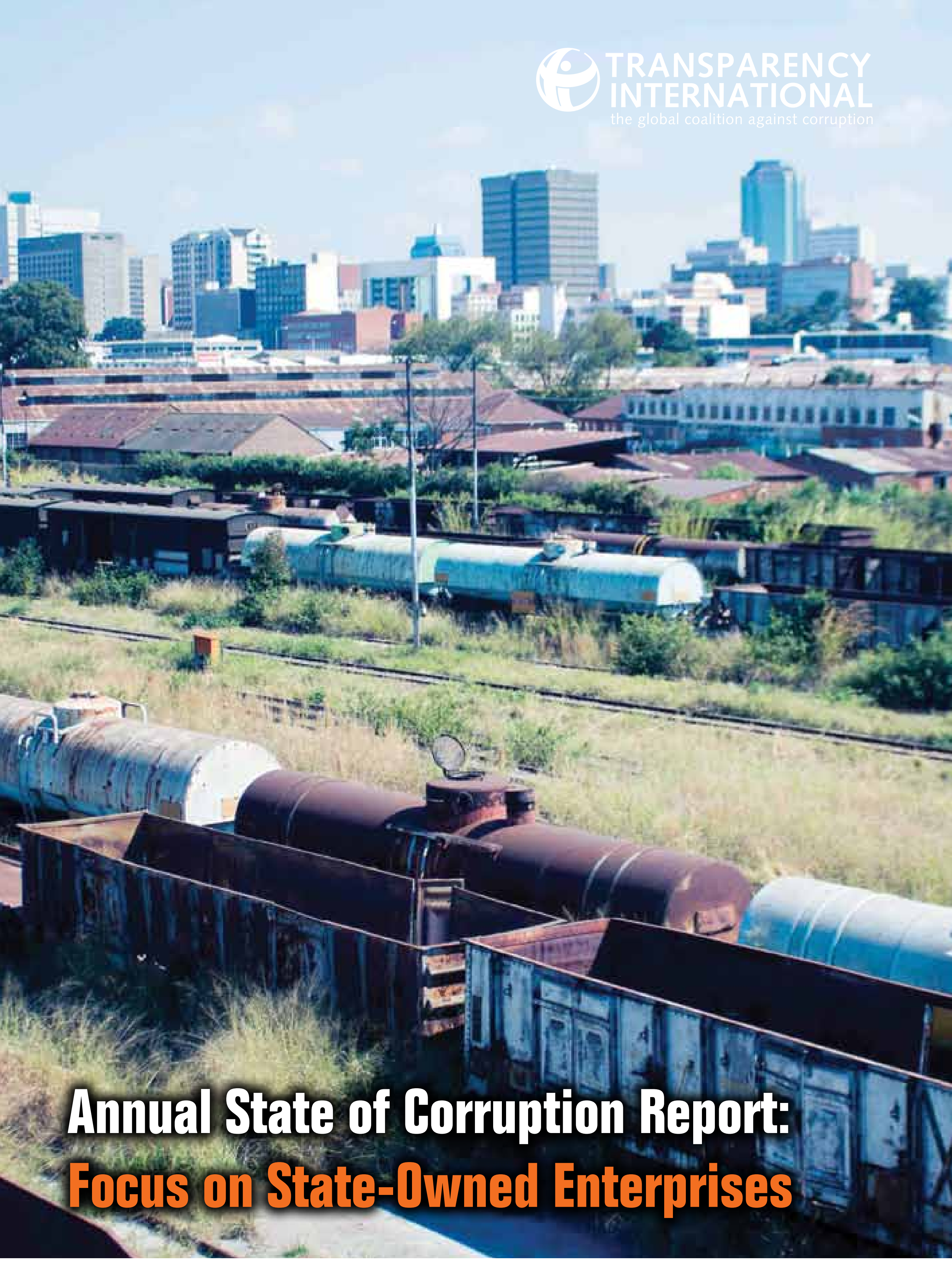

TRANSPARENCY INTERNATIONAL
the global coalition against corruption

Annual State of Corruption Report:
Focus on State-Owned Enterprises

SWEDEN

Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, we raise awareness of the damaging effects of corruption and work with partners in government, business and civil society to develop and implement effective measures to tackle it.

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Acronyms

AG	Attorney General
ARDA	Agricultural and Rural Development Authority
BAZ	Broadcasting Authority of Zimbabwe
CAAZ	Civil Aviation Authority Zimbabwe
CCZ	Consumer Council of Zimbabwe
CHRA	Combined Harare Residence Association
CMB	Cotton Marketing Board
CMED	Central Mechanical Department
CRIB	Cotton Research Board
CRV	Central Vehicle Registry
CSC	Cold Storage Commission
DMB	Dairy Marketing Board
DZPL	Dairiboard Zimbabwe Private Limited
EMA	Environmental Management Authority of Zimbabwe
EPO	Exclusive Prospecting Order
ESAP	Economic Structural Adjustment Program
FCC	Forestry Commission Company
GDP	Gross Domestic Product
GMB	Grain Marketing Board
GNU	Government of National Unity
ICT	Information Communications Technology
IDBZ	Indigenous Development Bank of Zimbabwe
IDC	Industrial Development Corporation
ITU	International Telecommunications Union
MCAZ	Medicines Control Authority of Zimbabwe
MMZ	Minerals Marketing Corporation Zimbabwe
NOCZIM	National Oil Company of Zimbabwe
NRZ	National Railways of Zimbabwe
NSSA	National Social Security Authority
OECD	Organization for Economic Cooperation and Development
OPC	Office of the President's Cabinet
PAZ	Privatization Agency of Zimbabwe
PEA	Political Economy Approach
POSB	Postal Office Services Bureau
POTRAZ	Postal and Telecommunications Regulatory Authority
PPPs	Public Private Partnerships
PSMAS	Premier Services Medical Aid Society
RBZ	Reserve Bank of Zimbabwe
SEPs	State Enterprises and Parastatals
SERA	State Enterprises Restructuring Agency
SOEs	State Owned Enterprises
SPB	State Procurement Board
T/A	Transparency and Accountability
TIZ	Transparency International Zimbabwe
TSCZ	Traffic Safety Council of Zimbabwe
UDI	Unilateral Declaration of Independence

WMMI	Willowvale Mazda Motor Industry
ZACC	Zimbabwe Anti-corruption Authority
ZANU PF	Zimbabwe African National Union- Patriotic Front
ZBC	Zimbabwe Broadcasting Corporation
ZEDTC	Zimbabwe Electricity Transmission and Distribution Company
ZERA	Zimbabwe Energy Regulatory Authority
ZESA	Zimbabwe Electricity Supply Authority
Zim Asset	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMSEC	Zimbabwe Schools Examination Council
ZINARA	Zimbabwe National Road Authority
ZINWA	Zimbabwe National Water Authority
ZISCO	Zimbabwe Iron and Steel Company
ZMDC	Zimbabwe Mining Development Corporation
ZPC	Zimbabwe Power Company
ZUPCO	Zimbabwe United Passenger's Company

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TI Z appreciates and acknowledges all the authors cited in this report who provided a wealth of information on State Enterprises in Zimbabwe. Certainly, previous studies by the various authors who have explored the role and functions of State Enterprises in Zimbabwe and in other countries provided a firm scholarly and policy foundation on which the report is grounded. This Report could not have successfully explored the different dynamics of Transparency and Accountability if it wasn't for the insights and knowledge of various individuals and institutions that were consulted during the research process.

