."

In this research project, the qualitative research paradigm was appropriate as this is research that seeks to interpret and make sense of a programme, phenomenon which the government of Zimbabwe is attempting to implement. Like in most qualitative research projects, the research programme seeks to subjectively make sense of the programme being studied. Unlike in quantitative research projects, the research project seeks primarily to describe and analyse the programme which is the subject of the study. The research programme seeks to understand the reality of the programme under study as a historical construction of the various actors and stakeholders that will be impacted by the programme. In analytical research, the researcher has to use facts or information already available, and analyse these to make a critical evaluation of the material, (Kothari 2004:16).

According to Pickvance1995 (cited in Wilson 2011:296) comparative analysis is "the collection of data on two or more situations, followed by an attempt to make sense of them by use of one or more explanatory models. This 'making sense' is achieved through investigating what Wilson, (2011:296) calls diversity – the potentially complex patterns of similarity and difference – in a moderate number of cases but in a comprehensive manner."

In this research comparative analysis was used to draw lessons from affirmative action policies implemented in other jurisdictions, prior to the indigenisation and economic empowerment programme in Zimbabwe. Similarities and differences between the Zimbabwean programme of affirmative action and similar programmes in other countries would be unearthed using comparative analysis.

The research design comprised a literature review which entailed the examination of various texts, covering a study of relevant books, journals, legislation and publications. This was meant to give a clear understanding of the prevailing views of various leading scholars, groups and other thought leaders on the subject of indigenisation and/or economic empowerment, and /or resource nationalism. The descriptive approach was employed in the study. The analysis was essentially non-empirical study because it relied in the main on the ideas and existing writings of various authors and sources.

1.7.2 Research Methodology

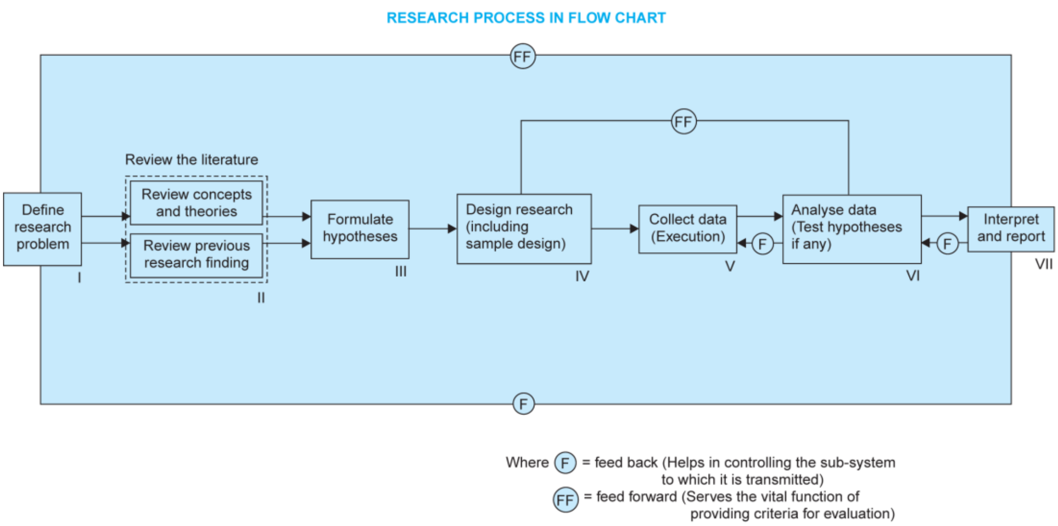

Figure 1 (Source, Kothari 2004:10)

Figure 1 depicts the flow of research from the inception of the research idea by the researcher to the final report writing stage. It shows the stages the researcher has to follow in carrying out a research.

“Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology”, (Khotari 2004: 9). Research methodology encompasses issues like the reason behind the choice of the research methods that the researcher has chosen to employ.

The study will focus on the indigenisation and economic empowerment programme as espoused in the Indigenisation and Economic Empowerment Act. The study will also look at similar affirmative action programmes implemented in South Africa through the Broad Based Black Economic Empowerment, (BBEE) and the Malaysian experience of affirmative action in the 1960s.

1.7.3 Structure of the Research Project

The research project is divided into six chapters. Each chapter deals with a particular theme and subsequent chapters build on the previous theme and are meant to answer to particular aspects or questions of the research project. Generally, chapter 1 introduces the topic making up the research project. This is the chapter where the main research question and sub-questions are presented and explained, so the reader gets to know the answers the research seeks to provide and what the research seeks to achieve by answering the questions.

Chapter 1 also presents the background to the programme which is the subject of the research. The background lays out the conditions that necessitate the government intervention in form of the Indigenisation and Economic Empowerment Programme.

Chapter 2 is the literature review. It presents the theories that inform affirmative action policies and programmes. The chapter also touches on the philosophical context for programmes like the Indigenisation and Economic Programme. The chapter also-explains the notions of poverty and social-exclusion. This is so as to make the reader understand the depth of deprivation suffered by previously disadvantaged citizens of Zimbabwe and thus make a case for affirmative action to eradicate poverty amongst this group.

The chapter further discusses the notions of development and underdevelopment and the development theories like modernization, and-dependency theories. This is meant to explore alternative avenues through which some of the aims of the Indigenisation and Economic Empowerment Programme like poverty alleviation can be attained. The chapter also touches on the roles played by players like the private sector and government in fighting poverty.

Chapter 3 is where the programme of indigenisation and economic empowerment is placed in the Zimbabwean context. The chapter presents the economic profile of Zimbabwe from independence to the period of the institution of the Indigenisation and Economic Empowerment Programme. This is meant to highlight the socio-economic conditions that the programme seeks to address.-Having outlined the economic disparities prevalent among Zimbabweans, the chapter goes on to outline the interventions instituted by the government of Zimbabwe over the years to eradicate poverty and eliminate economic disparities among the country’s citizens.

The chapter will then explain the legislation and other instruments used to implement the Indigenisation and Economic Empowerment Programme. The chapter further looks at the role of the programme of economic affirmative action in poverty reduction and narrowing the inequality gap.

Chapter 4 will focus on the concept of economic empowerment as implemented in other countries through similar programme interventions. The chapter will also look at the literature from the international examples covering the implementation of similar programmes in these countries, for example in Namibia, South Africa, and Malaysia. The chapter will also talk about funding mechanisms for affirmative action or economic empowerment programmes in those countries.

Chapter 5 discusses whether or not it is an advantage to the country to implement the Indigenisation and Economic Empowerment Programme. The chapter considers the advantages and disadvantages of implementing an economic affirmative action programme as informed by the literature on the subject and experience from countries that have implemented similar programmes.

Chapter 6 is where the best practice in implementing economic affirmative action policies or programmes is presented. The chapter makes recommendations on the best way to undertake economic empowerment programmes. The chapter also makes recommendations on improving the Indigenisation and Economic Empowerment Programme so that it can better achieve its stated aims and objectives.

1.7.4. Chapter Summary

This chapter served to introduce the research problem. It started off by giving a background to the introduction of the Indigenisation and Economic Empowerment Programme.-The chapter also explained the motivation for the study, research problem, research questions, and objectives and the research design and methodology.

The main research question is, will the Indigenisation and Economic Empowerment Programme produce broad-based economic empowerment of black Zimbabweans and reduce poverty? Flowing from the main research question, the research seeks answers to the questions, what is indigenisation and economic empowerment? How will it be implemented? Is it likely to succeed or fail? and where else have similar programmes been implemented?

The main research objective is to establish the challenges which could derail the Indigenisation and Economic Empowerment Programme from achieving its aims of broad-based black economic empowerment and the attendant poverty alleviation.

The chapter introduced the reader to the purpose of the research, and what the main focus of the study will be. The chapter further gave a background about the subject area of the research so that the reader can appreciate why it is important to conduct research into the subject matter.

The chapter further outlined the reasons motivating interest in researching into the subject area. The chapter further outlined how the research was carried out. The chapter contributes to the research by way of informing the reader why the research is necessary, what the research is all about and how the research was carried out.

The following chapter, chapter 2 builds on the first chapter by presenting the theoretical framework and literature review on the subject matter of the research. The chapter outlines the various theories informing the research.

CHAPTER TWO: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Introduction

The discussions in this chapter will focus on the theories that explain the issue that forms the basis of this research. The literature review presentation constitutes part of the body of research in the study. Rowley and Slack (2004:31) define literature review as, "a summary of a subject field that supports the identification of specific research questions." A literature review should draw on and evaluate a range of different types of sources including academic and professional journal articles, books, and web-based resources, so as to have a comprehensive array of information on the subject of the research. Literature review is also defined as "a systematic and reproducible method of identifying, evaluating and interpreting the existing body of a variety of recorded sources about a specific topic produced by researchers" (Fink 2006:15). The literature search helps in the identification and location of relevant documents and other sources, in which the subject of research has been dealt with. This knowledge and insight into the subject gained by the researcher should then enable the researcher to have a better understanding of the current thinking and state of knowledge in the subject of his research thus enabling him to better deal with the subject of the research. The literature review is an important component of the research exercise because it provides the foundation upon which the research study will proceed.

This chapter aims to provide a conceptual understanding of poverty, economic empowerment and affirmative action, so as to use theoretical tools of analysis to better understand the indigenization and economic empowerment programme as a vehicle and a strategy of socio-economic transformation. Understanding development and poverty is a good point of departure in appreciating the indigenisation and economic empowerment programme as a means to bring about development. Indigenisation and economic empowerment is used by the government of Zimbabwe as a strategy to bring about development to the previously disadvantaged indigenous Zimbabweans and alleviate poverty. A theoretical understanding of the concepts of development and poverty will therefore go a long way in aiding in the understanding of the programme.

The chapter will also explore and discuss other strategies of poverty reduction as well the role of other sectors in development and other strategies of bringing about development. The chapter covers a wide range of theories, arguments and issues, related thereto. The chapter opens with a discussion of the philosophical perspective for the indigenization and economic programme. The chapter further includes a discussion on the concept of poverty and social exclusion, the meaning of development and underdevelopment, the role of government and the market in poverty reduction. The adverse effects of corruption on development will also be discussed as well as the implementation of policies and programmes aimed at poverty eradication and/or reduction.

2.2 Justice, Inequality and A Just Social Order

The theory underpinning the indigenization and economic empowerment programme is a redistributive theory and philosophy. The indigenization and economic empowerment programme is redistributive in nature and it is predicated on the principles of equity, fairness and justice. These principles provide the moral and philosophical grounding for the promulgation and implementation of the programme of indigenization and economic empowerment by the government of Zimbabwe.

Distributive justice concerns itself with the fair distribution of wealth or other goods which people need to live decent lives, like physical security, food, water, shelter, jobs, education, medical care, and technology. The modern idea of distributive justice postulates that economic inequalities require justification, that justice is concerned with the allocation of economic resources in a community, and that it is the responsibility of government to reallocate-those resources, in pursuit of justice (Nardin 2006:455). A state may tax the wealthy to support the poor or engage in such other arrangements necessary to reduce, eradicate or otherwise tackle poverty not only on moral but on prudential grounds (Nardin 2006:455).

The theory that is widely used to support affirmative action is compensatory justice. Compensatory justice refers to the extent to which affected people are fairly compensated for the injuries or loss incurred as a result of the actions or acts of commission of other people. The compensation should ordinarily be paid by those responsible for the loss or injury. Just compensation for the injury or loss should be proportional to the loss or injury suffered (Velasquez quoted in Abdullah 1997:25). In cases where the perpetrators of the injustices or losses are alive and identifiable and the victims alive and known, it is easy and straight forward to apply the principle of compensatory justice as the perpetrators are simply asked to pay their victims. The case of colonialism in Africa is one case where compensatory justice is called for. Colonisation in Africa resulted in injustices being perpetrated against the indigenous people of Africa which had the effect of socio-economic marginalization, whose effects continue to haunt the victims years after the end of colonialism. The case of Malaysia where the end of colonialism left the indigenous Bumiputera at the periphery of the Malaysian economy is similar to that of Zimbabwe and other countries in Southern Africa where colonisation left the indigenous majority excluded from the mainstream economy. In such cases, just as happened in Malaysia, there is a strong and compelling case for affirmative action to achieve broader economic participation by the previously marginalised groups, which can lead to poverty reduction and equitable wealth distribution (Simpson 1995 cited in Business Council of Zimbabwe 2011:17).

In the circumstances, the IEEP of Zimbabwe should be understood as a form of compensatory justice to redress the wrongs and injuries suffered by indigenous Zimbabweans during colonialism. Another argument for IEEP relates to the need to broaden economic participation which arguably leads to sustainable economic growth and poverty reduction by increasing income levels citizens. A nation cannot succeed economically if it does not harness the economic potential of all its citizens and so post-colonial societies like Zimbabwe should broaden economic participation of their citizens by ensuring that the previously excluded citizens are brought into the economic arena for the benefit of the national economy.

A just social order is one that strives to bring about the greatest possible happiness to the greatest possible number of people (Bentham, quoted in Mackinnon 2001: 241). If justice is to do with the happiness of people, then resource distribution is a major factor in bringing about justice in society. This is because happiness of people is brought about to a large extent by their access and enjoyment of resources. The longing for justice is man's eternal longing for happiness, which is satisfied in large measure by a fair and equitable resource distribution (Mackinnon 2001:241).

According to the dictates of the idea of justice, it is considered unjust to "to treat people differently in ways that denies some significant social benefits unless it can be proved that there is a difference between them that is relevant to the differential treatment" (Mackinnon, 2001:241). So the economic differentials in post-colonial societies, and indeed deliberate exclusion that the indigenous people were subjected to during the colonial times vis-à-vis their white counterparts can be considered a state of injustice. Hence, most post-colonial majority governments feel duty-bound to correct the historical injustices of economic exclusion that were suffered by the indigenous people. Zimbabwe's indigenization and economic empowerment programme may also fall victim to the above-noted phenomenon as those who benefit from the status quo seek to derail the program in protest at their loss of resources due to the exercise.

While redistribution of benefits can sometimes relieve tensions and bring about a more stable society, it can also bring about conflict. This is due to the fact that redistribution always has its losers who may initiate conflict in protest at losing "their" resources in the redistribution. The restorative justice through redistributive policies may thus be viewed as an injustice by those from whom income or assets are taken for redistribution to the previously disadvantaged. For example, in the United States of America, affirmative action programmes are strongly opposed by sections of white society. Similarly in Malaysia, policies giving preferential treatment to the Malays and other indigenous people of Malaysia are generating conflict and tension in the country (Maiese 2013:1).

Distributive justice is defined as the "ways that the benefits and burdens of our lives are shared between members of a society or community" (Armstrong, quoted in Maiese 2013:1).Economic goods or resources in society may be distributed according to four principles, ***viz*** , equity, need, social utility, and equality (Maiese 2013:1). If equality is applied as a principle in resource allocation in society, each person will get the same amount of goods. If the principle of equity is used in resource allocation in society, resources will be distributed in proportion to one's contribution, with those who make a greater productive contribution to their group receiving more benefits. The economic system associated with this principle of resource distribution is characterized by competitive systems, where there is an equal opportunity to compete for all, with wealth distributed according to effort or ability. Another principle which can be applied in distributing resources is according to need. Using the principle of need in resource distribution, those who need more of a benefit or resource will get more. Resources in society may also be distributed according to social utility. This is where goods are distributed according to what is in the best interest of society as a whole. For example, paying high remuneration packages to company executives might be justified as being in the best interest of society as a whole, because their efforts as executives result in job creation which benefits society as a whole.

The theory of relative deprivation holds that people feel a sense of injustice when they perceive that their outcome is not in keeping with the outcomes received by people like them in similar situations (Deustch in Maiese 2013:1). When people feel that they are not receiving their "fair share", relative to others, conflict may arise as they seek to confront the system that gives rise to their perceived unjust state of affairs. In consequence, societies in which resources are distributed unfairly can be prone to social unrest. For example unfair land distribution and an unfair agricultural economic system, have been the main reasons behind armed and civil resistance in Guatemala (Murga and Palma quoted in Maiese 2013:1). Similarly, most liberation wars in Southern Africa and other conflicts were mainly sparked by unfair resource distribution, perceived or real.

An economy is a totality which comprises an economic system, an array of policies, and instruments of action, and institutions for managing resources (Goulet 2001:04). For economic growth to enhance and promote human development, it should be pursued in a mode of equity. An economy which distributes its benefits in ways that exclude many is unjust and inequitable (Goulet 2001:04). A just economy must be efficient and equitable.

Richard Stanley contends that the world should strive for an economic system that yields:

(1) High productivity and wise resource allocation
(2) Fairness and equity in distribution of economic benefits and
(3) Economic, environmental and social sustainability, (Stanley 1997 quoted in Goulet 2001:5).

The current rules of the economic game have failed to produce an equitable distribution of the economic cake. This is evidenced by the fact that economic disparities have widened both within and among countries with the numbers of poor people increasing. All this has happened in spite of impressive gains in economic growth (World Bank 1997, UNDP 1997, cited in Goulet 2001: 11). An economy cannot be just if its workings are such that they result in the marginalization and increase in poverty for the many as it creates wealth for the relatively few. This is an accurate characterization of the modern globalised economy measured in Gross National Product (GNP) terms.
Another principle of justice is to do with the need for equality of opportunity, aimed at remedying social disadvantage. According to this principle, the key factor to promoting justice

is whether people have a fair chance or equal opportunity to attain positions of greater income and wealth. An opportunity is defined as a chance to get some benefit or goods, without any barriers to stop one from attaining them (Mackinnon, 2001:272-273). Related to "equality of-opportunity" is Sen's (cited in Roemer, 1996:36) "equality of functionings and capabilities," where people are enabled to realize their plan of life. "Functionings" and capabilities are the "doings and beings" that enable people to escape morbidity, to be-adequately nourished and partake in community life (Sen quoted in Roemer 1996:36).

2.3 Definition of Terms

A variety of terminology has been used to describe interventionist strategies by government aimed at achieving socio-economic balance in society. The phenomenon that has been described has basically been similar although different jurisdictions have employed different terminology to describe essentially the same phenomenon. To achieve commonality of understanding in the study of the phenomenon of government economic intervention, it is therefore important to do a deeper definitional analysis of the terms commonly used to describe this phenomenon.

2.3.1 Affirmative Action

Affirmative action is probably the first term to be used to refer to government intervention in the market to remove imbalances occasioned by past circumstances and deeds (Business Council of Zimbabwe 2011). As a result, the term affirmative action enjoys wide prominence and usage in reference to or discussions of such government intervention as well as the theory relating to the intervention. Affirmative action refers to the "preferential policies that seek to redress economic and social imbalances" (Sowell 2004 quoted in Business Council of Zimbabwe 2011:18). The general and all-encompassing definition of affirmative action is that it refers to policies encompassing employment equity, positive discrimination in the provision of tertiary education, preferential economic advancement of previously disadvantaged or minority groups and the advancement of gender equity in economic issues, (Business Council of Zimbabwe 2011:20)

2.3.2 Indigenisation

The Oxford Advanced Learner's Dictionary defines indigenous as "belonging to a place: originating in and naturally living, growing, or occurring in a region or country" (Oxford Advanced Learner's Dictionary. 2010. s.v 'indigenous'). Indigeniety or indigenization has become a preferred strategy for reconstructing post-colonial states in Africa, a strategy to achieve socio-economic transformation especially in African states that had a sizeable number of European settlers during colonialism like South Africa, Namibia and Zimbabwe, (Andreasson 2010).

Indigenisation is also defined as a "process of economic transformation from external domination and control to an authentically national economy regulated by its own citizens" (Adedeji quoted in Business Council of Zimbabwe 2011: 20). This definition of indigenisation does not distinguish between citizens who were disadvantaged by historical circumstances and citizens who were privileged in colonial times as is the case in most countries in Southern Africa, where indigenisation programmes like the IEEP in Zimbabwe are being implemented.

According to United Nations Development Programme (UNDP 2010), indigenization can take the form of ownership indigenization, control indigenization, manpower indigenization and technology indigenization. Ownership indigenization is where the indigenous people own the major means of production and/or majority shareholding in companies. Ownership indigenisation can be through the state owning the major means of production and/or a majority shareholding in companies or indigenous citizens owning the majority shareholding in companies. Control indigenization is where indigenous people are in the majority in decision making bodies as well as occupying the top managerial positions in both the public and private sectors. Manpower indigenization refers to a situation where the indigenous people are well represented in the workforce in both the public and private sectors of the economy. Technology indigenization is whereby a country seeks technological independence. It is two pronged. It can refer to the technological innovations from local research and development institutions being propagated for use in the country. It can also entail adapting foreign technologies to local use, including being able to maintain and service such technology (UNDP 2010:23).

2.3.3 Nationalization

Nationalization is another method of transferring ownership of a nation's economy to indigenous people or their government. Nationalization was popular during the heydays of socialism. It involves the compulsory expropriation of assets with or without compensation by government. Such a policy action involves an immediate transfer and results of such actions are also immediate.

Economic nationalism is defined as a state of social psychology or political sentiment that promotes the domination of economic activity i.e. ownership of property or assets and the holding of certain jobs by members of the national group (Johnson 1965, cited in Pinto and Le Foulon 2007:3). Economic nationalism is also defined as "protectionism for their own country's benefit and intervention in their domestic economy to pursue own interests", (Folster 2009 quoted in van der Sleen 2013:03)

Economic nationalism can be understood as an ideology not dissimilar to protectionism, if narrowly taken or as those aspects of nationalism relating to the "nation's economy", if taken in a broader or inclusive sense (Pickel 2006:05).

Nationalist economic policy is aimed at distributing income, not increasing income, (Btreton cited in Pinto and Le Foulon 2007:10). In consequence, the policy choices associated with economic nationalism are also likely to have distributive consequences (Pinto and Le Foulon 2007:3).

The composition of the Zimbabwean economy, the ownership structure, the economic wellbeing and poverty among the citizens, the mistrust between current and historical owners of capital and government of Zimbabwe, the resultant persuasion to create a national bourgeoisie and the efforts at correcting economic disparities have been presented all as a way of making the reader understand the background giving rise to the Indigenisation and Economic Empowerment Programme.

Resources nationalism has also been associated with distributive policies and other policies meant to enhance the welfare of citizens. It is one of the many ways that have been considered and continue to be considered for purposes of equitably distributing the benefits of a country's resources or economic activity. So resource nationalism can also be lumped together or be considered as a strand of the indigenization and economic empowerment programme that is being pursued by the government of Zimbabwe.

Resource nationalism is the phenomenon where states set terms and conditions that favour locals in the resource extraction processes by firms operating within their borders (Mousavizadeh, 2012:1). Contemporary resource nationalism is largely driven by immediate economic interests as governments seek to increase their share of profits, on the back of the worldwide resurgence of economic nationalism (Mousavizadeh, 2012:1). The reasoning or legitimate rationale behind resource nationalism is that the people in whose lands resources are domiciled should derive benefits from the extraction of those resources, in other words to provide for a more equitable distribution of benefits from mining activity vis-à-vis the investors who extract the resources (Solomon 2012: 73). States have different objectives for resource nationalism which include:

- ✓ maximizing the development of national resources,
- ✓ capturing a greater value from the resource sector,
- ✓ more equitable distribution of resource benefits,
- ✓ political doctrine on state ownership of natural resources,
- ✓ the perception that the state can more efficiently unlock resources directed towards a developmental growth path that is more inclusive and equitable,
- ✓ the political imperative for employment creation and facilitating higher levels of labour absorption,
- ✓ a quest for value addition from the raw material produced though the promotion of minerals-related industrialisation, and
- ✓ leveraging the industry to enhance the strategic and fiscal capacity of the state (Solomon 2012:73, Mojarov, 2013:3).

Resource nationalism can take variegated forms, which include:

- ✓ outright nationalisation of mining companies, whether compensated or uncompensated;
- ✓ increased state participation through, among other measures, a state owned mining company;
- ✓ fiscal measures;

- ✓ mandated beneficiation (often through the imposition of export levies);
- ✓ mandatory local inputs; and
- ✓ local equity and participation requirements;
- ✓ limited nationalisation where the state holds equity in a privately run company with or without compensation;
- ✓ resource rent and progressive taxation mechanisms;
- ✓ developmental state models;
- ✓ statutory indigenisation programmes (Leon 2013:1, Solomon 2012 :73).

All these forms of resource nationalism are meant to benefit the state, as the custodian of citizens interests, with only the indigenization model directly benefiting indigenous citizens from ownership transfer from foreign investors (Solomon 2012:73).

Developing countries' main economic activity revolves around commodities which are derived from the extractive industries. Therefore, attempts at long term structural and societal change like those intended to be achieved by Zimbabwe's Indigenization and Economic Empowerment Programme have necessarily to target the mining sector. This is because mining accounts for a considerable amount of GDP. This can be done via the orthodox resource nationalism, where countries increase the taxes for mining companies, or governments establishing joint ventures with private companies or through other radical means like Zimbabwe's indigenization economic empowerment where mining companies are forced to cede given percentages of their companies' shares to locals. The Indigenization and Economic Empowerment Programme is meant to transform the country's socio-economic status and sectors which generate a lot of revenue like mining have to be targeted if the programme's socio-economic transformation agenda is to be achieved.

2.3.4 Economic Nationalism

Economic nationalism is defined as a state of social psychology or political sentiment that promotes the domination of economic activity i.e. ownership of property or assets and the holding of certain jobs by members of the national group (Johnson 1965, cited in Pinto and Le Foulon 2007:3). Economic nationalism is also defined as "protectionism for their own country's benefit and intervention in their domestic economy to pursue own interests", (Folster 2009 quoted in Van der Sleen 2013: 03)

Economic nationalism can be understood as an ideology not dissimilar to protectionism, if narrowly taken or as those aspects of nationalism relating to the "nation's economy", if taken in a broader or inclusive sense (Pickel 2006:105).

Nationalist economic policy is aimed at distributing income, not increasing income, (Btreton cited in Pinto and Le Foulon 2007:10). In consequence, the policy choices associated with economic nationalism are also likely to have distributive consequences, (Pinto and Le Foulon 2007:3).

2.3.5 Empowerment

"Empowerment conveys both a psychological sense of personal control or influence and a concern with actual social influence, political power and legal rights" (Rappaport, 1987 quoted in Business Council of Zimbabwe 2011:21). According to McArdle (1989: 15) empowerment is "the process whereby decisions are made by people who have to bear the consequences of those decisions". Empowerment fundamentally aims to help individuals within the society to improve the quality of their own lives and share equitably in the benefits of economic growth, (Gergis, 1999,quoted in Business Council of Zimbabwe 2011:21). There is therefore need for economic empowerment if a country is to attain equity in economic ownership. This is what Zimbabwe's IEEP seeks to achieve. Gergis (1999) argues that there are six categories of economic empowerment strategies ***viz***:

i. Financial intervention. This is where government intervenes to avail financial assistance to indigenous entrepreneurs (increased access to credit);

ii. Enterprise development for indigenous people (increased access to skills, business and management training and improved production technologies);

iii. Marketing strategies for locally produced goods and services (increased access to markets);

iv. Bargaining strategies (for higher wages, better working conditions, etc.) for employees;

v. Job creation (promotion of labour intensive projects); and

vi. Training and education that is responsive to skill requirements in the economy, (Gergis, 1999, quoted in Business Council of Zimbabwe 2011:21).

Indigenisation and empowerment can be used interchangeably. This is especially so when it comes to which one begets the other i.e. does indigenisation lead to empowerment or economic empowerment leads to indigenisation. It is up to a particular country to determine which strategy they will employ; whether to start with economic indigenization and achieve economic empowerment or begin by economically empowering people to achieve economic indigenisation.

One of the major concerns raised by commentators and stakeholders is whether an IEE programme is broad-based or not. This is mainly to avoid a state of affairs where empowerment programmes are hijacked to enrich a few at the expense of the majority of the group targeted for empowerment. In the empowerment parlance, broad-based empowerment is also known as the "maximalist" approach and narrow-based empowerment is the "minimalist" approach. The minimalist or narrow approach is where empowerment policies and programmes put emphasis on racial realignment in both the public and private sectors with a bias towards the previously disadvantaged to ensure that their representation therein is proportionate to their representation in the population, (Edigheji 2005:67). The narrowness of the minimalist approach is because it does not concern itself with altering the conditions that brought about and entrenched both the privileges for the minority and the marginalization of the majority. The narrow or minimalist approach is what Moaletsi Mbeki calls the co-optation of a few black faces into the white economic laager or what Julius Malema calls the phenomenon of black economy security guards. In Malaysia's business sector, the phenomenon is pejoratively referred to as the Alibabas. Rather, the minimalist approach to empowerment merely seeks to create a new circuit of racial capital accumulation and the development of black-owned businesses or creation of a black business class.

In contradistinction to the minimalist approach, the maximalist ("Broad") approach to empowerment pushes for a thoroughgoing or a root and branch restructuring of institutions and society so as to radically alter power relations in the politico- socio-economic spheres. It does not seek to simply replace white individuals with black ones. The broad based or maximalist approach involves the generation and redistribution of resources to the country's majority. Redistribution encompasses skills and educational training for the beneficiaries, as well as the overall democratization and transformation of institutions and the institutions' organizational culture. It does not limit itself to the mere inclusion of a few individuals from the previously disadvantaged groups into the narrow and privileged ownership and management structures of the economy. In consequence, the broad-based or maximalist approach covers ***inter alia***: job creation, rural development, urban renewal, poverty alleviation, land redistribution, women empowerment (focusing on black women), the youth, skills and management development, education, meaningful ownership, and availing finance for households and finance for the purpose of business (Gqubule 2006:23).

In summary broad-based economic empowerment covers ownership, management, employment equity, skills development, preferential procurement, enterprise development and corporate social investment/ residual/ industry specific. Narrow-based empowerment on the other hand is restricted to management and ownership only (Gqubule 2006:23).

Figure 2 emphasises institutional bases of development as a process of empowerment rather than on the reform of the institutions themselves.

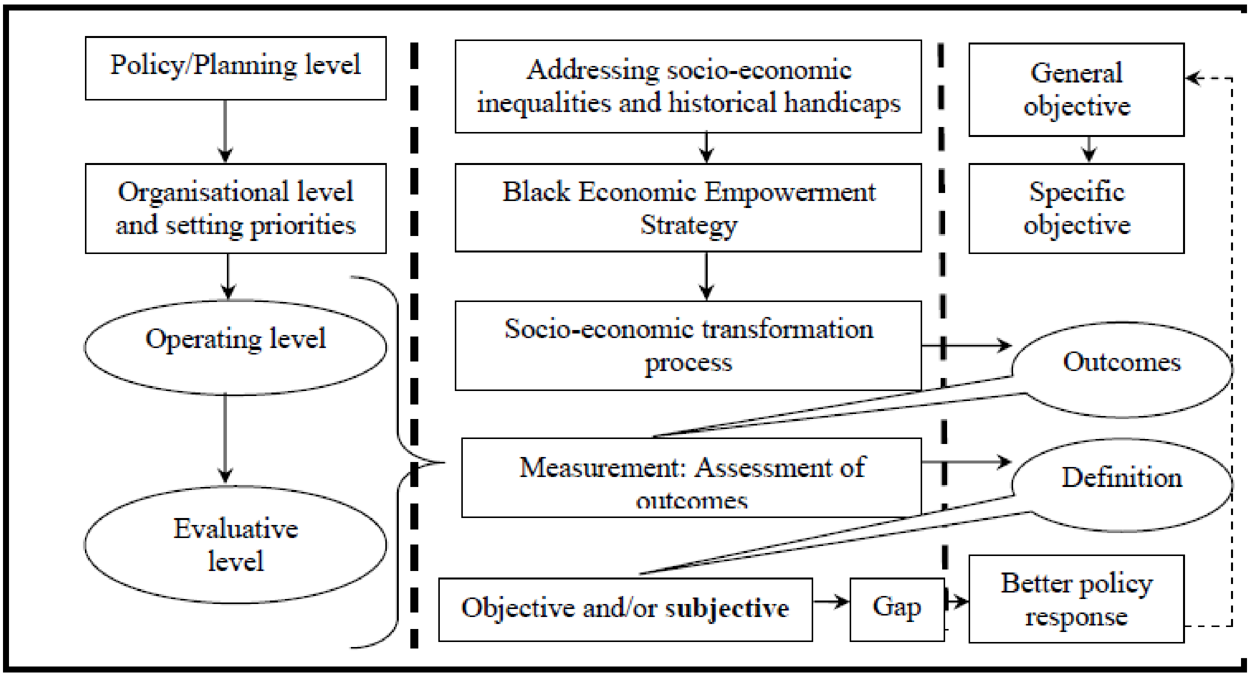

Figure 2: Empowerment Analysis

Source: Janssens et al (2006)

The Janssens et al model, as represented at figure 2 above is the ideal comprehensive empowerment model. Because of its comprehensive nature generally governments find it difficult to implement it. As a compromise, governments tend to go for ownership indigenization, hoping that empowerment will happen down the line, (Business Council of Zimbabwe 2011:23).

2.4 How Poverty Results in Social Exclusion

2.4. 1 Defining Poverty

The main concepts which feature prominently in the research topic will be defined within the context of the research topic. This will enable the reader to understand the concepts as they are used and discussed in the research

Fighting poverty is one of the main areas of the research topic. The main subject of the research, the Indigenisation and Economic Empowerment Programme has as one of its main aims, fighting poverty. It is therefore important to explain what poverty is and the negative consequences it has in society. This will put into perspective the importance of the Indigenisation and Economic Empowerment Programme and whether or not it is the right instrument to fight poverty.

According to Mollie Orshanksy (1965 quoted in Bell 2000:36) poverty is three times the dollar amount needed to buy a nutritious but low cost diet. Hulme describes poverty as "deprivation in terms of a range of capabilities in addition to income – education, health, human and civil rights" (Hulme & Shepherd 2003:07). Poor people have a relative shortage of goods and services at their disposal.

The United Nations' Millennium Development Goals (MDGs) also incorporate poverty reduction among the 8 (MDGs) with goal 1-target 1 being: 'halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day (quoted in Hulme 2003:09). The inclusion of poverty reduction among the United Nations' Millennium Development Goals shows that poverty is not just a national problem, but an issue of international concern. It is one of the ways and means of eradicating and/or reducing poverty that nations and indeed scholars and commentators are not in agreement. In terms of focusing public attention on the issue of poverty and mobilizing energy and resources for its reduction, this primary goal of the MDG has proved excellent.

For the neo-liberals, the poor are those who have not been effectively integrated into the market economy. To the proponents and adherents of neo-liberal economics therefore, the cure for poverty is to be found in the market forces (Aiber M quoted in Hulme 2003). Hulme contends that while the market can liberate some of the poor people from their poverty, there are those whose poverty would require interventions other than the market to eradicate, especially the chronic poor those afflicted by poverty for long periods or all of their lives (Hulme 2003). According to Hulme, poverty reduction strategies deployed by a country and the attendant role of the state, including the national development strategy will be influenced by the type of poverty that is afflicting a country. Redistributive policies, direct investments in basic physical infrastructure, and a reduction of social exclusion are some of the measures necessary to significantly reduce poverty in a country where a considerable proportion of the poor are chronically poor, (Hulme 2003). At both the national and international levels, policies which acknowledge the fact that some redistribution from rich to poor, within and between countries, must be part of the solution to poverty reduction, (Hulme 2003:26).

According to the World Development Report 2000/2001 (quoted in Hulme 2003:26) a strategy pursuing empowerment, opportunity and security provides a comprehensive basis for poverty reduction. Poverty reduction can also be attained if there is an improvement in local and national governance. If markets are made to work for poor people and the poor's assets are built up, poverty will also be reduced in a big way (Hulme 2003:27).

From time immemorial, poverty and inequality have been major factors in social upheavals. The said social upheavals have over the years been ignited by attempts at distributing resources or simply fighting for the control of the same. In consequence one of the critical, conditions for the institution of corrective and redistributive policies and programmes is the objective existence of inequality and iniquity in the distribution of resources in a society (Henry 1991:2).

Material or income poverty refers to a state of affairs whereby a human being lacks resources to meet his or her basic minimum consumption requirements for survival (Henry 1991:30). These basic consumption requirements relate to what Maslow termed the basic needs for human survival ***viz***, food, clothing and shelter. Material or income poverty or want is expressed in terms of absolute and/or relative poverty. Absolute poverty is to do with a person's inability to command resources to meet their basic minimum survival needs namely, food, clothing and shelter (Henry 1991:31). In the United Nations Development Programme parlance this is when a person lives on less than a dollar a day.

Relative poverty as distinct from absolute poverty refers to income or material want or poverty experienced by a person in relation to or when compared to the living standards, income or material status of others in a particular society. The comparison of a person's poverty status with others in a particular society is often expressed or measured against a set average standard of living (Henry 1991:30). For instance, if the average income of a Zimbabwean is determined to be a Gross National Income per capita of US$800, any person with an income level of less than the US$800 per annum would be considered to be in relative poverty, that is to say, the person is considered to be poor when compared to the average income of the average Zimbabwean. Highly unequal income distribution in society worsens material or income poverty.

The traditional approach to the understanding of poverty depicts a poor person as one who falls below the minimum income necessary to live adequately, sustaining one's physiological needs (Saha 2008:268).**According to this monetary view of poverty**, there is extreme poverty and moderate poverty. Extreme poverty is where a person's income falls below the poverty threshold, while moderate poverty is defined as where income falls between the extreme and the upper poverty thresholds (Saha, 2008:268). The solutions to fighting the two categories of poverty are different. Economic growth can result in those in moderate poverty can move out of poverty, thus being rescued from poverty. However, people living in extreme poverty are excluded from economic activity and will therefore not benefit from economic growth (Saha, 2008:268). Those in extreme poverty can therefore only benefit from national and international support, by way of public provision of essential social services, itself a measure of redistribution.

According to the **basic needs approach**, poverty should be understood in relation to adequate living standards by human beings which are determined or influenced by the extent to which people organized as households can access basic services like health, clean water, housing and food (Coudouel & Hentschel 2000:94) . The basic needs approach is premised on the assumption or philosophy that people suffer more than just a lack of income, but a broader array of needs required to lead a normal life. Proponents of the basic needs approach do concede however, that poverty is in part a consequence of not having adequate income to meet one's basic needs. The idea of needs, as conceived in the basic needs approach, covers what is conventionally regarded as necessary to lead life as an integrated member of society, (Watt 2000:15).

The **capability approach** is an approach towards understanding of poverty that was developed by Amartya Sen. Sen's capability approach makes reference to the lack of fundamental capabilities by individuals, like lack of opportunity to attain basic "functionings" (Robeyns and Kuklys 2004:4). According to Sen, functioning is an achievement of a person which refers to what a person can manage to do or to be. Any functioning indicates or shows a part of the state of that person, (Robeyns and Kuklys 2004:2).