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Farai Mutondoro
Senior Researcher and Regional Coordinator

Preface

The 2014 Annual State of Corruption Report is a comprehensive analysis of Zimbabwe's State Owned Enterprises. The 2014 ASCR builds on previous sectorial studies on corruption in Zimbabwe with the 2013 Annual State of Corruption Report, which focused on the Mining Sector being the predecessor. In developed and emerging countries, SOEs contribute to a substantial part of the economy's Gross Domestic Product (GDP) and employment (OECD, 2006). The Singaporean model of State Owned Enterprises has shown the world that SOEs can drive the national economy and they thrive in an environment where there is good corporate governance, professionalism and most importantly, where there is transparency and accountability in the management of SOEs. In Singapore where SOEs are popularly known as Government Linked Corporations (GLC), the management and control of these GLC is done through Temasek Holdings which is a commercial investment company owned by the Singapore government. Under the Singapore's Constitution, neither the President of Singapore nor the Singapore Government is involved in Temasek's business decisions, except in relation to the protection of Temasek's past reserves. According to the Temasek Review of 2013, as of 31 March 2013, Temasek owned and managed a net portfolio of S$215 billion, mainly in Singapore and Asia. Based on 2008 to 2013 market capitalisation data, SOEs or GLCs accounted for **37%** of the stock market value. Literature suggests that SOEs have thrived in Singapore as a result of a combination of factors. The most important among them are; good corporate governance, transparency and accountability in the management of these GLCs. As of August 2013 Temasek had a rating of 10/10 in the Linaburg-Maduell Transparency Index (LMTI), making Temasek the most transparent of all Sovereign Wealth Funds around the World.

In India,Shapiro (2009) notes that the 240 SOEs that are outside the financial sector produce 95 percent of India's coal, 66 percent of its refined oil, 83 percent of its natural gas, and about one-third of its finished steel and aluminium. The Indian Railways alone employs 1.6 million people, making it the world's largest state-owned commercial employer. Closer home, South Africa has over 300 publicly owned SOEs across all levels of government, the number is as high as 500 if subsidiaries are included (Balbuena, 2014). The economic importance of SOEs is concentrated in the top 30 companies, with four accounting for 91% of the assets, 86% turnover, and 77% of SOE employment. (Government of South Africa, 2011). Therefore at a time when Asian countries such as China and Singapore have built strong economies supported by State Owned Enterprises, Zimbabwe's SOEs remained bound by chains of corruption, patronage and political interference, poor corporate governance and poor performance. It should be noted that the problem of corruption in SOEs is not something unique to Zimbabwe as countries such as China face similar challenges; the only difference being that, the Chinese government has demonstrated a commitment in addressing corruption challenges in SOEs unlike Zimbabwe. Notwithstanding the problem of corruption in SOEs, China has built a strong economy around SOEs. Although sources don't seem to agree on the exact contribution of SOEs to the Chinese economy, most sources seem to suggest that SOEs contribute more than 30% to China's national GDP

This report by Transparency International Zimbabwe seeks to make a contribution to the ongoing public and policy debate and dialogue on proper and transparent governance of SOEs. This report builds on previous work by academics, the media and the OECD as well as the Southern Africa Network for State Owned Enterprises. Using the lenses of transparency, accountability and integrity, TI Z seeks to propose practical policy recommendations that can help in revamping the State assets.

Farai Mutondoro
Senior Researcher and Regional Coordinator

Foreword

The role played by State Enterprises in the growth of the economy is well known and documented not only in Zimbabwe but in the region as well. The challenge is to create the right framework that can govern the management of State Enterprises specifically focusing on issues of transparency and accountability. State Enterprises do not only impact on economic growth but they affect in general the welfare of citizens. The government's economic blue print ZimAsset clearly acknowledges the role played by State Enterprises in the socio-economic development of the country.

Preventing corruption in how state enterprises are run could play a big role in how economic transformation can be managed by the government. The 2014 Annual State of Corruption Report details the level of transparency and accountability in the running of State Enterprises. Stakeholders and the government in particular need to take note of the policy recommendations focused on improving the level of transparency and accountability in State Enterprises. These recommendations can play a big role as the government embarks on the restructuring of the entities so that they can play a significant role in socio-economic transformation of the country.

The recommendations in this report could be supplemented by the recently launched National Code on Corporate Governance, which if implemented could positively transform how State Enterprises are run. The strengthening of the corporate governance framework for State Enterprises, if implemented could play a big role in the positive transformation of these entities. To accelerate the transformation of these entities it is important for the government to prosecute all individuals in State Enterprises and those members of the public conniving in perpetuating corrupt activities. The report also notes the importance of reviewing and strengthening the legal framework with an emphasis on limiting the powers of Ministers in the running of State Enterprises. The model where Ministers have unlimited power in the running of State Enterprises has proven to be one of the major weaknesses in the running of State Enterprises.

This report and many others of a similar nature are meant to educate stakeholders and government in particular to act on issues of corruption and accountability in State Enterprises. The aim of such reports is not to only to expose incidents of corruption but to ensure corrective action is taken to prevent corruption and prosecute those involved in corrupt activities.

Memory Nguwi

Executive Summary

The Annual State of Corruption Report with a focus on State-Owned Enterprises (2014) comes at a time when transparency and accountability of State Owned Enterprises (SOES) in Zimbabwe are at ebb owing to political patronage, underhand dealings, "the homeboy" mantra and the general organizational dysfunction in most SOEs. Where State-Owned Enterprises could have worked at an advantage to both the government and the ordinary citizens, in the process remaining economically viable; this study, which is an intensive aggregated assessment of the degree of transparency and accountability in SOEs, notes that there is **no overarching legislation** for the governance of SOEs in Zimbabwe. The net effect of the *ad hoc* nature with which SOEs are managed opens them to all ills and crimes such as manipulation, corruption, nepotism, cronyism, theft, and gross abuses of infrastructure and human capital by politicians and well-connected ordinary citizens.

To exacerbate the situation, the study notes that various SOEs are housed by different ministries in Zimbabwe; for instance, Air Zimbabwe, National Railways of Zimbabwe, and the Zimbabwe National Road Authority (ZINARA) are housed in the Ministry of Transport and Infrastructure Development while Cold Storage Commission (CSC), Grain Marketing Board (GMB) and the Agricultural and Rural Development Authority (ARDA) are in the Ministry of Agriculture, Mechanization and Irrigation Development. The Industrial Development Corporation (IDC) and Zimbabwe Iron and Steel Company (ZISCO) work within the ambits of the Ministry of Industry and Commerce. Thus, corporate governance in SOEs falls victim to interventionism from multiple centers of control and influence ranging from Line Ministries, the Office of the President and Cabinet, Ministers in line and related Ministries and the management who, in most cases are Ex-Servicemen of the Army, Police, Veterans of the Liberation Struggle or simply relatives of influential people in Government or in ZANU PF.

The research was conducted through an analysis of newspaper articles, policy documents, interviews and field visits to some State-Owned Enterprises in Zimbabwe. The assessment of transparency and accountability in SOEs largely used qualitative data collection where print and electronic publications, which include journals, newspapers and books, were analyzed. Key Informant Interviews on SOEs composition, operations and management were also utilized to analyze transparency and accountability of SOEs.

The research benefited from first hand experiences by the Former Minister in the then Ministry of State Enterprises and Parastatals, Honourable Gordon Moyo in whose tenure of office, there was an attempt to synchronize and perfect the operations of SOEs through an Act of Parliament. However, the attempt to draft a piece of legislation with crosscutting issues was thwarted by the Attorney General's (AG) office during the era of the Government of National Unity (GNU) (Ministry of State Enterprises and Parastatals, 2012). Despite the fact that the principles of the Bill on State Enterprises and Parastatals Management and the principles of the Bill on State Enterprises Restructuring Agency (SERA) were adopted by the Zimbabwe cabinet in 2011, the AG's office failed to produce the documents for presentation to Parliament.

The study cites examples of corruption scandals that include: the 2014 Mega Salaries saga where the Premier Service Medical Aid Society (PSMAS) was paying more than US$1,1 million per month to 14 of its Executives, a stunning figure that could pay monthly bills for ARVs for 61 111 people suffering from HIV and AIDS. Worse still, this happened in an ailing economy that is characterized by massive job losses, unemployment and poverty. Recent scandals such as the 2014 ZINARA Snow Graders Scandal, and Marange-Chiadzwa diamond-looting scandals remain unresolved since 2009. The Zimbabwe Broadcasting Corporation (ZBC) "salarygate" scandal implicated the top management in mega salaries and packages while ordinary employees could go for several months without receiving any salary. The downside to all the corruption scandals and sector wide deficiency in accountability and transparency derive from the failure of the state to prosecute and incarcerate the people involved.