The capability approach as advocated by Sen, focuses on social obstacles or personal circumstances which inhibit the capabilities of individuals to participate in society to the full extent of their abilities (Fusco 2003:8). Sen considers the idea of absolute poverty in relation to capabilities and not just limiting it to average incomes (Streeten 1995:33). The capability approach accepts the view that low-income can be one of the main causes of poverty as absence of income can be a primary reason for a humans' capability deprivation. Amartya Sen contends that there is an interrelationship between low income and capability deprivation because enhanced capabilities would expand a person's ability to be more productive thus earning themselves a higher income (Sen1990:87-92). It therefore follows that an improvement in a person's capability goes some way in directly and indirectly enriching human lives thus making human deprivation less acute. Poverty can thus be tackled by way of enhancing people's capabilities according to Sen's capability approach. Sen's capability approach desires to enhance the understanding of the nature and causes of poverty and deprivation by shifting focus away from means (income) to ends that people have reason to pursue to be able to satisfy these ends (Sen 1990:90). Poverty reduction is therefore best approached as an exercise in raising people's capabilities or enhancing freedoms. According to this development approach the long-term solution to poverty is helping people in poverty to acquire the tools they need to meet their needs (Sen, 1990:90).

The United Nations Development Programme (UNDP) defines human poverty as the denial of opportunities and choices that are very basic to human development, (UNDP 1998:25). Human poverty covers the denial of a long, healthy and creative life, a need for a decent standard of living, dignity, self-esteem, and the things that people value in life. Human poverty is therefore characterized by not just the mere lack of income, because income cannot be regarded as constituting the sum total of human life and therefore the lack of it cannot equal the sum total of human deprivation (UNDP 1998:25).

2.4.2 Determining Poverty Levels

Determining the extent of poverty entails identifying those who are classified as poor among a given population and coming up with an index of poverty, using the available information on the poor (Sen 1976:219). Determining poverty levels in a given population helps policy makers in crafting policy interventions to tackle poverty. It is therefore important that policy makers understand and determine the people who can be classified as poor and the number of the said poor, so that they can be well-informed about the problem of poverty, thereby enabling them to design effective policies to deal with the problem. Counting the number of poor people and establishing the percentage of the population in the category of the poor is one way of measuring the extent of poverty in a society. This method gives us what is known as the head count ratio. Another way of measuring poverty which is widely used is the poverty gap. The poverty gap refers to the aggregate shortfall of the income of all the poor taken together from the poverty line (Sen 1976:220).

The three elements of poverty which are, income, basic needs and capabilities will be used as the basis for how poverty should be measured in the context of each element. The criteria in widespread use as far as measuring income is concerned are the poverty line and the Gini-coefficient. The poverty line can generally be taken to mean the minimum level of resources that are necessary to meet the basic needs of a person (Coudeoul & Hentschel 2000:94). The minimum level of resources a person needs to meet their basic survival needs is the "poverty line," and it is measured in monetary terms. On the other hand, the Gini-coefficient assesses the distributional effects of people below the poverty line by measuring the differences of different income quintiles of the population relative to the average per capita income. For example, a Gini-coefficient of 0 would be taken to mean that income distribution is equal in the given society while a Gini coefficient of 1 means that there is total income inequality in the society measured. When a country has a Gini coefficient value of between 0.2 and 0.35 it is regarded as having a relatively equal income distribution (Gaomab 2004). The poverty gap index and the head count index are some of the measures of income that can be employed. The poverty measures that rely on income give information on how an income transfer policy could be implemented to enable poor people to reach the poverty line. Income transfer policies' usefulness in helping the poor escape poverty is very limited as they can only alleviate poverty in the short-term (Fusco, 2003:12). The multi-dimensional measurements of poverty that focus on basic needs and capabilities may therefore become more useful. The basic needs measure involves supplementing the information on low-incomes with expenditure or deprivation and hardships in order to determine actual living standards of the poor. It can therefore be used to supplement the single-dimensional poverty measure, (Saunders, 2004:8). The expenditure poverty index collects information on household expenditure and income, health, education, employment, ownership of assets, access to proper sanitation, electricity and clean water (Coudouel & Hentschel 2000:99).

According to Amartya Sen 1997 quoted in Saha 2004:269), monetary poverty does not represent the total picture of poverty as experienced by the poor. For Sen a more comprehensive depiction of poverty is one encompassing capabilities where a poor person is one with few opportunities and is also not capable of taking advantage of the opportunities that are available to him. Poverty is therefore a lack of opportunities and capabilities, (Sen 1997 quoted in Saha 2004:269). The UNDP further developed the capabilities view of poverty in their human development perspective, where they argue that a poor person according to the human-development view is one who lacks basic capabilities. The poor person will therefore be lacking sufficient income, will be insufficiently educated and also suffering from poor health, (UNDP 1997 quoted in Saha 2004:269). The state of being poor results in the poor person being socially excluded and thus unable to participate in the collective decision making of their society. Grounded in Sen's capabilities theory, the best way to combat poverty is to use participatory governance, where the poor are involved in the development, implementation and evaluation of development projects (Saha 2004:267).

The capability measurement is used to determine to what extent individuals in society are denied an opportunity to express their capabilities. In the capabilities approach, "functionings" are taken to mean abilities in "beings and doings" and not income or affluence (Fusco 2003:4). An index of functionings is used to identify social obstacles or personal circumstances that restrict the capabilities of human beings to participate fully in society (Fusco, 2003:12). The Human Development Index is used to measure the capabilities of human beings through the use of four dimensions of human life, which are; longevity, knowledge, a decent standard of living and the extent of one's participation in community life (Levine, 2007:2). Longevity is to do with a person's life expectancy at birth, while knowledge refers to the weighted average of the literacy rate in a society over a period of fifteen years and gross school enrolment ratio of those between six and twenty four years. By a decent standard of living is meant the adjusted per capita income. (Levine, 2007:2). The Human Development Index is a better measure of economic development than the Gross Domestic Product (GDP).

Unlike the Human Development Index or functioning index which provides a measure of the capabilities of human beings, the Human Poverty Index is concerned with the extent of deprivation taking into account the three dimensions essential to human life (Levine, 2007:8).

2.4.3 Poverty as a Source of Social Exclusion

While social exclusion and poverty are distinct concepts, they remain deeply connected. The difference between the two concepts lies in the understanding that everyone who experiences poverty is socially excluded to some extent but not everyone who is socially excluded is poor. Davids (2005:40) defines social exclusion as a process in which some groups are excluded from the mainstream processes and benefits of society, which prevents people from fully enjoying general prosperity. Social exclusion affects those who are unable to participate in the institutions patronised by the majority (Barry 1998: 02). According to Barry (1998:02) social exclusion covers cases in which social isolation occurs for reasons that are beyond the control of those subject to it. It refers to circumstances of deprivation and disadvantage that extend beyond lack of material resources.

Social exclusion violates the demands of social justice as it goes against the principle of granting equality of opportunity to human beings. Social exclusion fosters institutionalized discrimination and marginalization, which refers to practices that are deeply rooted in organizations that serve the purpose of gatekeepers in society. The marginalization and discrimination process against those who are not endowed with material resources has the effect of creating superior-subordinate relations thus reinforcing socio-economic inequality (Price &Feinman 1995:88). Social exclusion doe not only give birth to differences in levels of resource endowment, it also results in the development of undesirable gaps between social groups. There is therefore a relationship between social exclusion and poverty as poverty results in those so afflicted by poverty being victims of social exclusion. Inequality is also associated with social exclusion as the less privileged in society are also victims of social exclusion.

The development of gaps between social groups based on resource endowment is an unacceptable state of affairs requiring socio-economic policies that would raise people's capabilities and freedoms. To eradicate or at least reduce this unacceptable state of affairs, a policy focusing on empowering the less privileged people may well be the long-term solution. This should also address the problem of social exclusion as a dimension of poverty. Tackling poverty is therefore another route to tackling inequality and social exclusion. To the extent that empowerment programmes like Zimbabwe's Indigenisation and Economic Empowerment Programme aim to uplift the standard of living of the economically marginalized, they can be considered as effective routes to eradicate poverty and social exclusion.

Zimbabwe like most African countries was once a colony. The country was a British colony, which together with South Africa and Namibia in Southern Africa attracted a large proportion of European settlers, due to the fact that the climate in these colonies was favourable to the European settlers (Mlambo 2006:13). European migration to a given region was largely determined by the mortality rates that future settlers would face, (Angeles 2006:03). The colonial economies of colonies with a large presence of European settlers had to reflect the dominance of the settlers in the economy. In a lot of instances, settler superiority and control of the economy was supported by legislation, (Mandaza 1998:06).

Angeles traces the genesis of income inequality in post-colonial states to practices and policies of the colonial era. He contends that in the colonies where European settlers became a majority, which he dubs "New Europes", namely in Canada, the United States of America, Australia, and New Zealand, there was a relatively even distribution of national income among the population, (Angeles 2006:03). There is yet another group of colonies that Angeles classifies as "Peasant Colonies". These are colonies where, mainly, but not exclusively because of inclement climatic conditions, Europeans did not settle in large numbers and were therefore an insignificant minority. These colonies include West African states of present day Nigeria, Ghana and Ivory Coast and India in Asia. In these peasant colonies, the numbers of Europeans was not significant to assure them of a very large part of the colonies' GDP. Instead of appropriating productive assets like large tracts of land as their entry into the colonies' economies, the European settlers, largely confined themselves to taxation leaving the economy in the hands of the indigenous people and eventually allowing them to benefit from the new opportunities, (Angeles 2006:13). This ensured that inequality was not a legacy of colonialism in these states, hence in present day West African states, income inequality on racial lines inherited from colonial times is not a problem.

However in colonies where the weather allowed of substantial European settlement, but where the Europeans did not become a majority, what became known as "Settler Colonies" emerged, where a large number of Europeans established themselves overseas. It is in these "Settler Colonies", - which include South Africa, Namibia and Zimbabwe in Africa- where income inequality was the norm rather than the exception, (Angeles 2006:03). In these Settler Colonies, European settlers appropriated most of the colonies' productive resources to themselves leaving the indigenous peoples with no option except working on the Europeans' mines and plantations or farms to get a share of the national income. This relationship to the productive resources by the indigenous people and the European settlers was the genesis of income inequality in the colonial era, and it is this inequality that the majority governments inherited at independence.

The workers in colonial states were divided into salaried skilled workers who were largely European and unskilled labourers who were largely indigenous peoples. As mere labourers, the indigenous people's earning power was far below that of the European settlers who were the owners and the skilled personnel in the colonial economies. Accordingly, the living standards of the Africans were far below those of the European minority in the colonies. These colonies were thus characterized by very high inequality levels, with the scales heavily tilted in favour of the European settlers.

Using the Gini Coefficient, it is noted that the countries of Latin America and Sub-Saharan Africa have much higher levels of inequality than those prevailing in Europe or Asia. The average value of the Gini coefficient is 51.80 for Latin America and 46.85 for sub-Saharan Africa while for Western Europe and South and East Asia the values are 31.83 and 37.71 respectively (Angeles 2006) Benabou 1996 (quoted in Angeles 2006) argues that in countries with high inequality, policies of redistribution would not find enough support from rich individuals since the transfers they would be required to make would be too large with respect to the potential gains that stem from a faster growing economy.

In colonial Southern Africa, especially in South Africa, South West Africa, (present day Namibia), the Portuguese colonies of Mozambique and Angola, and Rhodesia, (present day Zimbabwe), just like what happened in colonial Latin America, mines and land together with political power were controlled by the European settler minority, giving rise to an extremely unequal society, (Angeles 2006). The accumulation of land and mining resources by the white minority during colonial times was reflected in the distribution of income. The land distribution policies in colonial Southern Africa had whites controlling most of the best arable land. The skewed landholding policies were complementary with the mining policies where Africans consigned to the most barren lands had no choice but to look for employment in the European-owned mines to get an income. However, even in the wage employment in the European mines and farms there was extreme inequality in income distribution, with European workers earning 9 times more than the salary of Africans, (Angeles2006). Angeles, (2006) further contends that these income inequalities in colonial societies were further entrenched by the fact that universal voting rights, public education and health were all slow to spread to the autochthonous population, thus further handicapping the autochthonous population in their income advancement. All these factors assured that the initial high level of inequality that prevailed in these colonial countries was maintained over time, spilling into the post-independence era.

It is this unequal distribution of income that independent governments in most African countries including Zimbabwe inherited at independence. It is the self-same income inequality that post-independence majority governments are grappling to redress through a variety of policy measures, like Zimbabwe's indigenization and economic empowerment programme.

2.5 Understanding Underdevelopment and Development

In this section, theories of underdevelopment and development that will be discussed include the dependency theory, the modernisation theory, and the modern economic growth theories.

2.5.1Economic Development Theories

Economic empowerment programmes and policies aim to improve the lot of the targeted population. They aim to eradicate poverty. Zimbabwe's Indigenisation and Economic Empowerment programme is no exception. The programme is motivated by a desire on the part of the Zimbabwean government to, inter alia, eradicate or at the very least alleviate poverty among Zimbabwe's previously marginalized black citizens, (Government of Zimbabwe 2011:9). It is the received wisdom in economics that economic growth in a country should ultimately lead to the reduction of poverty in the population. Economic growth theories outline the paths that countries should follow in order to achieve economic growth, and the benefits that come with it for the country's citizens. The world has examples of countries that have made commendable strides in the reduction of poverty and the improvement of the living standards of citizens. Traditionally, Western countries while not completely eradicating poverty, have made tremendous advances in alleviating poverty and greatly improving the living standards of their citizens. In the recent past, East Asian countries, namely China, Malaysia, Japan, South Korea, Taiwan and Hong Kong have also recorded significant gains in getting a great number of their citizens out of poverty. The economic models and policies employed by these countries have to be interrogated so that countries who seek to tackle poverty in their populations can learn from the experiences of these countries' successes in fighting poverty. Economic models that have been followed by the Western countries and recently by the East Asian countries in getting a lot of their citizens out of poverty are informed by economic growth theories. It is these theories that have to be studied and juxtaposed against economic empowerment programmes and policies like Zimbabwe's Indigenisation and Economic Empowerment Programme so as to gain insight into what can be learnt from the economic theories that have been followed by other countries that have substantially reduced poverty amongst their citizens.

Development can be defined as a process whereby a society experiences a gradual transition from a un/underdeveloped state to a strong socio-economic status resulting in the improvement in the quality of life for the society concerned, (Todaro 1989:45). When a country has moved into the status of being a developed country, indicators to show development include low infant mortality and a longer life expectancy among others. In other words, development generally leads to the improvement of the standard of living of a country's citizens. Economic empowerment programmes can be taken or classified as part of the rubric of programmes and policies aimed at stimulating or bringing about development in a society. The empowerment programmes can therefore be taken as one of the possible routes to eradicate or alleviate poverty in society. Underdevelopment, on the other hand, refers to a state of affairs when a society is still unable to provide an improved standard of living for its members. Indicators like

life expectancy would be low in an underdeveloped society and infant mortality would be high while the general standard of living of members of that society would be low.
Development discourse shifted considerably in the1980s, to a point where development was not just confined to the phenomenon of increasing per capita income but also and more importantly the reduction of poverty through the satisfaction of people's basic needs (Mabogunje, 1980:39). The new development thinking from the 1980s was that exclusive focus on economic growth, which bordered on obsession, had the unintended consequence of pushing people to the periphery of the development process, yet the centre and focus of development should be the people.

Human development should be well integrated within the people, it should have the people as its main focus and the people should be heavily involved in its initiation and execution. "Development of the people builds human capabilities; development for the people translates the benefits of growth into people's lives and development by the people emphasizes that people must actively participate in the process that shape their lives" (UNDP, 2003:23).

According to Seers, (quoted in Nafziger 2007:2), development should have as its main focus the socio-economic transformation of societies and the empowerment of people. Development should not just be concerned with economic growth as measured in GDP; it should also result in a state of affairs in which people have their basic needs like adequate food and jobs, met. Development should also play an important part in reducing income inequality in communities, (Seers cited in Nafziger, 2007:2). Development in its proper people centred sense should result in the significant decline of at least two of the indicators of underdevelopment, namely, poverty, unemployment, and inequality. (Seers quoted in Nafziger 2007:3). With economic development should come overall societal development evidenced by the boosting and expansion income of the poor (Watt, 2000:21). According to the UNDP (2003), economic growth which genuinely benefits the people is "growth with equity". Growth with equity as distinct from mere quantitative growth is the kind of growth whose quality is crucial for human development. Growth that results in human development should have a positive bearing on job creation; it should reduce poverty instead of being ruthless to people, it should empower people instead of leaving them voiceless, and it should also be environmentally friendly and not destroy the environment (Johan quoted in UNDP 2003:25). If growth does not meet those people-friendly and people-centred benchmarks, then it is not conducive to human development.

Empowerment of the intended beneficiaries of development should be central to the development process. Real empowerment of beneficiaries of development should involve the beneficiaries' public participation in the development programmes and processes, social learning and sustainability of the development programmes. If beneficiaries of development are not seen to be participating in the development process, then there can be no claim to have brought about development to the targeted people. When people are empowered during the development process, they should end up with the requisite skills and knowledge enabling them to better understand the interaction between them and their environment (Freire quoted in

Chitnis 2005:238). This kind of development results in valuable social learning. Development should have, as its ultimate aim, the freeing of people from oppression and marginalization. Development should achieve this by way of sensitizing people to their circumstances of oppression (Freire (cited in Chitnis 2005:238). If development makes people aware of their surroundings this should enable them to deal with their oppressors from an informed position as well as a position of strength.

Empowerment of the people should be understood in relation to their active participation in the development process, the development of the people's capacity to participate in development, the economic improvement of the people's lot as well as democratization, (Oakley 2001:43). Participation in people-centred development relates to the politics of emancipation whereby the people are given access to resources as a way of overcoming oppression, exploitation and inequality (Chitnis, 2005:244). Building the capacity of the beneficiaries of development means giving them the necessary skills, confidence and knowledge to enable them to become active participants in the socio-economic processes meant to benefit them (Onoge 1995:1).

2.5.2 The Modernization Theory of Development

The modernization theory is an economic theory which has its roots in the capitalist economic arrangement of society. According to the modernization theory, for Africa to attain the level of economic prosperity that is enjoyed by the Western nations, it has to follow the development footsteps of the Western nations (Ellis and Biggs quoted in Matunhu 2011:66). Proponents of the modernization theory argue that policies aimed at raising the standard of living of the poor should be rooted in the dissemination of knowledge and information about more efficient techniques of production (Matunhu 2011:66).

According to the modernization theory, the route to development for developing nations is the adoption of Western ideas and practices, in order to "catch up" with the developed nations (Chitnis 2005:232). Modernization refers to the transformation, which takes place when a traditional or pre-modern society changes to resemble the technological and socio-economic characteristics of advanced societies (Coetzee, 2004:27). For instance, in agriculture, modernization would entail urging farmers to try new production techniques and methods, like the introduction of hybrids, the greenhouse technology, artificial fertilizers and genetically modified foods in place of traditional agricultural practices (Matunhu 2011:67).

According to the modernization theory, benefits of development would at some stage in the development process trickle down from more developed to less developed areas, which would ensure that everybody in society benefits (Davids 2005:11). Therefore if developing countries like Zimbabwe want their previously disadvantaged citizens to benefit from the economy and live a better life, they have to follow the development paths trodden by Western countries and their citizens will eventually benefit from the trickle down of benefits of development that would have taken place in the country. It is the argument of the advocates of the modernization theory that the obstacles to development of poor Third World Countries is their high dependency on agriculture, low savings and high illiteracy (Rostow 2003:124). It is held out by disciples of the modernization theory that agriculture has a diminishing relative share of an economy both in terms of its share in the Gross Domestic Product and employment (Lindahl 2005:91). If an economy has a large informal sector, it means that development has failed to take place in that economy as such an economy is characterized by low returns and low ability to improve productivity. In summary, according to the modernization theory, the experience of the West is the norm for historical progress and sets the standard for the rest of the world.

However, critics of the modernization theory say that it has failed to achieve a trickle-down growth effect within Third World countries. Many argue that development as advocated by proponents of the modernization theory has instead exacerbated income inequalities between individuals, urban and rural areas and regions with most Third World countries exhibiting the scenario of the wealthy minority alongside the impoverished majority (Mabogunje 1980:39). This is the type of society that countries like Zimbabwe are trying to do away with, using empowerment policies to, among other things; close the gap between the rich and the poor.

2.5.3 The Dependency Theory

In contradistinction to the modernization theory, the dependency theory maintains that at the root of underdevelopment in poor Third World countries is the joint condition of dependence and exploitation (Muriithi, 1997:49). According to the dependency theory, the prescriptions of the modernization theory are in fact the cause of underdevelopment in Third World countries. The dependency theory was a theory of underdevelopment which held that poor countries exiled to the periphery of the world economy could not develop as long as they remained enslaved by the rich nations of the centre (Diescho 2002: 54). According to the dependency theory, developing countries like Zimbabwe were being held back from developing and therefore improving the lot of their citizens by their economic relationship to the centres of economic development, principally the USA and other Western countries. In the dependency theory's scheme of things, the relationship between the centres of economic development, (the Western nations) and developing nations was exploitative to the developing nations ensuring that only the West benefits economically from the relationship.

Advocates of the dependency theory chiefly economists André Gunder Frank and Amir Samin, claimed that the centre (the USA and Western Europe) grew at the expense of the periphery, (developing nations) (Diescho 2002:54). Exploitation of developing nations (the periphery) is undertaken through unequal conditions of trade resulting in capital being transferred from the periphery (Third World) to the centre (First World) (Graaff & Venter, 2004:82). Such negative terms of trade constitutes an external dependency that the periphery has to overcome in order to develop (Muñoz, 1981:2). According to the dependency theory, the causes of underdevelopment in poor countries cannot only be blamed on national systems alone but also on the pattern of economic relations between dominant world economic powers and the developing countries where the perpetuation of inequality between countries is managed by First World countries to their benefit (Black 1999:28). The cause of poverty in the Third World countries is therefore not because of their failure to match the scientific advancements of the First World countries, but the fact that they were unfairly integrated into an economic system designed by the West to favour the West. The economic relationship between the developed West and the poor Third World countries is skewed in favour of the West, with the Third World countries' only role in the relationship being that of providing a reservoir of cheap labour and producing raw materials for the economic prosperity of the West, Ferraro (1996).

A continued economic association with, and copying of the development path trodden by the Western countries as advocated by the modernization theory, would therefore not bring about development and poverty reduction according to the proponents of the dependency theory. If anything, the type of capitalism as exported to the Third World countries is not meant to bring about economic growth in the Third World countries, but to drain resources that could have been used for investment and kill any local capitalism through unfair competition (Baran quoted in Rapley, 2002:17) The only solution to bring about development and hence reduce poverty in developing countries was to delink completely from the world economy (Diescho 2002:54). It therefore stands to reason, according to the dependency theory advocates, that for countries wishing to grow their economies to the levels of the First World countries, the route is certainly not to follow the prescription of the modernization theory which advocates following the development path of the West. So for countries looking to empower their citizens they should not look up to the modernization theory, according to the dependency theory as this will further impoverish their citizens. In its quest for economic growth which will translate into an improvement in the living standards of the previously disadvantaged blacks, Zimbabwe should use instruments like the Indigenisation and Economic Empowerment programme which are redistributive in nature and not wait for the trickledown effect of wealth from an economy that has grown thanks to following the development path taken by the developed West. The assumed historical process of non-revolutionary, incremental change from underdevelopment to development, (Arts et al 1999:60) that the modernisation theory promises will certainly not help Zimbabwe in its quest for economic empowerment of the previously disadvantaged blacks.

Instead of following the false model of development set by the West, Third World countries should be more concerned with national interests by addressing the needs of the poor within their societies and not be preoccupied with satisfying the needs of the external interests who are bent on exploiting poor Third World countries. Contrary to assertions by modernization theorists, aid and foreign investment actually benefit the source countries of the aid and foreign investment more than the recipient countries (Diescho 2002:54).

The continued linking of Third World countries' economies to the First World countries' economies will condemn developing countries to perpetual dependency and poverty. For developing countries to develop, they have to stop focusing only on economic growth, but focus instead on economic development according to the dependency theorists. This is because economic growth is not the same as economic development as economic development ensures that economic growth benefits all citizens and not just a few (Ferraro 1996).

Secondly, Third World countries should implement self-reliance policies to ensure that they are in control of their interaction with the parasitic and exploitative developed West. This way, Third World countries would stop their exploitation by developed countries thus enabling the Third World countries to establish terms of trade that can improve the social and economic welfare of all citizens (Ferraro 1996). Developing countries should put in place protectionist policies 'so as to insulate national economies from the domineering developed countries' economies. The design of protectionist policies would require the State to drive development as opposed to leaving the First World and their capitalist system to drive development in developing countries. The state should destroy the domination of the interests of foreign capital in cahoots with local bourgeoisie and fashion development strategies that benefit the majority of citizens and not just the privileged class who are historically connected to foreign capital (Rapley 2002:18). This is more like Zimbabwe's revolutionary approach to development and income distribution through the country's land reform policy and the Indigenisation and Economic Empowerment programme where government seeks to transfer land to the previously landless black peasants and majority stake in all companies operating in Zimbabwe into the hands of black Zimbabweans.

Other dependency theorists who do not advocate the radical severing of ties with world economic powers concede that under capitalism, both rich and poor counties could grow economically but would not necessarily benefit equally (Cardoso and Faleto cited in Diescho 2002:54).This strand of the dependency theory was a blend of protectionism and standard Keynesianism that became known as import-substituting industrialization. The building blocks of the policy of import substitution industrialization were a tariff wall, generous state subsidies, an active fiscal policy, and a drop of central planning here and there. It is the view of the theorists behind this milder version of the dependency theory that these measures would result in poor countries lessening their dependency on the centre and developing autonomously (Andrees 2002:2).

2.5.4 Modern Economic Growth Theories

Empowerment models are essentially meant to grow economies and reduce poverty in the process albeit targeting a select group of people. In developing countries like Zimbabwe, empowerment policies would entail poverty reduction in almost the entire population as the target of the empowerment policies constitutes the majority of the country's population. There are instances in history where countries have managed to grow their economies and in the process extricated their people from poverty on the back of neo classical growth models. It is therefore worth exploring the neo classical growth models, so as to better understand what other routes to economic empowerment can be followed to achieve the same ends as are meant to be achieved by economic empowerment programmes like Zimbabwe's Indigenisation and Economic Empowerment programme.

In the history of economic growth, the experience of the four East Asian Tiger economies is often cited as a model of miraculous economic progress. Over a period of four decades from around 1960 to round about 1997/98 the four Asian Tiger economies of Hong Kong, Singapore, South Korea and Taiwan managed to record impressive economic growth resulting in their citizens enjoying high standards of living (Rispens 2009: 2). The rapid economic growth resulted in the countries' initially poor and backward economies being transformed into modern economies. East Asia's story of rapid economic progress has been a clear example of how developing countries can successfully reap the benefits of globalization. The four Asian Tigers have shown that it is possible for once backward and poor countries to achieve tremendous improvements in living standards in a short period of time (Rispens 2009: 2).

In the period immediately after World War II, the East Asian countries were characterized by high rates of illiteracy, regional conflicts and poverty, making the region one of the least likely places to expect high economic growth and poverty alleviation (Rispens 2009:12). Surprisingly, in contradistinction to the experiences of Africa and Latin America, the East Asian countries' newly acquired wealth has allowed them to transform their societies from poor, third-world countries to the equivalence of those of advanced industrialized economies within the span of a single generation (Rispens 2009:13).

In explaining the rapid Asian growth, economists of the 'accumulationist' or fundamentalist leaning are of the view that the neoclassical process of capital accumulation was the cause behind this phenomenal Asian growth. On the other hand, there is also another group of economists, classified as the assimilationists", who are of the view that total factor productivity played a big role in the economic success of the Asian Tigers, and not solely the neoclassical process of capital accumulation. These economists also emphasize the importance of institutions and favourable government policies as playing a significant role in the Asian Tigers' economic success. Overall, these "assimilationists" cite a greater variety and interplay of factors as causes of the Asian Tigers' growth (Rispens 2009: 4).

The Endogenous Growth Theory was developed by Romer (1986, 1990) and Lucas (1988). According to the endogenous theory, technological innovation results from research and development, both of which are inspired economic incentives and expected profits (Rispens 2009: 7). The endogenous theory also acknowledges the importance of ideas and innovation in spurring economic growth. The theory postulates that sustained growth is only possible with a growing population, which would provide for a larger stock of researchers, and subsequently for more ideas and research, driving further technological progress (Rispens 2009: 11).

According to the **Institutional Approach to Economic Growth** a country's institutions namely the legal, political and educational institutions can have a great bearing on the country's development or lack thereof. Proponents of the institutional approach to economic growth contend that a stable rule of law coupled with a healthy investing climate in which property rights are respected and strongly enforced can have a huge positive impact on a country's economic performance. According to the institutional approach there are four essential determinants of economic growth ***viz***:

1) Institutions ('man-made factors', e.g. enforcement of property rights, equality of opportunity and effectiveness of markets).
2) Geography ('role of nature', e.g. natural endowments, climate and disease burden).

3) Culture (e.g. religion, 'social capital', norms, preferences and values of population).
4) Luck (multiple equilibriums, 'right place at the right time') (Rispens 2009: 12).

In other words, the institutional approach recommends that governments should focus more on strengthening economic and educational institutions.

For developing countries like Zimbabwe to experience economic growth which would translate into a better life for their citizens, they need to have the right institutions in place, according to the institutional approach to economic growth. The amelioration of poverty among the previously disadvantaged blacks in Zimbabwe can be achieved through promoting a healthy investment climate where property rights are strongly enforced and a stable rule of law as well as sound educational institutions are in place. This, according to the institutional approach to economic growth, should result in a country having sustained economic growth which should in turn result in the improvement of the living standards of the people of Zimbabwe. So the route to uplifting the standard of living of the previously disadvantaged blacks is not to institute radical redistributive policies like Zimbabwe's land reform programme and the Indigenisation and Economic Empowerment programme as these are not investor friendly and are therefore bound to scare away investors.

According to the Solow model, the fact that rich countries have lower population growth rates and a higher per capita propensity to save means that they have room to invest more. Investing more allows rich countries to accumulate a higher rate of capital per worker, thus giving higher labour productivity and consequently income. The other reason why some countries are wealthier than others is that, the neoclassical theories tell us that technological progress is the only source of long-run economic growth. Wealthy developed countries are more advanced technologically than poor Third World countries. Technological change drives sustained growth as it offsets inevitable diminishing returns on capital (Rispens 2009: 12).
Apart from capital accumulation, Total Factor Productivity (TFP) growth is one of the important factors in explaining growth in developing countries (Rispens 2009: 12). In line with the predictions of the neoclassical theory, high rates of savings, investments in new capital and increases in labour hours and participation also played a big part in helping the Asian NICs in achieving their phenomenal growth (Rispens 2009:14).

Human capital, which relates to levels of education and health, can also be a possible spur of economic growth. A better educated, more skilled workforce is likely to be able to produce more from a given resource base than less-skilled workers (Radelet, Sachs and Lee 1997:13). The important policy lesson developing countries can draw from the success story of the East Asian Tigers, teaches developing countries the lesson that to achieve sustained economic growth, governments would do well to pursue policies that stress the promotion and formation of both human and physical capita, (Rispens 2009:14). Therefore, to achieve economic growth, which should result in poverty alleviation amongst the previously disadvantaged indigenous citizens, Zimbabwe needs to invest in producing a healthy and educated workforce, which acts as a possible source of economic growth.

One of the reasons for the success of, the high-performing East Asian countries was the fact that they recognized the imperative of joining the world economy through the promotion of labour-intensive manufactured exports (Radelet et al 1997:13). The countries also stimulated exports using a number of policies namely comparatively free trade, convertible currencies, and maintaining macroeconomic stability. They also made productive use of a set of innovative institutions like export processing zones, duty exemption schemes, and incentive packages for foreign direct investment (Radelet et al 1997:13).

In explaining the East Asian economic success story, mystics contend that markets consistently fail to guide investment to industries that generate the highest growth. Cognisant of this market imperfection and as a way of getting around this market failure, the mystics argue that East Asian governments used the tactic of deliberately "getting the prices wrong" as a way of boosting industries that would not otherwise have thrived (Amsden, 1989, quoted in Page 1994:13). The mystics contend that activist government policies such as these altered industrial structure and promoted technological learning, sometimes at the expense of static allocative efficiency, (Page 1994:13).

In this regard and as a way of promoting and controlling development in the desired direction, governments in East Asia “governed the market” in critical ways (Wade quoted in Page 1994:13). Governments in these East Asian economies intervened a lot in a systematic manner through varied channels to foster development or in some instances to stimulate the development of desired and targeted industries. Variegated vehicles of government policy interventions were employed, ranging from subsidized and targeted credit to chosen industries, low deposit rates and ceilings on borrowing rates as a way of increasing profits and retained earnings, import substitution coupled with protectionist measures for domestic import substitutes, subsidizing declining but important industries, establishing and financially supporting government banks, public investments in applied research, firm and industry-specific export targets, developing export marketing institutions, as well as extensive sharing of information between the private and the public sector (Page 1994:16). Not all industries were promoted, as those that did not advance specific policy objectives were not promoted. The strategies of selectively promoting certain industries were closely linked with the coming in of high rates of private investment and high rates of productivity growth in some of the East Asian countries (Page 1994:16)

There is a similar thread in respect of policies that were initiated and implemented by the East Asian countries with the aim of stimulating or boosting economic growth. For example, in all the East Asian economies macroeconomic management was very good. Macroeconomic performance was also unusually stable in all the countries. The good macroeconomic management, coupled with a stable macroeconomic performance in the countries provided the essential framework for private investment (Page 1994:15). The East Asian countries also initiated and implemented policies aimed at increasing the integrity of the banking system, as well as making the same more accessible to non-traditional savers, thus increasing the levels of financial savings in the countries’ economies. The countries’ labour force skills were also rapidly enhanced and sharpened through policies that targeted primary and secondary education. This resulted in a pool of appropriately trained and equipped workforce from which industry could rely on for workers (Page 1994:15). In the agricultural sector, the countries implemented policies that put a lot of emphasis on productivity change while not taxing the rural economy excessively. The High Performing Asian Economies (HPAEs) were all very open to embracing foreign ideas and technology. This allowed the countries to benefit from the latest technologies from the developed countries, as well as international best practice. All of the HPAEs also ensured that price distortions were kept within reasonable bounds (Page 1994:15).

The lessons for developing countries like Zimbabwe which seek to influence development in a particular direction with the ultimate aim of fighting poverty and empowering targeted groups of citizens is that government can ensure economic growth by way of governing the markets through well thought out, systematic and coordinated policy interventions. It is not prudent to leave markets to their own devices if countries wish to produce specific developmental outcomes.

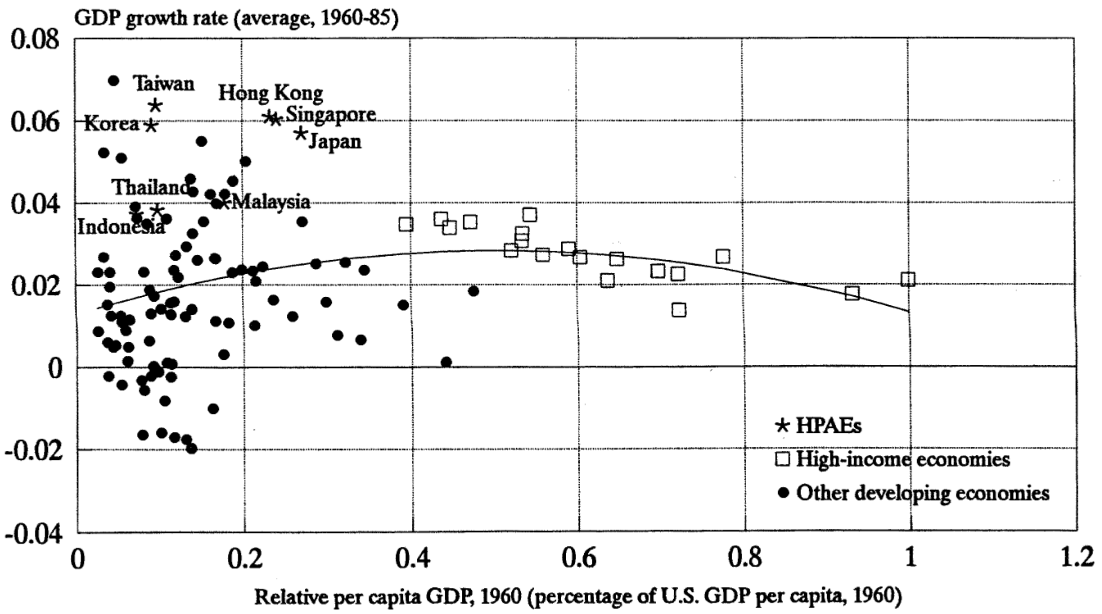

Figure 3: INCOME INEQUALITIES AND GROWTH OF GDP, 1965-1989
GDP Growth per Capita (1965-89)

Note: Income inequality is measured by the ratio of the income shares of the richest 20% and the poorest 20% of the population. (***Source: World Bank data.)***

As figure 3 above illustrates, there is a positive association between rapid, sustained growth and highly equal income distributions. The positive association between growth and low inequality in the High Performing Asian Economies (HPAEs), and the contrast with other economies is illustrated in Figure 2. Comparing growth rates and Gini coefficients within East Asia by decade also shows that the distribution of income was more equal in the fastestgrowing HPAEs in a big way (Page 1994:3). The other noteworthy observation is that, improvements in income distribution by and large coincided with periods of rapid growth (Birdsall and Sabot 1993 quoted in Page 1994:3). This shows that developing countries like Zimbabwe which seek to reduce income inequality inherited from the past can learn from and adopt policies that saw HPAEs record sustained high economic growth rates over a long period of time, as the resultant economic growth has been shown to reduce income inequality.

The East Asian countries' success story defies the prescriptions of the Washington Consensus which held out that developing countries had to leave economic growth solely to the markets with government restricted to merely enforcing contracts and property rights (Stiglitz, 2004:349). The Washington Consensus is a set of development strategies predicated on privatization, liberalization and macro-stability, which policies were premised on a very strong faith in unfettered markets, while reducing the role of the state (Stiglitz, 2004:349). According to the Washington Consensus theories, equity and distribution concerns were to be ignored in the economic growth prescriptions, with focus exclusively being put on efficiency and growth alone. The economists who supported the Washington Consensus were of the view that the possibility that a rise in GDP may not benefit most citizens was not a big issue, as they argued that trickledown economics would eventually see to it that all citizens benefit from the economic growth. According to the Washington Consensus adherents, the focus of development should only be on increasing the GDP. This exclusive focus on GDP meant that development could be declared even where there was no increase in the standard of living of the people, and no promotion of democratic and equitable distribution, a strand of development that leaves people wondering when they will start enjoying the fruits of economic growth (Stiglitz, 2004:350).

The failure of the Washington Consensus to bring about development in developing countries, juxtaposed against the successes of the East Asian countries that did not follow the dictates of the Washington Consensus provides some important lessons for developing countries. The first lesson is that strategies to successful development are to be found not just within the confines of the Washington Consensus, but also within the involvement of those in the developing world in a meaningful and important way. The second lesson is that a one-size-fits-all approach to development policies does not work. Policies that worked so well in other countries cannot necessarily be transferred lock stock and barrel to other countries with the same level of success. Contrary to the Washington Consensus adherents' assertions, the problem of lack of development in developing countries cannot be resolved using a solution premised on the simplistic view that too much government is the problem and markets are the solution. Rather, a balance should be found between the markets and government in coming up with development solutions. Instead of being forced into a developmental strait jacket, developing countries should be given scope to experiment, to use their own judgments, to explore what might work best for them (Stiglitz, 2004:360)

2.6 A Developmental State

This section discusses the concept of a developmental state and gives examples of successful developmental states in history.

Markets cannot be expected to deliver certain developmental outcomes like poverty alleviation or shaping the composition of economic players in the business world. There are no incentives for markets to strive to achieve such developmental outcomes. As a result, contrary to the neoliberal economic view which expects the state to scale down its involvement in the economic sphere, if the state wishes to influence certain developmental outcomes it has to be involved in the economic activities, instead of leaving the markets to dictate all developmental outcomes. It has been shown that markets can help in growing a country's GDP, but that does not necessarily translate into poverty reduction in a big way. The trickle down effects of economic growth where GDP growth is left to the dictates of the market are not only slow in coming, but also not very substantial (Stiglitz 2004). Therefore, to achieve particular economic outcomes like economic empowerment and indigenization as desired by the government of Zimbabwe, it may well be necessary for the state, to "govern the markets" (Stiglitz 2004). One way, through which the state can govern the markets to achieve particular developmental outcomes, is through what has come to be known as the developmental state.
A developmental state is a state which intervenes in the economic affairs of a country with the specific purpose of promoting industrial growth and economic development of the said state, (Haywood 2007:100). Intervention by the state to empower a segment of the population is premised on the developmental state model (Haywood 2007:100). The developmental State is a set of institutions, tools, capacities and capabilities committed to national development with a capacity to implement its articulated economic and social strategies (United Nations Development Programme 2011:85). In most developed countries and in some dynamic developing countries, economic development has been realized due in large measure to the crucial and influential role played by government in promoting, directing and supporting economic development. Government's hand in promoting and supporting economic development in a developmental state is seen in its coordinating function, its formulation of a development vision and the creation of the necessary policy space needed to align policy measures to support structural transformation (United Nations Development Programme 2011:85). In this context, the coordinating function of the developmental State is stressed, as well as its role in formulating a development vision and creating the policy space required to combine and integrate policy measures in support of structural transformation.

One of the defining features of a developmental state is its developmental goals. According to Castells, a state is characterized as developmental if its principle of legitimacy is to promote and sustain development. Development in this case is defined as the combination of sustained and high rates of economic growth coupled with structural change in the productive system (Castells 1992, cited in Edigheji 2008:12). Castells defines a developmental state as a state which is able and willing to create and sustain a policy climate that promotes development by fostering productive investment, exports, growth and human welfare, (Castells 1992, cited in

Edigheji 2008:12). Mkandawire defines a developmental state "as one whose ideological underpinnings are developmental and one that seriously attempts to construct and deploy its administrative and political resources to the task of economic development" (Mkandawire 2001 quoted in Edigheji 2008:12).

A developmental state is a coalition consisting of government ministers and state bureaucrats that prioritises economic growth 'over all else'. The ministers within this coalition often come to power through the use of force and/or from within an environment of instability, economic backwardness or geopolitical danger. They then co-opt expert bureaucrats in economics and planning among technocrats from state agencies or bureaucracies. This combination of political power and economic expertise gives the developmental state the necessary transformative capacity over the economy, organising and directing capital and labour to participate in national economic policies. For example, developmental states have used their economic power to 'persuade' domestic capitalists to collaborate on national projects through the use of targeted financial incentives. At the same time they have used political (and military) power to discipline or de-mobilise labour, ensuring that production is not interrupted. It was argued that this 'developmental state model', as it came to be known, was instrumental in bringing about industrial transformation and economic growth in Japan from 1950 onwards, South Korea from 1960 onwards and Taiwan from 1970 onwards. One of the features of a developmental state is that it has a relatively egalitarian distribution of income and wealth (Radice 2008: 1153). This feature of the developmental state should be attractive to the government of Zimbabwe's socio-economic goals, as it seeks to equitably distribute income in the country through the indigenization and economic empowerment programme.

The state must not just ensure that there is improved economic activity in the country as evidenced by growth in GDP, but that the economic growth has the effect of palpably improving the living conditions of the majority of the citizens. "Development includes a process of economic change involving the construction of more complex and productive economies capable of generating higher material standards of living (White in Edigheji 2008:10). In other words, a developmental state should bring about equity and economic prosperity for all. A developmental state has been shown to be able to help in bringing about such an economic and developmental dispensation. A developmental state must have as some of its social objectives:

> *(the) alleviation of absolute and relative poverty; the correction of glaring inequalities of social conditions (between genders, classes, regions, and ethnic groups); provision for personal safety and security; and the tackling of looming threats such as environmental degradation… Overall, to the extent that democratic politics are instrumental in organising socio-economic progress along these lines, they can be described as developmentally successful; their success depends on the existence and efficacy of the democratic developmental state, (White in Edigheji 2008:10).*

It has been argued that a developmental state contains seeds of its own destruction. This is because it gives rise to an empowered middle class and local capitalist who would in the fullness of time want to be freed from the shackles of state control that a developmental state imposes, as they will be feeling confident of their ability to stand on their own economically. The economic growth and prosperity that the policies pursued by the developmental state bring in the country, will lead to the rise of a strong domestic capitalist class and/or an affluent working class. With growth, domestic capital no longer requires the support of the state. (Pereira, 2008: 1189).

> *The process of development they [the developmental states] succeeded in implementing not only transformed the economy but completely changed the society. A new more assertive capitalist class, ready to take on the world, emerged in the 1980s, increasingly confident that they no longer needed a state of technocrats, racketeers and political police.(Castells quoted in Pereira 2008:1189).*

From the foregoing it is apparent that a developmental state has the capacity to transform the economic fortunes of a nation. It has the capacity to engineer a particular socio-economic outcome. This is what the Zimbabwean government seeks to do through the programme of indigenization and economic empowerment, the IEEP. The indigenization and economic empowerment programme seeks among other aims, to create a national and therefore patriotic bourgeoisie (Mandaza 2010). It also seeks to create a middle class from among the black citizens of Zimbabwe, who are currently excluded from playing a role in the country's mainstream economy, (Government of Zimbabwe 2011). As was demonstrated in the case of the East Asian nations, the use of a developmental state model can result in the creation of a national bourgeoisie, create an affluent middle class and generally reduce poverty in a country (Pereira 2008).

2.6.1 Necessary Conditions for the Success of the Developmental State

However, there are certain characteristics of the developmental state that the Zimbabwean government needs to be aware of, if it wishes to successfully emulate the economic successes of the East Asian developmental states. For developmental state to be successful, it must have within the state bureaucracy experts in economics, planning and other technocrats, (Pereira). In other words the government of Zimbabwe would need within the ranks of government bureaucrats experts in economics to chart industrial development policies among a host of policies to steer economic growth in the country.

A Skilled human resources base and institutions are key pillars of a developmental state. It was noted that the Asian Tigers could rely on skilled policy makers, expert economists and other planners in the state bureaucracy to craft and implement the necessary policies for the success of the developmental state. Industry in general could also count on a skilled human resource base to run the industries. A developmental state must therefore not only establish clear developmental goals, but it must also put in place the necessary institutional structures to achieve the developmental objectives. In other words, a developmental state is "one whose ideological underpinnings are developmental and one that seriously attempts to construct and deploy its administrative and political resources to the task of economic development" (Mkandawire in Edigheji 2008:13). The developmental state must have state agencies that are able to formulate and implement developmental goals (Edigheji 2008:14). So for developing countries like Zimbabwe who wish to draw on the experiences of the Asian Tigers to influence development in their countries using the developmental state model, they would have to ensure that there is a skilled bureaucracy to lead economic development. There should also be meritocratic recruitment and promotion into the state bureaucracy coupled with predictable career paths and long term rewards for bureaucrats, (Edigheji 2008, Mkandawire). The state would also have to ensure that the labour market has the necessary skilled personnel who can be relied upon to run the industries.

A developmental state combines economic expertise with political power to chart and implement economic policies that lead to economic growth. This it does through organizing and directing capital and labour to participate in national economic policies. Political power is used to ensure that labour toes the line so as not to disrupt production in industry through strikes and unreasonable wages and salaries demands, (Pereira 2008: 1189). For the developmental state to succeed, it needs an abundant and uninterrupted supply of well trained, low cost and highly disciplined labour (Pereira 2008). For this to happen, the government needs to be in control of labour, or to have allies in the trade union movement who can be relied upon to keep labour in control. The developmental state should therefore form alliances with key social groups in society that help it to achieve its developmental goals. Such alliances would enable the developmental state to get the necessary cooperation and consensus in the task of national economic development. The logic of having a pliant workforce as a prerequisite for the success of a developmental state is so that wages are not too high, thus making production costs low, which should attract investors. In Singapore for instance, one of the reasons which worked to ensure labour supported the developmental state was the fear of unemployment among the workers, given the fact that there was a labour surplus in Singapore in the 1960s (Pereira 2008: 1190). The developmental state's policies of keeping labour supply uninterrupted, at low costs and well trained coupled with capital friendly policies resulted in high economic growth over long periods, in the Asian developmental states. The high growth rates thus giving the state an opportunity to invest heavily in housing, education and healthcare which in turn improved the standard of living of the generality of the citizenry.

The ability of Governments of the East Asian developmental states to get everybody, especially organized labour to support the state's development efforts, on the terms preferred by the state, played a pivotal role to their success. Labour had to accept low wages for the developmental state project to succeed. It required the stifling of democracy to get workers to accept low wages and other demands of the state for the success of the developmental state project.

The East Asian developmental states flourished in the propitious period following the Second World War where the world economy was less globalised than it is today. The conditions of less globalised production system meant that it was possible for a single country or set of countries to steer their own economic fortunes (Southall 2004). It is very difficult for a country to push for its own development policies in today's much globalised production system, especially for small countries like Zimbabwe. In today's globalised production system, economies are much more intertwined and production in one country cannot happen independent of what happens in other countries in today's global village. The Zimbabwean government's indigenization and economic empowerment programme aims to ultimately improve the standard of living of the previously disadvantaged black citizens, the government might therefore do well to learn from the experiences of the developmental states of East Asia, the necessary policy combinations and the necessary conditions needed to achieve a state-led economic growth.

2.6.2 Government's Role in Fighting Poverty

As the example of the Asian developmental states demonstrates, government can play a pivotal role in spearheading development. Multilateral institutions like the Breton Woods institutions have come to acknowledge the important role of government in development and poverty alleviation with the World Bank stating that:

> *It is widely believed that many of the economic problems in the developing world can be attributed to excessive or inappropriate government interventions. Yet most of the social progress observed during the past two decades is clearly a direct result of government action (World Bank 1990: 75).*

The emphasis is on having a better government and enhancing the state's capability to lead in the fight against poverty, and not necessarily less government.

Government exists to ***inter alia*** provide goods and services in the interests of the people (Davids & Maphunye 2005:52). Government therefore has a moral obligation to come up with and implement effective poverty reduction strategies aimed at alleviating the plight of the poorest segments of society. Given that poverty is also defined as the inability to satisfy basic human needs due to lack of income, then poverty alleviation refers to "lifting the poor out of poverty through direct (redistribution) or indirect (economic growth) measures" (Dada 2005:12). Poverty alleviation is merely a means of meeting the basic survival and material needs of the poor. The common slogan is "giving a man a fish in order for him to survive." Poverty reduction is the creation of opportunities for the poor to develop their social capital to obtain basic needs for themselves rather than it being given to them (Kaen 2007:4). It is the creation of wealth, which includes the provision of income generating skills (teaching the poor how to fish) availing the necessary tools required by the poor (directing the poor to the river) and creating a demand for the skills obtained (Kaen 2007:4), all of which form part of-empowering as opposed to merely assisting the poor. Worthy of note is that the two concepts are intertwined such that the one is an extension of the other.-Enhancing the welfare of citizens, means that a democratically elected government will adopt policies of socio-economic development, in order to address issues of social profitability, economic viability and political profitability (Nsingo 2004:10). The World Bank (2000:38) states that poverty reduction is an outcome of social, economic and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation of the poor. Social profitability is the process in which government ensures that society benefits from goods and services that it expects to receive as part of the social welfare agenda. This is done through the creation of legal, regulatory and policy frameworks that promote social inclusion in order to ensure that public expenditure addresses basic human services, such as inter alia, housing, health, sanitation and education.

Economic viability requires governments to ensure that the productive capacities of -communities are improved in a sustainable manner (Nsingo, 2004:10). It means removing-the barriers that work against particular groups and building the assets of poor people-through land ownership and access to financial services to enable them to engage-effectively in markets. Expanding economic opportunities for poor people contributes to-their empowerment; however, efforts should be made to strengthen the administrative and-regulatory capacity of social institutions to work in the interests of the poor (World Bank, 2000:39).
Political profitability requires governments to ensure that communities are governed properly and that their consciousness to participate in national politics is raised in a manner that will enable them to make correct social, economic and political choices (Nsingo, 2004:10). This requires the establishment of structures that promote and support participation of people in determining the direction and content of their development (Kauzya, 2005:9). The dictum that development is about people implies that the people themselves should play the most extensive role in their own development, which differentiates between entitlements (hand-outs) and empowerment. The former creates dependency whilst the latter creates independence and self-determination (Gergis 1999:i).

The obligation to pursue the above objectives remains a challenge for government, considering the lack of financial and administrative capacity to effectively perform. Governance is a multifaceted concept, one of whose principles is the promotion of-public-private partnerships, which shows a government that creates an enabling-environment for the private sector to jointly address poverty. Kauzya (2005:4) maintains-that an effective government focuses its capability on the fundamental tasks it must-perform and leverage its capacity shortfalls by creating partnerships and networks with-the private sector in order to redefine and determine the mission, mandate and challenges-that the respective actors should concern themselves with. The formation of public-private-partnerships is a means to make commercial forces work for the poor in the most-effective manner (Lindahl 2005:155). The East Asian development model is an example-of pro-active governments that established the direction of the economies and-manipulated the market forces to drive economic development alongside equity,-demonstrating that government can perform best in cooperation with the private sector (Khan, 2001:10).

2.7 Chapter Summary

The chapter discussed poverty which is one of the problems that the research addresses, and which- the Indigenisation and Economic Empowerment Programme seeks to fight. The concept of poverty was defined. The genesis of poverty and inequality in former colonies like Zimbabwe was traced to colonialism. The theories informing the Indigenisation and Economic Empowerment were discussed, mainly distributive theories. The concepts associated with the economic programme being researched were defined so that the reader can understand what the programme entails. The chapter also discussed other theories of economic growth, poverty alleviation and reducing inequality. This was meant to present other ways of fighting poverty and inequality and juxtapose them with the programme chosen by the government of Zimbabwe. Resource nationalism and the developmental state as interventionist economic models akin to the Indigenisation and Economic Empowerment Programme were also discussed. This was to show the reader that the Indigenisation and Economic Programme has precedents and theoretical models which it follows. The role of government in poverty alleviation and economic development was also discussed to make the reader understand why governments intervene in economic development. The chapter presented and explained the concepts forming part of the research so the reader can understand the subject under discussion. The chapter also outlined the theories associated with interventionist programmes like the one under discussion so that the topic under research is better understood from a theoretical perspective. The chapter thus laid the ground work for understanding the programme under investigation, why it is being instituted and the theoretical justifications for the programme.

CHAPTER THREE: GENESIS OF INEQUALITY, STATE OF THE ECONOMY AND THE IEEP

3.1 Introduction

Chapter 3 is the context part of the study. It represents the descriptive part of the study in which the nature of socio-economic challenges in Zimbabwe is presented. This will be followed by an exploration of policies and programmes embarked upon by the Zimbabwean government to alter or influence economic activity in the country over the years. The chapter will then specifically zero-in on the programme of indigenization and economic empowerment with a view to unpacking it to understand what it entails and what it seeks to achieve. The chapter will cover the analysis of the legislation relating to the indigenous and economic empowerment programme in Zimbabwe. This will focus on the definition, aim and thinking behind the economic empowerment programme in Zimbabwe.

The chapter opens with an overview of the economic empowerment initiatives for whites in Rhodesia. Section two looks at some of the poverty reduction strategies and economic policies adopted after independence to redress the socioeconomic disparities in Zimbabwe. Finally the chapter discusses the provisions of the enabling legislation on the Indigenisation and Economic Empowerment Programme.

3.2 Economic Empowerment of White Rhodesians

The indigenization and economic empowerment principles have a precedent in Rhodesia, as Zimbabwe was known before independence. Successive Rhodesian governments designed and implemented policies and programmes meant to economically empower Rhodesian white settlers, often at the expense of indigenous black Rhodesians.

In employment, there was legislation which reserved certain job categories for whites, (Zhou 20006:13). These jobs were mainly in the skilled categories like artisans in industry and mines, which meant that the jobs were high paying. In education and training, government allocated more than 7 times in material resources for the education of white children compared to that of black children (Seidman 1982:23). Apprenticeship was also reserved for whites which meant that they were guaranteed better paying skilled jobs.

In the agricultural sector, the state used legislation to ensure that production remained in the hands of white commercial farmers. Agricultural parastatals were used to promote and protect the economic interests of white commercial farmers through ***inter alia*** subsidizing inputs and promoting access to credit facilities at low interest rates to white commercial farmers (Rukuni cited in Zhou 2006:11).
As Palmer points out:

> *The herding of Africans into overcrowded Reserves and blatantly discriminatory policies against African farmers designed to protect fledgling white farmers from competition meant that by the end of the 1930s the agricultural economy of the Shona and Ndebele like that of the Kikuyu in Kenya had been destroyed (Palmer quoted in Zhou 2006:10).*

Parastatals like the Grain Marketing Board, the Cold Storage Company, the Cotton Marketing Board, the Dairy Marketing Board were set up to help in the marketing of agricultural produce by the then budding commercial farmers and generally promote the economic interests of white agricultural producers (Mlambo 1996:15). There was also the Agricultural Finance Corporation which was set up to provide funding to white farmers at concessionary rates. The Rhodesian government did a lot to advance the economic interests of white Rhodesian settlers, to the extent that government created what Herbst termed Rhodesian "socialism for whites" (Herbst cited in Zhou 2006:15).

As Ibbo Mandaza noted:

> *In Southern Rhodesia, the creation of such agricultural parastatals —e.g. the Agricultural Marketing Authority, the Grain Marketing Board ...and the Cotton Marketing Board — made possible the establishment of a white agrarian bourgeoisie that will for long remain an envy of its counterparts all over the world (Mandaza cited in Mlambo 1996: 55).*

To reduce the cost of doing business for white industrialists and farmers, government used legislation to create a pool of cheap labour in African reserves which was deliberately economically impoverished thus leaving them vulnerable to accepting slave wages in white farms and industries. To protect white entrepreneurs from competition by blacks, blacks were bared through legislation from venturing into mining and prospecting and from competing with whites on a level playing field in agricultural production (Leys cited in Zhou 200615). The state also gave subsidies to white farmers producing maize, with the state guaranteeing the farmers purchase of their crops. This had the combined effect of giving white producers of foodstuffs a virtual monopoly on the market (Zhou 2006: 11).

The privileged lives that Zimbabwean white farmers enjoyed, and the successes that their businesses enjoyed right up to the radical land reform of the 2000s, can be traced to over 100 years of government affirmative action policies for whites that successive Rhodesian governments implemented during the colonial era.

3.3 The Historical Background of Inequality in Zimbabwe

As Zimbabwe's economy had racial underpinnings inherited from the colonial era, so does the profile of poverty in present day Zimbabwe. During the colonial times, access to the means of production, especially land, was skewed in favour of whites. White Rhodesian settlers were allocated productive farmland, while blacks were crammed in unproductive communal lands

(ZIMSTATS, 2013, Rukuni 1992 Zhou 2006). White citizens in Rhodesia were also availed financial assistance especially for farming purposes and other commercial ventures, while blacks were denied such assistance (Rukuni, 1992 Seidman 1982).

White citizens in Rhodesia were generally almost the exclusive beneficiaries of the modern economy that Rhodesia had grown to become by the time it turned into Zimbabwe on attaining majority rule, (Seidman 1982, Herbst 1990,). Apart from having access to credit facilities, white farmers also benefited from protectionist marketing policies, which ensured that their farm produce had markets which could not be accessed by African farmers (Rukuni 1992). On the job market there was also a "colour bar" on the basis of which the best paying jobs were reserved for whites. Blacks were confined to low paying jobs and salaries and wages for blacks were generally kept at the barest minimum (Herbst 1992 Seidman 1983). Blacks occupied the least paying jobs as farm labourers and such other lowly paying jobs in industry. In the education sector, the education for blacks was inferior to that offered to whites thus condemning blacks to the lowly unskilled jobs in industry and on the farms, (Herbst 1992:14). It is such kind of policies and practices that compounded poverty among the blacks in the midst of prosperity by whites. With limited and inferior education, without access to productive and fertile farmland, without access to credit facilities, blacks were condemned to perpetual entrenched poverty. It is this racially institutionalized poverty that the majority government inherited in 1980. There has not been much change in the profile of the poor since independence and government is still battling to fight the poverty whose roots date back to the colonial times using various policy instruments and programmes, including the indigenization and economic empowerment programme.

3.4 Zimbabwe's Economy at Independence

At independence, the government of Zimbabwe embarked on a modernising, reconstruction and welfare agenda of the economy (Ranger 1982: 14). This was an internal response to 'the grossly inequitable pattern of income distribution and predominant foreign ownership of assets' both by promoting economic growth and reducing socio-economic disparities, with the state as engine of growth and development (Government of Zimbabwe :1981)

The establishment of majority rule did not bring about a solution to the economic and social imbalances between the white and black communities. During the colonial period, a white settler bourgeoisie (both agrarian and urban) was created with strong connections to foreign capital (Bond 1998 cited in Andreasson 2010). After independence, the state gained control of a significant section of the national economy, but the private sector remained largely owned by white Zimbabweans or by international companies (Raftopoulos and Compagnon, 2003). Transnational corporate affiliates controlled 70% of the assets in the modern sector at the dawn of independence in 1980 (Seidman 1982:8). In colonial Rhodesia race was the key determinant factor in many aspects of the colonial society and economy. This brought about widespread inequalities between blacks and whites. As a result, the whites who constituted 4% of the country's population controlled over 90% of the economy in terms of owning the means of production. The blacks who accounted for 96% of the population only controlled 10% of the economy (Mazingi and Kamidza 2010: 03).

At independence, Zimbabwe had one of the highest average per capita incomes in Sub-Saharan Africa, yet the majority of the population lived in poverty (Seidman 1982:01). At the dawn of independence in 1980, 6000 farms accounted for 14% of the country's GDP. Yet, 320 000 farm workers engaged on those farms lived in conditions similar if not worse than those of 19th century slave plantations in America (Seidman1982:01). The 6000 farms that dominated agricultural production were all owned by local whites, transnational corporations like Anglo-American and some European absentee landlords. Zimbabwe also boasted of a prosperous mining sector, again dominated by transnational corporations like Anglo-American. The 60 000 black workers that were employed by mining companies were paid wages that were below those paid to miners in South Africa, and below what transnational corporations are required to pay their workers in America (Seidman 1982 :02).

According to Seidman, the nature and makeup of the Zimbabwean economy at independence had its genesis in the collaboration of the state and the settlers and representatives of foreign capital. According to the transforming institutionalists theory Zimbabwe's political economy at independence can be explained by considering the collaboration between the settler state, local and foreign capital to establish institutions that promoted and protected monopolistic minority ownership of the means of production. (Seidman 1982:4). The colonial Rhodesian state designed and used racist legislation to force the African population into a low-cost labour reserve. Land legislation was used to push Africans off the best agricultural land into overcrowded Tribal Trust Lands. This inhibited Africans from engaging in productive economic activities to increase their stake in the national economy. As has been explained above, the settler government set up marketing authorities which discriminated against produce from Africans and favoured produce from settler-owned commercial farms. The tax regimes of the settler government were designed to force African males to migrate to farms, mines and industries in search of wage employment. The wage employment open to Africans was restricted to menial jobs with meagre salaries. The low menial jobs and the concomitant low wages were made possible by legislation namely The Industrial Conciliation Act (No. 10 of 1934), , as amended in 1959, which created "a job colour bar" restricting urban black workers to mainly menial jobs (Mazingi and Kamidza 2010: 03). Wages and salaries accounted for 60% of the Gross National Income (GNI) in the country in 1980. Income from wages and salaries was however distributed in a racially skewed fashion with whites earning 21 times more than blacks in agriculture, 7 times more than backs in manufacturing 11 times more in other sectors of the economy (Mazingi and Kamidza 2010:05). This kind of income distribution further reduced the indigenous black Zimbabweans participation in the economy and their ability to save and invest their savings to boost their stake in the economy.

The indigenous black Zimbabweans, who constituted 97.6% of the population, were in receipt of a disproportionate 60% share of wages and salaries with the minority whites who constituted a mere 2% of the population accounting for a disproportionate 37% of wages and salaries at independence as depicted in

Table 2: Ratio of European to African wages, 1981

Sector	Professional & Technical (Males)	Clerical, (Males)	Skilled, (Males)	Semi-Skilled ,(Males)	Overall (Persons)
Agriculture	**3.7**	**4.8**	**8.5**	**8.2**	**24.5**
Manufacturing	**2.3**	**3.1**	**3.9**	**4**	**7.3**
Finance	**2.3**	**1.7**	**3.5**	**-**	**3.5**
Public	**2.3**	**2.3**	**3.1**	**3.4**	**7**
All Sectors	**2.7**	**2.8**	**4.2**	**3.9**	**10.4**

Source: World Bank 1987

As the data in **Table 2** shows, whites invariably earned much higher incomes than black people. This inequitable distribution of income can be attributed to unequal access to the means of production namely land, skills, entrepreneurship and capital between whites and blacks in Zimbabwe.

It is estimated that as at independence in 1980, whites who constituted 3% of the population controlled two thirds of the Gross National Income (GNI) (Stoneman and Cliff 1980 cited in Mazingi and Kamidza 2010:06). Investment in human capital development which equips workers or would-be workers with the knowledge and skills to play a role in the economy favoured whites over indigenous blacks. Blacks occupied 36% of all professional and technical positions with 24% in managerial and administrative positions (Mazingi and Kamidza 2010). Apprenticeship training for artisanal posts in industry was also reserved for whites.

In the agro-industrial sector, the colonial state put protectionist tariffs to protect the white-controlled manufacturing sector from market competition from established industries outside the country (Zhou and Masunungure 2006: 11). Cheap labour was guaranteed by the labour reserve system. To ensure that Africans were left at the mercy of the agro-industrial sector to eke a living, the colonial state used legislation to prevent black Africans from venturing into prospecting and mining and from competing with whites on equal terms in beef production and putting up policy and legislative barriers to prevent blacks from entering the domestic maize commercial market, (Leys quoted in Zhou and Masunungure 2006:11).

The starvation wages that the Africans received were barely enough for their families' subsistence and they supplemented their meagre wages with the subsistence farming activities in the unproductive and crowded Tribal Trust Lands (Seidman 1982). This left the African, whether practicing subsistence farming or on waged employment in the farms, industries, or mines, with barely enough savings to invest to increase their stake in the national economy. The combined effect of the colonial policies, legislation and practices and regulation of economic activities was to inhibit the ability of the African to realize economic savings to invest and thus increase his stake in the economy. That is why at independence, the economy was largely in the hands of the settler minority and multinational corporations.

3.4.1 The Financial Services Sector Ownership at Independence

At independence, four banks, ***viz*** Standard Chartered Bank, Barclays Bank, Rhobank, (later renamed Zimbank), and Grindlays Bank were all foreign-owned and they controlled commercial banking in Zimbabwe at independence, (Seidman 1982: 14). Standard Chartered Bank and Barclays Bank, both headquartered in Britain were the largest and owned two thirds of Zimbabwe's bank assets. The third largest bank in Zimbabwe at independence was Rhobank which owned 16 per cent of the nation's bank assets. The government of Zimbabwe bought Nedbank of South Africa's shares in Rhobank in 1981 and changed the bank's name to Zimbabank. The fourth bank in Zimbabwe at independence was Grindlays which was owned by National Grindlays Bank, a British bank (Seidman 1982: 18). Two-thirds of the 63 direct insurers operating in the country at independence had their headquarters in either Britain (19) or South Africa (20). The largest, The Old Mutual, which handled close to half the nation's insurance business is a South African, based company, (Seidman 1982:18). Credit policies of the commercial banks tended over the years to foster transnational corporate and settler domination of the so-called 'modern' sector of the economy. This further entrenched the country's economic dualism, where a minority of settlers in collaboration with multinational corporations owned and dominated a modern capitalist economy alongside a subsistence economy dominated by a majority of the country's African population who had very little share of the modern economic sector.

The banks and other financial institutions' lending policies and practices also played a part in entrenching the white settlers and multinational corporations' hold on the economy while further excluding indigenous black Zimbabweans from gaining a stake in the modern sector of the economy. The financial institutions extended loans largely to commercial farms, manufacturing, finance and insurance, and distribution, which sectors were dominated by transnational corporate investment and the local white settler bourgeoisie (Seidman 1982:18). Shareholders and directorships tie all three societies to the major foreign-owned insurance firms: CABS to the Old Mutual, Beverley to Pearl Assurance, and Founders to Guardian Royal Exchange Insurance and Commercial Union Fire Marine and General Insurance. The societies typically require their mortgage-holders to insure with these firms, a major source of insurance and re-insurance premiums which, as previously mentioned, drained capital out of the country.

Table 3: Commercial Bank Loans to the Private Sectors In Zimbabwe at Independence

Sector	1968 %	1979 %	1981 %
Agriculture	25	10	20
Mining	4	5	9
Manufacturing	19	20	35
Construction	2	3	1
Finance and Insurance	9	18	19
Distribution	20	24	11
Others	16	22	5

Source Seidman 1982

Table 3 above shows that the lending practices of financial institutions in Rhodesia/Zimbabwe played a part in perpetuating and entrenching white domination of the economy. This is because the institutions tended to lend money almost exclusively to white dominated businesses or interests.

3.5 The Outflow of Nationally Generated Investible Surpluses

As former colonies have achieved independence, transnational corporations, with the assistance of associated financial institutions, have devised many methods to evade government-imposed exchange controls and so to drain domestically generated surplus out of the economy Zimbabwe's National Accounts suggest that this has occurred here, too, and increasingly so, both relatively and absolutely, since independence (Seidman 1982).

3.5.1 Cash Outflow through Re-insurance

Re-insurance is a major device by which insurance firms may transfer-domestically generated funds to their parent companies. Zimbabwean reinsurance premiums on non-life insurance alone, totalled Z$25 million in 1979, before the post-Independence boom a potentially significant drain of domestic savings out of the country. Zimbabwean insurance companies also paid almost Z$ 12million from 1977 to 1979 as 'management expenses" to their parent companies abroad (Seidman 1982:19).

Table 4: Increased Invisible Outflows on Zimbabwe's National Accounts, 1976-1980

Outflow Type	1976 (Z$ millions)	1978 (Z$ millions)	1980 (Z$ millions)
Business & Holiday Allowances	44.3	51.4	92.2
Investment Income	61.2	47.7	82.9
Labour Income	12.8	13.3	22.8
Pensions	5.3	7.7	29.7
Migrants' Funds	16.8	15.0	23.9
Property Income	3.7	4.9	8.8
Other Private Transfers	10.7	10.3	17.4
TOTAL	154.8	150.3	276.9
As a % of Investible Surplus	27.7	24.7	30.4
As a % of Investible Surplus	17.5	17.5	19.9

Source Seidman 1982

Table 4 shows that the outflow of funds, in the form of business and holiday allowances, investment income, salaries, pensions, migrants' funds and property incomes paid abroad, almost doubled, in absolute terms, from 1978 to 1980. If one adds half that amount to the Z$150 million possibly siphoned out through over- and under-invoicing, then in 1980 alone almost a fifth (Z$300 million) of the domestically generated investible surpluses, may have been drained out of the country. Of the over Z$ 1 300 000 000 investible surplus that the Zimbabwean economy generated in 1980, none was reinvested in the country to create productive employment opportunities and higher living standards for the impoverished indigenous black Zimbabweans. Transnational banks and financial institutions would instead mobilize domestic savings such as these principally to enable transnational corporate affiliates to finance the more profitable growth of the 'modem' economic enclaves (Seidman 1981:19), which were exclusively dominated and beneficial to the white settler communities and multinational corporate interests.

It is such practices by business, which was largely dominated by Zimbabwean white settlers and multinational corporations which heightened the government's suspicion of business, leading the latter to question the loyalty and patriotism to Zimbabwe, of the former. This may in part have motivated government to work towards the creation of a national bourgeoisie who could be trusted to support government national development economic policies. It is reasonable to assume that a black, supposedly patriotic bourgeoisie can open up more honest and direct lines of communication between politicians in government and business people, thus building the confidence upon which long-term investment is based (Butler 2005:6).

3.6. Government Intervention to Fight Poverty & Foreign Economic Domination

This section outlines the early strategies by the government of ZANUPF to deal with the predominant foreign ownership of the economy. These strategies precede the introduction of the Indigenisation and Economic Empowerment Programme. The strategies ranged from government ownership of companies, efforts to fight poverty, and expansion of the parastatal portfolio. All these issues are tackled in the subsections that follow along with government's efforts at fighting poverty, the state of Zimbabwe's economy at present, poverty levels in the country, and the need for a local bourgeoisie.

3.6.1 Government's Early Strategies to Reduce Foreign Economic Domination

ZANU PF professed to pursue a socialist and egalitarian philosophy, in line with which the government tried to introduce redistributive policies so that the majority of the population could also benefit from the nation's economy. Like most newly independent African countries, the ZANU PF government intervened in the economy because of ideological reasons, mistrust of the local white businesses and the multinationals, as well as shortage of indigenous entrepreneurs, (Ndongko, 1991 in Zhou 2001:02). So in Zimbabwe, government intervention in the economy was aimed at pursuing redistributive policies, as well as diluting the preponderance of foreign influence in the local economy. To this end, the government expanded the public enterprise sector. New public enterprises like the Minerals Marketing Corporation, (MMCZ), and the Zimbabwe Mining Development Corporation, (ZMDC) were created, to dilute the overwhelming presence of foreign interests in the mining sector, (Zhou 2006: 13).

The government used the Industrial Development Corporation, a wholly –owned government company, to increase government ownership and control of the private sector (Zhou 2006:13). In the absence of well-developed indigenous entrepreneurial skills, government felt that the state could play an active role in the private sector, as a substitute for local ownership of the commanding heights of the economy. Government's reasoning behind such involvement in the private sector, was to localize capitalism, and broaden the participation of locals, (albeit with the government as the proxy for locals) in capitalism in local markets. This view was succinctly captured thus by government:

> *The existing phenomenon of capitalism as an historical reality, which because it cannot be avoided, has to be purposefully harnessed, regulated and transformed as a partner in the overall national endeavour to achieve set national plan goals (Government of Zimbabwe in Zhou 2006:14).*

Zimbabwe's post-independence government also used the state enterprise sector as a way of redistributing economic benefits to the hitherto disadvantaged black majority. In line with the government's redistributive policies, the state enterprise sector inherited from the settler Rhodesian governments was expanded. Whereas the majority government inherited a portfolio of 20 state-owned companies and 15 parastatals, by 1990, the portfolio had been expanded to 40 state-owned private companies and 48 parastatals (Zhou 2006:15), signalling government's commitment to redistribute economic benefits and reduce foreign ownership of the economy. So the Zimbabwe government used the parastatal sector as an agency and a means to intervene in the social and economic sectors, to advance its policy objectives of redistributing economic benefits to the majority as well as diluting foreign influence in the economy, (Zhou 2006: 13). So, prior to the current indigenization and economic empowerment crusade, government tried other avenues of limiting the foreign influence in the economy, as well as increasing the stake of the majority in the economy with government as the representative of the indigenous people in the economy.

3.6.2 Government's Measures to Fight Poverty

Zimbabwe's fight for independence was mainly around grievances revolving around poverty among the black population spawned by racist policies. It was, therefore, to be expected that on attaining independence, one of the issues topping the new majority government's agenda was the alleviation of poverty amongst the previously marginalized black population. During the first decade of independence, the government of Zimbabwe introduced many programmes and policies aimed at alleviating poverty as well as equitably distributing the nation's economic benefits. Government introduced a minimum wages policy as way of effecting an increase in the real wages of lowly paid African workers (Zhou 2006, Zimbabwe National Statistics Agency, (ZIMSTAT) 2013). The government also invested in the rapid expansion of rural infrastructure such as roads, health facilities, and education, (ZIMSTAT, 2013:22).

In pursuit of the goals of economic redistribution and poverty alleviation, government spending on social sectors increased from 25.7% of total government expenditure in 1980 to 34.9% in 1990/91 (ZIMSTAT 2013:22). The policies that underpinned government's pursuit of the goals of redistribution and poverty alleviation were, the Growth With Equity Policy promulgated in 1981 and the Zimbabwe Transitional National Development Plan 1982-1985, (ZIMSTAT 2013:24). Government also used subsidy policies as a way of redistributing economic benefits. As a result, state enterprises like the Grain Marketing Board, (GMB), National Railways of Zimbabwe (NRZ), Agricultural Finance Corporation, (AFC), were used to provide essential services like grain, rail transport and subsidized agricultural finance at cheap and affordable rates (Zhou and Masunungure 2006: 14).

By the dawn of the second decade of independence in the 1990s, government was running into problems of budget deficits as the gap between government expenditure and revenue grew unsustainably. Government expenditure had grown from 35% of GDP in 1980 to 47.4% of GDP by 1988/89, (ZIMSTAT 2013:24). The redistributive policies adopted by government also negatively affected the economy, such that by 1990s, government was forced to adopt an

Economic Structural Adjustment Programme, (ESAP), in order to revitalize the economy, (Zhou 2006 ZIMSTAT 2013). ESAP entailed massive cuts in social spending, thus threatening to reverse the goals of social development and poverty alleviation gained in the first decade of independence (Zhou 2006).

However, even in the face of economic austerity measures brought about by ESAP, government remained committed to fighting poverty. The Social Dimensions of Adjustment Programme (SDA), was the vehicle through which government sought to protect the poor and vulnerable groups from the negative effects of ESAP (ZIMSTAT, 2013:25). The SDA was a direct transfer programme which entailed direct transfers to support health and school fees payment to targeted households and employment and training programmes to retrain retrenched workers, (ZIMSTAT 2013:25). Government also launched the Poverty Alleviation Action Plan, (PAAP), whose main objective was to build the capacity of poor communities to generate income and also tap more benefits from the public service provision system (ZIMSTAT 2013:25).

From independence in 1980, government has always meant to use land reform as a way of alleviating poverty (Government of Zimbabwe 1981). The land use patterns in Zimbabwe are such that the country is divided into 5 regions based on soil types and rainfall quantities. Most communal areas are located in regions 4 and 5 which are of poor soils and located in arid areas with very little rainfall (ZIMSTAT 2013: 28). As a result, agricultural production in the communal areas is very poor. The poor state of soils in the communal areas, poor rainfall coupled with overcrowding meant that communal farmers were barely producing enough for their subsistence, let alone for selling to boost their income. This meant that occupants of communal areas were doomed to perpetual poverty. Availing more land in areas where land is richer and thus more productive and where rainfall was more abundant would therefore give the farmers resettled in these areas an opportunity to produce better yields for their subsistence and selling to boost their income.