The research foregrounds the failure of SOEs to transform themselves to viable commercial entities in their current or present form. Rather, they will continue to run at loss and in their opaque forms, corruption, bad governance and maladministration will continue to be the norm in the unforeseeable future. The study proposes a total overhaul of the regulatory framework in which State-Owned Enterprises operate. Political interventionism works against the profitable operation of SOEs. There is need to provide significant independence of regulators from the owner or players on the market, as well as independence from those being regulated. This contribution advises that (a) all SOEs have regulators; (b) there is a separation of regulatory functions from ownership functions. The owner of SOEs should not regulate its SOEs; (c) SOEs should not be both players and regulators in one. In other words, SOEs should not regulate themselves; and (d) regulators should not duplicate the same functions. Where such duplication exists, the functions should be fused into one Regulator.

There should be enforceable standards of accountability and transparency in SOEs activities that include recruitment procedures and practices as well as in deals and contracts. Citizens' awareness of SOEs corruption and ways of minimizing it is possible when there is public disclosure of activities in SOEs. The same principle of "publish what you pay" for private companies should apply to SOEs for public accountability in terms of what was received and how it was spent. The study recommends the commercialization of some SOEs as an option that reforms the sector. Like in any country, the Government of Zimbabwe could from time to time commercialize certain SOEs. Whether they are regulatory, social services or commercial SOEs, creating sufficient distance between SOEs and politicians remains the only safeguard from state capture and political interference that undermine their efficiency, accountability, integrity and transparency in governance and operations.

Mary Jane Ncube
Executive Director
Transparency International Zimbabwe

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THE POLITICAL ECONOMY OF SOEs IN ZIMBABWE

by Ibbo Mandaza

Research Objectives

The main objective of the study is to assess the state of transparency and accountability in state enterprises. The complementing objectives are as follows:

- To explore existing policies and statutory framework for establishment and regulation of SOEs within the context of anti–corruption promotion and result–based managed provisions of ZimAsset.
- To understand within the policy and statutory framework how nominations and appointments can be made more consultative and transparent in order to achieve greater leadership competence for impact and sustainability.
- To identify factors that promote sector integrity such as dispelling inefficiencies that lead to widespread perceptions of lack of transparency and accountability in SOEs
- To identify places in the value chain of SOEs management where the five hallmarks or standards of well–run SOEs can be established and at what level
- To proffer recommendations for possible institutional capacity–building and training, as well as policy and legislative reforms that would provide greater efficiency, transparency and accountability in SOEs.

Research Questions

- How do current legislation, policies and institutional structural arrangements promote transparency and accountability in the governance of SOEs?
- What are the parameters of discretionary powers of senior personnel in SOEs and what delegated powers do they exercise from their line ministries?
- What mechanisms are in place to ensure that there is regular oversight over compliance to regulations and other policy directives?
- What mechanisms exist to ensure public scrutiny of the performance of SOEs?
- How are financial and administrative systems and procedures articulated to the rank and file to ensure equal access to information within or between SOEs?
- How are internal systems of administrative and financial management open to public scrutiny? For example: Are there parliamentary, public financial and administrative evaluations?
- How are these factored into national reform discourse?
- What procedures are there to enact and execute good corporate governance?
- How can systematic transparency and accountability be ensured and maintained.

SOEs in Historical Perspective

The idea of State Owned Enterprises (SOEs) in Zimbabwe has its origins in the British system of governance, particularly the “Socialist” ideals of the early twentieth century and the related development of the concept and practice of the “welfare state”. SOEs were conceived as agencies for the delivery of services to the public, hence the term “public service”. In essence, they were part of the ideological superstructure that purported to conceal the blatant class nature of the capitalist state, behind organs designed both to ameliorate at least some of the adverse effects of capitalism and provide (state–sponsored) services to the public at large. As various authors (who have been cited in this study) indicate, this is how, over the years, since the turn of the twentieth century, SOEs became tools of public administration[1], instruments of public policy in institutions established by statutes and, therefore, subordinate to parliament and the executive; and for which the state accepts responsibility for activities of these SOEs.[2] Therefore, in both ideological and theoretical terms, SOEs were viewed as “essential tools of control, economic planning and development.” They are, according to the protagonists and ideologues of the welfare state, a means of industrial power and influence, economic self–reliance, implementation of policy, safeguarding public interests, maintenance and enhancement of morality, thus their failure is not an option.[3]

As this study illustrates, the history of SOEs has, in practice, been far from such lofty ideals, not only in Zimbabwe where the situation in this regard is pathetic if not pathological, but also in Britain itself where this sector was virtually transformed ever since the 1990’s into viable business ventures. In a Treasury Internal Paper (1996), we are told:

> The SOEs process involved the reconstruction

[1] Dube, 2011
[2] Stroh et al, 1997:177
[3] Ibid

of departmental trading activities into profit-oriented, state owned, limited liability companies. A number of pre-existing statutory corporations were also made subject to the SOEs accountability provisions. The Treasury was a key adviser to government throughout the SOE process. This included the inception of the policy to establish state trading activities on a commercial footing, through to the detail of the SOEs legislation and the monitoring provisions. Subsequently, the Treasury has been responsible for monitoring the performance of SOEs on behalf of shareholding ministries and devoting and implementing privatization policy. Since 1993, responsibility for monitoring SOEs performance has been shared with the Crown Company monitoring advisory unit which was established to monitor a range of state owned companies.[4]

From Rhodesia to Zimbabwe: SOEs as the Agency of Patronage

So, if both Rhodesia and Zimbabwe had drawn on the British precedence, in the establishment and development of SOEs, it is evident that both the colonial and post-colonial states soon reduced these enterprises largely into agencies of (political and economic) patronage; and, therefore, rendering them loss-making and parasitic organs or tools of public administration. More importantly, this study confirms that there have been lame attempts at reforming SOEs in Zimbabwe towards the kind of "best practices" which the former colonial power (Britain) – and many other countries the world over – have been introducing ever since the 1980's, as illustrated in the Treasury Internal Paper (1996), already referred to in the foregoing. Similarly, Zimbabwe has done little or nothing to learn from the experiences of such countries as India who have transformed most of their SOEs into dynamic engines of growth and development; nor China, which has developed an amazing form of "State Capitalism" out of SOEs which had become mostly agencies of patronage and stagnation.

The Rhodesian experience with SOEs was integral to the political economy of white settler colonialism[5]. The Land Apportionment Act (1930) constituted the backbone of an economy which thrived for the benefit of the settlers, at the direct expense – and with surplus drawn from their labour and dispossession – of the colonized people; and such State Enterprises as the Cold Storage Commission Abattoirs, Cotton Research Industrial Boards, Maize Control Board and Rhodesian Iron Steel, were not only vehicles for the protection of the white settler bourgeoisie against both the emergent indigenous middle classes in the 1940's and 1950's, but even the international capital. This tendency was reinforced during the UDI era (1965-1979) when the mandatory sanctions against the Smith regime caused the latter to turn to a variety of import–substitution and sanctions–busting activities, out of which emerged such quasi-state enterprises as TA Holdings and Mashonaland Holdings, reflecting as they did a close relationship between the white agrarian bourgeoisie, industrial capital and a new class of white comprador elements some of whom have survived into, and continue to thrive in, post-colonial Zimbabwe. It was in this context that the white settler colonial state instituted guarantees for the purchase of agricultural crops on behalf of white farmers, protected manufacturing industries through favourable tariffs. Using such controls and subsidies, the settler colonial state developed public enterprises in areas deemed vital to the economy. The public enterprises also worked as a defence mechanism against the mandatory sanctions of the day.

Apart from the SOEs, the entire economic system was designed as an enclave for the protection, benefit and patronage of the white settler community. As has been pointed out elsewhere[6], the post-white settler colonial situation was characterized by continuity rather than change from 1980 onwards. In other words, the structure of the economy and most of its vestiges – income, wealth distribution, land ownership – remained largely intact and buttressed by the Lancaster House Constitution which, inter alia, had political and economic safeguards for the former while settlers in post – independence Zimbabwe, initially for the first 10 years but, in practice, well beyond that, even though a sizeable black middle class had joined this echelon of the few.

The new post-independent government sought to use the SOEs sector as one of the agencies through which to address the colonial question, especially in the socio-economic

[4] Treasury Internal Paper: State-Owned Enterprises: History of Policy Development and Implementation, UK, September.1996:1.
[5] See for example, Giovanni Arrighi, "The Political Economy of Rhodesia", in Arrighi and Saul, (eds), *Essays on the Political Economy of Africa*, Monthly Review, New York, 1973.
[6] Ibbo Mandaza, "Introduction: The Political Economy of Transition," in Ibbo Mandaza, (ed), *Zimbabwe: The Political Economy of Transition*, 1980-86, CODESRIA, 1986.

sector. This was not new in the history of post-independence: for example, Zambia had pursued, ever since the Mulungushi Declaration of 1967, a mixture of nationalization and SOEs as a means towards indigenizing the economy; and Tanzania had instituted its own kind of "African Socialism" as the model in an economy in which there was a very small private sector, giving rise to a plethora of SOEs that pervaded almost every aspect of economic and social activity. By comparison, Zimbabwe's model was a mixture of the continuity of the settler colonial economy in its essential aspects, and a "socialist" slant through the democratization of the social sector – education, health and social services.

Generally, the developments were no less than revolutionary in import – and there was a substantive increase in the number of SOEs, from the 20 of the Rhodesian days, to what we currently have. By 1990, there were 40, most of which were monopoly companies in which the state had 100% share ownership. The SOEs consist of public corporations established through Parliamentary Acts, and state companies incorporated under the Private Companies Act.[7] State enterprises exhibit a variegated mix of regulatory, promotional development and commercial objectives, with each set of objectives varying according to the nature of the enterprise.[8] Appendix 1 has a full list of the 78 SOEs in Zimbabwe. But they operate in most aspects of economic activity, including fuel, infrastructure, agriculture, transport, public utilities telecommunications, etc. As others (Sikwila, 2014) have observed, some SOEs are essentially regulatory bodies while others play a dual role as both regulatory and commercial. Most of these SOEs are incorporated under the Companies Act, and all account for approximately 40 percent of GDP.

The Governance of State Enterprises in Zimbabwe: A Legacy of Patronage and Mismanagement

As originally conceived under the British system at the turn of the twentieth century, the Minister of Government was the central factor in the existence and operations of an SOE, as prescribed by the respective Act of Parliament. As such, the Minister (and his/her ministry) presided over the SOE, was responsible for regulating the sector by creating a favourable atmosphere for industry, and ensuring a competitive advantage in generating profits for the public good. So, the parent ministries acted as shareholders to SOEs, on behalf of government and, in turn, for the benefit of the citizens as a whole: to ensure growth and development and, therefore, mandated to appoint Board members and managers of the SOEs, and even deciding on price–setting.

However, as the revelations of Justice Smith Commission[9] testify, this principle of corporate governance was converted into a blank cheque of "ministerial responsibility", or a virtual licence for unbridled political patronage, accompanied by blatant disdain for the most basic of corporate governance and managerial requirements for SOEs. Among other factors, the Report revealed that the SOEs had virtually emerged, ever since 1952, as monopoly purchasers, processors and suppliers entities, controlling over 95 per cent of the domestic market for its products. Not surprisingly, the SOEs were operating in deficit, funded by state subsidies. The annual trading account deficit for SOEs increased dramatically after independence in April 1980, rising from 7 per cent of sales in the year to June 1980, to over 50 per cent in the late 1980s. In short, the objectives of the Smith Commission were two–fold.

Firstly, to inquire and ascertain the principal causes of this deficit and perceive what steps could be taken to reduce the size of the deficit and to recommend necessary measures to address the problem. An inquiry was made of the National Railways of Zimbabwe, Zimbabwe Electricity Authority, Cold Storage Commission, Cotton Marketing Board, Dairy Marketing Board, and Grain Marketing Board. As the deficit was worsened by the world–wide economic depression during that period (mid 1980's onwards), the government was compelled to assist in the marketing of maize, beef and milk. This resulted not only in the creation of legislation to regulate the growing of these markets but also the genesis of the regime of prices and wages controls that became an albatross on the Zimbabwean economy in subsequent years; prompting the adoption of the Economic Structural Adjustment Programme (ESAP) by the turn of the 1990's; and the economic down–turn thereafter, with the events that led to the collapse of the Zimbabwean dollar in October,1997, the mass "stay–away" of 9 December, 1997, the food riots of January, 1998, the rise of the opposition MDC in

[7] Zhou, 2012
[8] Sikwila, 2012
[9] See Some of the findings of the Justice Smith Commission on Public Enterprise in "From Interventionism to market based management Approached" at http: //www. sanweb.lib. msu.edu/…/juz028002007.pdf.

September, 1999, and the rise of the current securocrat State in Zimbabwe.[10]

The Parastatals Commissions, 1988-1990[11]

Secondly, the Justice Commission recommended measures through which to address corporate governance problems with respect to the SOEs, particularly the need to curtail the purview of "ministerial responsibility" and its associated ills, political patronage and mismanagement. This led to the Parastatals Commission Act, 1987, a regulative act designed initially to deal with oversight issues of the operations and conditions of service in Parastatals, dismissal of workers from services within these bodies, disciplinary proceedings and settlement of disputes; but had all these extrapolated in practice to broader corporate governance issues under the Parastatals Commission itself which was established in 1988, under the Chairmanship of Ibbo Mandaza (former Permanent Secretary and subsequently deputy chairman of the Public Service Commission) and reporting directly to the President of the Republic of Zimbabwe.

Although short–lived (1988-1990), the Parastatals Commission managed to institute the following with respect to the operations of SOEs in Zimbabwe; and these are pertinent also because it was their decline and demise in the course of the subsequent decades that turned the SOE sector into a quagmire of rampant patronage, corruption, mismanagement and unparalled loss–making and even virtual collapse of most of these enterprises.

1. Corporate Governance Structures:

The Parastatals Commission produced guidelines on the relationship between the parent Ministry, the Board and the Chief Executive Officer of the SOE. Whilst the Minister retained his/her role and status of "ministerial responsibility" under the Act of Parliament establishing the SOE, the new guidelines sought to translate this into an institutional framework through which such powers could be mediated and complemented

(a) through a Board appointed on the basis of such professional and managerial criteria as were relevant to the nature and functions of the SOE; and

(b) a CEO (and managerial structure) appointed by the Board on the basis of professional, technical and managerial criteria, after the requisite advertisement of the post and a transparent exercise towards such an appointment.

2. Curbing Undue Ministerial Interference and Creating the Requisite Separation Between Minister/Ministry and the SOE

The Parastatals Commission ensured this through the:

i. Appointment of Boards of SOEs:

On the basis of well–researched criteria relevant to the nature and functions of the SOE, the Parastatals Commission recommended to the President the appointment of the Chair and members of the Board, after due consultation with the Minister responsible under the Act. But "consultation" was not synonymous with approval by the Minister: the Commission was bound only to inform the President of the content and outcome of the consultations held with the Minister, as part of its submission and recommendations; but, in all cases, this was to ensure that meritocracy, rather than ethnic politics or patronage, prevailed in the appointment of the Chair and members of the Board. Likewise, in the removal or replacement of such appointments, the Parastatals Commission had to satisfy itself that the due processes and inquiries were concluded before recommending this to the President, especially since, as was often the case, it would have been the Minister/Ministry who would have initiated action, invariably following a fall–out between the Minister and Chair of the SOE.

ii. Permanent Secretaries and/or Ministry officials precluded from being Members of the Boards of SOEs.