3.6.3 Government's Response to the Continued Exclusion of Blacks from the Economy

The policies adopted by government in the wake of the 2000 land reform programme showed that it had come to the conclusion that there was a causal relationship between the poverty suffered by the blacks and their marginalisation from the economy. Government also concluded that much still needed to be done to undo the legacy of the colonial past where blacks were deliberately and systematically excluded from the mainstream economy, while white settlers were helped through policy and legislation to participate in the mainstream economy. Government also came to the conclusion that the fruits of the economy were not being shared equitably among all Zimbabweans (Government of Zimbabwe 2006:04). It was the government's view that economic growth could only be accelerated and sustained if all Zimbabweans were meaningfully integrated into the commanding heights of the economy (Government of Zimbabwe 2006:04). The integration of the black indigenous Zimbabweans in the economy would result in economic growth, poverty alleviation and bring about equity in the distribution of the country's economic benefits. To achieve the desired integration of the indigenous Zimbabweans into the commanding heights of the economy, government needed to come up with policies and programmes to empower the historically disadvantaged Zimbabweans so that they could meaningfully participate in the mainstream economy (Government of Zimbabwe, 2006: 04).

3.7 Zimbabwe's Economy at Present

Zimbabwe is classified as a low-income country, (ZIMSTATS 2013: 20). After experiencing world record hyperinflation and near economic collapse between 2000 and 2009, the Zimbabwe economy was put back on the path to recovery by dollarization introduced in 2009, (ZIMSTAT 2013: 26). The Zimbabwean economy grew from a GDP of US$ 6.1billion in 2009 to US$ 7.4 billion in 2011 (ZIMSTAT 2013:25).

The biggest contributor to the country's GDP as at 2011 was manufacturing accounting for 20.2 % of GDP, followed by agriculture at 17.9% and transport and communication contributing 15.8% of GDP. The decline in some sectors' contribution to GDP between 2000 and 2008 is a reflection of the contraction of the economy during that period. It was government's view that the contraction was as a result of sanctions imposed by the international community following the controversial land reform programme instituted from 2000. However, other commentators have argued that the contraction of the economy was due largely to ruinous policies pursued by the government of ZANU PF The service industry declined massively mainly due to the negative coverage that the country received from the international media thus resulting in a drop in tourist arrivals. The current recovery efforts in sectors such as mining are being hampered by the unavailability of capital to retool and replace obsolete equipment in industry (ZIMSTAT 2013:34). Economic recovery is also being slowed by a debilitating liquidity crunch as depositors are either not banking their money or are not keeping it at banks for long periods of time.

Table 5: Percentage distribution of GDP by Industry Current Prices: 2000-2011

Industry	**2000**	**2008**	**2011**
Agriculture, hunting and fishing	20.4	16.0	17.9
Mining and quarrying	4.2	5.0	10.3
Manufacturing	19.3	18.2	20.2
Electricity and water	2.3	6.0	5.4
Construction	2.4	0.8	0.6
Finance and insurance	8.5	2.0	3.7
Real Estate	3.6	2.4	1.8
Distribution, hotels and restaurants	18.0	13.2	10.7
Transport and communications	7.9	18.8	15.8
Public Administration	3.7	4.9	3.0
Education	7.9	3.6	3.2

Health	1.5	1.5	1.7
Domestic services	1.5	2.3	0.6
Other services	5.6	5.3	5.8
Less fin. Intermediary services indirectly measured	-6.8	-	-0.7
GDP at factor cost	100.00	100.00	100.00

Source: ZIMSTAT 2012

The above table illustrates the size of the Zimbabwean economy in GDP terms per sector. Generally it shows that the economy is a small low-income economy. Long term poverty reduction is hard to accomplish in the absence of a strong and growing economy.

As illustrated in the table Zimbabwe's economy is seen deteriorating from 2000 to 2008. The peak of the economic decline was the year 2008, before the country dropped the use of the local currency in favour of a basket of multi-currencies anchored by the US$. Zimbabwe's land reform which is blamed for the economic decline was instituted in 2000. So the full effects of the policy of land reform were felt in the economy around 2008. This was evidenced by a contraction of the economy as is shown by a decline in most sectors of the economy and the unprecedented rise in inflation resulting in the policy makers abandoning the local currency in early 2009. The decline in sector contribution to GDP may be extrapolated to indicate a general decline in GDP

3.7.1 The Incidence of Poverty has increased

As a direct consequence of the phenomenal decline in economic performance in the past decade, Zimbabwe experienced a huge increase in poverty. Real per capita income fell sharply from about US$644 in 1990 to $433 in 2006 and to an estimated $338 in 2008 (Figure 1.2). The poverty rate has increased from 42 percent in 1995 to 63 percent in 2003 and is currently estimated to be over 70 percent (ZIMSTATS 2013:15). Income inequality in the country is very high, with the Gini coefficient estimated at 57 percent in 2003, one of the highest in the world. Estimates of unemployment in the country range from 65% to over 80%. An estimated 1.2 million people, which is nearly 10 percent of the population, live with HIV/AIDS in Zimbabwe. In 1980, Zimbabwe had the tenth highest gross national income (GNI) per capita in Sub-Saharan Africa, but by 2005 it ranked 34th out of the 48 Sub-Saharan countries (ZIMSTATS 2013:16). An extended period of strong economic growth will therefore be required to raise incomes to the levels prevailing in the 1980s and early 1990s.

Table 6: Selected Social Indicators for Zimbabwe

Indicator	**1990**	**2000**	**2006**	**2009**
Human Development Index	121	128	151	-
Human Poverty Index (Rank Among 108 poor countries)	-	60	91	-
Net Primary School Enrolment (%)	-	-	82	-
Adult Literacy (%)	67	89	89	-

Infant Mortality (per 1000)	61	73	81	54
Under 5 years of age mortality rate (per 1000)	87	117	132	88
Maternal mortality rate (per 100 000 births)	330	700	880	-
Undernourished people (% of population)	46	47	-	-
Life Expectancy (years)	60	43	41	46
Population using improved water (%)	78	85	81	-

Source: UNDP Human Development Reports

The above table shows that as evidenced by many social indicators, the standard of living in Zimbabwe deteriorated from 2000 onwards as the economic situation deteriorated**.**

Levels of human well-being are measured by the consumption expenditures per person. In Zimbabwe the national mean consumption per person per month stood at US$78.94 as at June 2011, (ZIMSTAT 2013: 41). The national median consumption as measured during the same period was US$55.25. While the national consumption expenditure levels per person were shown to be low, it is noted however that they (the expenditure levels per person) are modestly distributed.

A gini index is the indicator used to measure whether or not wellbeing is equally or unequally distributed in a population. "A gini index measures the extent to which the distribution of income (or in some cases consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution" (World Bank 2012, quoted in ZIMSTAT 2013:41). A gini coefficient is gini index expressed as a decimal fraction. The gini coefficient provides an indication to show if income is equally or unequally distributed in a given population and the levels of the disparity if any or lack thereof, (ZIMSTAT 2013:42). The gini coefficient for Zimbabwe as measured in 2011 was 0.423, (ZIMSTAT 2013:42). This reflects a level of relative inequality in well-being in the population. However when compared to the gini coefficient of its neighbours, Zimbabwe has a lower coefficient meaning that it has less income inequality than some of its neighbours like South Africa which had a gini coefficient of 0.674 in 2006 and Namibia at 0.639 in 2004, (ZIMSTAT 2013: 42). Notwithstanding the fact that Zimbabwe's gini coefficient is lower than that of its neighbours South Africa and Namibia, at 0.423 the country still falls within the bracket of highly unequal countries.

Table 7: Comparison of the Gini Index across Selected countries in Africa

Country	**Gini Index**	**Year**	**Gini Index**	**Year**
Kenya	47.7	2005	42.5	2008
Lesotho	52.2	2003	63.2	2009
Malawi	39.0	2004	39.0	2004
Mozambique	47.1	2003	45.6	2008
Namibia	63.9	2004	70.7	2009

South Africa	67.4	2006	65.0	2009
Zambia	54.6	2006	50.8	2009
Zimbabwe	48.9	2001	42.3	2011

Source: World Bank 2012

Table 7 above shows that the gini coefficient is high in Zimbabwe, South Africa and Namibia. These 3 countries have problems of socio-economic inequality. This is evidence to show inequality in Zimbabwe which the IEEP is trying to solve.

Table 8: Household Measured Prevalence of Poverty for the Years 1995, 2001 and 2011

	Measured Prevalence of		**Poverty Indices**	
Residence	Poverty	Extreme Poverty	Poverty Index Gap	Poverty Severity Index
PICES 2011/12				
Rural	76.0	22.9	36.14	20.6
Urban	38.2	4.0	12.3	5.6
All Zimbabwe	62.6	16.2	27.7	15.2
ICES 2001				
Rural	73.0	42.3	36.1	21.6
Urban	33.8	10.5	11.7	5.5
All Zimbabwe	60.6	32.2	28.3	16.5
ICES 1995				
Rural	76.2	50.4	50.6	30.6
Urban	41.1	10.2	35.5	16.9
All Zimbabwe	63.3	35.7	47.0	27.3

Source: PICES 2011, ICES 2001 and ICES 1995 Reports, (ZIMSTAT 2013:43)

Table 8 shows, poverty are more widespread in rural areas than it is in urban areas. According to the 2011/12 Poverty Income Consumption and Expenditure Survey, (PICES) conducted by the Zimbabwe National Statistics Agency, (ZIMSTAT), 72.3 % of all Zimbabweans are poor, and 22.5% are extremely poor, (ZIMSTAT 2013:43). The geographic spread of poverty in Zimbabwe is associated with the degree to which the area is rural in nature, the productivity of farmland in rural areas and how close an area is to major urban centres. The table shows that indeed Zimbabwe has a problem of poverty, which needs attention, and the government of Zimbabwe has chosen the Indigenisation and Economic Empowerment Programme as a tool to fight the poverty.

3.7.2 Other Indicators of Economic Prosperity in a Population

The indigenisation and economic empowerment programme is mainly aimed at boosting the living standards of the previously disadvantaged indigenous black Zimbabweans. It is therefore important to be able to establish whether or not the economic profile of the group targeted to benefit from the programme would have had their economic welfare improved at the conclusion of the programme. This can only be done by resorting to indicators of economic well-being at national level and at household level. While poverty levels may be the main indicator of economic wellbeing or lack thereof, there are other indicators that derive from or feed into the poverty indicators that tell the economic well-being of a population. These indicators include the human development index, unemployment rate, GDP, health, nutritional status of children under 5 years. If the indigenisation and economic empowerment programme succeeds as per its targets, then the country's economy should grow. This should result in increased availability of funds to invest in the health sector by government, as well as the availability of funds for basic health care for individual families. This would result in an improvement in the health indicators for the country.

Other indicators of a population's levels of wellbeing include housing, water and sanitation services, investment in education, food security, asset ownership, energy sources, and the dependency ratio.

3.8 The Case for a National Bourgeoisie

One of the aims and objectives of the policy of indigenization and economic empowerment is to help create a national economic bourgeoisie from among the black population of Zimbabwe, (Government of Zimbabwe, and 2008:14). This is so as to remove the possibility of development discord between business and government in the implementation of national economic development policies. It has been argued that having the national economy controlled by foreigners may result in government policies being sabotaged by business which is not patriotic, but has allegiances elsewhere. This may pose not only a national economic threat, but a national security threat as well. This is because business will be working at cross purposes with national interests, possibly advancing the interests of the countries of their nationality (Government of Zimbabwe 2008:16).

> *National bourgeoisie refers to the segment of local capitalists who are oriented to the domestic market, seek autonomy from metropolitan control, and ally with the state around industrialization (Chibber, 2005:245).*

3.8.1 Foreign Business Owners Resist National Economic Programmes

It would appear that the government of Zimbabwe's drive for a national bourgeoisie is motivated by the behaviour of white Rhodesian and multinational capital in Rhodesia and soon after independence in Zimbabwe. It has been argued that one of the main reasons behind post-UDI Rhodesia's economic success was the close co-operation the state got from industry and commerce, (Mlambo 1996, Zhou 1998, Mandaza 2000). Rhodesia survived United Nations sanctions because there were patriotic Rhodesians in industry and commerce who supported government policies on sanctions-busting and import substitution.

At independence in 1980, the new black government inherited a bruised but not defeated colonial-state with elements who were potentially hostile to the political project of the new regime, (Herbst in Zhou, 2006:8). This was mainly because the settler bourgeoisie was set to lose a lot of its economic clout and benefits from the expectedly redistributive policies of the new majority government.

In the years following Zimbabwe's independence in 1980, business siphoned a lot of money outside the country, to the detriment of the national economy (Seidman 1982: 20). As has been illustrated in the foregoing paragraphs, there were various ways through which business siphoned money generated in the country outside the country. These ranged from the underhand practices like over- and under-invoicing, to re-insurance.

3.8.2 National Bourgeoisie is Patriotic

It has been argued that a business community dominated by indigenous people is patriotic and will therefore support government's economic programmes and not sabotage them. A national bourgeoisie is therefore necessary if government wishes to institute a developmental state where economic direction is dictated by the government and not markets.

However, some have questioned the conclusion that the national bourgeoisie is necessarily more patriotic and will always support state development initiatives, (Chibber, 20005). In Zimbabwe itself, there are cases of members of the "national bourgeoisie" who were arrested for economic sabotage against the state including externalization of locally generated funds. In 2005, bankers including James Mushore, Mthuli Ncube, Nicholas Vingirai as well as other businessmen, including a former cabinet minister Chris Kuruneri, former ZANU PF MP, and Telecommunications entrepreneur James Makamba were arrested for externalizing locally generated funds (Business Moguls Arrested 2005:10). The arrest of these leading black business people, for crimes that the state accused white business men and multinationals of committing, may suggest that any capitalist may behave in a manner that is at cross purposes with government policy in a bid to protect their interests.

3.9 Levels of Indigenisation and Empowerment by Sector

The subsections that follow outline the levels of indigenisation in the economy per each sector of the economy. This is so as to give the reader an appreciation of the level of indigenous participation in the economy in light of the aims and objectives of the Indigenisation and Economic Empowerment Programme.

3.9.1 Agriculture Sector

The land reform programme which started in 2000 saw the almost total indigenisation of the agricultural sector, with over 85% of all agricultural land in the country now owned by indigenous Zimbabweans, (Government of Zimbabwe 2006:16).

3.9.2 Mining Sector

In the light of the resurgence of resource nationalism, the world over, the mining sector given its pivotal role in the nation's economy is one of the sectors that may have given rise to calls for indigenisation. This is because it is a sector which generates a lot of money especially if prices for resources are high. When these huge revenues are compared to the poor living standards of the locals where the mining activities take place, it is bound to raise complaints of non-indigenous people benefiting from a local resource at the expense of the indigenous people.

Zimbabwe is a mineral rich country and naturally this has attracted a lot of multi-national mining houses in the country's mining sector. The mining sector contributes around 25% to the national GDP, (Zimbabwe Chamber of Mines, and 2010: 15). The sector also generates more than 45% of the country's foreign currency earnings, (Government of Zimbabwe 2004:19). Big multinationals and other small foreign firms and investors account for 80% of the share of the mining sector. Indigenous players account for about 10% of the mining activity, mainly artisanal miners. Government accounts for about 10% of the mining activities, either on its own or in partnership with some investors, through a government owned company, the Zimbabwe Mining Development Corporation, (ZMDC).

3.9.3 Other Sectors

Zimbabwe's manufacturing sector has suffered a huge decline, due to the economic difficulties that the country suffered in the wake of the land reform in 2000**.** As at 2011, capacity utilisation was at 46% in the manufacturing sector, (CZI 2012:14). The ownership patterns in the manufacturing sector remains largely skewed in favour of multinationals. White Zimbabweans continue to dominate the ownership of the manufacturing sector in terms of number of companies, turnover and fixed assets, (Government of Zimbabwe 2004: 17). Small to medium enterprises, which are largely dominated by black Zimbabweans, account for an estimated 10-20% of the manufacturing sector. These are industries requiring low skills, low capital and unsophisticated manufacturing machinery. The food and beverages sub-sector and chemical industry have the lowest participation by indigenous entrepreneurs, (Government of Zimbabwe 2004: 18). A sizeable presence of indigenous entrepreneurs is to be found in the clothing sub-sector, attributable to the low start-up costs associated with starting businesses in the sub-sector.

Indigenous entrepreneurs have made quite some inroads in the financial services sector, with over 75% of the formal institutions in the sector now owned by indigenous entrepreneurs , (Government of Zimbabwe 2004: 20). The emergence and growth of indigenous financial institutions was aided in no small measure by government's policy to liberalise the financial sector as part of measures to liberalise the economy under the Economic Structural Adjustment Programme, (ESAP), instituted in the 90s, (Reserve Bank of Zimbabwe, 2010: 23).

However, while there are many indigenous financial institutions, they are very small in terms of assets and the volume of business they handle. Foreign banks notably England's Standard

Chartered Bank and Barclays Bank and a subsidiary of South Africa's Standard Bank, Stanbic Bank between them control 70% of the banking business in Zimbabwe. The Commercial Bank of Zimbabwe (CBZ) where government is a minority shareholder is the largest bank by deposits and assets, (Reserve Bank of Zimbabwe 2012:14). In the insurance and pensions sub-sector, South Africa's Old Mutual is the dominant player, accounting for over 70% of the sub-sector, (Insurance and Pensions Commission 2012: 18).

The health sector is dominated by government which accounts for around 80% of health service institutions. Medical Aid Institutions are some of the major players in the health sector. Medical Aid-linked health institutions make up around 15% of the health sector facilities, (Government of Zimbabwe 2012: 15). Of the private sector owned and run institutions, a majority are owned by a mix of indigenous investors and foreign investors.

The telecommunications sector has a high level of indigenisation with the government dominating ownership of the fixed, postal and telecommunication services. Government owns the only fixed telecommunications company. There are three mobile phone companies with one (the largest) owned by an indigenous entrepreneur, another wholly government owned and the third one owned 61% by a foreign investor. There is also a plethora of internet service providers in the telecommunications sub-sector where again there is a sizeable degree of participation by indigenous entrepreneurs. Of the 26 internet service providers, (ISP), 23 are owned by government related firms or indigenous entrepreneurs, (Posts and Telecommunications Regulatory Authority, (POTRAZ), 2012:15).

The construction sector has many indigenous players, although they are dominated by multinationals and other foreign investors in terms of volume and value of business handled. In terms of numbers, indigenous firms constitute close to 88% of the companies in the sector. However, non-indigenous companies account for much more of the business in the sector, controlling 80% of the business in the industry, (Government of Zimbabwe 2004:22). Major contracts are thus always snapped up by the big multinationals or South African headquartered building contractors.

3.10 The Concept and Practice of Indigenisation and Economic Empowerment

3.10.1 The Concept of Indigenisation and Economic Empowerment

The dictionary meaning of the word indigenous is "belonging to a particular place, rather than coming to it from somewhere else. Synonym: native", (Oxford Advanced Learner's Dictionary 2010 s.v. indigenous). An indigenous Zimbabwean according to the enabling Act is "any person who, before the 18th April, 1980, was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such person, and includes any company, association, syndicate or partnership of which indigenous Zimbabweans form the majority of the members. The enabling Act defines indigenisation as, "a deliberate involvement of indigenous Zimbabweans in the economic activities of the country, to which hitherto they had no access, so as to ensure the equitable ownership of the nation's resources", Government of Zimbabwe 2010:04).

To empower somebody means to give them more control over their own life or the situation they are in, (Oxford Advanced Learner's Dictionary 2010 s.v. empower). Empowerment relates to investment with legal power-permission to act for some specific goal or purpose (Rappaport, 1987). According to the definition given in the enabling Act, the Indigenisation and Economic Empowerment Act, empowerment means "the creation of an environment which enhances the performance of the economic activities of indigenous Zimbabweans into which they would have been introduced or involved through indigenisation", (Government of Zimbabwe 2010:04).

Economic indigenisation is the deliberate effort to economically empower those Zimbabweans previously disadvantaged during the country's colonial days. The economic indigenisation exercise is aimed at ensuring equitable ownership of the nation's productive assets, (Government of Zimbabwe 2004:6).

3.10.2 Background to the Indigenisation and Economic Empowerment Programme

Economic Empowerment or indigenisation is a policy option that most countries with a history of colonialism and its attendant economic marginalisation of local people have had to consider. The need for indigenisation or bringing the indigenisation people into the mainstream economy has been acutely felt in those former colonies where white settlers settled in considerable numbers. In Africa, this was the case in Rhodesia, (present day Zimbabwe), South West Africa, (present day Namibia) and South Africa. Colonialism in these countries (or apartheid in South Africa) was characterised by the large settlement of whites and the introduction of legislation, policies and practices to entrench white settlers' interests in the local economies at the expense of indigenous populations, (Zhou 2006, Mlambo 2001, Mandaza 2008, Andreasson 2009).

The dawn of independence in these countries (or the dawn of democracy and demise of apartheid in South Africa) brought about a crisis of expectation among the indigenous black people who expected their economic and poverty problems to be solved with the attainment of independence and democracy, as the case might be. There was therefore a lot of pressure on post-independence governments to complete the process of decolonisation and/or transition to democracy by delivering economic liberation or economic democratisation too. This was part of a moral, legal and socio-economic imperative to redress the economic and social disparities along racial lines caused by colonialism and apartheid. In the case of Zimbabwe, previous attempts to solve the problems of income inequality, economic marginalisation of the black citizens, and racial inequality had not produced the desired results more than twenty years into majority rule. Consequently, the ZANU PF government thought that in the indigenisation and economic empowerment programme it had found the answer to these burning and long-standing problems. At independence and for some time thereafter, Mugabe's ZANU PF government accommodated the economic interests of domestic white settlers and international capital, (multinationals) (Bond 1998 cited in Andreasson 2009) thus perpetuating the racially skewed economic status quo and its income distribution patterns.

In Zimbabwe as in the other Southern African countries with a history of settler colonialism, arguments in favour of indigenization and economic empowerment transcend a mere economic analysis of the costs and benefits of relying on the neoliberal market-oriented policies of trickledown economics to achieve economic growth which should in turn encourage a gradual (i.e., slow) process of increasing black participation in the formal economy in the wake of the removal of official race-based legislation to restrict such participation, versus the costs and benefits of employing empowering policies aimed at speeding up the racial transformation of the economy (Andreasson, 2009 :05). The debates around indigenisation and economic empowerment revolve around choosing between market oriented and state oriented paths to development.

From the time of the attainment of independence in 1980, the government of Zimbabwe has been concerned with the dominance of the economy by multinationals and other foreigners to the almost total marginalisation of the black indigenous Zimbabweans. To address the issue of the overwhelming control of the commanding heights of the economy by white settlers and multinationals, government initially used state owned enterprises to dilute foreign influence in the economy, (Zhou 2006). The use of state owned enterprises to reduce the dominance of the economy by multinationals and descendants of white settlers played some part in ensuring that a substantial part of the economy was wrested from foreign control and placed in the control of the state, thus reducing the risk of economic sabotage by economic players who may be wont to resist or even sabotage government programmes to the detriment of the national economic interests. However, this did not address one of the problems that the state of the economy presented on attainment of independence, which is the marginalisation of indigenous black Zimbabweans in the country’s economic activities and the attendant problems of income inequality mainly on racial lines. So the government remained concerned with the continued marginalisation of the black indigenous Zimbabweans from the mainstream economy and the poverty that their exclusion spawned.

The continued marginalisation of the indigenous black Zimbabweans from the mainstream economy was also shared by the nation at large. This national mood of disquiet with the state of economic ownership was reflected in the formation of pressure groups that agitated for a change in the skewed economic ownership which favoured white settlers and foreign multinationals at the expense of indigenous black Zimbabweans. Black economic pressure groups like the Indigenous Business Development Centre, (IBDC), and the Affirmative Action Group, (AAG), were thus formed by black businesspeople to agitate for policies to increase the ownership of the economy by black Zimbabweans. While these black economic pressure groups were pushing for their own interests as nascent bourgeoisie, their arguments that years after independence the economic benefits and economic ownership still favoured multinationals and local whites found resonance with the mood in the majority of the population. It was evident that independence had not brought about the anticipated amelioration of poverty among the indigenous black population as expected. The poverty that the indigenous black Zimbabweans endured daily was in stark contrast to the wealth that the white settlers evidently enjoyed. So years into independence, the majority of black Zimbabweans were yet to taste the economic fruits of independence. The poverty that the black people endured even after the attainment of independence was therefore attributed to their exclusion or marginalisation from the mainstream economy as the white settlers who dominated the economy continued to live privileged lives.

3.11. The Legal Instruments to Effect Indigenisation and Economic Empowerment

The following subsections outline the legal instruments that the government of Zimbabwe uses to implement the programme of Indigenisation and Economic Empowerment.

3.11.1 The Constitution of Zimbabwe Amendment (N0. 20) of 2013

The Constitution of Zimbabwe has, as one of its objectives, the need to empower all marginalised persons, groups and communities in Zimbabwe. This is provided for in Section 14 subsection (1) of the constitution, (Government of Zimbabwe 2013:10). The indigenisation and economic empowerment legislation therefore derives authority from the supreme law of the land, the Constitution of Zimbabwe. The Indigenisation and Economic Empowerment Programme is, therefore, a fulfilment of a constitutional requirement.

3.11.2 The Land Acquisition Act, (No. 15) of 2000

One of the main causes of exclusion of indigenous black Zimbabweans from the mainstream economy was limited access to fertile and thus productive farmland. The exclusion was perpetrated through pieces of legislation like the colonial-era Land Apportionment Act of 1930 which precluded blacks from meaningful economic activity in agriculture, (Zhou 2006). Access to productive farmland would therefore improve the opportunities for the previously disadvantaged blacks to play a meaningful role in the economic activities of the country. This would also go a long way in fighting poverty and reducing income inequality. The thoroughgoing land reform exercise initiated in 2000 was part of government's programme to fight poverty among indigenous black Zimbabweans, improve the equitable distribution of income and the means of production as well as creating a national bourgeoisie in the country's agricultural sector, (Government of Zimbabwe 2004:05). Pursuant to those aims, the government of Zimbabwe settled over 300 000 families on previously white-owned commercial farms, (Government of Zimbabwe 2010: 15).

3.11.3 The Indigenisation and Economic Empowerment, (No. 14 of 2007) Act (Chapter 14:33)

The Indigenisation and Economic Empowerment Act was introduced in 2007. It is the main instrument to drive the implementation of the Indigenisation and Economic Empowerment Programme. The act provides for the setting up of the Indigenisation and Economic

Empowerment Board, and the Indigenisation and Economic Empowerment Fund, as the main institutions in the administration of the Act.

3.12 The Institutions Set Up to Implement the Indigenisation & Economic Empowerment Programme

The administration of the Indigenisation and Economic Empowerment Act is the responsibility of the Minister of Youth Indigenisation and Economic Empowerment. The act provides for the setting up of the National Indigenisation and Economic Empowerment Board, (NIEEB) to administer the implementation of the Indigenisation and Economic Empowerment Programme, (Government of Zimbabwe 2010:14).

3.12.1 The National Indigenisation and Economic Empowerment Fund

The Indigenisation and Economic Empowerment Act provides for the establishment of a fund to facilitate the achievement of the objectives of the Act**.** The fund is meant to be used to finance acquisitions of equity by indigenous Zimbabweans in firms, employee share ownership schemes, and other activities related to meeting the ends of the Indigenisation and Economic Empowerment Programme, (Government of Zimbabwe 2007: 3).

3.12.2 The National Indigenisation and Economic Empowerment Board, (NIEEB)

The Indigenisation and Economic Empowerment Board (NIEEB) is essentially the secretariat responsible for implementing the Indigenisation and Economic Empowerment Act using the relevant legislation. The NIEEB should advise the Minister responsible for administering the Indigenisation and Economic Empowerment Act on strategies to achieve the aims and objectives of the programme. It is also the entity responsible for administering the Indigenisation and Economic Empowerment Fund, which is set up in terms of the enabling Act (Government of Zimbabwe 2007: 4)

3.12.3 Functions of the National Indigenisation and Economic Empowerment Board,

The Indigenisation and Economic Empowerment Board is charged with monitoring compliance with the Indigenisation and Economic Empowerment Act. However, the Act is not very clear on the modalities of monitoring compliance and the penalties for non-compliance.

3.13 The Objectives for Indigenisation of the Economy

The objectives of the programme of indigenisation and economic empowerment are as follows:

a) To economically empower indigenous Zimbabweans by increasing their ownership of productive assets in the economy, so as to create more wealth and reduce poverty among indigenous black Zimbabweans;

b) To create a conducive environment that will enable the indigenous Zimbabweans to participate in the economic development of their country, thereby earning themselves self-respect and enhancing their dignity and self-worth;

c) To democratise the ownership of productive assets of the economy so as to eliminate racial differences in the country that are born of economic disparities;

d) To develop a competitive private sector that spearheads economic growth and development and;

e) To develop a self-sustaining economy, (Government of Zimbabwe 2004: 7).

The instrument of effecting and achieving the objectives of indigenisation and economic empowerment is the Indigenisation and Economic Empowerment Act, [Chapter 14:33]

3.13.1 What the Indigenisation and Economic Empowerment Act Seeks to Achieve

The indigenisation and economic empowerment programme seeks to achieve economic empowerment of the previously disadvantaged black indigenous Zimbabweans. The programme seeks to achieve this aim by instituting what are essentially affirmative action programmes meant to help the indigenous Zimbabweans find their footing in the economy. Affirmative action is defined as "the collection of measures that allocate goods, jobs, promotions, public contracts, business loans and rights to buy and sell to a designated group for the purpose of increasing the proportion of members of that group in the relevant labour force, entrepreneurial class or university student population, where they are currently underrepresented as a result of past or present discrimination", (Deane 2005 quoted in Veloso Jr 2008:17).

3.13.2 Transfer of 51% of Equity of Businesses in Zimbabwe to Indigenous Zimbabweans

The main building block of the programme to indigenise and empower indigenous Zimbabweans is the requirement that every business with an asset value of or above $500 000 must, within five years, cede a controlling interest of not less than 51% of the shares or interests therein to indigenous Zimbabweans, (Government of Zimbabwe 2010 : 08). The enabling Act (The Indigenisation and Economic Empowerment Act)'s main objective is stated as ***"to endeavour to secure that at least 51% of the shares of every public company and any other business shall be owned by indigenous Zimbabweans". (Government of Zimbabwe 2010:08).*** The time period for such equity transfer to indigenous Zimbabweans is 5 years from the time of the publication of the regulations. The intended effect of this is to help indigenous Zimbabweans gain a foothold in the economy by having a controlling interest in businesses that are already going concerns. This will effectively put the control of economic activities in the country in the hands of indigenous black Zimbabweans. This affirmative action exercise should also have the effect of creating a national bourgeoisie as all economic activity in the country will effectively be in the hands of indigenous Zimbabweans. This should create black entrepreneurs to ensure that the exploitation of Zimbabwe's natural resources and concomitant economic activity that it brings has indigenous Zimbabweans as principal beneficiaries. It is also intended that the resultant effective control of all economic activity in the country by indigenous Zimbabweans should have the multiplier effect of reducing poverty among the group targeted for the affirmative action, ***viz***, indigenous Zimbabweans.

The transfer of 51% of equity in all companies with an asset value of at least US$500 000 to indigenous Zimbabweans is also meant to democratize economic ownership in the country. Thus, whereas there was a preponderance of foreign ownership and control of the economy by multinationals and other foreign investors, the transfer of 51% of equity should radically dilute the foreign control of the economy in favour of the indigenous Zimbabweans.

In the mining sector, the enabling Act makes it mandatory that all mining that is done in the country should be done with indigenous Zimbabweans as senior partners in the companies that undertake the mining (Government of Zimbabwe, 2010: 12).

3.14 Provisions of the Indigenisation and Economic Empowerment Act

3.14.1 Indigenisation in respect of Specific Commercial Undertakings

The indigenization and economic empowerment Act also provides for the indigenization of companies where there are proposed mergers or any restructuring of companies with an asset value of or exceeding $500 000. In other words, such changes in companies' shareholding as would be brought about by mergers, acquisitions and shareholding restructuring must comply with the Act, resulting in the shareholding coming out of such actions giving majority shareholding in the entities born out of such transactions to indigenous Zimbabweans, (Government of Zimbabwe 2010: 14). It is also a requirement in terms of the Indigenization and Economic Empowerment Act that any de-merger or unbundling of businesses whose net value is pegged at $500 000 or more be subject to the indigenization requirements. The same indigenization requirements also apply in respect of any relinquishment of a controlling share in businesses valued at the $500 000 threshold and above (Government of Zimbabwe 2010:14). According to the Indigenisation and Economic Empowerment Act, proposed foreign investment would have to comply with the indigenization requirements to have 51% of the proposed company owned by indigenous Zimbabweans.

3.14.2 Procurement

The indigenization and economic empowerment requirements also extend to procurement, by government departments, statutory bodies, local authorities and all companies. It is a requirement in terms of the indigenization and economic empowerment legislation that all procurement done by companies, statutory bodies and local authorities be done from companies whose shareholding is indigenized, that is to say businesses in which a controlling interest is held by indigenous Zimbabweans (Government of Zimbabwe 2010: 15). It is also a requirement that any subcontracting done by companies contracted by statutory bodies, local authorities and all companies be reserved for businesses in which a controlling interest is held by indigenous Zimbabweans.

The world over, government is the biggest buyer of goods and services (Zhou 2006: 15). In Zimbabwe, it is estimated that government, local authorities and statutory bodies account for over 75% of all goods and services traded in country (Confederation of Zimbabwe Industries (CZI) 2010:28). So by legislating for affirmative action in favour of companies owned by Zimbabweans, the effect of such a move is to put a lot of business in the hands of indigenous Zimbabweans. This should have the effect of increasing the income levels for indigenous Zimbabweans. From the increased income wrought about by reserved business in procurement, indigenous Zimbabweans should have increased investible income to invest in other sectors of the economy. This should also go some way towards poverty alleviation among the indigenous Zimbabweans. This is because the beneficiaries of the programme to reserve part of procurement activities for indigenous Zimbabweans would have the multiplier effect of bringing wealth to the immediate and extended families of those indigenous Zimbabweans who would have benefited from the programme.

3.14.3 Exemptions or points towards Indigenisation Quota

The business may also indicate that a lesser share of indigenisation or longer period to achieve indigenisation is justified on certain specified grounds.

In terms of the enabling Act and the regulations, companies/businesses may have the period required for them to indigenize extended beyond the five (5) years or a lesser share of indigenization may be permitted, under certain conditions provided for in the Act. The following are the grounds upon which lesser share of indigenization may be permitted or longer period to indigenize may be allowed:

a) That the business is involved in development work in its community;

b) That the business is beneficiating raw materials in Zimbabwe for export;

c) That the business is involved in technology transfer to Zimbabwe;

d) That the business is employing local skills or imparting new skills to Zimbabwe; and

e) That the business is achieving socially and economically desirable objectives, (Government of Zimbabwe 2010: 15).

The above-cited activities may also be given a percentage weighting which would be used to offset the respective businesses' indigenization percentage. The provisions relating activities that are beneficial to indigenous Zimbabweans are meant to further entrench the benefits derived by Zimbabweans from companies doing business in the country. If companies are involved in development work in communities they operate in, the local communities stand to derive a lot of benefits from such corporate social responsibility programmes. The fact that this form of corporate social responsibility is mandated by legislation means that companies will be obliged to perform the programmes without the option to opt out with a view to maximize their profits.

Beneficiation of raw materials within the country for export brings a lot of benefits to the economy, thus benefiting the indigenous Zimbabweans as intended by the indigenization and economic empowerment programme. Beneficiating raw materials means they will fetch more money than the export of unprocessed raw materials. It also creates employment and business for associated downstream industries in the economy, thus boosting the country's GDP. Local beneficiation of raw material will also create employment in the country.

Legislating for skills transfer and technology transfer can only benefit the local economy and the indigenous population. Oftentimes, multinationals bring expatriate technocrats to run their business, thus not transferring skills to indigenous nationals. Foreign businesses also rely on obsolete equipment when operating in poor Third World countries, which equipment and the business activities they engage in may harm the environment. Multinationals and other foreign countries take advantage of weak or non-existent environmental legislation or poor enforcement of the same. Therefore, the provision of the indigenization and economic empowerment legislation compelling skills and technology transfer on the part of foreign companies will ensure better and more environmentally friendly operations by companies in the country. The technical and business skills needed to run operations of multinationals commands high salaries and if locals are empowered to do the jobs, it means they will benefit from the high salaries that come with the jobs, thus helping in bridging the income gap currently skewed on racial lines and also boosting the indigenous nationals' earning power.

Offering companies the alternative to engage in economically and socially beneficial activities in lieu of surrendering a percentage of equity in their firms to indigenous nationals will incentivize companies to engage in corporate social responsibility.

3.14.4 Other Provisions of the Act

The Indigenisation and Economic Empowerment Regulations, (General), 2010 [CAP 14:33] which are subordinate legislation deriving authority from the enabling Act's objectives, provide for the setting aside of sectors of the economy, to be operated only by indigenous Zimbabweans, as they are defined by the Act.

Consequently, Investment in the following lines of business is reserved for indigenous Zimbabweans:

1. Agriculture: primary production of food and cash crops.
2. Transportation: passenger busses, taxis and car hire services.
3. Retail and wholesale trade.
4. Barber shops, hairdressing and beauty salons.
5. Employment Agencies.

6. Estate Agencies.
7. Valet services.
8. Grain milling.
9. Bakeries.
10. Tobacco grading and packaging.
11. Tobacco processing.
12. Advertising Agencies.
13. Milk processing.
14. Provision of local arts and craft, marketing and distribution, (Government of Zimbabwe 2010: 25).

The reasoning behind reserving business in the above-noted sectors for indigenous Zimbabweans is that, generally, these are businesses that require low capital. Foreign Direct Investment (FDI), should be in areas requiring huge capital outlay as opposed to businesses that require low capital investment which are essentially Small to Medium Enterprises (SMEs). If foreigners who are generally relatively more cash rich compared to indigenous Zimbabweans, are allowed to also invest in the SMEs, they would muscle out indigenous Zimbabweans, most of whom are business start-ups. Therefore, to give indigenous Zimbabweans a head start in starting their entrepreneurial careers, it is important to protect them from the unfair competition that would be posed by established businesses, if the latter were to be allowed to invest in SMEs.

Another aspect of the indigenization and economic empowerment programme is the Employee Share Ownership Scheme. The employee share ownership scheme is a scheme whereby as part of the indigenization and economic empowerment equity transfer to indigenous Zimbabweans, companies can transfer a percentage of the company's equity to employees of the company (Government of Zimbabwe 201:11).

One of the theories informing the indigenization and economic empowerment programme is the resource nationalism. This is especially so as the indigenization and economic empowerment relates to the mining or extraction sector. The approach to resource nationalism that government has resorted to in the mining sector in respect of community share ownership schemes is one where investors are required to make contributions to direct social spending like executing infrastructure projects or funding social investment projects in localities they operate in (Ward 2009: 8). The principle of resource nationalism is informed by recognition of the fact that the state has a legitimate interest in seeing to it that the citizens of a country benefit equitably from the benefits accruing from the economic activities emanating from the extractive sectors, especially as the natural resources are non-renewable.