This followed logically from (i) above and sought to emphasize the virtual and desirable "separation of powers" and functions between Minister/Permanent Secretary/Ministry on the one hand, and on the other, the Board/Management. Since the latter had to submit reports and answer to the Minister/Permanent Secretary/Ministry under the provisions of the Act, it would make a mockery of such a process if the accounting officer of the Ministry were also an actor in the SOE. Not to mention the potential for abuse of power, influence and even corruption, as the "Salarygate" saga, for example, is

[10] See, Ibbo Mandaza, "The ZANU PF Congress: The Triumph of the Securocrat State?" ZimbabweIndependent, 15 December 2014.
[11] Justice Smith Commission, Op.Cit.

testimony: a Permanent Secretary and Government officials being members of the Board of PISMAS and receiving "fees" in the region of allegedly US$50000 per month!

iii. Appointment of C.E.O.

This was the responsibility of the Board of the SOE, after a (public) advertisement which outlined in detail the nature and function of the post and the required qualifications and experience of the person to be appointed. Both the job description/advertisement and the selection of the CEO had to be cleared with the Parastatals Commission whose responsibility was simply to ensure that the due process has been followed before endorsing and recommending the same to the Minister (in consultation) and for approval by the President. Otherwise in all other material respects, the CEO was answerable to the Board which could, in turn, also recommend the removal or replacement thereof.

3. The Relationship Between the Board and CEO/Management of the SOE

The CEO was responsible for the day–to–day functions of the SOE, reporting to the Board on a regular basis – i.e. at scheduled Board Meetings – but essentially being the accounting officer of the SOE. Since the Chair and members of the Board are non–executive, their functional relationship with the CEO/Management is through the Board Meeting and the functions of such sub-committees as Audit and Financial, and Human Resources. Therefore, the current practices, wherein some Chairpersons of Boards even have a desk and operate within the offices of the SOE, were anathema and outlawed during the tenure of the Parastatals Commission. Not to mention similar malpractices such as irregular appointments at the behest of Minister, Permanent Secretary or Board Chair; and, of course, the extent to which SOEs are now the source of either an "extra allowance", exorbitant fees or another vehicle for the Minister, Permanent Secretary, Board Chairperson or all three and more!

President Robert Mugabe dissolved the Parastatals Commission in January, 1990, with the words to this effect: the Commission had done a good job but this was now over. With the advantage of hindsight over the last twenty four years since the dissolution of the Parastatals Commission, it is now obvious that the Zimbabwean state, like most post – colonial social formations, cannot exist without the component of patronage – so implicit in the literal interpretation of ministerial responsibility. Indeed, the Parastatals Commission had been appointed so as to curb the excesses attendant to this; as it turned out, it was losing battle from the outset.

As this study reveals, the SOE sector in Zimbabwe has been a major agency through which patronage, a feature implicit in all political orders, has escalated to such excesses as to become synonymous with corruption, mismanagement and the virtual collapse of most of these enterprises. Not to mention the aftermath of the Parastatals Commission, from 1990 to the present day, wherein confusion and competing interests within Ministries themselves, and between the latter and other regulatory bodies such as Cabinet, the Inter-ministerial Committee on Commercialization and Privatization, the National Economic Planning Commission and the Department of State Enterprises and Indigenization. Currently, the combined influence of ZANU PF itself (through the Head of State in particular) and the Office of the President Cabinet (OPC) – in which, today, there are at least, Permanent Secretary or similar rank – accounts for most key decisions attendant to SOEs in Zimbabwe.

The Heart of the Matter

Clearly, the problems and tribulations attendant to the SOEs sector in Zimbabwe reflect, as do many other factors that are symptoms of the same, the nature and character of the post–colonial state: as one modeled on the conventional national bourgeois democratic state but without the national bourgeoisie (which should relatively be independent of the state for its survival as a class); and, therefore, reducing the state itself into a predatory one for a parasitic class of political leaders and bureaucrats, as the theatre for primitive accumulation. Not surprisingly, the SOE sector has been the agency for the politics and economics of patronage, viewed simply as the feeding trough for the new bureaucratic comprador bourgeoisie that has thrived on its links with the party/state. This includes some retired politicians and/or former military personnel. Therefore, the increasing number of such persons in the boards and managements of SOEs in Zimbabwe also reflects the nature of the securocrat state which has correspondingly relied on coercion/violence (or the threat of it) and patronage.[12]

[12] Ibbo Mandaza, "The ZANU PF Congress: The Triumph of the Securocrat State?" *Zimbabwe Independent*, 15 December 2014

Overall, this study will have to consider whether there could be meaningful transparency and accountability in the management of state enterprises without the reform of the Zimbabwean State itself.

Outline of the study

This Chapter on "The Political Economy of SOEs in Zimbabwe" provides a framework within which to elaborate upon the most pertinent themes in the study of this sector, whilst highlighting the problem of corporate governance and the consequent lack of accountability and transparency.

Chapter 2 is an examination of the "Legal and Institutional Landscape of SOEs" and, at the very outset explains the difference between a State Enterprise and a Parastatal, even though these are treated as one and the same in this study. Quoting the Ministry of State Enterprise and Parastatals (2012:4), Gorden Moyo writes that:

> A parastatal is a body established by a special Act of Parliament to carry out a particular undertaking for the benefit of the public. A parastatal has neither shareholder nor share capital. It has only nominal members who are appointed and removed by an appropriate Minister. The Minister acts in place of a shareholder where Parastatals are concerned. In almost all Parastatals the appropriate Minister has been given statutory power to give directions of a general character, which are considered to be in the national interest. In the execution of his (her) powers, the Minister is the guardian of the public and in particular of the taxpayer, and user of the Parastatal services (p.20)

Therefore, a parastatal is a body corporate, created by a special Act of Parliament which defines its powers, functions and relationships with government among other stakeholders. The Grain Marketing Board (GMB) and National Railways of Zimbabwe (NRZ) are prominent examples of Parastatals; unlike such State Enterprises as Air Zimbabwe, Cold Storage Commission, etc, which are governed by the Companies Act.

However, this legal and institutional framework is a dangerous landscape, "characterised by a myriad of legislation that is overlapping, conflicting and fraught with duplicated provisions that lead to confusion in interpretation and application". Herein lie some of the origins of the plague of "ministerial responsibility" with respect to SOEs; and, to a large extent, accounts for the problems of Accountability and Transparency which are highlighted in Chapter 3. The latter is a graphic exposure of the pathology of SOEs in Zimbabwe, a narrative of the scourge of corruption, mismanagement and loss–making; and an attempt to quantify the enormous wastage to the economy and the possible adverse impact of all these on the Zimbabwean development agenda.

The most depressing aspect of it all is the extent to which corruption has become endemic to Zimbabwean society. As in the case with similar situations the world over, this is the situation that reigns supreme when the political leadership – the Executive – now lacks the moral authority to stamp out the rot, if also because of its own culpability in the mess. The most recent example in the long series of corruption scandals that are described in this chapter, is the "Salarygate" saga in which one of the largest medical insurers – PISMAS – was virtually robbed and rendered bankrupt by mega-salaries paid to the management and Board members (who included a Permanent Secretary and Presidential Spokesperson George Charamba) and a Deputy Secretary in the Ministry of Finance.

As the authors reveal, more than 350, 000 people living with HIV/AIDS might fail to access anti–retroviral drugs as Zimbabwe could face a US$227 million deficit by 2018.

> "As of 2012, the gap was about US$10 million and by 2018 it will be US$227 million and about 358,000 people who will need treatment will not be able to afford it (National Aids Council 2012). All this is happening at a time when one of the largest medical insurers in the country, Premier Medical Aid Society (PSMAS) was paying more than US$1 million per month to 14 of its Executives. The amount of money these top bosses were paying themselves is enough to save and alleviate the suffering of more than 61 111 people suffering from HIV and AIDS who can have ARVs bought for them every month with these huge salaries......"(p.44).