As provided by the indigenisation and economic empowerment legislation, mining companies are required to contribute to Community Share Ownership Trust established to fund development or social projects in the areas that the companies operate in. In consequence, all mining companies operating in a particular locality are required to contribute funds to the local Community Share Ownership Scheme.

The Community Share Ownership Schemes are meant to fund social projects in the locality like the construction of schools, bridges, roads and clinics. The money from the Community Share Ownership Schemes is also meant to buy infrastructure like road construction equipment for use by local authorities. This form of indigenisation and economic empowerment should bring tangible benefits to communities, thus improving the standard of living of people in communities where mining companies operate. An improvement in infrastructure like roads, schools and clinics will result in locals benefiting by way of better access to markets for their agricultural produce through improved road access, better education for their children thus increasing the chances of escaping from the poverty cycle, better health which should mean more time spent in production activities by healthy people thus increasing the local GDP.

3.15. Chapter Summary

The chapter gave the background to the economic inequalities in Zimbabwe. It presented the current state of citizens' economic wellbeing in the country. The chapter further outlined other initiatives by the government of Zimbabwe to fight poverty and inequality. The chapter also presented the state of the economy in Zimbabwe currently and the extent of the indigenous ownership of the economy in the various sectors of the country. This was so as to prepare the reader to understand the situation that the intervention by government sought to correct. This gave the reader an understanding of the inequality in Zimbabwe that necessitated the government intervention through the Indigenisation and Economic Empowerment Programme.

The chapter then presented the legal instrument used to implement the Indigenisation and Economic Empowerment Programme. The chapter's explanation of the legal instruments used to intervene to fight poverty and inequality helps the reader to understand what the main subject of the research is all about. That helps carry the research forward because it is able to show whether the legislation to implement the programme can achieve the programme's stated goals and objectives.

CHAPTER FOUR: INTERNATIONAL COMPARISONS

4.1. Introduction

This chapter will focus on the concept of economic empowerment as implemented in other countries through similar programme interventions. Basically, the chapter will cover the historical context for the implementation of these programmes, the policy responses to the problems meant to be solved by the programmes and the success rates of the programmes. The chapter will also look at the literature from the international examples covering the implementation of similar programmes in these countries, specifically in South Africa, and Malaysia. The chapter will also discuss funding mechanisms for affirmative action or economic empowerment programmes in those countries.

The concept of affirmative action or economic empowerment is not new or unique to Zimbabwe. While not encouraging a wholesale replication of models of empowerment implemented elsewhere, the idea is to understand how economic empowerment of previously marginalized groups could be implemented in the country. It is hoped that while learning from the models of empowerment implemented elsewhere, the country could contextualize the models in view of its unique circumstances.

4.2. Black Economic Empowerment in South Africa

This section will include subsections on legislative discrimination against blacks, the legacy of apartheid, and definition of terms used in black economic empowerment discourse.

4.2.1 Historical Context Behind Introduction of BEE

To appreciate the importance of policies and programmes like Black Economic Empowerment aimed at helping black South Africans gain a foothold in the economy, it is important to understand how they came to be marginalized from the mainstream economy. Unpacking the apartheid policies and programmes and how the same systematically excluded black South Africans from the economy would go a long way in explaining why it would take more than just the levelling of the playing field to get the previously marginalized blacks to compete on an equal footing with whites in the economy. This is because some opponents of the BBBEE policy have argued that the policy may well be another version of apartheid in reverse and that all that is needed is to create a level playing field where blacks and whites can fight it out on the economic arena (Kemp 1992 cited in Butler 2005:6).

In the apartheid era, black South Africans had their access to the economy severely restricted by legislation and other government policies and programmes. Wealth creation and accumulation during apartheid was characterized by restriction of black South Africans and the deliberate imposition of underdevelopment on the blacks. The ultimate aim was to ensure that blacks were vulnerable to the apartheid design of making them cheap labour for the use and benefit of the white economy (Government of South Africa, DTI 2007:5).

To constrain the development of blacks in South Africa, the apartheid regime systematically destroyed the blacks' productive assets, deliberately excluded blacks from accessing skills leading to well-paying jobs, and systematically undermined the blacks' capacity for self-employment and entrepreneurship. This was meant to reduce competition for white entrepreneurs thus ensuring that the white entrepreneurs would thrive (Government of South Africa, DTI 2007:5). The net effect of these policies was to restrict and inhibit wealth creation among blacks, as well as skills endowment for the assumption of productive and rewarding jobs in the market. This severely handicapped blacks in their capacity to play an active and rewarding part in the economy except as cheap labour. The incapacitation of blacks to productively play a part in the economic activities of the country for their benefit was further inhibited by an educational system which was deliberately designed to impart little knowledge or knowledge that would not be of much use in the economic arena. The instrument used by the apartheid regime to impart knowledge of little economic value to blacks was the Bantu Education Act. The Bantu Education Act prescribed the type of education for black South Africans, which education was devoid of technical and scientific teaching, (Government of South Africa, DTI 2007:6). This was in line with the grand apartheid philosophy of separate race-based development where blacks were not meant to be beneficiaries of a modern urban economy, but mere helpers in the economy for the benefit of white South Africans. As such the black South Africans did not need the skills to play a meaningful role in the economy as entrepreneurs, technicians and managers in the economy except as hewers of wood and drawers of water (Government of South Africa DTI, 2007:7).

Apartheid policies and legislation were designed to have the effect of systematically disempowering blacks. The process of disempowering blacks started with them being forcibly eviction from the land, itself a source of economic livelihood. This disempowerment was reinforced by legislation like the Mines and Works Act of 1911, the Land Act of 1913, (South Africa, 2007) and other similar pieces of legislation and policies all designed to economically disempower blacks restrict their participation in the economy and to inhibit their economic capacity building (Government of South Africa DTI 2007:8).

The apartheid policies and legislation had the effect of constraining the meaningful participation of blacks manifested in the following ways among many others:

a) The enforcement of the Group Areas Act resulted in black South Africans being confined to the homeland areas, which did not have much business opportunities. Homeland areas were the poorest areas of South Africa from economic activity and the productivity of farming land in the homelands. Living conditions in the homeland areas were extremely poor, as was the business infrastructure and conditions for doing business (Government of South DTI 2007:07). These conditions militated against the growth of entrepreneurship among blacks.

b) The forced removals of blacks in enforcement of the apartheid policies and legislation, principally the Group Areas Act, resulted in large capital losses for blacks as they were uprooted from residential areas they had invested in over a long period of time (Government of South Africa, DTI 2007:8). The removals also destroyed the fabric of the fledgling and established small black businesses such as could be set up under the harsh policy environment for black entrepreneurs. So the policy and legislative environment was always inimical to the emergence of black entrepreneurs.

c) Apartheid policies drastically curtailed the ability of blacks to own property. As a result, it was well-nigh impossible for blacks to acquire property which could be used as collateral for loan financing, which is the lifeblood of all businesses especially those that are starting out.

d) A rigid job reservation policy was also enforced, where blacks were restricted to inferior jobs which were less financially rewarding. This meant that blacks could not make enough savings for investment to start businesses or improve their lifestyles. The job reservation system was also reinforced by an education system which ensured that the kind of skills blacks received from schools and tertiary institutions did not equip them with skills and competencies to play a meaningful role in a modern economy and be rewarded accordingly. In consequence, technologically inclined professions like artisans and other engineering fields as well as managerial careers were unattainable by blacks as they lacked the skills to pursue such careers.

4.2.2 The Legacy of Apartheid Measured In Basic Indicators of Social Well-Being

Apartheid bequeathed to South Africa a legacy of inequality of “an unequivocal and extreme proportion no matter what indicator is used” (Lundahl 1998: 26). The huge inequalities created by apartheid continued well into the post-1994 democratic era in indicators of social well-being like access to electricity, family income, education and infant mortality. For instance the infant mortality rate for blacks was eight times more than that of white South Africans. Blacks had a life expectancy which was ten years less than that of their white counterparts. Only 10% of white households did not have access to electricity compared to 60% of black households. The national illiteracy rate as at 1994 was 66% if the independent homelands were included (Lundahl 1998: 26). Poverty was pervasive in the black population, estimated at 95% among black households, and 33% among the coloured population (Parliament of South African Parliament 1998: 7). In 1996, two years after the elections, the poorest 20% of all income earners received only 1.5% of the total income, while the top 10% had 50% of the total income. In 1995, the poorest 20% of households received only 3% of all household income, while the richest 20% of households had 65% (Lundahl 1998: 26).

Through apartheid policies and legislation, black South Africans were therefore deliberately penalized for attempting to engage in business. Stumbling blocks were placed in the paths of would be black professionals, artisans, engineers and other aspiring professionals and business people. It is against such entrenched and long running discrimination against black participation in the economy that South Africa's post-apartheid administrations thought it necessary to come up with policies and programmes aimed at giving blacks a helping hand to play a role in the country's mainstream economy in the many capacities available in the economy. The generic name for such programmes and policies is Black Economic Empowerment. These policies and programmes are underpinned by a thrust to give preferential treatment to blacks so that they can quickly find their footing in the economy. It was also the view of the post-apartheid administrations that the deliberate exclusion of blacks from the economy ultimately hurt the country's economy by not tapping into the skills of all the country's citizens as well as by failing to develop potential markets for the country's goods and services in the black population.

It was felt by government that against a background of sustained, systematic and systemic discrimination against blacks, levelling the playing field and leaving black people to their own devices in the economy was not enough. Levelling the playing field only would not do justice to black people who were deliberately handicapped by successive apartheid administrations, leaving them unable to fairly compete in the economy.

South Africa's post-apartheid progressive constitution also enjoined government to redress all inequalities brought about by actions or omissions of past apartheid administrations. The post-apartheid constitution mandated the democratically constituted administrations to also redress inequalities in all spheres of life, i.e. political, economic and social (Government of South Africa DTI 2007; 10). The broad-based black economic empowerment policy is therefore part of efforts to eliminate and redress inequalities bequeathed to South Africa by apartheid. This would provide equity and justice in line with the progressive 1996 constitution. The policy of black economic empowerment is government's attempt to have a focused and coherent strategy for broad based black economic empowerment.

Apart from seeking to eradicate inequality and bring about economic equity, black economic empowerment is also motivated by a desire by government to solve the economic problems brought about to the South African economy by the exclusion of a large chunk of South African citizens from the mainstream economy (Government of South Africa, DTI 2007 : 12).

Post-apartheid South Africa's first development strategy document the Reconstruction and Development Programme (RDP), had as one of its main objectives the need for the total deracialisation of business ownership and control (Government of South Africa, DTI 2007:15). The South African government's approach and strategy in empowering the previously marginalized racial groups has been to locate and integrate the black economic empowerment programme as part of a wider national empowerment strategy and economic re-focusing strategy, aimed at broadening the country's economic base, accelerate growth, job creation and poverty eradication.

4.2.3 Definition of Affirmative Action and Black Economic Empowerment

Affirmative action is defined as "the collection of measures that allocate goods, jobs, promotions, public contracts, business loans and rights to buy and sell to a designated group for the purpose of increasing the proportion of members of that group in the relevant labour force, entrepreneurial class or university student population, where they are currently underrepresented as a result of past or present discrimination" (Deane 2005 quoted in Veloso Jr 2008:17). Affirmative action can be linked to correctional justice which refers to equitable conduct aimed at achieving the goal of equality, (Tomason, Crossby and Herzberger 1996, quoted in Veloso Jr 2008:18). Affirmative action should be linked to programmes that lift the discriminated into higher participation meant to reverse earlier discrimination. The removal of racial segregation and social imbalances constitute the body of affirmative action, (Van Jaarsveld 2000, quoted in Veloso Jr 2008:18). The BEE is part of the rubric of affirmative action policies meant to correct injustices wrought by past discrimination.

In the context of the black economic empowerment programme, a black person is defined as a generic term referring to indigenous Africans, Indians and Coloureds, (Government of South Africa, DTI 2007:15).

The working definition adopted by the government of South Africa for the Black Economic Empowerment (BEE) programme is "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy as well as significant decreases in income inequalities", (Government of South Africa, DTI 2007:16).

4.2.4 Democratic Government's Law and Policy Responses to Apartheid Legacy of Inequality

Broad-based Black Economic Empowerment was the policy response by the ANC government in South Africa to the apartheid legacy of economic inequality based on race.

BBBEE seeks to increase the control, management and ownership of businesses by black citizens, especially women. It also seeks to support the emergence of new skills and small businesses, to facilitate the ready availability of business finance to black businesses, and to employ preferential procurement by the state and its agencies in favour of black owned businesses as a means to spread the economic empowerment across the private economy (Butler 2009:54). Black economic empowerment is meant to enhance the levels of economic, educational, cultural and political attainment for previously oppressed blacks (Butler 2009:54). The Black Economic Empowerment policy is part of the country's transformation agenda, whereby the government seeks to ensure that the national economy meets the needs of all citizens and their enterprises in a sustainable and more equitable manner (Government of South Africa Department of Trade and Industry DTI 2012:2). Through BBBEE, the government of

South Africa seeks to tap into the potential of all citizens of the country so as to build an economy characterized by growth, employment and equity (Government of South Africa, DTI 2012:2).

The foundations underpinning an equitable economy on which the BBBEE policy is derived from are the South African Constitution, the Reconstruction and Development Programme, (RDP), and the Freedom Charter of 1955 (Government of South Africa, DTI 2012:3). The BBBEE policy is also motivated by a desire on the part of government to ensure long term social and political stability; by removing potential sources of conflict like income inequality based on race and built on past injustices.

The Black Economic Empowerment Programme has the following as its objectives, against which it will be measured to establish if it has been successful or not:

1) A substantial increase in the number of black people who have ownership and control of existing and new enterprises.

2) A substantial increase in the number of black people who have ownership and control of existing and new enterprises in the priority sectors of the economy identified by government.

3) A significant increase in the number of new black enterprises, black empowered enterprises, and black engendered enterprises.

4) A significant increase in the number of black people in executive and senior management of enterprises.

5) An increasing proportion of the ownership and management of economic activities vested in community and broad based enterprises (such as unions, employee trusts, and other collective enterprises) and co-operatives.

6) Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills and increased participation in productive economic activities in under developed areas.

7) Accelerated and shared economic growth.

8) Increased income levels of black persons and a reduction of income inequalities between and within race groups, (Government of South Africa, DTI, 2007:20).

   The Black Economic Empowerment Programme is informed by four key principles. The key principles are:

a) The realization that racial and ethnic defined income inequalities make societies amenable to social and political instability. The BBE process therefore seeks to deracialise the economy and fast-track the re-entry into the mainstream economy of the previously excluded racial groups in South Africa

b) The Black Economic Empowerment Programme is all inclusive and so all companies operating in the country should participate in the programme. This is because an equitable society will benefit all individuals and enterprises in South Africa

c) The BEE programme is associated with the broader drive by government to improve the transparency and the quality of all economic activity in the country.

d) The BEE should complement the country's economic growth and development strategies by harnessing the economic potential of the majority who were previously side-lined in the country's economic activity. This should result in more enterprises in the economy thus growing the economy, (Government of South Africa, DTI 2007:21).

4.2.5 Government's Ways and Means to Implement the BEE Policy

The government of South Africa's preferred and chosen strategies to implement the BEE are legislation, regulation, preferential procurement, partnership between government and the private sector, institutional support and financial schemes, (Government of South Africa, ,DTI 2007 :24).

The principal piece of legislation to drive the BEE programme is the **Broad Based Black Economic Empowerment Act No. 53 of 2003, (South Africa 2003)**. The act provides for the issuance of guidelines and codes of good practice on BEE, the setting up of a BEE Advisory Council to advise the President on the implementation of BEE. Because apartheid was enforced through a plethora of pieces of legislation aimed at ensuring a complete separate development in the country, the post-apartheid administration has had to enact a number of pieces of legislation to attend to the variegated areas of discrimination. In furtherance of the black economic empowerment programme, the legislation enacted has to do with removing discrimination targeted at economic activities, or aiding and facilitating the re-entry of the previously marginalized blacks into the mainstream economy.

Other legislation to aid and facilitate the implementation of BEE enacted by the post- apartheid administration include the Promotion of Equality and Prevention of Unfair Discrimination Act, Extension of Security of Tenure Act, Restitution of Land Rights Act, Employment Equity Act, National Empowerment Fund Act, Competition Act, Telecommunications Act, the Preferential Procurement Policy Framework Act, Minerals and the Petroleum Development Act, (South Africa 2007).

The National Small Business Act No. 102 of 1996 aims to promote and nurture small businesses in South Africa (Government of South Africa, DTI 2007:26). The integral part of the programme is the development of small black owned businesses in line with the government's policy thrust to target capacity building in black entrepreneurs. The Act also seeks to create a conducive environment for the development of small to medium enterprises. The Act further provides for financial support mechanisms and the availing of other related support for small to medium enterprises in the form of institutions like Khula and Ntsika whose programmes are geared towards the support of black owned enterprises. Khula and Ntsika are micro finance institutions mandated to provide funding and business management training to black entrepreneurs in the small to medium enterprise sector.

The Competition Act (No. 89 of 1998), (South Africa 1998) was enacted with the intention to enhance the numbers of previously marginalized black entrepreneurs in the economy. The Act specifically seeks to dilute the over concentration of ownership and control of the economy by a few cartels and one racial group. The Act also seeks to remove the unfair inhibitions on the full participation in the country's economy by black South Africans that were imposed by apartheid laws and policies. The law also condones what would ordinarily be considered anti-competitive practices by institutions and enterprises, if the same would have the effect of promoting black owned and controlled enterprises' ability to become competitive.

The Employment Equity Act (No. 55 of 1998) (South Africa 1998) was enacted as part of the broad based strategy to enhance the participation of the previously marginalized blacks in the economic affairs of the country, through removing legislative and policy stumbling blocks that inhibit the income generating capacity of black people. One such policy was the job reservation policy enforced by various pieces of legislation and programmes. The Employment Act of 1998 outlaws any unfair discrimination at the workplace based on race, colour, creed or gender. The Act also requires employers to take affirmative action in favour of black people so as to have a fair and equitable representation of black people in all levels and structures of the organization.

The National Empowerment Fund Act (No. 105 of 1998), (South Africa 1998) was enacted to provide for the funding of the BEE**.** The Act established the National Empowerment Corporation, which is charged with managing the affairs of the National Empowerment Fund trust. The National Empowerment Fund is a trust set by government to hold equity in state or private owned enterprises on behalf of the historically disadvantaged groups (Government of South Africa, DTI 2007:15). In managing the affairs of the trust, the National Empowerment Corporation should:

- ✓ Provide historically disadvantaged persons with the opportunity to directly and indirectly acquire shares
- ✓ Encourage and promote savings, investments, and meaningful economic participation by historically disadvantaged persons

- ✓ Promote and support business ventures pioneered and run by historically disadvantaged persons (Government of South Africa, DTI 2007: 9).

Regulation is the other means through which the government of South Africa seeks to implement BEE.

The balanced scored card is the main instrument to measure compliance with BEE requirements. The scorecard will be issued in the form of The Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice. The scorecard will measure progress in achieving BEE by looking at enterprises' adherence to 3 core elements of BEE, which are:

a) Direct empowerment through ownership and control of enterprises and assets

b) Human Resources development and employment equity

c) Indirect empowerment through preferential procurement and enterprise development (Government of South Africa DTI, 2007:25).

The use of the scorecard enables the setting up of benchmarks against which adherence to BEE can be measured. Government departments and other quasi-government organisations and state owned enterprises will also use the scorecard to effect preferential procurement practices in line with the requirements of the BEE policy. Government is also required to apply the BEE criteria as set out in the scorecard or charter of the respective industry when doing business like issuing licences, engaging in Public Private Partnerships, or disposing of state owned enterprises (Government of South Africa, DTI, 2007:25). The enabling legislation (the B-BBEE Act) makes codes binding on all government departments and state owned enterprises when executing their mandate where necessary. Private sector enterprises who wish to do business with government owned entities are also required to apply the codes.

In terms of the (B-BBEE) codes, all entities operating in the South African economy should contribute towards the achievement of BEE objectives.

The Black Economic Empowerment charters are designed according to industry: Mining, Maritime Transport & Service, Information &Communications Technologies, Agriculture, Forwarding &Clearing, Tourism, Finance, and Petroleum & Liquid Fuels. The charters specify targets for the involvement of disadvantaged individuals. Basically, the charters designate ownership and employment targets in different industries, with different requirements placed on foreign versus domestic firms and the private versus public sector.

For example, the Information & Communications Technologies charter makes provision for exemption of foreign firms from BEE requirements to ensure that foreign firms are not discouraged from investing in South Africa. Generally charters are structured along the lines of the BEE balanced scorecard.

Below are some of the noteworthy inclusions in the various industry charters:
Targets related to obtaining licenses:

- ✓ Mining companies that want to retain licenses will have to comply with the balanced scorecard included in the mining charter.
- ✓ The petroleum & liquid fuels industry charter specifies that licenses for exploration and processing of petroleum will be reserved for companies with at least 9% Historically Disadvantaged South Africans (HDSA) ownership.
- ✓ Ownership related targets vary by industry:
- ✓ The mining industry charter aims to achieve 26% HDSA ownership of each mining company's assets within 10 years of issuance of the specifications.
- ✓ The maritime transport & service industry and forwarding & clearing industry charters specify 25.1% HDSA ownership within 5 years.
- ✓ The tourism industry charter specifies 21% HDSA ownership by 2009 and 30% HDSA ownership by 2014, (Embassy of Japan in South Africa 2010:13).

The mining charter
The mining charter has nine criteria ***viz***:
1. Human resources development
2. Employment equity
3. Migrant labour
4. Mine community and rural development
5. Housing and living conditions
6. Procurement
7. Ownership and joint ventures
8. Beneficiation
9. Reporting.

The charter specifies targets relating to black ownership in the industry. It provides for 15% black ownership by 2009, rising to 26% by 2014. For mining companies to have their old order mining rights converted to new order rights, they had to meet the 15% black ownership target by 2009. Mines had to commit to have 40% black participation in management within five years. The mining industry is also required to commit to secure R100 billion to fund black participation in mining. According to the charter, mining companies are required to give preferential treatment to black suppliers in procuring consumables, goods and services, (Embassy of Japan in South Africa 2010:14).

Government also uses procurement in favour of black owned and black empowered enterprises in keeping with the procurement legislation. To this end government will also use its preferential procurement policy to ensure the creation of more black owned enterprises by way of expanding its procurement base. Government is also enjoined by the procurement legislation to breakdown procurement orders into small quantities to ensure that black owned small to medium enterprises qualify to bid for government procurement contracts. This is meant to increase the number of black owned businesses benefiting from dealing in government goods and services, (Government of South Africa, DTI 2008:19).

Restructuring State Enterprises is another route that the government of South Africa proposes to use in furtherance of the policy of black economic empowerment. In restructuring state owned enterprises, government will be guided by and will seek to advance the policy of black economic empowerment (BEE). To achieve black economic empowerment in the restructuring of state owned enterprises, government can sell or transfer an equity stake in state owned enterprises (SOE), to black owned enterprises (Government of South Africa DTI 2008:26). State owned enterprises can also contribute to the government policy of black economic empowerment by way of enforcing preferential procurement in favour of black owned enterprises. Employment equity in state owned enterprises is yet another way to implement the requirements of BEE. State owned enterprises can use affirmative action to ensure that there is a representative spread of the previously disadvantaged groups in all occupations in the organisation and at all organisational levels of the organisation.

Government has also taken a deliberate approach to support small to medium enterprises as another avenue to promote the policy of Broad Based Black Economic Empowerment. Many incentives to enterprises as well as other enterprise support initiatives have been deliberately skewed to promote the policy of Broad Based Black Economic Empowerment, (Government of South Africa, DTI 2008:27).

Government recognises that a programme and policy of the magnitude of the BBBEE has to involve all the major players in the economy for it to succeed. To that end, government has sought to rope in the private sector, - itself a major player in the country's economic activities - in the implementation of the BBBEE. The involvement of the private sector in the implementation of the BBBEE is regulated and structured by legislation and related regulations (Government of South Africa DTI 2008:29).

In light of the recognition of the importance of involving other players for the success of the goal of BBBEE, government therefore seeks to partner the private sector and other significant non-government players like trade unions, and community based organisations in implementing BBBEE. The partnerships with the private sector players are meant to determine the nature of contribution to BEE by the private sector players in line with the circumstances of the different sectors and enterprises. This is out of a realisation that a one- size- fits- all approach does not work in the implementation of the BBBEE in the different sectors of the economy (Government of South Africa DTI 2008:29).

Government in collaboration with the players in the various sectors will therefore craft charters spelling out specific mechanisms through which enterprises in a particular sector can meet BEE objectives. The agreements pertaining to partnerships between government and private sector players and government relating to how private sector players can meet BEE objectives can be expressed in charters (Government of South Africa DTI 2008:29).

4.2.6 Finance and Monitoring and Evaluation of BEE Implementation

The principal legislation in the implementation of the policy of black economic empowerment, the Broad Based Black Economic Empowerment Act of 2003, provides for the establishment of a BEE Advisory Council. The council is charged with giving advice to the President on how best to achieve the objectives of the BEE, informed by the lessons learnt from the implementation of the policy. The advice should focus on, but is not limited to new avenues, programmes and projects to advance the cause of BEE, (Government of South Africa DTI 2008:29).

The BEE Advisory Council is also charged with reviewing progress in the achievement of BEE objectives. The council should also promote partnership in furtherance of the objectives of BEE, (Government of South Africa DTI 2008:29).

Government channels finance to support BEE through the NEF among other avenues. Other financing mechanisms include guarantees, grants, equity financing, incentive schemes and loans.

The government owned Industrial Development Corporation, (IDC) is one of the main implementing agents of the BEE programme. Historically, the IDC was a government agent developed to spearhead industrial development by financing government involvement in developing industrial companies and acquiring shares in industrial enterprises on behalf of government. The post-apartheid administrations seek to use the IDC to maintain industrial development and job creation by including the majority of people in the mainstream economy.

In financing BEE, the government of South Africa has emphasised the need not to destabilise the economic performance of the country. To this end, government is keen to maintain macroeconomic balance, by ensuring that the BEE programme's funding does not result in excessive debt for government. While BEE should result in economic transformation by way of including all citizens in the mainstream economy, BEE should still result in the country's economic growth rate increasing. The financing strategies to be adopted by government for BEE should also ensure that all forms of enterprise have access to financing, thereby diversifying the size and type of enterprise in the economy (Government of South Africa DTI, 2008: 17).

In the spirit of BEE, government introduced new institutions to help the small to medium enterprises access financing as well as capacitate them with skills.

Khula Enterprise Finance was established in 1996. It is mandated to provide loans to SMMEs using a variety of retailers like banks and non-governmental organizations (NGOs) (Government of South Africa DTI 2008: 18).

Other Institutions set up to Promote BEE include Ntsika Enterprise Promotion Agency. Ntsika Enterprise Promotion Agency was established by the Department of Trade and Industry (DTI) in 1995. Its main objectives include managerial development and programme funding, with the aim of increasing local and provincial SMME Service Providers' ability to deliver capacity building and other non-financial support to SMMEs, (Government of South Africa DTI, 2008:19).

The Industrial Development Centre (IDC), was originally established in 1940 as a state owned corporation. Its brief is the promotion of industrial development by way of availing a wide range of financing facilities for new and existing projects in the industrial sector. In keeping with the spirit and letter of the BEE policy, it has been restructured to serve government's empowerment objectives. It is now, inter alia, providing financial help to emerging black entrepreneurs in the industrial businesses through its Entrepreneurial Finance programme (Government of South Africa DTI, 2008: 20).

4.2.7 Success Rates of BEE/ Performance of BEE Thus Far

The government of South Africa embedded the BEE policy in the country's general transformative agenda. Therefore, just like the country's social and economic transformation to eradicate the legacy of apartheid, the programme of BEE is still work in progress. The BEE programme cannot be expected to achieve results over night, as it is meant to undo the legacy of apartheid policies implemented over a long period of time.

In the opinion of Acemoglu et al (2007:9) the BEE policy is noble, but for it to succeed in its aims, the government needs to institute some changes to it, particularly informed by lessons of its implementation thus far. One of the areas of the policy that needs tinkering is to do with the establishment of credible enforcement of deadlines, relating to the achievement of BEE changes. Government should also reduce over emphasis on ownership alone and also focus on other criteria of BEE. BEE-related corruption needs to be eliminated so that it is not allowed to derail the implementation of BEE programmes. While government has made commendable efforts to ensure that BEE does not affect the country's economic performance, it needs to do more to ensure that the programme does not harm the country's ability to attract foreign direct investment,(FDI). BEE has also been criticised as a programme imposed from above with minimal grassroots input. To increase all stakeholders buy-in government should encourage 'bottom up' empowerment. On their part, companies should embrace 'real' empowerment instead of window dressing and tokenism. Companies should integrate empowerment principles in their business operations so as to come up with empowerment solutions that make business sense (Acemoglu et al 2007:21).

The South African government has been at pains to ensure that implementation of BEE does not destabilise the country's economic fundamentals so as to maintain economic growth and stability. However, the growth and stability has not been sufficient to reduce unemployment. In the wake of the BEE implementation, the distribution of wealth remains very unequal. Unemployment remains very high and has actually worsened from 40.8% in 2001 to 43.4% in 2004 (Acemoglu et al 2007:19).

On the whole, income inequality has risen in spite of the implementation of the BEE policy. Gini coefficient rose from 0.69 in 1996 to 0.77 in 2001. Along with Brazil, South Africa continues to have one of the most unequal income distributions in the world (Acemoglu et al 2007:19). While there has also been an increase in intra-race inequalities as BEE beneficiaries' income soared, income remains largely skewed along racial lines – 20.5 million black South Africans (56% of total black population) were living in poverty in 2003, compared with 190,000 white South Africans (4% of total white population) (Acemoglu et al 2007 :19).

One of the criticisms levelled against the South African Government's BEE policy is that too much emphasis is put on transfer of ownership that benefits only a small number of politically well-connected blacks. For instance Ernst and Young Management Services reported that in 2003, R42.2 billion (US$6.5billion) worth of BEE deals were made. But the beneficiaries of these deals belonged largely to those prominent blacks with political connections to the ruling ANC elite. Of the R42.2 billion ($6.5billion) worth of BEE deals concluded in 2003, 60% or R25.3 billion ($3.8billion) accrued to the companies of two men with close links to the ruling ANC: Patrice Motsepe and Tokyo Sexwale. (Acemoglu et al 2007:17).

Another weakness of the BEE implementation strategy relates to the application of the balanced scorecard at company level. For example, a company may be classified as black empowered using the scorecards using a criterion like ownership even if blacks do not run the company by being in the management structures. A case in point is one of the largest deal making companies, Mvelaphanda, a company which is 100% owned by Tokyo Sexwale, while nearly all senior management are white (Acemoglu et al 2007:18).

Fronting is yet another of the problems spawned by BEE. Fronting refers to the appointment of black managers or directors with no decision-making rights or management responsibilities, to give the impression that the company is black owned or empowered (Acemoglu et al 2007:20). Of all the black directors on JSE listed companies only 62 were executive, compared to 305 non-executive directors, as at 2003 (Acemoglu et al 2007:20).

By and large, the impact of BEE has not been that significant in changing the economic ownership in South Africa. As at 2003% black control of total market capitalisation on the Johannesburg Stock exchange was a paltry 3%.

It has also been noted that industry charters have the following inherent difficulties:

- ✓ There is no requirement for individual company accountability to institute change, as accountability is required across sectors.
- ✓ The lack of caps on targets on indicators such as ownership means overall targets could be fulfilled by focusing on ownership and at the expense of other elements of broad based empowerment.
- ✓ It is difficult and expensive to track progress on indicators like measuring the extent of banking access to blacks in the categories of targeted beneficiaries.
- ✓ Some targets are often too ambitious, and do not take into account the lack of needed skills (Acemoglu et al 2007:23).

BEE in its first phase post 1994 was "characterized in the main by crony capitalism, fronting, enrichment and debt burdened deals" (Wakeford 2004, quoted in Butler 2007:1).BEE has been labelled an enrichment process and not without some justification. This is because of the over emphasis on equity transactions which effectively limited empowerment to a clique of savvy black people, who in most cases were already economically better, (Acemoglu et al 2007:23 Engdahl and Hauki 2001:67). However, notwithstanding such flaws, even the black enrichment may well serve the positive aspect of providing success role models for the black population who will be inspired by the black success stories. The black enrichment may also serve to burst the racist myth that business success is the preserve of whites only (Engdahl and Hauki 2001:67).

The empowerment brought about by BEE has come at a price for the black beneficiaries. Because of lack of black funding for the BEE transactions, beneficiaries have had to borrow, thus leaving them heavily indebted.

Monitoring and evaluation of BEE policy could be improved. The compilation of credible statistics relating to the BEE process could go a long way in helping with the monitoring and evaluation of the BEE implementation process. The problem of collecting statistics is compounded by the fact that the informal sector in South Africa is too large and uncoordinated, (Engdahl and Hauki 2001:67).

Thanks to the BEE the problem of income inequality is slowly but surely moving from being race based to being class based. Affirmative action could also produce a sense of entitlement within the previously disadvantaged blacks (Engdahl and Hauki 2001:67).

It has been suggested that the BEE targets of transferring wealth from whites to blacks in South Africa are not feasible. This argument is based on the sheer scale of the wealth in the private sector, estimated at R5 trillion (Butler 2007:8). The feasibility of the BEE envisaged wealth transfer is further thrown into doubt by the fact that blacks simply do not have the capital to finance such a huge transfer (Butler 2007:9). Using borrowed funds to finance BEE is risky as it exposes beneficiaries in the event of an economic downturn.

Transferring the BEE mandated 25% ownership into black hands does not necessarily bring about substantive control of company operations by blacks. As Reg Rumney curtly points out "it is quite easy for any white company to abide by the legislation and still not comply with ***the spirit of BEE, (***emphasis mine***).*** Legislation won't work on a problem of this scale" (Rumney quoted in Butler 2005:9).

It has been one of businesses' complaints about BEE policy, that the current model for implementing BEE is costly both to business and in economic terms. Some argue that the transfer of equity to blacks as required by the BEE policy may constrain growth by tying up some capital in the BEE programmes, (Cargil quoted in Butler 2007:10). It has also been suggested that the BEE policy could scare away or discourage foreign investment. By and large, it has been business's long held complaint that broad-based BEE is way too intrusive and places a heavy regulatory burden on business (Butler 2007:10).

BEE policy, some have argued provides fertile ground for the state to become a slave to narrow and selfish business interests, as opposed to a developmental state establishing transparent and economically beneficial relations with business. BEE may well encourage businesses to look for state patrons as a way of benefiting from lucrative business with government from contracts to licences (Butler 2007:11). The unavailability of funds to finance BEE might also expose public sector pension funds to abuse by unscrupulous officials to finance risky BEE related investments. As left leaning elements like Jeremy Cronin have lamented, in the wake of BEE "established and emerging capital have succeeded in exerting considerable dominance over the state", (Cronin quoted in Butler 2007: 10).

To avoid state capture by business interests, a successful BEE policy should encourage and promote more intense interaction between black business, established capital, and the state, on terms and rules that manage the relationship in a transparent manner. Such a BEE policy will create a more transparent and plural politics of competing interests (Butler 2007:15).
It has been suggested that because of the BBE programme, the ANC Government has become hostage to capital**.** The influence of business through attempts to empower blacks may have damaged the ANC as a liberation movement capable of spearheading and willing to advance the interests of the oppressed. The ANC may have become compromised by business interests who may want to directly influence ANC policy and succession politics to protect their interests (Butler 2007:12).

It has also been argued that the BEE policy should be amended to put less emphasis on ownership and increase the focus on aspects of the policy that are more clearly linked to increased productivity and the broader transformation of the economy, (Acemoglu et al 2007

:3). This can be effected through changing the BEE codes to downgrade ownership and increase the importance of enterprise development and skills development. Another problem with the BEE policy as presently constituted is that it is open ended, and there is no clear cut mechanism for the evaluation of its impact, (Acemoglu et al 2007:3). This may have the effect of creating uncertainty in investors.

One of the criticisms directed at the South African government's BEE policy is that its concentration on the BEE scorecards that companies are required to comply with does not sufficiently broaden empowerment to benefit ordinary people. The BEE empowerment strategy excludes areas like poverty reduction and education, which areas are very critical and where most black people remain trapped (Veloso Jr 2008:19). The use of scorecards as a strategy for BEE has also been criticized for not aiding the creation of, strong stand-alone and self-sustaining black capitalists. This is because scoring high on aspects like human resources development and share ownership for instance, does not necessarily mean that companies would have done much towards advancing black capitalism, (Randall quoted in Mandla 2006:65). The failure by the BEE implementation strategies to include small to medium enterprises (SMEs) also works against the spirit of BEE to broaden black economic empowerment. This is because most SMEs may not have boards of directors or issue shares, and thus cannot score under the score cards' control component, (Mandla 2006:68). Yet SMEs could be the base for black entrepreneurs where they could launch their careers and learn the ropes of business until they grow big. Because of the nature of the scorecards, SMEs may not benefit from preferential procurement.

The perception of BEE failure to deliver black empowerment thus far also has to be understood in the context of a crisis of expectation in the black populace who expected all their economic problems to be solved overnight with the demise of apartheid. Black economic empowerment is a process that aims to improve the standard of living of the majority of black people in South Africa and this takes time.

BEE is just one of many ways to dismantle the legacy of apartheid. As long as racism remains entrenched in South African society, the efficient functioning of the economy will always be compromised. Accordingly, the BEE programme remains necessary if South Africa is to have an efficiently functioning market (Engdahl and Hauki , 2001:67).Over and above the objective of righting historical economic marginalisation of blacks, the BEE policy is also an instrument to help in the integration of the South African economy into the global economy. This is prompted by the realisation that an economy cannot be competitive on the global market if the majority of the population are outside or on the fringes of the economy (Engdahl and Hauki, 2001:67).

4.3 Afrikaner Economic Empowerment (AEE)

South Africa's BEE policy is not without precedent in South Africa itself. The Afrikaners in South Africa have been beneficiaries of affirmative action empowerment policies instituted by government in South Africa in the past. In fact it has been argued that the ANC government's black economic empowerment policies borrowed substantially from the post 1948 model of Afrikaner economic empowerment. It has been argued that ANC policy makers were influenced to a degree by that policy implemented by the National Party administrations to improve the economic well-being of Afrikaners (Butler 2007:2) .

Afrikaners lagged behind their English-speaking white counter parts in terms of economic clout from the embryonic stages of the formation of the Union of South Africa. To improve their economic lot and catch up with their English speaking counter parts, organised Afrikaner farmers successfully campaigned for tariff protection, state research support and direct subsidies in the 1920s. This marked the beginning of the push for Afrikaners' economic empowerment (O'Meara 1983, quoted in Butler 2007:2).

4.3.1 Historical Context to the Afrikaner Economic Empowerment Programme - The White Poverty Problem

The beginning of industrialisation in South African set in at the time of the discovery of minerals in the country. The economic activity that followed the mineral discovery meant that certain skills were needed to execute the ensuing economic activity. Afrikaners found themselves in competition with other whites, principally the British and Africans for the jobs and other economic activities that the new economy demanded. As historically subsistence farmers, the Afrikaners did not have the requisite skills to make it in the new economic order. The Afrikaners were seen as inferior, illiterate and generally too unsophisticated to be of any value or service to the commerce and industry brought about by the discovery of minerals in South Africa, (Mbeki quoted in Masito 2007:22).

The Carneigie Commission of 1932 established that there was a serious problem of white poverty in South Africa. The Commission discovered that there were over 300 000 very poor whites, the majority of whom were Afrikaners. The Commission also reported that the Afrikaners purchasing power was very low compared to that of their English counterparts. The same Commission also discovered that illiteracy was very high among the Afrikaners. It was also discovered by the same Commission that less than 15% of Afrikaner children proceeded beyond the 7th year in school, and that only 4% of Afrikaner children progressed far enough in school to become proficient in English, which was the language of commerce and industry, (Gilomee 2003, quoted in Masito 2007: 25). It was also established that during those early years of the beginning of the modernisation of the South African economy, Afrikaners owned 1% in the mining sector, 3% in manufacturing and construction, 8% in trade and commerce, and 5% in the financial services sector, (Adam and Gilomee quoted in Masito 2007:22).

It was against such sobering statistics exposing Afrikaner disempowerment, that the Afrikaner Economic Empowerment policy and programmes were initiated. The Afrikaner Economic Empowerment policy and programmes were aimed at preserving the Afrikaner way of life as well as preserving the Afrikaner population in South Africa, and protecting the language from extinction (Masito 2007:23). The Afrikaner Economic Empowerment, (AEE) policy was comprehensive and covered all aspects of Afrikaner life with the major aim being Afrikaner survival. The AEE sought to achieve its aims and objectives through the Afrikanerisation of public life, and the Afrikanerisation of the education system in South Africa.

The programme to save the Afrikaner nation from extinction which included the AEE was conceived and led by the Dutch Reformed Church and by Afrikaner intellectuals at Stellenbosch and Pretoria Universities together with other Afrikaner intellectuals abroad and the National Party (Masito 2007:24). These institutions formed other Afrikaner organisations and societies to act as think tanks for Afrikaner economic and cultural development and self-determination, (Masito 2007:24).

4.3.2 Law and Policy Responses to Problem of White/Afrikaner Poverty

The subsections that follow will cover the Afrikaner Economic Empowerment Programme outlining the legislative instruments used to implement the programme as well as the success rates of the programme

4.3.2.1 Afrikaner Economic Empowerment Programme, (AEE)

In the wake of the National Party's 1948 election victory, Afrikaner nationalists resorted to affirmative procurement, targeted state contracts, and employment creation in the state owned enterprises in favour of the Afrikaner. They also started Afrikaner ethnic insurance companies and banks as part of efforts to economically empower the Afrikaner. Afrikaans, the language of the Afrikaners together with their educational institutions was transformed into instruments of collective Afrikaner economic, cultural and social advance, (Butler 2007:2).

In 1948, the National Party came to power in South Africa, having campaigned on the platform of introducing separate development between the races in South Africa, - apartheid. The National Party used its position in government to introduce legislated apartheid, which was to be the cornerstone of AEE. Apartheid laws were employed by the National Party government "to systematically promote Afrikaner control and ownership of the economy through affirmative action in the parastatals, deployment of state contracts and patronage to Afrikaner firms and outright political pressure upon English capital" (Southall 1996, quoted in Masito 2007:25).

The Asiatic Act was one of the first acts aimed at promoting Afrikaner business ownership. The Act was passed to curtail Indian trading in the Transvaal. In 1943, government passed the Pegging Act, aimed at dealing with what was commonly referred to as the Indian question. The act had the effect of restricting Indian enterprises in favour of white enterprises (Mandla 2006:68).

To aid in the AEE programmes, the National Party apartheid-guided governments established an environment that suited the flourishing of business and economic prosperity. These government measures towards business resulted in the flourishing and the mushrooming of big

businesses with Afrikaner connections in commerce, mining and manufacturing for example Murray and Roberts, Shoprite, OK, and Pep (Giliomee 2003 quoted in Masito 2007: 26).
The Industrial Conciliation Act of 1924 was used by the National Party governments to institute the policy of job reservation in state owned enterprises. The policy had the effect of ensuring that Afrikaners earned more than blacks, regardless of qualifications. The Industrial Conciliation Act of 1924 was introduced to enforce affirmative action at the workplace in favour of whites against cheap black labour. The act was coupled with other legislation like the Apprenticeship Act 37 of 1944 and other policies providing for job reservations, whereby certain jobs were reserved for whites (Mandla 2006:67). Using the act, the minister of labour could reserve certain job categories for given racial groups.

Statutory closed shops were also used to reserve some categories of crafts for white workers. This had the effect of controlling entry to professional trades of white unions. The Native Building Workers Act outlawed the practice whereby blacks could engage in skilled construction work in white urban areas, (Mandla 2006:67). In the Orange Free State, Natal and Transvaal, the Public Works Department as a matter of policy employed whites only, even for unskilled work. Pursuant to the job reservation policies and legislation, in 1937 the government employed around 10 000 Europeans to do jobs previously done blacks. Section 12 of the Mines and Works Act, and section 77 of the Industrial Conciliation Act of 1924 specifically and systematically favoured white workers ahead of black workers, (Mandla 2006:68).These pieces of legislation and policies were meant to improve the lot of poor whites who had just arrived from the rural areas, at the expense of black workers, through offering employment to large numbers of these whites state and quasi-state organizations, (Mandla 2006:68).

To advance the aims and objectives of the AEE government collaborated with Afrikaner institutions. Afrikaner Universities also lent their research and other expertise to the cause of improving the lot of the Afrikaner. As a result, the Afrikaner intellectuals conceived of AEE and survival policies and programmes, and the National Party government and other Afrikaner institutions implemented the programmes and policies. This collaboration between the state, the Afrikaner intellectuals and other Afrikaner institutions was to create an environment that favoured Afrikaner success in all spheres of life (Mbeki in Masito 2007:26).
In the education sector, National Party government ensured that the education system was tailor made to suit the Afrikaners. Schools for Afrikaners were built and Afrikaans universities built and/or expanded to spear head the training of Afrikaner cadres with the skills needed in industry. Various Afrikaner institutions put in a lot of effort to turn the Afrikaner subsistence farmer into a modern commercial farmer. The RDB was mandated to assist in turning the psyche of the Afrikaner farmer so as to "launch him into the urban industrialised life, to orientate him towards capitalism, to launch commercial enterprises", (Mbeki 1991 in Masito 2007: 28). Sanlam was at the forefront of championing the economic advancement of the Afrikaner and also the provision of capital to Afrikaners to start businesses and investments, (Gilomee 2003 quoted in Masito 2007:29).

4.3.3 Success Rates/Results of Afrikaner Economic Empowerment (AEE)

The implementation of the affirmative action policies and programmes for Afrikaners at the work place had the effect of alleviating poverty in the urbanising Afrikaner proletariat. It also resulted in an increase in the income of the Afrikaner workers. This spawned an Afrikaner middle and upper class as well as a class of Afrikaner entrepreneurs, (Masito 2007: 28). Afrikaner purchasing power increased vastly in 1960 thanks to these government instituted affirmative action policies and programmes. Before 1948, around 89% of Afrikaners earned less than R6000 per annum. By 1980 however, Afrikaners earning less than R6000 per annum had reduced significantly to around 51%, while those earning between R6000 and R18000 increased from 10% before 1948 to 45% in 1980, (Steenekamp 1990 quoted in Masito 2007:29). By 1980, 65.2% of Afrikaner workers were classified as white collar workers. There was also a significant reduction of Afrikaner subsistence farmers, (Steenekamp cited in Masito 2007: 29).

In industry and commerce, there was a marked increase in the number of businesses and enterprises with Afrikaner connections. Privately owned enterprises such as Rembrandt, Sanlam, Old Mutual, Iscor, and Sasol were born out of the Afrikaner Economic Empowerment policies and programmes. In the banking sector banks and merchant banks like Standard Bank, and FNB, were also set up. Family owned businesses run by Afrikaners were also established. In government, state owned enterprises run by Afrikaners and employing a lot of Afrikaners were also set up. These included Telkom, Eskom, South African Railways, and South African Airways (Masito 2007: 29).

Higher education and other tertiary education institutions were at the forefront of creating an educated Afrikaner middle class. Afrikaner universities like Stellenbosch and the University of Pretoria produced Afrikaner intellectuals who were the thought leaders of the Afrikaner community (Masito 2007:30). On the social front, the AEE resulted in the elevation of the Afrikaner language to be used in commerce, education and in government bureaucracy.

In conclusion, it can be said that ***Volkskapitalisme*** or capitalism as practiced by the Afrikaners through AEE, was a way of embracing capitalism by the Afrikaners, understanding it and in the end tailoring it to suit the ***volk*** or Afrikaner way of life. In all this, the ultimate aim was to ensure that all Afrikaners partake in wealth creation, (Masito 2007:30). As a result of the AEE policies and programmes, by 1975, the Afrikaner aggregate share of the economy had risen from a low of 10% in the 1950s to 21%, (Nattrass 1981 quoted in Masito 2007:30).

While the programmes and policies of AEE were being implemented, South Africa grew to become Africa's largest economy. It became one of the sophisticated economies in the world with whites enjoying a lifestyle comparable to that of citizens of first world countries. While there were undoubtedly other factors accounting for South Africa's economic growth during that period, it can be concluded that the AEE policy and programme did not impede the country's economic performance.

From the evidence presented in the foregoing, it would appear that "the growth of State capitalism in SA since 1948 has also been the growth of Afrikaner capitalism" (Mandla 2006:67). It can further be argued that the rise of the Afrikaner in the private sector was directly attributable to the control that the Afrikaner exercised over the State, (Mandla 2006:67).

4.4 Empowerment in Malaysia

Malaysia just like South Africa was confronted with the problem of economic inequality after decolonisation, with economic power in the hands of a minority. In both countries, the colonial process had left the majority of the population excluded from the countries' mainstream economies.

4.4.1 Historical Context to the Empowerment Programme in Malaysia

This section will discuss the background to the introduction of the empowerment programme in Malaysia.

4.4.2 Background to the Ethnic Economic Inequality in Malaysia

In 1970, the United Malays' National Organisation launched its historic programme to transfer equity from the 37 percent of ethnic Chinese who dominated the economy to the Malays and Indians who made up 50 and 11 percent of the population respectively (Daniel, Southall and Lutchman 2005, xxx).

Malaysia's population is distributed in the ratio of Malays 50%, Indians 11%, Chinese 37% and other indigenous groups 2%. The Malays constitute the majority of the population and are the largest indigenous ethnic community. The indigenous people are popularly referred to as the Bumiputera, whose literal translation is son of the soil.

Higher Education was one area where the indigenous Malays lagged behind other racial groups. Statistics released by the National Coordination Council on the total number of graduates per faculty according to community group illustrated how underrepresented the Malays were in higher education. As table 9 shows the ratio for the Science graduates of Malay to Chinese was 1:20 while for medicine it was 1:9, (Abdullah 1997:21).

Table 9: Total Graduates by Community Group, 1959-1970

	Malay	Chinese	Others
Bachelor of Arts	1369	1404	603
Bachelor of Science	69	1488	150
Bachelor of Engineering	4	408	41
Bachelor of Agric. Science	40	162	21
Diploma in Education	229	626	216
MBBS	12	108	9

Bachelor of Economics	**112**	**185**	**31**
Total	**1905**	**4381**	**1071**

Source: Abdullah 1997:23

Table 9 above shows that indigenous Malays were very lowly represented in the number of graduates coming out of universities in the years 1959-1970

The indigenous Malays were also underrepresented in the Professions**.** As the higher education system fed into the professions field, it is not surprising that similar disparities showing Malay underrepresentation were also evident in the professions.

Table 10: Membership of Registered Professionals by Ethnic Group 1970

Profession	**Bumiputra**	**%**	**Chinese**	**%**	**Indian**	**%**	**Others**	**%**	**Total**
Architects	12	**4.3**	**224**	**80.9**	**4**	**1.4**	**37**	**13.4**	**227**
Accountants	**40**	**6.8**	**387**	**65.4**	**47**	**7.9**	**118**	**19.9**	**552**
Engineers	**66**	**7.3**	**643**	**71.0**	**122**	**13.5**	**75**	**8.3**	**906**
Dentists	**20**	**3.1**	**579**	**89.1**	**33**	**5.1**	**18**	**2.8**	**650**
Doctors	**79**	**3.7**	**954**	**44.8**	**857**	**40.2**	**241**	**11.3**	**2,131**
Veterinarians	**8**	**40.0**	**6**	**30.0**	**3**	**15.0**	**3**	**15.0**	**20**
Total	**225**	**4.9**	**2,793**	**61.0**	**1,066**	**23.3**	**492**	**10.8**	**4,536**

Source: Abdullah 1997:23

As the above table indicates the Bumiputera (indigenous Malays) were underrepresented in the professions with the Chinese dominating the professional fields, (Abdullah 1997:23). The Bumiputra accounted for 4.9% of the professionals yet they constituted the majority of the population.

In property ownership, the indigenous Malays also lagged behind in the Federal Capital of Kuala Lumpur, where the Chinese dominated owning 75% of properties against the Malays' paltry 5%.

Table 11: Communal Composition of Land Ownership in Kula Lumpur, 1968

Malays	**2,875**	**4,619.487**
Chinese	**13,398**	**66, 223, 890**
Indians	**2,447**	**7,318,936**
Others	**1,063**	**14,204,526**
Total	**18,783**	**92,366,839**

Source: Abdullah 1997:23

Table 11 above shows that the indigenous Malays were underrepresented in land ownership in the capital Kuala Lumpur according to figures collected in 1968. This shows that despite the fact that the Malays constituted the majority, they lagged behind minority ethnic groups in property ownership. Property ownership is one of the most important indicators of wealth.

Table 12: Communal Composition of Share Capital Ownership in Limited Companies in West Malaysia, 1969

Community	**All Industries, (M$ million)**
Residents	
Malays	**49,294**
Malay Interests	**21,339**
Chinese	**1,064,795**
Indians	**40,983**
Federal and State Governments	**21,430**
Nominee Companies	**98,885**
Other Individuals & Locally controlled Companies	**470,969**
Foreign Controlled Companies in Malaysia	**282,311**
Non-Residents	**1,235,927**
Total	**3,285,933**

As **Table 12** above illustrates, Malay ownership of share capital in the Limited Companies in West Malaysia, was paltry vis-à-vis that of the Chinese. Where the Malays owned an insignificant 1.5% of the share capital, the Chinese owned a whopping 22.1% (Abdullah 1997:23).

The incidence of poverty in Malaysia is yet another welfare indicator which amplified the extent of racial imbalances in Malaysia before the implementation of the NEP affirmative action policies. This is borne out by the statistics as shown in Table 13:

Table 13: Peninsular Malaysia: Households in Poverty by Race, 1970

	All Households (000)	Poor Households (000)	Poverty Incidence (%)	Total Poor Households (%)
Malay	901.5	584.2	64.8	73.8
Chinese	525.2	136.3	26.0	17.2
Indian	160.5	62.9	39.2	7.9
Others	18.8	8.4	44.8	1.1
Total	1,606.0	791.8	49.3	100.0
All Rural	1,166.7	683.7	58.6	86.3
All Urban	439.3	108.1	24.6	13.7

Source: Third Malaysian Plan1976-1980 quoted in Abdullah 1997:25

As Table 13 shows. according to the 1970 household poverty survey, Malay households accounted for 74% of poor households, the Chinese 17%, the Indians 8% and others accounted for 1% (Abdullah, 1997:25).

Income Distribution also favoured other ethnic groups ahead of the indigenous Malays. The mean household income in 1970 also followed the same ethnic trend, with the Chinese getting a mean income which was more than double that of the Malay. The Malay got the least mean monthly income. Table 10 gives further details on the mean income distribution by ethnic group, before the implementation of NEP:

Table 14: Peninsular Malaysia: Mean Household Income 1970

Groups	Mean Household Income, (M$ per month)
Malay	172
Chinese	394
Indian	304
Others	813
Rural Average	200
Urban Average	428
All households	264

Source: Third Malaysia Plan 1976-1980, quoted in Abdullah 1997:26

As illustrated in Table 14 above, in 1970, the ethnic Malays were getting the least mean monthly income compared to other ethnic groups, yet they were the group in the majority and indigenous to Malaysia.

It is evident from the foregoing statistics, that the issue of Malay economic backwardness was not only an issue of public conjecture and exaggeration, but could be backed by statistics.

4.4.3 Law and Policy Responses to The Problem of Inequality in Malaysia

It is against the foregoing background of inequality at independence that Malaysia's ruling party responded by instituting the New Economic Policy, (NEP)

The New Economic Policy, (NEP) was a comprehensive system of ethnic preferential policies, programmes and instruments meant to benefit the Malay/ Bumiputera community. It was implemented between 1971and 1990 (Guan 2005:213) The NEP was "an ambitious programme of social engineering aimed at redistributing wealth among ethnically diverse groups, eradicating poverty and restructuring society", (Abdullah 1997:2). The NEP was not only an economic programme, but was also a socio-political agenda to ensure equitable distribution of economic benefits among social groups, to promote national unity and maintain political stability. All in all, it was an "affirmative action" programme, necessitated by pressing problems of economic inequality amongst the races. The problems of inter-ethnic economic inequality were a by-product and a legacy of colonialism, (Abdulla 1997:2).The NEP was implemented in Malaysia from 1971 to 1990, although there have been successor programmes thereafter to basically continue with the NEP's unfinished business.

The NEP was ostensibly announced to create the socio-economic conditions for achieving 'national unity' through redistributive policies. The NEP had two objectives, poverty reduction irrespective of race or ethnicity and 'restructuring society'. The restructuring of society was meant to eliminate the identification of race with economic function and location for example, Malays as paddy cultivators, Indians as rubber tappers, and Chinese as businessmen, (Abdullah 1997:3). The NEP was therefore meant to reduce inter-ethnic socio-economic disparities between Bumiputera indigenes and the non-Bumiputeras. The first objective was distributive and had no racial bias, as it meant to eradicate poverty amongst all races.

4.4.4. Success Rates for the NEP

Implementing the NEP Affirmative Action/the Means of NEP Implementation

In furtherance of the objective to restructure Malaysian society through the NEP, the government set a time table of 20 years within which to achieve the following:

- ✓ Malays and other indigenous people will manage and ownership of at least 30% of the total commercial and industrial activities in the country
- ✓ The creation of a Malay commercial and industrial community by way of deliberate training and human resource development programmes targeting Malays.
- ✓ The employment pattern at all levels and in all sectors of the economy to be representative of the population make of the country
- ✓ The establishment of new industrial activities in selected new growth areas.

To achieve the above stated objectives, government committed itself to playing a major interventionist role in the national economy. To this end, government would establish and operate productive enterprises either wholly owned by government or in collaboration with private sector players (Abdullah 1997:12).

Having committed itself to intervening in the economy to advance the affirmative action goals of the NEP, the government of Malaysia created the following agencies:

the ***PerbadananNasionalBerhad*** = The National Trading Corporation,(PERNAS),
MajlisAmanah Rakyat = Council of Trust for Indigenous People, (MARA),

- State Economic Development Corporations (SEDCs),
- Urban Development Authority, (UDA),
- Federal Agricultural Marketing Authority, (FAMA),
- ***Bank Bumiputera*** and
- ***PermodalanNasionalBerhad*** =The National Equity Corporation (PNB).

The economic activities performed by these government agencies was a way of government actively intervening in the economy to achieve the affirmative action objectives of the NEP to improve the economic participation and benefit by indigenous Malaysians (Abdullah 1997:14).

The education sector was identified as one of the main pillars of the NEP. One way to ensure achievement of the objectives of the NEP was to see to it that the indigenous Malays were appropriately equipped with the skills to play a leading role in the modern economy that was evolving in Malaysia. To that end, the government of Malaysia instituted large scale measures in human resources development meant to benefit the indigenous Malaysians or ***Bumiputera*** largely Malays. This included a raft of measures ranging from setting up a chain of junior colleges throughout the country, sending students overseas for tertiary education, instituting quotas for enrolment in local universities and granting scholarships and bursaries.

Employment Restructuring was also introduced as part of measures to improve the participation of indigenous Malaysians in the economy. This was intended to correct the prevailing state of affairs whereby the Malays were employed in backward economic activities, and largely excluded from the more rewarding employment in the modern economic sectors. Government used legislation, particularly the Industrial Coordination Act, (ICA), as the legal instrument to achieve employment restructuring aims and objectives.
The policy on employment restructuring provided for preferential employment of Bumiputera in professional occupations and modern industrial sectors. Traditionally most indigenous Malaysians were largely confined to employment in rice farming, fishing, and other occupations outside of the mainstream modern economy. As part of efforts to ensure the integration of the Bumiputera in the modern economic activities, the NEP aimed to enable them to be employed in higher grade industries and more professional occupations (Torii 1997:215).

In order to attain this goal, the government intervened in labour markets setting employment quotas to have Malays represented at all levels of organisations. The government also introduced an ethnic quota system in higher education, to complement the employment quota system. (Torii 1997: 215) This was so as to ensure that the Bumiputera had the requisite skills to assume positions in the higher grade industries and to be employed in professional occupations. Companies were required to institute racial quotas at all levels of the companies. Large companies were also required to restructure their ownership so as to have Bumiputeras own part of the company either through individual involvement or trust agencies (Abdullah, 1997:15).

Equity Ownership Restructuring was introduced as a way of improving the economic and social standing of Malays, through the promotion of capital accumulation by individual Malays. In this objective, the government set as its goal the increase in equity ownership share of Malays to 30 per cent by the end of the two decades within which the NEP was to run (Torii 1997: 211).
The Industrial Coordination Act, (ICA) was an important and effective tool for the attainment of various NEP goals (Torii 1997:213). The most important feature of NEP implementation

was direct state intervention in the markets by way of state administrative agencies being directly involved in economic activities and the establishment of joint ventures, between government and the private sector to enter the market (Torii 1997:214). Using the Industrial Coordination Act, as part of measures towards equity ownership restructuring, the government created three major institutions charged with achieving equity restructuring. The institutions were the ***YayasanPalaburanBumiputera***, (YPB, Bumiputera Investment Foundation), the ***PermodalanNasionalBerhad (the National Trading Corporation)***, and the ***AmanahSahamNasionalBerhad***, (PNB National Equity Corporation). The three government agencies were amongst them tasked to compel individual enterprises in the industrial sector to conform to the requirements of the NEP requirements regarding indigenous ownership, and increasing the share of equity ownership held by Malays (Torii 1997:216).

The NEP also saw state intervention covering all sectors of the economy from agriculture and rural development to the commercial and industrial sectors. State intervention in the industrial and commercial sectors in the later stages of the implementation of the NEP was guided by the need to create Bumiputera enterprises and entrepreneurs in the industrial and commercial sectors. Government used licensing as a leverage to get companies seeking manufacturing licences to comply with NEP regulations by allocating shares to the indigenous Malaysians. The shares were then purchased by the National Investment Company for onward selling to Malays as a way of increasing Malay shareholders (Torii 1997:216).

The government extensively intervened in the economy by way of increasing the arena of activities of existing public bodies such as the State Economic Development Corporations (SEDCs), MARA, and Pernas. Over and above conducting their own businesses, these public enterprises also took over existing companies, using their subsidiaries and associated companies. They also set up and managed joint ventures with foreigners and other non-Malays (Torii 1997:219). Government intervention in the economy was prompted by two considerations. The first one was the realisation that Malays were not yet ready to take over equity in businesses for want of capital and the skills to run the businesses. Government thus acted as a proxy for indigenous Malaysians or held the companies in trust for eventual transfer to Malaysians. The other consideration involved stimulating economic growth by directing investments in areas that government deemed necessary to steer economic development in a particular direction, guided by the developmental state theory.

4.4.5. Successes of NEP Implementation

While the NEP affirmative action policies may have failed to achieve 100% of their stated objectives, they certainly improved the lives of the Bumiputera, whatever welfare indicators are used. Notwithstanding the fact that the NEP did not bring about Bumiputera control of the economy as per the intentions of its planners, it did result in the Malay economic presence being strongly felt and recognized in the country (Shamsul 1997:256). The social and economic status of the Bumiputera had evidently changed for the better in the 1990s, after the 20 year time frame of the NEP. The NEP managed to create Malays who are learned and knowledgeable, sophisticated, honest, disciplined, trustworthy, and competent (Mohammad cited in Shamsul 1997:256). This new Malay, according to former Premier Mahathir Mohammad, has now become heads of departments, scientists, actuaries, nuclear physicists, surgeons, experts in the fields of medicine and aviation, bankers, and corporate leaders who are now influential and competitive at home in the region and abroad (Mohammad quoted in Shamsul 1997:256).

4.5.1 Creation of a Bumiputera/Malay Middle Class

Implementation of the NEP resulted in an expanded Bumiputera middle class as well as creating a **Bumiputera *nouveau riche*** class, (Shamsul 1997:250). Visible symbols of upward social mobility on the part of the Bumiputera in the Malaysian capital Kuala Lumpur include vehicle ownership, and owning real estate in urban areas by the Bumiputera. Statistics also bear out this improvement in the social and economic wellbeing of the Bumiputera after the implementation of the NEP-grounded affirmative action policies. The Bumiputera middle class emerged in the rural areas as well, as a result of NEP policies.

4.5.1.1 Increase of Indigenous Malays in Employment and the Professions

From the available statistics, it would appear that employment restructuring as part of the NEP was by and large successfully achieved. As a result of the implementation of the employment restructuring aspect of the NEC, Bumiputera employment in the public services and agriculture now exceeds the demographic share of the Bumiputera, (Shamsul 1997: 220). This means that the share of income from employment enjoyed by the Bumiputera has risen significantly as according to the World Bank, remuneration in the public sector in Malaysia in on average 25% higher than that which obtains in the private sector, (World Bank quoted in Shamsul 1997:221).

In spite of the gains recorded as a result of employment restructuring, Bumiputeras still remain under-represented in some of the best rewarding professions, like the medical field, the accounting field and in architecture, (Shamsul 1997:222). However, going by the rule of natural attrition and population growth, this underrepresentation may well be temporary and should decline as the population ages. Be that as it may, by 1990, for the vast majority of the population, employment restructuring goals had, on the whole, been achieved.

Notwithstanding the underrepresentation of the Bumiputera in these lucrative professions, the representation of the Bumiputera in the eight prized professions increased significantly, thanks to the NEP. The Bumiputera proportion in the eight prized professions increased from a meagre 4.9 percent in 1970 to 29.0 percent in 1990 and 33.1 percent in 1995 and 32.0 percent in 1997 (Shamsul 1997:223).

4.5.1.2 An Increase in Bumiputera Professionals

There was an appreciable increase in the number of Bumiputera registered professionals, with the number increasing from an insignificant 225 (4.9%) in 1970 to 8.571 (25.1%) in 1988. The number of Bumiputera architects increased from 12 (4.3% of the total architects in the country) in 1970 to 192 (21.62%) in 1988. Bumiputera accountants increased from 40(6.8%) in 1970 to 514 (12.09%) in 1988; Bumiputera engineers from 66 (7.3%) to 4,895 (29.44%); Bumiputera dentists, from 20 (3.1%) to 307 (24.12%). Bumiputera medical doctors from 79 (3.7%) to 1,653 (25.86%); Bumiputera veterinarians, from 8 (40.0%) to 206 (33.77%); Bumiputera surveyors, from 108 (29.9%) in 1980 to 300 (34.72%) in 1988, Bumiputera lawyers, from 131(12.8%) in 1975 to 504 (19.67%) in 1988(Abdullah 1997:29). While the improvement in the numbers of Bumiputera professionals was significant, it was still below the government target of 30%, (Abdullah 1997:246).

4.5.1.3 Other NEP Successes

The NEP policies resulted in an increase in the number of Malay businesses. The ownership of corporate wealth by the Bumiputera increased, on the back of the implementation of the NEP-inspired affirmative action policies. The ownership of corporate wealth by the Bumiputera grew from 2.4% in 1970 to 27.2% in 1988, in the wake of the implementation of the NEP. Examples in other areas (improvement of household income, employment rate, poverty eradication) would reflect generally the same pattern of percentage increase (Abdullah 1997:29).

Following the implementation of NEP policies, the Bumiputera share ownership jumped from 1.5 percent in 1969 and 2.4 percent in 1970 during the 1970s until the mid-1980s. Even though the 1971 target of Bumiputera share ownership of 9.0% was surpassed, by 1980, only 12.5% of the corporate sector had been transferred to the Bumiputera, against the targeted 16%. Targets for the subsequent years were also missed with 1985 registering 19.1% as opposed to the target of 23.0%, and 1990 recording 19.3%, 20.6% in 1995 and 19.3% in 1999, (Abdullah 1997:29).

Higher Levels of Malay education and training also resulted from the implementation of the NEP. The NEP in line with one of its major objectives managed to create a community of Malay entrepreneurs. This was done through direct government intervention, economic support as well as through an aggressive training and educational strategy to create much needed professionally trained Malay manpower (Shamsul 1997: 250).The education and training provided as part of the NEP was to enable Malays to take up positions in fields they had not ventured in before. Malays had to be equipped with the necessary skills to assume positions involving “mental production” processes such as bureaucrats, company executives, technocrats, academics, accountants, electronics engineer, information technology specialists, and some such professions which required specialist education and training (Shamsul 1997:250). Government also sponsored a lot of Malay students to study at universities in

Malaysia and abroad as part of efforts to empower the Bumiputera with skills and also to produce skilled graduates to serve the expanding economy.
As a result of the implementation of NEP affirmative action policies, there was an increase in the Bumiputera representation in the student body at the country's tertiary institutions to levels approximating their proportion of the population (Abdullah 1997:29). The Bumiputera population in government-accredited local universities and university colleges was 67 percent in 1985, up from 40 percent in 1970.

The NEP resulted in poverty reduction. At its inception in 1971, the NEP goals as far poverty reduction was that poverty level should be reduced from 49 percent in Peninsular Malaysia in 1969 to 16 percent by 1990. In the wake of the implementation of NEP policies, the poverty rate was reduced to 18 percent by 1984 and 17 percent by 1987 from 40 percent in 1970.

From the national statistics on poverty it can be seen that the incidence of poverty declined from 49.3 percent (official estimate) or 56.7 percent (Anand 1983 estimate) in 1970 to 39.6 percent in 1976, 18.4 percent in 1984 and 17.3 percent in 1987 in Peninsular Malaysia alone. In absolute terms, the number of poor households declined from 791,800 in 1970 to 764,400 in 1976 and further to 483,300 in 1984. At national level the incidence of poverty declined to 6.1 percent in 1997 and 7.5 percent in 1999 (Abdullah 1997: 21).

4.5.2 Reasons for the NEP's Success.

Dr. Mahathir Mohamad passionately argued that it was capital and skill which the Malays needed most to transform their disadvantaged economic condition (Mohamad quoted in Shamsul 1997:242). Government therefore invested heavily in education and training as a way of transforming the economic fortunes of the Malay. At the same time, government instituted economic policies that enabled the economy to grow. This coupled with the skills gained from government's Malay education and training initiatives enabled the Malays to get the capital and skills needed to play a meaningful role in the economy in the process improving their economic lot. The NEP was a form of Malay economic nationalism, at least from the social actors' perception (Shamsul 1997:252).

4.5.2.1 Securing National Support for the NEP

The NEP, like all affirmative policies before it, was always going to face resistance as it sought to change the economic status quo with the possible result that those benefitting from the status quo may lose some of their benefits. Such resistance could take the form of lack of cooperation or outright sabotage, which could result in the failure of the NEP to achieve its objectives.

As part of efforts to get the public buy in for the NEP affirmative action programmes and policies in favour of the Malays, government put these sobering statistics in the public domain (Abdullah, 1997:25).

Publicising statistics showing inter-ethnic economic disparities, persuasion and overt threats of anarchy reminiscent of the 1969 race riots were all part of government tactics to secure the support of the privileged ethnic groups for the NEP. As a result, government secured the economically powerful Chinese support for NEP even if the Chinese merely tolerated the policies out of pragmatism.

On the political front the ruling party incorporated opposition parties to broaden the ruling coalition base, resulting in the governing Alliance later to become the National Front comprising representative parties of all major ethnic groups in the UMNO (United Malays National Organization) together with the MCA (Malaysian Chinese Association) and the MIC (Malaysian Indian Congress). This had the effect of strengthening the hand of the rulers to implement the affirmative action premised NEP (Abdullah 1997:27).

The introduction of a national ideology the *Rukunegara*, an affirmation of a national consensus and commitment to the task of creating a united, socially just, economically equitable and progressive Malaysian nation, also galvanised the nation into supporting the NEP.
Another building block of government's stick and carrot approach in getting stakeholders to support the NEP was its assurance that the NEP and its associated affirmative action programmes were predicated on an expanding economy. This was meant to dispel fears of a property grab approach where companies and wealth would be expropriated and distributed to the Malays. The Second Malaysia Development Plan, part of successor policies deriving from the NEP explicitly stated this,:

> *The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysians …. And the government will ensure that no particular group will experience any loss or feel any sense of deprivation. (Government of Malaysia, quoted in Abdullah 1997:27).*

So without growth, the NEP would be held in abeyance. This showed government's flexibility and pragmatism in implementing the NEP. Government demonstrated its sincerity to abide by the undertaking to suspend NEP if the economy failed to grow by relaxing the equity requirements of the NEP legislation in 1980 when the country experienced recession (Abdullah 1997:28). It is such tactics and strategies that enabled the government to avoid turmoil and disruptive resistance in the implementation of the NEP affirmative action policies.

4.5.2.2. NEP Covered All Aspects of Society

Realising that the economy is a product of the sum total of the social activities that members of society are involved in, the NEP sought to influence society as a whole and come up with an economic and social being influenced by the NEP to avoid dissonance between the economic person and the other social being. The NEP therefore exerted major influences not only on Malaysia's economy but on Malaysian society as a whole. Pursuant to the vision of NEP thinkers to influence the totality of Malaysian society, policies in such non-economic areas as education, language, culture, and religion were crafted and implemented in close relationships with the NEP (Torii, 1997:2009). This played a pivotal role in ensuring the seamless implementation and acceptance of the NEP's main economic agenda.

4.5.2.3 Attracting Foreign Investment as Part of NEP Implementation

The government also went out of its way to attract foreign investment as part of the process of implementing the NEP. The courting of foreign investment was premised on the government's view that for NEP to be successful, the economy had to grow so that there would be a much bigger economic pie for all to share. This was part of government's promise to the privileged ethnic groups that they would not be deprived in order to give to the Malays, so if the economy did not grow, implementing NEP would result in some ethnic groups feeling a "sense of deprivation in the process" (Government of Malaysia 1973 quoted in Torii 1997:219).

To attract foreign investment, the government introduced the Investment Incentives Act of 1968, and the Free Trade Zone Act 1971, with a package of incentives for investors. It was also important to attract foreign investment to fulfil one of the NEP goals to move Malay labour from the rural industries such as fishing and farming traditionally associated with the Malays into the modern industries and professional jobs. However, for the manufacturing sector to be able to absorb this huge labour force coming from the countryside, it needed to be strengthened first, and bringing foreign investment would strengthen the sector (Torii 1997:220). Malaysian Prime Minister Mahathir also came up with the concept of "Malaysia Incorporated", based on the idea of business and government collaborating in the economic affairs of the country. These readjustments to the NEP programme were in response to the recession that hit Malaysia in 1984. This government flexibility in the implementation of the NEP was part of the reasons the policy recorded some successes.

4.5.2.4 Support for NEP by all Stakeholders in Malaysian Economy

Government had to get the support of all stakeholders in the economy for the NEP measures to succeed. Government used both coercive and persuasive measures to get the support of all stakeholders for the NEP including the Chinese entrepreneurs who benefited the most from the status quo. For instance, government used overt threats by insinuating that rejecting the NEP could spark race riots similar to the 1969 ones because of political inequality. In the event of such chaos, the ethnic groups with the biggest stake in the economy stood to lose the most, so it was in their interests to co-operate in a policy meant to forestall such a possibility.

Government also embarked on a charm offensive to drum up support for the NEP policy. The campaign in support of the NEP included enlisting the services of neutral third parties to present objective analyses of issues of ethnic economic disparities. The aim was to get the third parties to highlight the social and economic backwardness of the Malays ***vis-a-vis*** other ethnic groups, thus getting public sympathy for NEP measures meant to cure such backwardness. One of the third parties enlisted by government was Professor Just Faaland, head of the Harvard University Advisory Service in Malaysia in the late 1960s and early 1970s. In his analysis of issues of ethnic economic differentials he highlighted that "the Bumiputera (Malay) who constituted more than half of the population had not benefited proportionately from the growth in the economy from independence to the 1969 race riots. He further presented a wide array of social and welfare indicators which showed economic and social disparities in Malaysian society skewed against the Malays.

Faaland's analysis and observations were reinforced by the release of statistics by government showing the racial inequalities in many areas of Malaysian public life. For example, statistics put in the public domain showed that in higher education, the University of Malaya's enrolment record for the 1962/63 session, students of Malay stock constituted a mere 20% of the total number of students in all faculties and comprised only 4.6% of students in the Science and Engineering Faculties (Abdullah 1997: 20).

4.5.2.5 NEP Affirmative Action Policy Failures

Like most policies implemented the world over, Malaysia's NEP affirmative action policies had their own share of failures and unintended consequences. Such failures, just like the successes can serve as lessons to those countries seeking to address similar problems by instituting similar programmes like the NEP.

4.5.2.6. Creation of a Bumiputera/Malay Proletariat

The NEP and its focus on economic growth created a Malay proletariat left to their own devices at the mercy of multinationals**.** As a consequence peasant agricultural labourers benefited very little, if anything from, the NEP. If the lot of the agricultural labours improved during the implementation of the NEP, the improvement can be put down to other extraneous reasons, for instance the fact that full employment or productivity increases may have raised their wages, as opposed to it being a consequence of NEP poverty eradication measures. Like their counterparts in the agricultural labour sector, similar rural labourers like estate workers, mine workers and contract labourers employed in public works and land development were similarly ignored by the NEP. They did not benefit from the implementation of the NEP affirmative action policies. The managers of the NEP had little time for this proletariat class ___they remained obsessed with and favoured the rich Malay corporate players and the new Malay middle class (Shamsul 1997:252).

The NEP did not commit government to the reduction of income inequality outside of the reduction of such inequality between ethnic groups. This means that inequality in Malaysia may actually have worsened, even as the economy registered impressive growth.

4.5.2.7 The NEP Created Political Entrepreneurs

The NEP policy created empowerment speculators or "Ali Babas" trading in state contracts and licenses (Cargill 2005 quoted in Butler 2007:7). It bred rent seeking behaviour and its dependence on government favours among the Malay elite. Using their privileged status as beneficiaries of the NEP, the Bumiputera with political connections in the ruling UMNO would secure government contracts, but lacking the skills to execute the projects would subcontract to Chinese companies. For winning the contracts which were eventually carried out by the

Chinese, the Bumiputera received a certain percentage from the Chinese, for doing literally nothing. This created rentier capitalists or political capitalists, not genuine entrepreneurs within the ranks of the Malay ***nouveau riche*** class. (Shamsul 1997:248). This phenomenon was encapsulated in the popular political folk philosophy ***"jadiahli politik untukbuatduit"*** (literally, be a politician to make money), which became popular among the Malay (Shamsul 1997:248). Hence, capital accumulation under NEP was determined by 'know who' (political connections or influence), rather than 'know how' (entrepreneurial ability or capabilities (Gomez and Jomo 1999, quoted in Shamsul 1997:230).