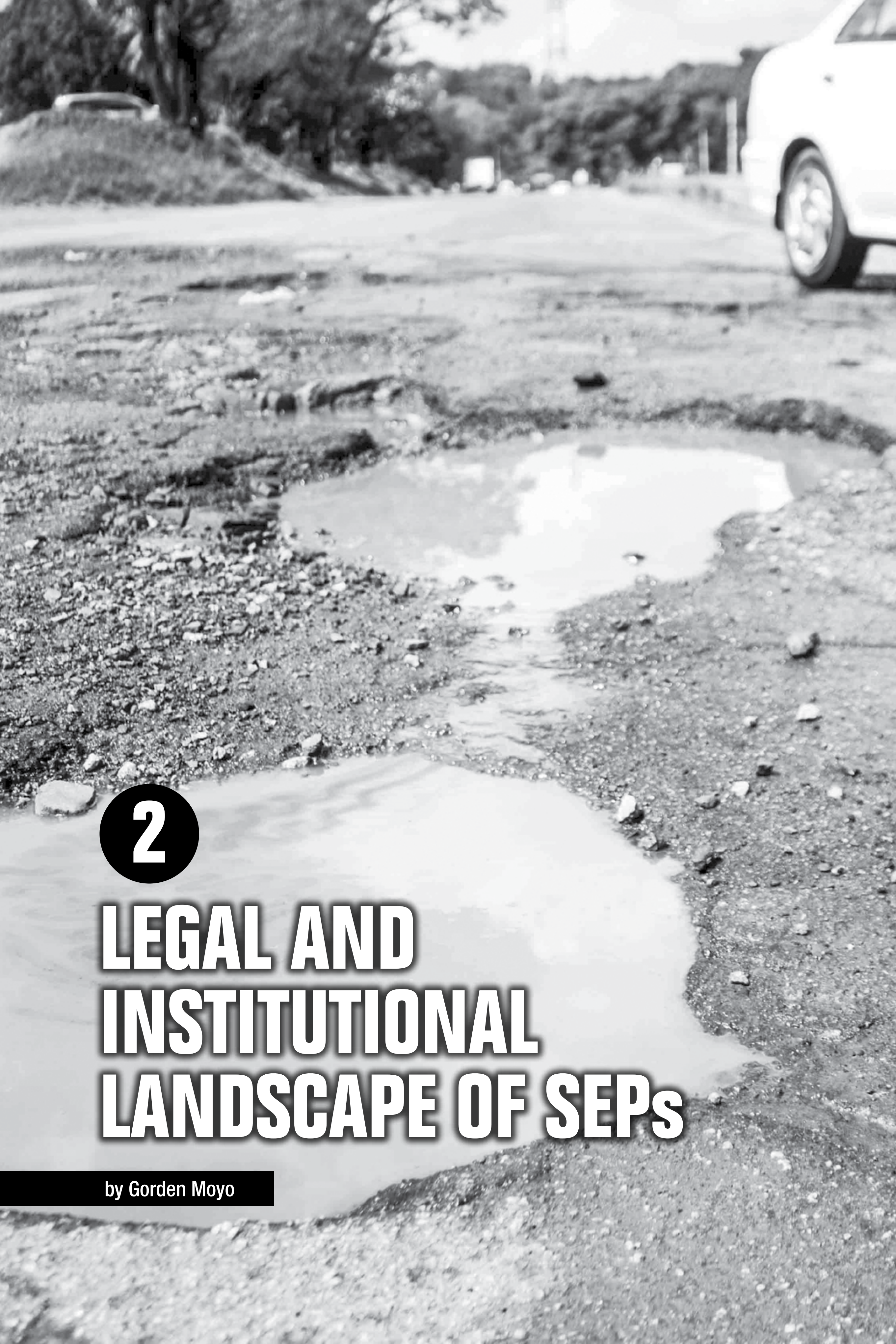
Significantly, the Salarygate has come and is almost gone, with neither the requisite criminal investigations that should have visited such a massive fraud, nor the official quantification of the losses incurred to the national fiscus.

More important, there is as yet no attempt by Government to recover the money from the executives and board members concerned.

Chapter 4 revisits the subject of “Corporate Governance of State Enterprises and Parastatals”, towards the reform of this sector which, in the author’s words, has “increasingly become a national disgrace and a liability to the national fiscus”. Highlighted are the problems of conflicting objectives of SOEs, the politicization of their Boards; the need for a Management Remuneration policy framework; and the strong assertion that good Corporate Governance is the most effective deterrent for, or antidote to, corruption.

Chapter 5 recommends measures and policies through which to reform the SOEs in Zimbabwe, so as to unlock their economic potential. These include recommendations for restructuring, for example: by separating state ownership from regulatory roles; commercializing some of them, and privatizing many of them. Hadebe also proposes reforms towards greater accountability and transparency: employee training on identifying corruption and how to act on it; and public disclosure of SOEs activities and deals. Even the corporate governance framework itself can be reformed and improved: through streamlining of responsibilities and reporting structures; and placing limits on the number of boards a member can sit on, as a means of improving the effectiveness of a given Board.

Lastly, Hadebe recommends the realigning of the legal and policy frameworks of SOEs: by centralizing the administration of SOEs; by separating commercial and regulatory functions; curtailing political interference in the form of Ministerial directives; training of Boards of SOEs; and raising the cost of corruption in SOEs, by taking a leaf from countries such as China and Singapore, who stamped out corrupt practices in the public sector through heavy penalties, including jail sentences (and even the death penalty as in the case of China).



2

LEGAL AND INSTITUTIONAL LANDSCAPE OF SEPs

by Gorden Moyo

Introduction

The issue of State Enterprises and Parastatals (SEPs) has recently emerged as one of the most critical issues confronting policy makers, civil society and the general public in Zimbabwe today. Understanding the overall legal and institutional framework is the first and essential step towards reforming the governance of SEPs. This chapter therefore discusses various legal, institutional, regulatory and policy frameworks and the steps that government should take to improve and modernize them. To be sure, SEPs were first established in Zimbabwe by the colonial government. For instance, the Grain Marketing Board (GMB) was established in 1931, the Cotton Research and Industry Board (CRIB) in 1936, the Dairy Board Zimbabwe Limited (DBZL) in 1952, the National Railways of Zimbabwe (NRZ) in 1967, and the Cotton Marketing Board (CMB) in 1969. Sheer economic necessity was the major driving force behind the formation of SEPs during the colonial era.

Following Zimbabwe's independence in 1980, the ZANU PF led- government simply changed the names of existing SEPs and added many new ones in the fields of agriculture, telecommunications, transport, power, energy, mining, water, banking and finance. The new political authorities deemed it necessary to establish more SEPs in order to facilitate development in sectors, which were not attractive to the private investors. More importantly, SEPs were created to address market deficits and capital shortfalls, promote economic development, reduce mass unemployment, and to ensure national control over the direction of the economy (Zhou, 2000; 2012; Ministry of State Enterprises 2012). No doubt, the prevalence of SEPs in the economy was indicative of the dominant Leninist-Marxist ideological orientations of government at the time. State ownership was also in vogue across the new independent states in Africa and the entire Global South.

Broadly speaking, SEPs occupy an important place in the economy of Zimbabwe. They have the potential to contribute approximately 42% to the GDP, account for a large share in domestic capital formation, industrial investment and employment creation (RBZ, 2007). Moreover, SEPs are viewed as key socioeconomic enablers in those areas where the private sector is reluctant to invest due to inadequate investment, scarcity of capital, high-risk aversion, and poorly developed markets. The principles for the establishment of SEPs are operational autonomy, flexibility, results orientation, value for money and greater accountability and transparency that are difficult to realise in mainstream government bureaucracy (see Heath 1990; Godana and Hlatshwayo 1998; Babaita, 2001; Rondinelli, 2005). In this respect, SEPs are different from government departments by virtue of incorporation, operational autonomy, commercial and quasi-commercial orientation, self-accounting principles and accountability.