This burgeoning abuse of ethnic privileges, particularly prevalent among the politically well-connected, may well have produced the cultural alienation and Islamic resurgence noticeable in the last three decades, wherein dissent among Malays has increasingly been expressed in an Islamic idiom (Jomo and Hui 2007:2).

While this may not be very pronounced if juxtaposed against the overall benefits of the NEP, some of the NEP affirmative action measures bred resentment by those who felt deprived by such policies. Such resentment led to emigration, capital flight and ethnic mobilization at various times, (Jomo and Hui 2007:2)

4.5.2.8 NEP Resulted in Intra-Ethnic Inequality Widening

Even though affirmative action policies greatly reduced economic disparities between ethnic groups, it would appear that at the same time intra-ethnic divide also seems to have greatly increased, especially among Malays, who were meant to be the main beneficiaries of inter-ethnic redistribution measures (Jomo & Hui 2007:2). Income distribution in Peninsular Malaysia may actually have worsened, with the rich becoming richer and the poor getting poorer in all ethnic groups, especially among the Malays (Shamsul 1997:230).

4.5.2.9 NEP Fuelled Inter-ethnic Resentment

While the NEP probably reduced some ethnic Malay resentments of Chinese economic success by accelerating the advance of Malay middle class and business interests, it may well also have generated even greater Malay expectations of their rights, entitlements and privileges under the Malaysian sun, thus inadvertently fuelling inter-ethnic resentment at the same time.

4.6 Conclusion

By and large, Malaysia's NEP affirmative action policies were successful, to the extent that they managed to meet most of the set targets. The success of the NEP policies were down to a variety of factors ranging from the fact that in a less globalised environment when the NEP was being implemented, policy makers had more control of economic factors in the country. It would also appear that the policies were well thought out and the policy planners were willing to tweak the policies to take into account changing circumstances.

The rapid economic growth, structural change and industrialization achieved by post-colonial Malaysia, on the back of NEP-backed policies particularly for the years spanning from the 1970s to the 1990s, have resulted in Malaysia being cited as a leading exemplar of ‘growth with equity’ (Shamsul 1997:230).

4.7 Chapter Summary

The chapter outlined examples of affirmative action or economic empowerment that were implemented in other countries, namely South Africa and Malaysia. The historical background of the socio-economic conditions giving rise to the affirmative action empowerment programmes was presented. The historical circumstances giving rise to the need to institute the affirmative action programmes in the 2 countries are similar to those that obtained in Zimbabwe necessitating the implementation of the Indigenisation and Economic Empowerment Programme. The nature of the policy response to the socio-economic problems that prevailed in the countries were also outlined. While the policy responses may not have been carbon copies of each other, it was noted that they both were informed by the same theories of redistributive justice, which also informed the Indigenisation and Economic Empowerment Programme.

The successes and failures recorded by the programmes were outlined. The reasons or conditions for the failures and successes were also outlined. The nature and implementation of the affirmative action programmes in the two countries were also scrutinised with a view to draw lessons for the Zimbabwean version of the affirmative action.

The chapter contributed to the aims of the research in that it presented case studies of countries where programmes similar to the one under study have been implemented. This provided the research project with valuable lessons on how to make the programme a success in implementation. It also provided lessons on how to improve the structure of the programme. The likely negative consequences of implementing the programme as learnt from the two case studies were also unearthed. This should help policy makers to prepare for, or altogether avoid such negative consequences that may be caused by implementing the programme.

As is illustrated at Table 15 empowerment programmes are prompted by economic disparities, usually inherited from previous governmental discriminatory practices. Whilst legislation is important in the implementation of empowerment programmes, getting the buy-in of all stakeholders through consultation and persuasion are key to the success of empowerment programmes. It is also very important that in implementing empowerment programmes, authorities avoid destabilising the economy as one of the ways to ensure success of the programmes. Countries that want to implement empowerment programmes must watch out for elite enrichment, fronting, creation of political entrepreneurs and racial divisiveness or resentment as some of the possible negative consequences of implementing such programmes.

Table 15: Summary of Main Findings in Empowerment Programmes Implementation

Country	**South Africa (Pre-Democracy)**	**South Africa, (Post-Democracy)**	**Malaysia**
Empowerment Programme	**Afrikaner Economic Empowerment, (AEE)**	**Black Economic Empowerment, (BEE)**	**New Economic Plan, (NEP)**
Problem Giving Rise to Programme	Racial Economic Inequality-Afrikaner Poverty/economic marginalisation	Racial Economic Inequality-Indigenous (Black) South Africans economic marginalisation	Racial Economic Inequality, -Indigenous Malay economic marginalisation
Programme Characteristics	• Job reservations • Preferential procurement • Collaboration with educational institutions •	• Score cards • Equity in companies • Preferential procurement	• Equity restructuring • Employment affirmative action • Affirmative action in education and training
Implementation Strategy	• Legislation • Persuasion	• Legislation • Threats/persuasion	• Legislation • Persuasion
Criticisms	• Racial divide	• Tenderpreneurs,(political entrepreneurs) • Inequality on class line • Fronting • Elite enrichment	• Alibabas (political entrepreneurs) • Inter-ethnic resentment

		• Racial resentment • No stakeholder buy-in	• Intra-ethnic inequalities
Successes	• Afrikaner Poverty reduction • Afrikaner employment • Afrikaner middle class • Afrikaner entrepreneurs • Afrikaner intellectuals • Elevation of Afrikaans language	• Black middle class • Black entrepreneurs • Programme did not disturb stable economic environment	• Educated Malays • Malay professional • Malay entrepreneur • Malay middle class • Jobs for Malays • Education and training expansion • Economic growth

CHAPTER FIVE: ASSESSMENT OF THE INDIGENISATION AND ECONOMIC EMPOWERMENT PROGRAMME, (IEEP)

5.1 Introduction

Chapter 5 will look at the pros and cons of implementing an economic empowerment programme. The advantages and disadvantages of implementing an economic empowerment programme will be discussed as informed by the findings in respect of literature on the concept and the lessons learnt from countries that have implemented similar programmes in the past. The Zimbabwe programme will be compared with similar programmes implemented in other countries.

5.2 Theories Justifying Social Transformation Policies like the IEEP

Affirmative action by definition entails giving preferential treatment to members of a designated group, over other members of society. Precisely because of this, affirmative action will invariably generate controversy and intense, passionate debate (Guan 2005:211). Zimbabwe's IEEP is no exception and as such it has had its fair share of controversy and passionate debate. As expected the people who benefit from the status quo are the ones stridently opposed to the programme. However, the opposition to the programme does not necessarily mean that it is all a bad programme as experience with similar programmes elsewhere has shown.

As Zimbabwe's Indigenisation and Economic Empowerment Programme (IEEP), aims to radically alter the economic status quo, it is to be expected that implementing the IEEP will not be smooth sailing. It is expected that there will be resentment and opposition from the non-indigenous Zimbabweans because of what they consider to be an assault on their economic interests or a hindrance to their economic progress.

The world over, inter-ethnic economic disparity will always produce a sense of jealousy and discontent, inter-racial jealousy and suspicion. In Zimbabwe the IEEP is being implemented as a continuation of the unfinished decolonization process. It was the feeling among the previously disadvantaged that the continued dominance of the economy by foreigners and the descendants of white settlers constituted unfairness and injustice.

In post –independence Zimbabwe, there was broadly a division of the population into a group of those whose members (indigenous Zimbabweans), had political power but very little economic strength and another whose members possessed economic strength but very little political power, (white Zimbabweans). In the Zimbabwe political economy, the blacks were in control of politics and the whites were in control of the economy. In fact many white

Zimbabweans were often heard to remark after independence why a war had to be fought if all that the blacks were longing for was just political power.

As the Malaysian experience of the 1969 race riots showed, after long years of pent-up feelings of jealousy and perceptions of unfairness, inter-racial economic disparity may be a source of social instability. It is therefore imperative to have affirmative action in order to create a more equitable society, to avert social instability.

Friedman (1992) defines empowerment as a process of increasing the participation of marginalised groups in the economy (Friedman cited in Chowa and Makuvare 2013:3). The IEEP in Zimbabwe seeks to promote the participation of the historically disadvantaged indigenous Zimbabweans in the mainstream economy. To achieve this, the IEEP pursues a socio-economic transformative agenda.

While the IEEP can be put in the same bracket as resource nationalism-inspired policies and programmes, like most such policies and programmes, it seeks to bring about long – term structural and societal change in the country. The IEEP especially reflects a social transformation agenda similar to policies and programmes implemented in countries with historical inequalities like South Africa, Namibia and Malaysia, (Friedman cited in Chowa and Makuvare 2013:3).

The IEEP can also be understood from a social policy perspective. Social policy refers to the actual policies and programmes of governments whose main aim is to enhance the well-being of the population (Hall & Midgley 2004, quoted in Patel and Graham 2012: 195). The IEEP can therefore be interrogated and assessed to establish how it can be a tool to improve the welfare of the previously marginalised indigenous Zimbabweans and the freedom that these indigenous people may enjoy in a more inclusive society as envisaged in Sen's (2009) idea of justice. Questions that need to be asked of the programme include whether or not the IEEP can lead to genuine social change in terms of broad-based ownership and reduced poverty and inequality?

As far as the making of social policy is concerned, Marxist theorists contend that "the group with the most power in the system to shape the way in which social policy develops is the business community" (Baldock 2007: cited in Patel and Graham 2012: 195). In the event of conflict in the making of social policy, they argue that social policy will lean towards economic interests.

The pluralist theorists on the other hand argue that the political system which social policy evolves is open to influence from varied sectors which include labour movements, business organisations and civil society groups. The social policy that eventually comes out of the interaction and negotiation among all these social groups will therefore represent the needs of the majority of the citizens (Patel and Graham 2012: 195).

In the world of real policy making however, the power to determine policy is in most cases not as widespread as the pluralist theorists hold out. It is also not monopolised by economic interests as proposed by the Marxist approach.

Yet another school of thought, the elite approach holds that policy making is influenced by policy networks which networks are profoundly shaped by a group of influential individuals or elites in a society. It is the values and common assumptions shared by the elite that will be reflected in social policy (Patel and Graham 2012: 195).

While the corporatist approach is generally in agreement that social policy is shaped by a society's elite, proponents of the theory hold that this elite of society is not as culturally integrated and homogenous as imagined. Social policy is therefore generated through the 'corporatist structure of power in modern industrial societies' (Baldock 2007 in Graham and Patel). According to the corporatists the key groups in the social structure responsible for social policy are business, trade unions and the state. In the interaction to determine social policy, the state plays the role of mediator to mediate the tension between the other groups ***viz*** business and working class interests.

The Marxian view is that the interests of capital always prevail and always have a profound influence on social policy. This would explain the withering criticism that the IEEP in Zimbabwe in its current form has received from representatives of capital, meant to influence government to tone down the programme and make the policy less radical.

The IEEP is generally framed within the dominant neoliberal economic thinking that characterises Zimbabwe's economy. The only disagreement is in relation to the levels of equity that the IEEP legislation requires established businesses to surrender to indigenous Zimbabweans. This explains why all stakeholders are agreed about the spirit and need for economic indigenization, but there are spirited efforts to get the indigenisation threshold lowered so as to protect the interests of established corporations and also not compromise the economy's global competitiveness and growth. The economic policy underpinning the IEEP remains firmly neoliberal.

The elite approach provides a framework within which to understand how the IEEP has been shaped by well-connected individuals in the ruling ZANU PF party. The IEEP has largely been crafted by the elite in ZANU PF within the neoliberal economic framework. The elite in ZANU PF crafted the IEEP to advance their interests. This explains the programme's over-emphasis on the transfer of equity to the indigenous people set at a very high and unprecedented 51%. Having had the IEEP tailored to meet their economic interests, the elite in ZANU PF have been able to take advantage of the programme and have thus positioned themselves strategically to benefit from it.

In theory, if policy were to be developed in line with the pluralist framework, a broader base of partners might have their interests represented. However, broader civil society in Zimbabwe has been considerably weakened, especially in its capacity to lobby government to protect the interests of the poor and vulnerable. The Zimbabwean government has managed to de-legitimise those critical of its policies by labelling them agents of imperialism sponsored by the West to criticize ZANU PF's nationalistic government. The emasculation of civil society organisations in lobbying government in policy formulation has left the elite within ZANU PF with the free reign to influence policy in their favour.

In consequence, it can thus be reasonably concluded that socioeconomic policies in Zimbabwe such as the IEEP are in the main shaped predominantly by ZANU PF elites' business and political pressures and interests. However, the interests of the marginalized may yet be taken on board in the making of socioeconomic policies as the ZANU PF government may want to project themselves as champions of the interests of the majority of the population. ZANU PF can do this through the use of populist programmes and policies which, even though they may be hijacked by ZANU PF elites, may trickle down to benefit the vulnerable and socially excluded.

The civil society in Zimbabwe has further been discredited by the fact that it is largely populated and controlled by the "hungry left", who in essence are wealth/job seekers who seek to live off championing the rights of the poor. These drivers of civil society in Zimbabwe are not sincere in their pursuit of justice for the poor. They are wont to use their leadership of civil society as a means to their selfish political ends. The Movement for Democratic Change (MDC) party was born out of a coalition of civil society organizations, but when the party joined ZANU PF in a coalition government, they were seen to jettison the pro-poor agenda.

5.2.2 Are Affirmative Action Policies Justified?

In countries with historical exclusion of the majority from the mainstream economy through the use of legal and policy instruments, like in South Africa, Zimbabwe and Namibia, the question that confronts policy makers is what is to be done, to correct such exclusion? Is it enough to simply level the playing field? Removing the legal and policy restrictions that hindered the participation of blacks in the mainstream economy and then leaving them to their own devices is not enough. It would take forever for the previously legally restricted blacks to catch up with their previously privileged white counterparts.

Affirmative action policies are meant to help the previously disadvantaged groups to catch up, and start playing on the same field with those groups who were not affected by factors that disadvantaged the beneficiary groups. Affirmative action or positive discrimination policies and programmes are a way of correcting and atoning for past injustices by giving some preferential treatment to the previously disadvantaged groups. Affirmative action policies and programmes are a form of compensatory justice (Business Council of Zimbabwe 2011 :). In South Africa, the implementation of BEE policies and programmes has led to claims of the policy creating a "victim class" of whites overlooked for employment/promotion in favour of blacks and even charges of BEE constituting "racism in reverse" (Mbatha quoted in Butler

2005:1). Proponents of such arguments have instead argued for the establishment of a level playing field so that blacks could compete on an equal footing with whites. However, this argument is a facade for the perpetuation of inequality, as in reality, the blacks and whites are not even on the same economic playing field, so levelling the playing field would merely perpetuate the inherited inequality, (Sachs cited in Butler 2010:1). In colonial Rhodesia just as in apartheid South Africa and Namibia, the exclusion of blacks from the mainstream economy was deliberate, totalising, systematic and systemic. Affirmative action is therefore imperative for the creation of equity and justice and it is a way of creating a real level playing field (Butler 2005:1).

5.2.3 Trickle-Down Economics versus Affirmative Action in Reducing Inequality

As the cases of Malaysia and South Africa demonstrated, there is need to correct economic anomalies in countries with a history of deliberate discrimination against some citizens. Affirmative action is necessitated by a realisation that the group targeted to benefit from such action is indeed lagging behind in terms of employment opportunities, educational opportunities or economic opportunities in general. However the vexed question always remains, what is the best route to intervene to solve the problem?

Merely removing the barriers to economic inclusion and expect the previously disadvantaged to catch up on their own is not enough (Butler 2005:13). Affirmative action policies and programmes are necessitated by the realisation that the effects of trickledown economics cannot solve the problems created by the discrimination suffered by the groups targeted to benefit from such affirmative action. Levelling the playing field without attempts to support the previously disadvantaged to be at least at the same level with their privileged countrymen may thus not be enough. Affirmative action policies and programmes like Zimbabwe's IEEP are therefore necessary to ensure that the previously disadvantaged groups can catch up and start to operate at the same level with their countrymen who enjoyed privileges in the past.

5.2.4 Economic Indigenisation Justified Because Indigenous Entrepreneurs are Patriotic

In the majority of countries in the developed world, the corporate world is dominated by indigenous firms. Among the many advantages of having a country's economy dominated by local entrepreneurs is the issue of patriotism. As Zimbabwe's experience soon after independence showed, foreign owned companies have no patriotic commitment to a country and their decisions are guided strictly by business considerations. This will mean that companies may externalise profits to the disadvantage of the host country. Apart from capital flight, companies may sabotage a country's economy if they do not agree with the policies being pursued by the host country. A case in point is Zimbabwe itself where the implementation of the country's fast track land reform programme saw companies pulling out of the country, unhappy with the land reform policy.

It is for such reasons that every country needs to have a national bourgeoisie who will partner the country's political leadership in the development of the country's economy.

Another advantage of having a large indigenous base of corporations across the whole value chain is that during downturns in business cycles, they are less likely to disinvest, and particularly less likely to relocate the highest value employment creating parts of the value chain offshore. These are the parts that give you meaningful employment without question (Fuyane 2013:10).

5.3 Empowerment Programmes Have Succeeded Elsewhere.

The ensuing subsections outline examples of countries where programmes to economically empower previously disadvantaged groups in society have been successfully implemented. The empowerment of whites in Rhodesia, the empowerment of Afrikaners in South and the empowerment of indigenous Malays in Malaysia are cited as examples of success in economic empowerment programmes.

5.3.1Examples of Successes of Empowerment Programmes and Policies

To buttress the argument in favour of the efficacy of affirmative action policies in levelling the playing field, there is evidence of the success of such policies and programmes in helping the previously disadvantaged catch up in socio-economic development. Affirmative action policies have been implemented with success in helping the previously disadvantaged groups catch up in socio-economic development in South Africa in respect of Afrikaner empowerment, in Rhodesia in respect of the empowerment of white Rhodesians and in Malaysia in respect of the empowerment of the indigenous Malays.

5.3.2 Empowerment of the Whites in Rhodesia

In colonial Rhodesia, empowerment policies and programmes created some of the world's best tobacco farmers, who dominated tobacco farming well into independent Zimbabwe. The Rhodesian economy was the second biggest and most sophisticated in Sub-Saharan Africa after South Africa, thanks in large measure to the colonial government's policies aimed at empowering and nurturing white entrepreneurs (Zhou 2010:15).

The examples of success of empowerment programmes are testimony to the efficacy of empowerment programmes in helping the previously disadvantaged groups play catch up in socio-economic development. The IEEP being implemented by the government of Zimbabwe is, in principle, the right way to go to achieve poverty reduction among the indigenous people, bringing about a national bourgeoisie and generally increasing the incomes and thus the living conditions of the targeted indigenous Zimbabweans. It is the implementation that has got to be correct if the programme is to register success like the similar programmes implemented in other countries.

5.3.3 BBBEE in Post-Apartheid South Africa

In the wake of South Africa's democratic dispensation in 1994, the ANC government introduced the Black Economic Empowerment programme with a view to accelerating the participation of the previously disadvantaged blacks in the economic mainstream. While the programme is still work in progress, there has been a discernible increase in black South Africans' participation in the economy.

5.3.4 Afrikaner Empowerment in South Africa, AEE

The implementation of affirmative action policies and programmes for Afrikaners at the work place had the effect of alleviating poverty in the urbanising Afrikaner proletariat. It also resulted in an increase in the income of the Afrikaner workers. This spawned an Afrikaner middle and upper class as well as a class of Afrikaner entrepreneurs (Masito 2007: 28). The problem of white poverty, which was a predominantly Afrikaner problem was wiped away, thanks to the Afrikaner empowerment programmes. In industry and commerce, there was a marked increase in the number of businesses and enterprises with Afrikaner connections. So when all is said and done the Afrikaner empowerment programme succeeded in empowering the Afrikaner economically as was intended by policy makers

5.3.5 Indigenous Malay/Bumiputera Empowerment in Malaysia, NEP

The NEP affirmative action policies and programmes in Malaysia resulted in positive socio-economic gains for the indigenous Malaysians, the Bumiputera in Malaysia**.** The socio-economic gains made by the indigenous Bumiputera in an environment of rapid economic growth achieved by post-colonial Malaysia, on the back of NEP-backed policies particularly for the years spanning from the 1970s to the 1990s, have resulted in Malaysia being cited as a leading exemplar of 'growth with equity'(Shamsul 1997:230).

5.4 Possible Impediments to the success of the IEEP

In the subsections that follow, the problems that could work against the success of the IEEP will be discussed.

5.4.1 Current Global Economic Integration May Stall Indigenisation

Unlike Malaysia's NEP indigenization programme, Zimbabwe's IEEP is being implemented at a time when the world's economies are heavily integrated. This extensively limits the ability of states to chart their own economic developmental policies independent of global economic happenings, (Southall 2006). In that regard Muzondo and Mpanju (2006) are of the view that extrinsic factors such as competition from cheap imports from China and India could impact negatively on the viability of business concerns and thus adversely affecting the implementation of the IEEP. The advent of the so-called global village has seen a lot of economic integration in the world where goods and services can be easily exchanged and as a result competition between nations has increased enormously. This means that the indigenous people who benefit from the IEEP have to be very competitive to compete with other world economic players.

Now that the world has become an economic global village, if the IEEP produces crony capitalists, the country's competitiveness on the world's economic arena will be adversely affected. As noted in the empowerment of the NEP in Malaysia which produced "Alibaba" crony capitalists and in South Africa where the BEE produced ***"tenderpreneurs"***, one of the negative results of empowerment programmes is the production of pseudo capitalists who have no entrepreneurial capacity but abuse their status as beneficiaries of empowerment programmes to make money.

5.4.2 Absence of a Work Culture Supportive of Entrepreneurial Ventures -Confucianism versus Jambanja

It has been argued that one of the reasons behind the success of the East Asian Tigers' developmental state is the dominance of the culture of Confucianism within the Asian societies. "Confucianism is based entirely on kindness, mutual respect, and an appreciation for character virtues. It is founded on the belief that society can flourish only when people learn to interact positively with each other," Shamsul 1997: 231). Commentators have argued that such a culture predisposes the Asians to a work ethic that is conducive to economic success, as the culture itself emphasises commitment to a common social good, thus mobilising citizens to work towards commonly shared goals. This is in contradistinction to the culture of ***Jambanja*** which seems to have taken root in Zimbabweans. ***Jambanja*** is a Shona word which refers to a culture of individuals insisting on having their way by hook or crook, including the use or threat of using violence. This culture started during the fast track land reform programme whereby white farmers were forcibly removed from their farms and had their other property grabbed by indigenous land invaders. As a result of employing ***Jambanja***, some indigenous people have become rich. This has set an example to others that you need not necessarily engage in productive work to be rich, thus ***Jambanja*** has mutated to include not just forcibly grabbing property but general use of dishonest means to get rich. This is all seen as part of efforts to take back our wealth from colonial oppressors who stole the wealth from our forefathers. Such a culture would work against the success of the IEEP as it would engender a culture of not working within the population.

Other aspects of local culture or practices may also work against business thus militating against the success of the IEEP. For example a culture of exhibitionism where entrepreneurs borrow to finance a lavish life style and flaunting their wealth is not in tandem with the requirement to be productive which is required for the IEEP to succeed. There is also a culture of entitlement among the beneficiaries of the IEEP where they think that they should not pay bank loans given to them as it is part of their entitlement as a way of correcting past colonial injustices. It has been reported that there was a high rate of defaulting on repaying loans advanced to the youth as part of the IEEP (Government of Zimbabwe 2014).

A "Pull Him Down (PHD) syndrome" whereby fellow indigenous people motivated by jealousy would work tirelessly to ensure the downfall of indigenous entrepreneurs may also work against the success of the IEEP. Such an attitude by locals could mean that the indigenised businesses may enjoy little support from locals. However, the reluctance to support fellow indigenous entrepreneurs could be a result of shoddy workmanship that is sometimes associated with indigenous entrepreneurs. This will definitely affect the companies and their products' competitiveness in a globalised economy (Zhou 2013).

5.4.3 Lack of Credible Comprehensive Statistics on Economic Performance and Company Ownership

Statistics are very important for policy making or policy changing or refining. Policy makers rely on statistics to make appropriate policy interventions in society. In Zimbabwe, statistics on company ownership is not readily available. The definition of indigenous person makes it fall outside of those areas where statistics have been traditionally collected.

Statistics will be vital for monitoring and evaluation purposes to enable IEEP to track progress or lack of it in the implementation of the IEEP or its impact on communities, on the economy etc. In Malaysia, during the implementation of the NEP, the yearly economic plans that formed part of the NEP implementation were based on statistics on how the implementation of the policy was going and leaders' relevant responses to the information provided by the statistics.

It is therefore important that Zimbabwe's National Statistics Agency (ZIMSTAT) be capacitated and mandated to start collecting and providing statistics related to the implementation of the IEEP.

5.5 Criticisms of the IEEP

In the following subsections, the weaknesses of the IEEP will be discussed.

5.5.1. Lack of National Consensus

Unlike the UMNO, Malaysia's dominant ruling party during the implementation of the New Economic Policy, and to a lesser extent the ANC in South Africa, Zimbabwe's ruling ZANU PF party launched the IEEP at a time when its control of the country was at its weakest. There was no national consensus on the IEEP. In the era of the inclusive government between the MDC and ZANU PF there were sharp disagreements between the governing parties over the programme. This will negatively affect the programme implementation as there is no national consensus regarding the implementation of the programme.

5.5.2. IEEP Scaring Away FDI

Since the Indigenisation and Economic Empowerment initiative was launched there has been a discernible pattern whereby foreign investors have been shunning Zimbabwe and preferring other countries in the region, (Zhou S. 2013:2). According to Muzondo and Mpanju (2012) since 2010 when the IEEP was launched FDI in Zimbabwe has remained suppressed and far below those of its once economically weaker and smaller neighbours such as Botswana, Mozambique, Namibia and Zambia.

It has also been noted that faced with programmes that make investment unattractive like the IEEP in this era of globalisation, companies may opt for the 'exit option to shift their investments to less restrictive markets' (Iheduru, 2008:333), should the burden of satisfying social transformation agendas become too onerous.

5.5.3. Affirmative Action through IEEP Weakens Economy's Competitiveness

If not handled properly, ethnic preferential programmes and policies may weaken the economic competitiveness of the country (Guan 2005:213). The IEEP through its preferential treatment of indigenous Zimbabweans could create a culture of dependency among the indigenous Zimbabweans. This culture of dependency could hinder the development of an economically competitive Zimbabwean business community. This is because the indigenous Zimbabwean entrepreneur would need not work as hard as other ethnic groups in the country as they would feel assured of a 51% stake in companies without having to do much to earn the stake. Such fears were expressed in Malaysia in regard to the preferential treatment that the Bumiputera received in the Malaysian economy (Guan 2005:13). However, in the modern era of economic globalization where neo-liberal thinking, and free market competition rule, the Zimbabweans must be able to hold their own in the world market without any crutches. The global world economy has no provision for indigenisation quotas.

5.5.4. The IEEP Promotes Fronting and Corruption

The lack of skills by would-be beneficiaries of the IEEP may also lead to the practice of fronting for foreigners or some such rich people who do not qualify to benefit under the IEE programme. This practice was observed in South Africa and it has the effect of defeating the whole purpose of affirmative action. In Malaysia, the Bumiputera would get government contracts under the NEP affirmative action and pass on the contracts to the well-resourced and qualified Chinese in return for some money. This phenomenon led to the coining of the ***"Ali Babas"*** phrase to refer to such middle men entrepreneurs in Malaysia, or ***"tenderpreneurs"*** in South Africa (Southall 2005, Shamsul 1997).

According to the corporatist approach, the IEEP was crafted with a lot of influence from the elites in ZANU PF. The implementation will therefore be done in such a way as to protect and advance the interests of the elites in ZANU PF. The said elites would therefore influence the institutions of state that are charged with implementing or policing the implementation of the IEEP. Institutions like the police, the judiciary and the Anti-Corruption Commission are therefore compromised and cannot work against the interests of ZANU PF elites. These fears seemed to be borne out by allegations of corruption in the implementation of the IEEP where it was alleged that there was impropriety in the way the Community Share Ownership Schemes in various mining districts were handled and the way the indigenisation of the mining giant Zimbabwe Platinum, (ZIMPLATS), a subsidiary of South African mining firm Anglo

Platinum, was handled. The Minister, then responsible for implementing the IEEP, Saviour Kasukuwere, is alleged to have appointed a company to oversee the process without going to tender as required. It was also alleged that he may have had interests in the company (Financial Gazette 2013:9). ZANU PF aligned ministers in the then inclusive government comprising the MDC and ZANU PF vigorously opposed efforts by the Anti-Corruption Commission to investigate the allegations. The fact that the investigations just stalled with no arrests made may lend weight to the view that the IEEP has been hijacked by the elite in ZANU PF to serve their interests.

5.5.5. Government Should Encourage Local Entrepreneurial Initiatives not IEEP

Some commentators have argued that it is better and it brings more sustained and entrenched economic growth if instead of grabbing already existing companies, locals are encouraged to found their own companies. Spies (2004) maintain that race based affirmative action policies encourage a culture of entitlement that ultimately undermines initiative, and the spirit of enterprise self-confidence and self-reliance, among the indigenous people (cited in Zhou 2013; 29).

Fuyane (2014:13) contends that the IEEP is but a market destabilising political tool, one which is unlikely to solve Zimbabwe's most pressing and persistent problem - the problem of inequality and lack of sustained economic growth. He argues that similar programmes have not met with much success in other countries. This research, however, rebuts such an assertion, as similar programmes have been seen to be successful in other countries.

Fuyane argues that the best way to indigenise an economy is by way of encouraging and empowering indigenous people to found and own their own corporations. He uses the example of the USA where the biggest corporate companies like Apple Inc., Exxon Mobil, Berkshire Harthaway, Wal-Mart, General Electric, Microsoft, IBM, Chevron, are all American founded, owned and controlled. A similar trend prevails in Japan where the largest corporations list includes household names such as Toyota, Nippon, Hitachi, Nissan Motor, Honda Motor and Sony. The exact same trend repeats itself in South Korea by whatever measure be it market capitalisation or revenue with the likes of Hyundai, Daewoo, Hankook Tyres, Samsung, the LG Group, Huawei, etc. In all these countries, local investors started their own enterprises then attracted funding, both locally and offshore (Fuyane 2014:14).

5.5.6 IEEP is a Populist Programme

Critics have argued that Zimbabwe's IEEP is a classic case of a populist policy which can only have disastrous consequences for the national economy and for democracy. The IEEP puts emphasis on "grabbing" equity in established firms, a move akin to nationalisation.. Therefore, correcting the inherited inequalities of colonialism should not be simply about promoting the efficient allocation of resources; it should also be about promoting political stability, good long-run policies, and guaranteeing that democracy endures in the country (Acemoglu et al 2007:1). The emphasis should be shifting from grabbing equity in companies towards full-time involvement at operational level, where value adding and skills transfer can take place. Thus, the equity control on the stock exchange should not be seen as 'the Holy Grail' of empowerment.

5.5.7 Why IEE after more than 20 years of independence?

It has been pointed out that the IEEP is a product of political expediency on the part of the ruling ZANU PF party. In other words, the "strong political will" to address the economic inequalities in the country only came to the ZANU PF leadership when they, and their followers, increasingly felt insecure and threatened by the events and circumstances that led to the rise of popular opposition to the ZANU PF regime. This, critics have pointed out, may explain why the programme is half-baked and not well thought out.

5.6 Conditions Necessary for the IEEP to Succeed

The subsections which follow discuss the conditions necessary for the successful implementation of the IEEP in Zimbabwe.

5.6.1. Political, Social and Macroeconomic Stability

Empowerment programmes aim to socially engineer a country's socio-economic landscape. To achieve the goals of such a massive programme, it is important that there should be stability in the country's political, social and macroeconomic environment. Redistributive policies can only succeed in an economy that is growing, otherwise there will not be much to redistribute. If there is no political and social stability, economic growth will be adversely affected, thus derailing the empowerment programme. South Africa has been implementing the BEE carefully in order to avoid destabilising the economy (Southall 2006). Malaysia implemented the NEP with a very keen eye on maintaining social, political and economic stability (Shamsul 1997).

As part of measures to ensure macroeconomic stability during the implementation of the IEEP, government should strike a balance between meeting the objectives of the IEEP and attracting Foreign Direct Investment (FDI). FDI is critical for sustained economic growth and development. FDI also feeds into the maintenance of political and macroeconomic stability. As the experience of China has shown, FDI is critical in the fight against poverty. China went all out to attract FDI and in the process its economy grew to become the world's second largest economy with a big chunk of the country's over a billion citizens taken out of poverty, (Business Council of Zimbabwe 2011:11).

5.6.2. National Economic Growth

As the Malaysian experience demonstrated, one of the major ingredients for the successful implementation of a major and comprehensive economic empowerment programme aimed at social restructuring is economic growth. During a greater part of the period during which the Malaysian NEP affirmative action programme was being implemented, economic growth in the country averaged 8%. Such kind of economic growth was sufficient to grow the economy to levels that enabled the economy to absorb pressures from redistributive policies, thus enabling a lot of people to benefit from the growth in the economy.

5.6.3. Sustained Implementation of the IEEP Over 2 to 3 Decades

The IEEP is a massive programme which cannot be expected to be successfully implemented in the short term. There is no precedent of a programme of the scale of the IEEP having been implemented over a short period of time. The Malaysian NEP set two decades (1971–90) as the time within which the successful implementation of the policy should have created a community of Malay entrepreneurs, (Shamsul 1997:253). The NEP was continuously refined by successor policy pronouncements in the form successive Annual Malaysian Plans.

It is therefore over ambitious for the government of Zimbabwe to expect to have successfully implemented the IEEP over a period of 5 years. Zimbabwe may thus want to take a leaf from the Malaysian experience in the implementation of its own economic empowerment programme by extending the period of the implementation of the IEEP from the current 5 years set to between 2 and 3 decades. Such a long period would afford policy makers enough time to take stock of progress being made in the implementation of the programme and regularly review the programme in line with lessons drawn from implementation and other environmental demands that may come up.

5.6.4. Investment in Economic Triggers Such As Infrastructure Development

The IEEP like all empowerment programmes is an economic policy, first and foremost. As such it needs an environment that is conducive to the success of economic programmes. As such, government should invest in infrastructure development, especially economic triggers like energy, transport and information and communication technology (ICT). If infrastructure in these areas is developed, this should have a positive effect on the economy as this should oil the wheels of economic growth. Malaysia invested heavily in infrastructure development like roads transport and other infrastructure as part of the implementation of the NEP.

As part of the implementation of the NEP, the government of Malaysia launched massive rural development programs, which benefited many emerging Malay rural entrepreneurs. They consisted of infrastructure projects, such as the construction of roads, bridges, community halls, playing fields, piped water, and electricity (Shamsul 1997:250).

5.6.5. A Strong and Competent Developmental State

A programme like the IEEP is premised on state interventionism in the market. The state has to intervene in the markets to drive development in a direction it desires. This is because the markets cannot be expected to drive distributive policies as there are no incentives for private players in the market to deliver such value. As the experience of East Asian economic tigers demonstrated, a developmental state is needed to govern the markets to achieve set developmental goals. Zimbabwe should therefore have a developmental state oriented government to successfully implement the IEEP.

5.6. 6. A Skilled Dedicated and Competent Bureaucracy

One of the prerequisites for the establishment of a developmental state is to have a skilled and competent bureaucracy which can direct and drive development in the direction desired by the state. In Malaysia, the NEP was formulated and conceived by a clique of skilful political strategists who used a combination of threats and persuasion to get the support of all stakeholders for the programme. The NEP was then ably implemented by an army of experienced public servants who inherited a tradition characterised by professionalism of very high quality. The public servants were also imbued with a very strong sense of nationalism, (Shamsul 1997:67). With cadres of such credentials crafting the NEP and skilled, committed and patriotic public servants implementing it, the NEP was always bound to record some measure of success. The Zimbabwean policy makers who are behind the crafting of the NEP and the public servants charged with implementing it would do well to emulate the Malaysians in this regard, to enhance the chances of success for the IEEP.

5.6.7. Other Attributes of a Strong Developmental State Needed for IEEP Success

Some of the characteristics of a strong developmental state which are necessary for the success of the IEEP are that it should be sufficiently democratic in all its processes to get the necessary support of all stakeholders. The developmental state should also establish efficient institutions to supervise the direction of economic affairs in the desired direction. It should also provide a conducive environment for the private sector to do business and create new wealth. In the developmental state, a balance should be maintained between the role of market forces and ensuring sustainable human development (Business Council of Zimbabwe 2011:3).

5.6.8. Have Stakeholder Buy-In to the Programme

To ensure the sustainable implementation of an empowerment programme of the magnitude of the IEEP, it is critical to get the support of all the relevant stakeholders. This is because affirmative action programmes of which empowerment programmes are part, entail giving preferential treatment to certain groups in society over others. Naturally those who benefit from the status quo are bound to resist such affirmative action programmes and policies and may thus throw spanners in the programme’s works to make it fail. To avoid such an unwelcome eventuality, government should try to get the buy in of all stakeholders to ensure that there is a win-win situation where no stakeholder would feel unfairly disadvantaged. Malaysia used persuasion and covert threats as well as extensive media campaigns to get all stakeholders to support the NEP. South Africa uses moral arguments and pragmatic arguments about the benefits of an inclusive economy to get all the stakeholders to support the BEE policy.

The withering criticism that the IEEP has received is partly due to a failure by the government of Zimbabwe to promote the programme among all stakeholders, especially the white Zimbabweans and others with business interests in Zimbabwe. The Zimbabwean government

has instead taken a belligerent approach with the former Minister responsible for the implementation of the IEEP, Saviour Kasukuwere, known to have had several run-ins with company executives over indigenisation plans, (Financial Gazette… 2013:6).
Accordingly the government of Zimbabwe should not force the IEEP down the throats of all stakeholders using the shape-up or ship-out approach, but rather negotiate with all stakeholders and get their buy in for the IEEP. The buy in by all stakeholders also entails getting the majority of citizens buying into the programme. As it is, there are opposition supporters opposed to the IEEP, going by the stance taken by the major opposition, the Movement for Democratic Change (MDC).

5.6.9. Pursue Broad-Based IEE Rather Than "Elite Indigenization"

Affirmative action policies and programmes are meant to improve the lot of a designated group of people. For the programmes to meet their objectives it is important that such a programme be broad-based. If it is broad based, it means it will cover a majority of the intended beneficiaries. An affirmative action programme should not produce privileged elite within the designated group. A Broad-based empowerment approach puts emphasis on a comprehensive restructuring of the economic ownership structure, institutions and society so as to effectively alter power relations in the political and economic spheres, instead of simply seeking to replace privileged white individuals with black ones.

Affirmative action programmes are meant to restructure society to avert social instability like race riots that took place in Malaysia in 1969, or independence armed struggles that took place in former colonies. The reasoning behind instituting empowerment programmes is to remove conditions that can produce such social instability. A narrow based empowerment programme which empowers only a few actually exacerbates the conditions which could give rise to social instability.

The practice of fronting is also symptomatic of enrichment having taken place, as opposed to the broad-based empowerment envisaged in the IEEP. Zimbabwe's IEEP should avoid crony capitalism which is one of the negatives of Malaysia's NEP and South Africa's BEE. In Malaysia a rentier capitalist system emerged in the wake of the implementation of the NEP affirmative action. In the rentier capitalist schemes, the Malay beneficiaries of the NEP affirmative action policies considered the opportunities availed to them through the affirmative action policies as opportunities to be exploited to make quick financial returns. Upon receiving opportunities availed by the NEP like preferential access to subsidies, and government contracts, they sold these to wealthy Chinese and did not themselves engage in business. This meant that while they got rich from the NEP affirmative action policies, they did not get any experience to run business and did not therefore make the transition to become fully fledged entrepreneurs (Shamsul 1997:245).
If Zimbabwe is to achieve the goal of producing genuine indigenous entrepreneurs, then the IEEP programme should guard against the development of such middle men entrepreneurs. It should also guard against the use of the IEEP affirmative action programmes for the enrichment of a few politically well-connected indigenous Zimbabweans. This could lead to more

frustrations by the economically disempowered indigenous people with possible destabilising consequences for the economy.

5.6.10. Ensure the Unlocking Of New Value in the Economy (Expanding Pie Theory)

Empowerment programmes should not be premised only on redistribution, but growth as well. It makes the task of poverty alleviation that much easier if empowerment programmes and policies are implemented in an environment where the economy is growing and not shrinking. South Africa uses the very persuasive argument that no economy can be competitive when it excludes the majority of the population from its mainstream. The untapped entrepreneurial spirit in the previously marginalised groups should be tapped to the benefit of the economy. Zimbabwe's IEEP should therefore unlock economic value in the previously marginalised groups, thus growing the country's economy.

In Malaysia, the NEP managed to create Malays who are learned and knowledgeable, sophisticated, honest, disciplined, trustworthy, and competent. These "new Malay", according to former Premier Mahathir Mohammad, have now become heads of departments, scientists, actuaries, nuclear physicists, surgeons, experts in the fields of medicine and aviation, bankers, and corporate leaders who are now influential and competitive at home in the region and abroad (Mohammad quoted in Shamsul 1997:256). The NEP thus unlocked the economic value of the previously marginalised Bumiputera. These empowered Bumiputera also ventured into business thus growing the Malaysian economy.

5.6.11. Ensure IEEP Funding

The IEEP needs a lot of funding if it is to become sustainable. With a target of transferring 51% of equity in all companies operating in Zimbabwe, the IEEP needs massive funding to ensure the transfer of equity. Financial institutions should have the financial resources to lend to indigenous entrepreneurs to enable them to buy equity in companies. There is, thus, the need for a vibrant and development oriented banking and finance sector to mobilise financial resources for the implementation of the IEEP (Business Council of Zimbabwe 2010:14). Government must also mobilise finance which is specifically meant to finance the IEEP. Malaysian and South African governments set up financial institutions mandated to fund NEP and BEE projects respectively.

5.6.12. Invest in Research and Development (R&D)

In order to sustain the economy's productive momentum, it is important that there be constant improvement in new knowledge and technology through sustained research and development activities. As part of its drive towards a knowledge economy, Malaysia invested in science and technology institutions where the previously marginalised Bumiputera indigenous Malaysians were encouraged to enrol. So IEEP would be more successful if it has a component to spearhead research and development embedded in the programme. The research and development would guide the new entrepreneurs on the contemporary best practice in running enterprises.

5.6.13. Make Poverty Alleviation an Integral Part of the IEEP

Affirmative action programmes are spurred by a desire to fight poverty in the groups targeted to benefit from the policies or programmes. Thus one of the defining features of the success of an affirmative action programme is the extent to which it would have gone in reducing poverty in the group targeted by the affirmative action policies. All the other programmes constituting part of the affirmative action policies or programmes like creating a bourgeoisie from the beneficiary group, creating a middle class or creating professionals ultimately have to feed into the aim of fighting poverty within the ranks of the target beneficiaries of the affirmative action policies and programmes.

As the Malaysian experience showed if poverty alleviation is the cornerstone of the affirmative action policies, it should be an integral part of the affirmative action policies and programmes. This will ensure that the policies and programmes implemented in pursuit of the affirmative action programmes keep the desire to fight poverty in the sights and are shaped by that ultimate goal.

Malaysia during the implementation of the NEP invested massively in agricultural and rural development infrastructure. As part of this drive to fight poverty, the Malaysian government also invested in education and social services in the rural areas. This was a decision informed by one of the major building blocks of the NEP, which was poverty reduction. As the poor were mostly concentrated in the rural areas, the government decided to intervene in a big way in the areas where the poor were concentrated to fight this scourge of poverty. Accordingly, it would be beneficial for the IEE goals, if government of Zimbabwe were to embed rural development projects and investment in rural infrastructure like roads in the IEE policies and programmes. Such investments would complement the IEE's empowerment drive.

Poverty reduction is one of the goals of the IEEP (Government of Zimbabwe 2010:16). According to the available statistics, poverty is most prevalent in the rural areas of Zimbabwe, where poverty is at a high of 79.4% (ZIMSTAT 2010:67).

In light of the poverty prevalence statistics, if government wishes to fight poverty, as part of the IEEP, it would do well to invest in rural projects and infrastructure in areas where the poor are heavily concentrated, like the Malaysian government did as part of the NEP.

As part of the NEP's fight against poverty in Malaysia, government provided social services like housing, health and education for the poor. Government also set out to increase the productivity of the poor by way of expanding their capital (land, research, development in crops, irrigation, and marketing). Such activities particularly benefited poor rural Malay farmers as this boosted their crop production and helped them market their crops better. Government also set to increase opportunities for employment as part of its effort to fight poverty under the NEP. The efforts to increase employment were coupled with investment in education in general and technical education in particular, as well as increased financing for education. (Stafford 1997, cited in Chowa and Makuvare 2013:4). Such strategies would help in poverty eradication if the government of Zimbabwe were to incorporate them into the IEEP implementation strategies.

5.6.14. Make Education and Skills Development Part of IEEP

A lot of the successes scored by the Malaysian affirmative action policies anchored by the NEP can be put down to the deployment of education as a facilitator of the NEP programmes. The Zimbabwean government's IEE programme should spell out the economic model that anchors the affirmative action programme and then provide educational opportunities and facilities that can produce the skills needed to bring about that economic vision.

All modern economies require some level of sophistication to operate in. As a result, empowering indigenous people by giving them companies when they do not have the skills to run the companies does not really economically empower such beneficiaries as they are likely to run down the companies both to their detriment and to the detriment of the national economy. At the moment, education and skills development seem to lack focus, just happening without policy direction. It would therefore be helpful if education and training were be integrated in the IEE programmes, as was the case with the NEP in Malaysia.

Skills development should be an integral part of any IEEP. It should actually be the most important element of the IEEP strategy. Zimbabwe's IEEP does not include education and skills development as elements that make up part of the programme. Zimbabwe spends less than 2% of its national budget on skills development, (Zimbabwe Government, ZIMSTATS 2013:34). The government would also do well to synchronise skills development in the country to align skills development with economic development. The skills development programmes should focus on providing skills needed to run a modern knowledge based economy like science and technology skills. Zimbabwe needs skills in areas such as telecommunications, media, entertainment and financial services to be imparted to the would-be beneficiaries of the IEE programme.

Zimbabwe lost close to 75% of its professionals between 2000 and 2009 in the wake of economic difficulties occasioned by the country's land reform programme, (Government of Zimbabwe, ZIMSTATS 2012:45). These professionals had gained invaluable experience through working in industry for a number of years after their training. They would therefore have been able to run companies and industries as beneficiaries of the government's IEEP. However, their departure has left a void in the skills area and this will work against the success of the IEE programme.

One of the goals of the IEEP is to create a national bourgeoisie comprising black entrepreneurs and managers in industry. That is why the programme seeks to transfer at least 51% of company ownership in the hands of black people. It therefore follows that these beneficiaries of the 51% equity in companies will be effectively the owners of the companies as majority shareholders. That means they should have the skills to run these companies. In consequence, it is important to have a ready cadre of skilled black people, mostly in the fields of engineering and accounting, so that they can be able to successfully run the companies they would have taken over as part of the IEE programme. This will prevent a situation where companies that are taken over for lack of managerial skills on the part of the new owners. Such an eventuality would also adversely affect the economy.

Zimbabwe's higher education sector is dominated by profit-seeking private universities and government universities which, because of inadequate funding, have resorted to offering easy arts and social science programmes. These programmes have ready students who want to acquire degrees and have the money to pay for the degrees. Graduates from these programmes have saturated the market, yet these are not essential programmes for running a modern economy. The education system in Zimbabwe needs to be streamlined to produce the skills that the economy needs to grow, with the indigenous people taking charge of the economy as envisaged under the IEEP.

To underscore the importance of education and skills development in empowering the Bumiputera, the former Malaysian Prime Minister, Dr. Mahathir Mohamad passionately argued that it was capital and skill which the Malays needed most to transform their disadvantaged economic condition, (Mohamad quoted in Shamsul 1997:242).The NEP was a form of Malay economic nationalism, at least from the social actors' perception (Shamsul 1997:252).

The Malaysian government introduced the Majlis Amanah Rakyat (MARA), or Council of Trust for the Indigenous Peoples, as the key vehicle to coordinate, train and assist the Bumiputera (indigenous peoples) to play an active and progressive part in both the commercial and industrial enterprises in Malaysia. This was after a realization that while the NEP set targets for the Bumiputera to take charge of the economy of the country, the Bumiputera were ill-equipped to take the envisaged active role in the mainstream economy per NEP requirements.

To this end, the MARA implemented a number of programmes, with the main programmes revolving around the establishment of educational institutions, to enhance the knowledge and skills levels of the Bumiputera labour force. This tallied very well with the NEP requirements to increase Bumiputera representation in all levels of employment, including the professions.

5.6.15. Strengthen Oversight Institutions (Monitoring and Evaluation) to Fight Corruption

Fronting is a by-product of corruption in the implementation of empowerment programmes. If there is no transparency in the implementation of the IEEP, there may be fronting as a way of evading implementation of the requirements of the IEEP. To fight the problems of corruption and fronting in the implementation of the IEEP, government should strengthen institutions meant to fight corruption. Institutions like the judiciary, the police force and the Anti-Corruption Commission need to be strengthened and afforded the independence to execute their mandates without fear or favour or undue influence from outside forces. Monitoring and evaluation of the IEEP implementation should also be strengthened with credible efforts being deployed to act on the findings of the monitoring and evaluation. Enrichment of the few as opposed to broad-based empowerment would be the result, if corruption and fronting in the implementation of the IEEP are not curbed. Transparency International runs a National Integrity System approach which assesses institutions and practices that prevent corruption in a country. A National Integrity System includes governance institutions in a country like parliament, the executive, and the judiciary and law enforcement. It is important that all the key institutions in a country be functioning well to ensure that corruption is kept in check, (Business Council of Zimbabwe 2011)

5.6.16. Focus on the Small to Medium Enterprise (SME) Sector

Government would do well to focus on the SME sector which is one of the major pillars of the IEEP. This would go a long way in meeting some of the goals of the IEE programme like poverty alleviation, developing a genuine indigenous class of entrepreneurs and achieving broad-based empowerment. The SME sector is a breeding ground for entrepreneurs. It is in this sector where one is likely to find genuine entrepreneurs whose businesses may be stunted because of many handicaps. In Zimbabwe, just like in South Africa, this is where you find black businesses people whose businesses managed to survive in spite of the many hurdles put by the colonial and apartheid administrators respectively. These people have the business acumen and entrepreneurial spirit but could do with some capacity building and financing.

5.6.17. Focus on Developing Rural Entrepreneurs

In Malaysia, the affirmative action policies targeted not only urban areas, but also rural areas where the majority of the targeted beneficiaries resided. This had the effect of spreading the benefits of both economic development and the benefits of the affirmative action policies. It also decongested the cities; a phenomenon which Zimbabwe's indigenization and economic empowerment programme has spawned as everybody is flocking to the cities to benefit from IEE programmes.

In Malaysia, the government managed to streamline the activities of rural cooperatives thus turning them into viable launching pads for Malay village entrepreneurs. Having been reorganized and empowered to run on professional lines, the cooperatives were then able to provide modest capital to their members to start businesses. Government also provided guarantees for borrowers to borrow money from financial institutions to finance businesses that showed promise. The cooperatives were critical in providing the aspiring rural Malay entrepreneurs both the market sources through which they could sell their products and a supply of reasonably priced hardware materials for the use. These hardware materials were often procured on credit. Oftentimes the cooperatives organized classes to train the budding rural entrepreneurs in basic skills of management, from bookkeeping to equipment maintenance (Shamsul 1997:68). Such government interventions in the rural areas increased the incomes of rural Malay entrepreneurs and improved the standards of living and infrastructure in rural Malaysia, as per the NEP plans.

Instead of focusing on the equity transfer for companies based in the big cities, the government of Zimbabwe may also learn from the Malaysian experience and take deliberate efforts to grow and nurture the rural entrepreneur as part of the IEEP. This would decongest the cities as well as improve the standards of living in the rural areas and the infrastructure in the rural areas.

Entrepreneurial failures may still be expected, despite the best intentions of government through the IEEP. However, while there may still be failures in the aspiring black entrepreneurs despite government support, the generation of their children may learn lessons from their parents' attempt at business and with skills gained from tertiary institutions coupled with lessons from their fathers' attempt at business, may themselves succeed as entrepreneurs.

5.6.18. Pressure Groups to Compliment Government IEEP Efforts

For the IEEP to succeed it is critical that there be credible pressure groups seized with the IEEP agenda not only to lobby government but to provide workable policy recommendations to advance IEEP. In Malaysia indigenous Malaysians held congresses known as the ***EkonomiBumiputera*** (Bumiputera Economic Congress) at which meetings the indigenous Malays, successfully planned in detail strategies and programs to implement the nationalists' economic agenda. These meetings afforded Malay bureaucrats, technocrats, professionals, petty traders, academics, and others opportunities to meet, exchange ideas, and table their visions of the Malay economy, and put down the targets to be achieved as well as planning how this could be realized (Jesudason 1989, in Shamsul 1997:251).

Therefore in order for Zimbabwe to benefit from the Malaysian lessons in pressure groups' support for government affirmative action programmes, it is necessary that the indigenisation pressure groups that are currently in existence embrace as many indigenous aspiring and practicing entrepreneurs, professionals, petty traders, academics, and farmers as possible. This would ensure that the pressure groups represent all the sectors of entrepreneurs and each can contribute their views on how they can contribute to economic development and what they expect from government in terms of an enabling environment, by way of policies and other assistance. There is, therefore, need to ensure that all stakeholders and indigenous players in the economy have representative pressure groups who will then contribute their respective sectors' vision of an indigenous economy. Rural entrepreneurs should also be represented. This will result in a lot of input and buy in from all the stakeholders and intended beneficiaries of the nature and scope of the indigenous programme, thus making it relevant to the intended beneficiaries. This bottom up approach will increase stakeholders' buy in into the programme and the policies promulgated to implement it.

5.6.19. Harness Academics and Other Technocrats to the IEEP Cause

It is very critical that government harnesses the skills and expertise of academics in support of the IEE and integrate their views in the programme. In Malaysia, the indigenous Malaysian academics and bureaucrats collaborated in crafting the NEP, working under the office of then Prime Minister Tun Razak. In fact, a group of them produced a book called ***Revolusi Mental*** (1970), edited by Senu A. Rahman, in an attempt to provide a conceptual framework for a plan of action for the future of the Malay cause (Shamsul 1997:252). Intellectuals in Malaysia and other concerned indigenous people also generated a lot of literature proposing solutions to the country's problem of lack of economic inclusion for all Malaysians. One of the most famous books aimed at tackling this problem was ***The Malay Dilemma, (1970)*** authored by Mahathir Mohammed who was later to become Prime Minister of Malaysia until the early 2000s. The IEEP is a form of Zimbabwean economic nationalism and academics should refine it as such by way of further research in support of how best it can be carried out.

5.6.20. Harness Business Skills of the Established White Entrepreneurs to IEEP

Instead of alienating the white settler entrepreneurs government should harness their skills and make them partners in the implementation of IEEP. This will create a win-win situation where both the indigenous entrepreneurs and the established white businesses benefit from the implementation of IEEP. This way, the white settler entrepreneurs will support IEEP instead of working to sabotage it. In Malaysia, the indigenous Malays got contracts from government and worked with the established Chinese entrepreneurs to fulfil the contracts, with the Chinese entrepreneurs bringing skills and capital to the working relationship (Gomez 1990, 1991, 1994 quoted in Shamsul 1997:253).

5.6.21. IEEP should be Comprehensive

While Malaysia's New Economic Programme (NEP) was essentially an "economic" policy, its contents and implementation processes produced results whose repercussions went far beyond the scope of economic policy. To support the NEP, government, policies in such non-economic areas as education, language, culture, and religion were formulated and implemented in close relationships with it. As a result, the NEP exerted major influences not only on Malaysia's economy but on Malaysian society as a whole. From the point of view of the NEP's stated objective, namely, "to lift up the economic and social status of Malays," the NEP achieved signal successes, such as the creation of a Malay middle class and Malay entrepreneurs, most notably the new Malay business groups (Torii 1997:220).

Accordingly, Zimbabwe's IEEP could benefit immensely and achieve its goals if it is crafted and implemented as a comprehensive socio-economic transformation programme. This is where it is critical to get national buy in into the programme so that everybody puts their hands on deck for the success of the programme.

5.6.22. IEEP Needs Constant Review to Respond to Global/Market Trends

It is important that Zimbabwe's IEEP be flexible. It should not be cast in stone. As the programme is being implemented at a time when world economic inter-linkages are pervasive thus limiting individual countries' economies to act independently of other world economies, the IEEP should not be cast in stone. The programme should be able to respond to changes in the world's economic events.

For example, the Mahathir-led government introduced new strategies such as privatization, relaxation of restrictions on foreign direct investment, and other elements based on market principles, into the NEP. This was so as to integrate the NEP implementation into the world's economic dictates and realties. As part of measures to ensure the success of the NEP in Malaysia, Mahathir Mohamed during his tenure as Prime Minister tweaked the NEP requirements when the economy was not performing well.

Mohamed emphasized the need to carry out a readjustment of the strategy in consideration of Malaysia's economic environment and in order to overcome the government's fiscal difficulties (Torii 1997:230). The readjustment measures centred on cuts in government subsidies, a shift to private sector-led economic growth facilitated by privatization policy, and an upgrading of local industries in the context of outward-looking industrialization (Torii 1997:230).

5.7 Chapter Summary

Chapter 5 consolidated the data on the lessons learnt from the implementation of similar programmes in other countries. The chapter thus outlined the weaknesses seen in the IEEP, and the conditions necessary for the IEEP to succeed. The conditions necessary for the IEEP to succeed were informed by experiences of other countries that implemented similar programmes. The chapter also explained why empowerment programmes are necessary to solve problems like inherited socioeconomic disparities.

The chapter contributed to the research project in that it answered the question: Can empowerment programmes be used to address problems of historical socioeconomic inequalities? The chapter also provided answers to the questions relating to the conditions necessary for economic empowerment programme to succeed. All the chapter provided answers to the question: Why is the IEEP likely to succeed or fail?

CHAPTER SIX: DEDUCTIONS AND RECOMMENDATIONS TOWARDS ENHANCING IEEP SUCCESS

6.1. Introduction

This chapter presents the best practice as far as the implementation of empowerment programmes is concerned. The chapter makes the recommendations on the implementation of socio-economic transformative agendas based on findings emerging from the literature on the subject as well as results from other jurisdictions where similar empowerment programmes have been implemented. The chapter also focuses on ways the IEEP in Zimbabwe in its current form can be improved to achieve the desired goals and objectives.

6.2. Summary of Thesis Deductions

The subsections that follow discuss in summary the deductions that flow from the research.

6.2.1. Affirmative Action Programmes like the IEEP are justified

The research revealed that governments have a role to play in the economic development of a country. Government's role in economic development is related to its major role to solve problems facing citizens like poverty. Social problems like poverty in developing countries like Zimbabwe have their genesis in discriminatory colonial policies. Political independence in a lot of former colonies did not address problems of poverty and economic inequalities.

Redistributive policies and programmes like the IEEP are modelled on the theories of distributive justice to achieve equity, fairness and justice in the distribution of wealth in society.

The theory of compensatory justice is one of the justifications for affirmative action policies and programmes like the IEEP. Affirmative action policies like the IEEP are also justified as an attempt to include all citizens in the economic activities of a country, thus broadening a country's economic base.

Redistributive policies like the IEEP can also go some way in relieving socio-economic tensions in post-colonial societies, which tensions may destabilise a country if left unattended. Left to their own devices, markets cannot solve the major problems of inequality and poverty. Government economic intervention can bring about economic growth and also reduce poverty.

The thesis discussed poverty which is one of the problems that the subject of research, the Indigenisation and Economic Empowerment Programme seeks to fight. The concept of poverty was defined. The genesis of poverty and inequality in former colonies like Zimbabwe was traced to colonialism. The theories informing the Indigenisation and Economic Empowerment were discussed, mainly distributive theories. The concepts associated with the economic programme being researched were defined so that the reader can understand what the programme entails. The thesis also discussed other theories of economic growth, poverty alleviation and reducing inequality. This was meant to present other ways of fighting poverty and inequality and juxtapose them with the programme chosen by the government of Zimbabwe. Resource nationalism and the developmental state as interventionist economic models akin to the Indigenisation and Economic Empowerment Programme were also discussed. This was to show the reader that the Indigenisation and Economic Programme has precedents and theoretical models which it follows. The role of government in poverty alleviation and economic development was also discussed to make the reader understand why governments intervene in economic development. The thesis presented and explained the concepts forming part of the research so the reader can understand the subject under discussion. The thesis also outlined the theories associated with interventionist programmes like the one under discussion so that the topic under research is better understood from a theoretical perspective. The research thus laid the ground for understanding the programme under investigation, why it is being instituted and the theoretical justifications for the programme.

6.2.2. Zimbabwe Needed Affirmative Action to Address Colonial Legacy

The research established that the nature of the economic disparities and poverty bequeathed from colonialism needed government intervention through affirmative action to be addressed. It is critically important for every country to have a national bourgeoisie heavily involved in the running of the country's economy. Generally a national bourgeoisie comprising indigenous entrepreneurs can be counted upon not to sabotage the country's economy. Continued economic inequalities on racial lines have the potential of igniting social instability.

6.2.3. The IEEP is flawed In the Way it is structured

The IEEP does not enjoy the support of the majority of the population of Zimbabwe. At 51%, the ceiling for equity that can be held by foreigners in companies operating in Zimbabwe is too high. This has had investors jittery about investing in Zimbabwe, resulting in a drop in FDI in Zimbabwe since the inception of the programme. This was shown by the very low FDI flow into Zimbabwe compared to its neighbours following the introduction of the Indigenisation and Economic Empowerment Programme.

6.2.4. The IEEP Has No Strong Monitoring and Evaluation Mechanism

The IEEP has no credible monitoring and evaluation mechanism. Just like the requirement that all foreign companies cede 51% of their equity to locals, the monitoring and evaluation mechanisms for the programme are not very clear and appear not to have been given much thought. It would appear that the IEEP was rushed with an eye to pander to populist tendencies.

6.2.5. Community Share Ownership and Employee Share Ownership Schemes Good Vehicles for Broad-Based IEEP

The IEEP's provision for Community Share Ownership and Employee Share Ownership Schemes are the best vehicle in the programme to ensure broad-based empowerment which also covers the poor and marginalised. This is distinct from the equity transfer requirement which is likely to benefit mainly the rich blacks who may have the financial wherewithal to acquire the equity in foreign firms.

6.2.6. Focus on Equity Transfer Breeds Corruption and Elite Enrichment

The IEEP's focus on the transfer of 51% equity from all firms operating in Zimbabwe to indigenous Zimbabwe will likely result in the enrichment of a few politically connected black Zimbabweans. This enrichment will not necessarily give birth to competent entrepreneurs but ***"tenderpreneurs"*** as was the case in the implementation of BEE in South Africa, and ***"Alibabas"*** as happened in Malaysia. Elite enrichment will sabotage efforts by the government through the IEEP to achieve broad-based empowerment or create a credible cadre of black entrepreneurs.

6.2.7. Affirmative Action Programmes Can Be Successfully Implemented

It is possible to successfully implement affirmative action programmes to empower targeted groups, as shown by examples relating to the NEP programme to empower indigenous Malays in Malaysia, the Afrikaner Empowerment Programme in South Africa and the empowerment of white farmers in Rhodesia.

6.2.8. Empowerment Programmes Need Funding

Empowerment programmes like the IEEP need a lot of funding if they are to succeed. Governments that wish to implement empowerment programmes should make a plan to secure funding for such a programme.

6.3. RECOMMENDATIONS

6.3.1. The IEEP Should Put Emphasis on SMEs

The IEEP programme should ultimately increase the number of companies doing business in Zimbabwe, with Zimbabweans having a stake in the companies. It has been shown that SMEs are the breeding ground for businesses that later grow to become big. It may therefore be important for the IEEP to nurture SMEs with the hope that entrepreneurs who learn the ropes of business in the SMEs would later use the experience to grow their businesses into big enterprises. The focus on SMEs also dovetails with the need to grow the economic cake, so that more indigenous Zimbabweans can benefit from it instead of just focusing on distributing the present economic cake, which is actually shrinking. The IEEP should result in the country producing its own cake or cakes, conceived from the ground up by indigenous Zimbabweans like the Zimbabwe telecommunications giant (Enhanced Communication Network (Econet) Wireless which was started by a Zimbabwean, Strive Masiiwa and indigenous Zimbabwean bank BancABC, and media house Alpha Media Holdings owned by indigenous Zimbabwean, Trevor Ncube, (Business Council of Zimbabwe, 2011, Fuyane 2013). This approach in the IEEP should result in the country producing competent and genuine world class entrepreneurs who can hold their own on the international stage like the USA's Wal-Mart, South Korea's Hyundai, and Samsung. Malaysia's NEP indigenous Malay empowerment programme focused on start-ups and rural entrepreneurs. This was one of the main reasons for the success of Malaysia's NEP indigenous Malay empowerment programme.

6.3.2. The IEEP Should Strengthen Monitoring and Evaluation Mechanisms

A programme of the magnitude of Zimbabwe's IEEP requires tight monitoring and evaluation to follow up on the attainment of targets. The World Banks's Linda G. Morra Imas and Ray C. Rist define monitoring and evaluation as:

> *......monitoring is the continuous process of collecting and analysing information on key indicators and comparing actual results with expected results in order to measure how well a project , programme or policy is being implemented. It is a continuous process of measuring progress toward explicit short , intermediate and long –term results by tracking evidence of movement toward the achievement of specific, predetermined targets by the use of indicators...... evaluation is an assessment of a planned , ongoing or completed intervention to determine its relevance, efficiency, effectiveness, impact and sustainability. The intention is to provide information that is credible and useful, enabling lessons learned to be incorporated into the decision making process of recipients. Evaluation takes a broader view of an intervention, asking if progress toward the target or explicit result is caused by the intervention or if there is some other explanation for the changes picked by the monitoring system (Imas and Rist 2009:106).*

The monitoring and evaluation would inform the policy makers about the progress or lack of it in the implementation of the programme. This would then inform programme adjustment where necessary. Malaysia's NEP had yearly national plans which were crafted yearly as part of efforts to fine tune the NEP as it went through the implementation stages. South Africa's BEE policy is monitored and evaluated through the Black Economic Empowerment Advisory Council, which is mandated to give advice to the President on how best to achieve the objectives of the BEE, informed by the lessons learnt from the implementation of the policy, (Government of South Africa DTI 2008:29). The BEE Advisory Council is also charged with reviewing progress in the achievement of BEE objectives.

It is therefore of critical importance that the IEEP be subjected to rigorous monitoring and evaluation if it is to succeed. The monitoring and evaluation would form part of the implementation process. It should have yearly reporting periods to enable policy makers to see if the programme targets are being met and if the results are as expected. This would then inform the programme managers and policy makers to decide if there is need to change the programme slant or parts of the programme or stay the course. While the established national indigenisation and economic empowerment board (NIEEB), is tasked with overseeing the implementation of the IEEP, there is no explicit mandate for monitoring and evaluation of the IEEP for the NIEEB or any other body.

6.3.3. Government Should Establish a Strong and Competent Developmental State

As the economic success stories of the Asian tigers demonstrated and to some extent China in the recent past, a strong developmental state is required to drive economic growth and direct economic development in the direction desired by government. Granted the prevailing globalisation limits room to manoeuvre for developmental states, economic development driven by a strong developmental state is still possible even in the current constrained global economic environment. It is therefore imperative that the Zimbabwean government puts in place a strong developmental state to drive the implementation of the IEEP. This means that Zimbabwe should have a state which is democratic in all its processes; a state which puts in place efficient bureaucratic institutions; a state which provides a conducive environment for private sector to do business and create new wealth; and balances between the role of market forces and ensuring sustainable human development; among other characteristics. The developmental state should be able to set up a sound industrial policy which would facilitate economic investment and growth.

As shown in the foregoing chapters of the research, a committed, skilled and competent bureaucracy is one of the most important pillars of a developmental state. If the Zimbabwean government is to produce a developmental state to drive the implementation of the IEEP, it has to have a competent bureaucracy too.

6.3.4. Government should Maintain Economic Growth and Stability to Attract FDI as Part of IEEP Implementation

As the experiences of China, the East Asian Tigers and Malaysia have shown, FDI is critical to economic growth. Economic growth would make the implementation of the IEEP much easier as there would be a much bigger economic cake to be shared by citizens. Economic growth and stability brings about many economic opportunities and this would dovetail with the objectives of the IEEP to improve the economic wellbeing of the indigenous people. Malaysia made the implementation of the NEP dependent on economic growth, and that partly explains why the NEP was generally successful in meeting its targets.

Regrettably, as things stand, Zimbabwe seems to be faring badly as far as attracting foreign investment is concerned. Zimbabwe seems to be losing FDI owing to the IEEP, (Zhou 2013). In terms of indicators for investing in the country, Zimbabwe was ranked 170 out of 185 countries in the World Bank's Ease of Doing Business Index as at May 2013, about three years after government started implementing the IEEP. Such kind of negative economic indicators work as impediments to the attraction of FDI.

It has been argued by economic commentators and industry lobby groups that the IEEP is narrow in focusing on the relationship between ownership and economic empowerment without regard being given to the need to attract FDI by building investor confidence and considerations for property rights, (Chowa and Makuvare 2013:10).FDI is critical for the success of the FDI as the economy has to grow to accommodate the new entrants into the economy. It has been shown that attracting FDI was critical to the success of Malaysia's NEP indigenous Malay empowerment programme.

6.3.5. Indigenisation Targets Should Be Lowered

Experience from the implementation of empowerment programmes in South Africa and Malaysia shows that targets should be set at realistic levels. This is important for purposes of balancing between the needs of the investors who will have to accommodate the indigenous people in their enterprises and the need to empower the indigenous people. It has been suggested that targeting the transfer of 51% equity in all companies operating in Zimbabwe to locals is too high a target. Such a high target scares away investors and creates animosity against the programme by major stakeholders. Instead of setting the rather high one—size- fits all target of 51%, government may do well to have targets set per sector taking into account the circumstances peculiar to each economic sector.

Malaysia implemented its indigenous empowerment programme over a 20 year period, where the target was the transfer of 30% of equity to indigenous Malays. For Zimbabwe to expect to have achieved the transfer of 51% of equity to indigenous Zimbabweans over a period of 5 years is too optimistic a target which may be impossible to achieve.

6.3.6. Increase the IEEP Implementation Period to Over 2 Decades

For a programme of the magnitude of the IEEP, it may well be advisable for government to extend the implementation period to at least two decades. The IEEP is a very big programme affecting the socio-economic make-up of the country. Such a programme takes a long time to implement successfully. Malaysia set a 20 year timeframe for the implementation of the NEP. Government would use the long implementation period to assess and amend the programme as required.

6.3.7. Government Should Emphasis Community and Employee Share Ownership Schemes

The IEEP has the potential to enhance the economic status of the indigenous people through the ESOSs, CSOSs. This is because these schemes have the potential to bring about immediate tangible benefits to ordinary indigenous people as opposed to equity which is beyond the reach of the ordinary people. Through Community Share Ownership Schemes, (CSOSs) whose operations are directed by community representatives, communities get social capital to influence the development agenda in their areas. Unlike corporate social responsibility (CSR) programmes which are largely informed by an organisation's public relations needs, CSOSs implement tangible capital programs and projects in keeping with the communities' needs as identified and prioritised by the benefiting community. The CSOSs, and ESOSs can be considered as fitting in well with Sen's capabilities approach to empowerment.

It may also be important to do an analysis of the socio-economic position of beneficiaries of programmes such as Zimbabwe's IEEP. This will help in determining the extent to which the most disadvantaged benefit. In the CSOs it is important to enhance transparency about how much is allocated to employees and managers, and to blue collar and white collar employees.
One example of a very successful community ownership initiative trust that has been party to many lucrative deals, primarily due to their rights to land with rich platinum deposits, is the Royal Bafokeng Community Trust in South Africa. This trust has helped the community develop a clinic, schools, early childhood development centres among other benefits to the community within which lies mineral deposits. Zimbabwe's IEEP may do well to emulate such a community share ownership success story.

6.3.8. Establish Work Ethic of Honesty and Hard Work

Apart from negatively affecting growth, the economic downturn that Zimbabwe experienced in the wake of the land reform programme also resulted in the setting in of a poor work ethic in the populace. The brain drain experienced during the economic recession may be a reason for the poor work ethic, but the development of a 'dealer mentality' as a means to survive can also be blamed for the poor work ethic. Economies the world over are sustained by honest productivity and not wheeling and dealing. So for the IEEP to succeed there is an urgent need for a return to a proper work ethic as existed prior to the year 2000 and also building the people's capacity to earn a decent living. It has been demonstrated that part of the reason for the overwhelming economic success of East Asian Tiger economies is a work ethic of hard work and honesty, partly engendered by the Confucian culture. Workers would have to forego immediate luxuries and unrealistic demands for high wages which are not supported by productivity.

6.3.9. Root out Corruption

Related to the need to bring back a proper work ethic if the IEEP is to succeed is the need to root out corruption. Zimbabwe was ranked 146 out of 178 countries with a Corruption Perception Index in a survey of corruption in the world conducted by Transparency International. Corruption increases the costs of doing business as a result of the effect of allocative inefficiencies of corrupt contract holders who may not have the capacity to perform on given contracts, or though kickbacks among other ills. Corruption also stifles the development of the entrepreneurial capacity of indigenous people, the intended beneficiaries of the IEEP. This is because the indigenous people may be tempted to abuse their favoured status in the IEEP for a quick economic gain, resulting in the 'Alibaba' entrepreneurs as happened in Malaysia. A corruption perception index can also scare away FDI, and cause capital flight thus further reducing the chances of success of the IEEP.

6.3.10. Government Should Provide Capital for IEEP

The IEEP needs a lot of capital to succeed. There is no clear plan by government on how to finance the acquisition of the 51% equity in companies by indigenous people. The injection of capital in the economy is also related to macroeconomic fundamentals to ensure that the economy grows. To get the country's economy to grow, there is need for sound economic management within the context of a stable political environment in the country. Malaysia's NEP empowerment programme was premised on economic growth underpinned by the attraction of foreign capital into the country. China also succeeded in taking a lot of its people out of poverty by mobilising capital, particularly foreign direct investment (FDI) through joint ventures. So resolving the capital constraints in the Zimbabwean economy would not only get the economy back on track, but it will also enhance the implementation of the IEEP. The majority of indigenous Zimbabweans have no access to financial capital to finance the acquisition of the 51% equity that has to be acquired from the targeted firms, (Chowa and Makuvare 2013:9).

6.3.11. Employment Creation

The IEEP does not only aim to create indigenous entrepreneurs, but it also aims to reduce poverty among the indigenous Zimbabweans. Poverty alleviation can be attained by improving the incomes of the indigenous Zimbabweans. Employment creation is one viable route to reduce poverty among the indigenous Zimbabweans. The IEE programme should therefore be used as a vehicle to create employment so as to increase the incomes of indigenous Zimbabweans. While redistribution of national wealth by way of transferring 51% of equity to indigenous Zimbabweans is to be lauded, it cannot on its own be expected to reduce poverty nor result in sustainable human development. A growing economy where new value creation is a priority will result in employment creation thus easing poverty among the indigenous Zimbabweans.

6.3.12. Increased Emphasis on Procurement and Supply

Emphasis on procurement and supply management as part of the IEEP will bring about immediate benefits to indigenous Zimbabweans. It also has the potential to reach out to more Zimbabweans as procurement can be broken down into small supply contracts to include small to medium enterprises.

If the IEEP puts emphasis on preferential supply by indigenous people, this should result in indigenous people getting immediate value income from guaranteed supply of goods and services. This would bring immediate income to the beneficiaries than being a shareholder where the payment of dividends is dependent on company profitability (RBZ, 2012).

6.3.13. Get National (and International) Buy-In for the IEEP

As the case of the NEP in Malaysia showed, there is need to get the buy in and support of those currently controlling the economy. Alienating them would only create problems as they may sabotage the programme. So the government of Zimbabwe should go out of its way to try and get the support of all the stakeholders in the economy for the programme to succeed.

6.4 Areas for Further Study

The role of culture and how it predisposes people to succeed or fail in business or economic endeavours is one area that needs further research. It has been claimed that the Confucianism culture of the Asian societies make them receptive to the ethos and discipline needed to succeed in business, whereas the culture of entitlement, and grabbing also known as "***jambanja"*** in the Zimbabwean Shona language, works against the ethos needed to succeed in business. The culture of violent strikes and demonstrations for increased wages and service delivery prevalent in South Africa may also need to be further researched to establish if there is any causal link to the success or lack thereof of programmes encouraging business like BEE. Such claims may need further research to put more information and findings in the public domain for use by policy makers and other interested parties.

6.5 Conclusion

The IEEP is a justified economic intervention programme. It needs certain conditions to be in place for it to succeed. Government should also consider amending certain aspects of the programme for it to succeed. From the research, some of the key lessons learnt include the need to have stakeholder buy-in to the programme. This will go a long way in guaranteeing the programme's sustainable implementation; which is pivotal for sustained growth and development. It is also critical to maintain political and macroeconomic stability; pursue broad-based IEE rather than "elite indigenization"; ensure the unlocking of new value in the economy (expanding pie theory); and create massive employment as part of a successful IEEP.

Procuring funding for the IEEP is also of critical importance for the success of the programme. Related to this is the need for a vibrant and development oriented banking and finance sector, institutional housing of this pivotal national agenda, as well as the need to continuously invest in research and development (R&D) in order to sustain the economy's productive momentum. In addition, the indigenous people themselves targeted for IEEP need to have a strong entrepreneurial spirit to drive and benefit from this process. The IEEP should also be integrated into the country's education and training system Overall, effective monitoring and evaluation (M&E) of the IEEP programme will remain a cornerstone to its success, (Business Council of Zimbabwe 2010: 4).

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