However, it is almost trite to say that SEPs sector in Zimbabwe is dysfunctional. The actual performance of SEPs has not been good both in financial terms and in the effective and efficient supply of key inputs and services to the economy. Today SEPs are deeply implicated in fiscal problems because of their inefficiency, budgetary constraints and poor provision of products and services. More specifically, SEPs suffer from gross mismanagement, inefficient use of productive capital, corruption, dilapidated equipment, lack of credit lines, and debt overhang (Ministry of State Enterprises and Parastatals 2012; Mutanda, 2014; Rusvingo, 2014; and Zvavahera, 2014). For instance, the National Railways of Zimbabwe (NRZ) is a pale shadow of its former self currently operating below 10% capacity utilisation and has not been paying its workers for the past three consecutive years. The Cold Storage Commission (CSC) has closed its plants in Masvingo, Chinhoyi, Kadoma and Marondera. It is currently operating below 5% capacity utilisation in Bulawayo. According to the former minister of finance Tendai Biti, GMB was cobbling an average of US$1 million per month during the era of the Government of National Unity (GNU) and yet it retrenched 1229 employees in 2013 alone (Mutanda 2014:6). More telling is the Zimbabwe Electricity Supply Authority (ZESA) which is unable to generate enough power for domestic users let alone for the industry. Thus, the performance of SEPs in Zimbabwe today has fallen far short of what is required by the economy and the general public.

On a more general note, the majority of SEPs in Zimbabwe are operating under untenable operational frameworks of dilapidated infrastructure and equipment, huge debts, undercapitalization, skills deficits, vandalism and looting by top ranking government officials and politicians. They are generally operating below optimal levels, failing to service their bills and facing frequent threats of industrial action from employees (Zhou, 2012:182). Viewed from this perspective the performance of SEPs was compromised leading to inefficient utilization of resources coupled with heavy dependant on the national treasury for financial operations. The implication of this is that SEPs are typically inefficient which affects their financial viability, in turn requiring government to subsidize their operations.

This chapter seeks to examine the legal, institutional, regulatory, policy, and political frameworks in the SEPs sector that have contributed to some of the challenges highlighted above. In Zimbabwe, the legislation and institutional landscape for governance of SEPs is captured in broad array of national policies, legislation, regulations and guidelines. It will be shown here that government as a simultaneous shareholder, regulator and coordinator of SEPs is responsible for providing appropriate legal and institutional frameworks. And yet the same government has been implicated in the exercise of undermining the statutes leading to the collapse of a number of SEPs over the past three and a half decades. Primary data for this chapter was obtained from key informants from government, former cabinet ministers, SEPs themselves, civil society as well as from labour. The contribution also benefited from secondary data from literature on public enterprises, and the analysis of enabling Acts of Parliament, Companies Act and Government Documents. We believe that this discussion will offer a useful framework for rethinking the legal and institutional reforms in SEPs.

Legal Framework

It is logical to start with a general comment before turning to specific circumstances regarding the legal landscape of SEPs in Zimbabwe. The legal architecture in this country is characterised by outdated pieces of legislation with conflicting objectives which incentivise corruption, political interference and lack of coordination between and among approximately 78 SEPs in the country. The legislation that has a direct bearing on SEPs in Zimbabwe includes among others the National Constitution Chapter 9 Articles, 194-198; the Companies Act Chapter 24); the Public Finance and Management Act of 2009; as well as a battery of enabling Acts of Parliament. In the first instance, SEPs are established by law and their functions and powers are further circumscribed by it. Broadly defined SEPs are financially semi-autonomous bodies created by enabling Acts of Parliament (Babaita 2001:32). Kauzya (2008:91) defines a [SEP] as 'an organisation established by government under public or private law as a legal personality which is autonomous or semi-autonomous and produces/ provides goods and services on a full or partial self-financing basis, and in which government or a public body/agency participates by way of having shares or representation in its decision making structure'. Simply put, SEPs are institutions which are owned by the state or in which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management (Effange, 1987 in Adeyemo, 2005:223).

Put differently, SEPs are statutorily authorized corporate entities which earn their revenue from the sale of goods and services and in which government holds a majority of shares (Mwaura, 2007). The term SEP is synonymous with terms such as state-owned enterprises, state-owned company, publicly-owned company, public enterprise, and government business enterprise or parastatal. The institutional frameworks under which SEPs in Zimbabwe are functioning can be classified into State Enterprises and Parastatals. While State Enterprises and Parastatals will be treated as if there are one and the same in this work, it should be noted that these two are different from a legal perspective. Examples of Parastatals include GMB, and NRZ. The Ministry of State Enterprises and Parastatals (2012:4) notes that:

> A Parastatal is a body established by a special Act of Parliament to carry out a particular undertaking for the benefit of the public. A Parastatal has neither shareholders nor share capital. It has only nominal members who are appointed and removed by appropriate Minister. The Minister acts in place of a shareholder where Parastatals are concerned. In almost all Parastatals the appropriate Minister has been given statutory power to give directions of a general character, which are considered to be in the national interest. In the execution of his [her] powers, the Minister is the guardian of the public and in particular of the taxpayer, and user of the Parastatal services.

Viewed from this perspective, a Parastatal is body corporate, created by a special Act of Parliament which defines its powers, functions and relationships with government among other stakeholders. Ordinarily, a Parastatal is fully owned by government, possess its own funds and employees and it works on business principles. Unlike Parastatals, State Enterprises such as Air Zimbabwe, Cold Storage Commission (CSC), Zimbabwe United Passenger Company (ZUPCO), and the Zimbabwe Electricity Supply Authority (ZESA) are entities incorporated under the Companies Act where government has a shareholding of either 100% or less. These entities were reconfigured as ordinary companies governed by the Companies Act chapter 24:03. Thus, State Enterprises have all the powers and privileges of a natural person subject to the Companies Act. For this reason, the Companies Act is a statute of general application in the governance of State Enterprises in Zimbabwe.

To this extent, the difference between a Parastatal and a State Enterprise is that a Parastatal is a body established by a special Act of Parliament to carry out a socioeconomic mandate for the benefit of the public while a state enterprise is a government owned entity which is registered in terms of Companies Act and it operates on commercial basis just like private enterprises. The subsidiary of such a company is also a State Enterprise for example the Zimbabwe Electricity Distribution and Transmission Company (ZEDTC a subsidiary of ZESA is a state enterprise, so is Zimbabwe Power Company (ZPC).

A cursory analysis of the legal and institutional framework of SEPs in Zimbabwe indicates that their legislative environment is characterized by a myriad of legislation that is overlapping, conflicting, and fraught with duplicated provisions that lead to confusion in interpretation and application. Identified problems include absence of a single overarching law; adverse effects of the multiplicity of laws governing SEPs, and the burden of compliance with existing sometimes conflicting legislation whether perceived or real (*see* Godana and Hlatshwayo, 1998; Zhou, 2000; Ministry of State Enterprises and Parastatals, 2012). This legal framework compromises management autonomy in decision making as parent ministers occasionally invoke these Acts to effect controls on pricing, investment, borrowing, hiring and firing at the enterprise level (Zhou, 2000:204).

The legal framework for SEPs as it is now imposes constraints on their effectiveness, autonomy and accountability. On one hand, SEPs are urged to compete effectively and turn out profit, pay incomes and capital gains tax and dividends to the government. However, on the other hand, parent ministries continue to regard SEPs as coming under the relevant Acts of Parliament in such areas as labour law, investment, borrowing, reporting, supervisory mechanism as well as rules and regulations giving public procurement (Zhou, 1998:11). Moreover, SEPs are required by law to (a) report directly to the parent ministry because the ministry in conjunction with the treasury must approve SEP establishment and the remuneration system; (b) obtain budget and investment approval from the treasury; and (c) justify their accounts before the Public Accounts Committee of Parliament. In this sense, the powers vested in the parent ministry cover all major SEPs decisions *inter alia*, major investments, differentiation and expansion in new products and markets, acquisition and mobilisation of human and financial resources, appointment of chief executive officers and various other day to day operational decisions.

It is also instructive to note that there is no overarching legislation for the governance of SEPs in Zimbabwe. Various SEPs are housed by different ministries in Zimbabwe, for instance, Air Zimbabwe, NRZ, and the Zimbabwe National Road Authority (ZINARA) are housed in the Ministry of Transport and Infrastructure Development while CSC, GMB and the Agricultural and Rural Development Authority (ARDA) are a prerogative of the Ministry of Agriculture, Mechanization and Irrigation Development, whereas Industrial Development Corporation (IDC) and Zimbabwe Iron and Steel Company (ZISCO) work within the ambits of the Ministry of Industry and Commerce. The attempt to draft a piece of legislation with cross-cutting issues was thwarted by the Attorney General's (AG) office during the era of the Government of National Unity (GNU) (Ministry of State Enterprises and Parastatals, 2012). Despite the fact that the principles of the Bill on State Enterprises and Parastatals Management and the principles of the Bill on State Enterprises Restructuring Agency (SERA)were adopted by cabinet in 2011, the AG's office failed to produce the documents for presentation to Parliament. The assumption made by this author is that the AG's office was acting on instructions of some ministers or the Office of the President and Cabinet both of which stood to lose some influence and control to the opposition minister – the Minister of State Enterprises and Parastatals had the bills been passed by parliament as law during the GNU.

This study contends that the outdated enabling Acts most of which were crafted during the colonial era, the powers vested by the legislation on parent ministers, and the lack of harmonization between the enabling Acts of Parliament and the Companies Act, the absence of law consisting of cross-cutting issues in SEPs as well as the housing of SEPs all over government ministries have been responsible for causing confusion in the governance of these entities. Furthermore, the lack of a comprehensive legal framework has created fertile conditions for political interference, corruption, mismanagement and the ultimate collapse of a good number of SEPs in Zimbabwe. While the original intent of the legal instruments may have been to put SEPs on a commercial footing and foster greater enterprise autonomy, instead they have often had unintended consequences such as:

- Give powers and responsibilities to government owners that weaken the board of directors, such as the responsibility for setting SEPs strategy or appointing the CEO;
- Require SEPs to be profitable and at the same time to carry out social objectives without any provisions for financing the costs of meeting those objectives;
- Impose restrictions that reduce the operational

autonomy of SEPs in key areas such as budgeting, investment, pricing and human resources; and
- Give powers for the ministers to appoint boards without ratification by parliament thereby creating opportunities for political appointments, patronage and corruption.

For these reasons, the government should revamp and modernise SEPs' legal infrastructure to create a strong foundation for improving their governance and performance. Indeed, a clearly defined legal framework for SEPs is essential for communicating key expectations to SEPs shareholders, boards, management, and all other stakeholders, including the general public (OECD, 2005; World Bank, 2014) and more importantly, legal reform is likely to send positive messages to both domestic and foreign investors about bankable opportunities in SEPs.

Regulatory Framework

There is a huge regulatory lacunain SEPs in Zimbabwe. Notably, the regulatory framework is fragmented, confusing and contradictory. Some SEPs such as the Civil Aviation Authority of Zimbabwe (CAAZ), Zimbabwe Broadcasting Corporation (ZBC) and the National Railways of Zimbabwe (NRZ) have both commercial and regulatory functions. In terms of best practice, regulatory functions should be independent as quasi-judicial bodies and commercial firms should pursue market oriented goals. By definition, regulation is the act of providing policies, standards, directives, guidelines, controlling, or governing conduct in certain activities. It is about bringing into conformity with rules or principles the operations of an organization or a system (Ministry of State Enterprises and Parastatals, 2012). The benefits of an effective and efficient regulation system include greater economic growth anddevelopment, increased investment, job creation, competitive lower prices, better quality of service, and more rapid technological innovation. Whilst some SEPs in Zimbabwe are both regulators and players in one, international best practices call for separation of the two (OECD, 2005).

There seems to be fragmentation, confusion and contestation in the regulation of electronic communication sector by two regulators, that is, the Broadcasting Authority of Zimbabwe (BAZ) and the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ). For example, the POTRAZ regulates electronic transmission of data and information. This same function is also carried out by BAZ, and the two bodies report to two different ministers- Minister of Media, Information and Broadcasting Services and the Minister of Information and Communication Technology (ICT). This apparent duplication of roles does not only relate to internal operations, but also affects relations with international organisations such as the International Telecommunications Union (ITU), where both BAZ and POTRAZ (at times) attend the same ITU activities and conferences. Notably, POTRAZ, regulates both the private and public players, yet it is almost part of the Line Ministry responsible for ICTs. Public players who are also part of the Line Ministry are being regulated by POTRAZ, and POTRAZ also reports to the same Line Ministry. Under such circumstances POTRAZ's independence to provide a level playing field for both private and public sector service providers is compromised.

Similarly, the regulatory functions of the sale of minerals in Zimbabwe is shared by the Minister of Mines and Mining Development and the Minerals Marketing Corporation of Zimbabwe (MMCZ). The Independence of the Corporation is compromised by the fact that the Minister is also responsible for the appointment of the board. Since the Minister is largely the Regulator for the marketing and extraction of minerals, as well as a player on the market through Zimbabwe Mining Development Corporation (ZMDC), there is need to separate regulatory functions, service provider functions and ownership functions, and come up with a single sector regulator for the mining sector (Ministry of State Enterprises and Parastatal, 2012).

Another example is the Zimbabwe Energy Regulatory Authority (ZERA) which was established by the Energy Regulatory Authority Act, of 2010. It is housed under the Ministry of Energy and Power Development. The Board of Directors of the ZERA are appointed by the Minister of Energy and Power Development. Some key informants consulted for this study noted that this provides the Minister, as an individual, wide discretion in deciding who should preside over the ZERA and thus compromising its independence. Also given the liberalisation of the energy sector the Minister becomes an interested party given that s/he is responsible for both the regulatory authority and one of the industry players. The classical case of a regulatory problem in the SEPs sector in Zimbabwe is the Civil Aviation Authority of Zimbabwe (CAAZ) which was established through the Civil Aviation Act of 1998 (Chapter 13:16). CAAZ is the provider of civil aviation services, serving as the regulator of the industry, managing the civil aviation infrastructure, including the main airports, and providing airspace management services. In this case, CAAZ is both the regulatory authority and the provider of airport services. Yet another irregularity in the SEPs regulation system is where the SEP is self regulating and at the same time the Line Ministry is also regulating the

SEP. Some key informants noted that NRZ is a typical self regulating SEP in Zimbabwe. It self-regulates on control, safety matters and the infrastructure it provides, while some regulatory activities are vested in the Minister of Transport and Infrastructure Development. Thus, NRZ plays dual role of being both a player and regulator. On the other hand, the Ministry under which it falls is vested with both regulatory and ownwership functions. This regulatory set-up defies the principle of good regulation since the Minister of Transport and Infrastructure Development is an interested party.

The foregoing examples indicate that there is a contradiction where the SEP is self regulating and at the same time the Line Ministry is also regulating the SEP. The bottom line of this scenario is the absence of a level playing field for both public and private sector players in the provision of services.This situation leads to a state where consumers' rights to fair prices and quality services and products are higly compromised. International and regional best practices recommend some significant independence of Regulators from the owners or players on the market, as well as independence from those being regulated. A cursory analysis of the regulatory framework of SEPs such as NRZ, CAAZ, BAZ, POTRAZ, and ZERA indicates that the line Ministers have powers such as:

- Overseeing the day to day running of the regulators;
- Giving policy directions to regulators on issues relating to regulation;
- The appointment of Boards of Directors for regulators;
- Discretionary powers to direct Board of Regulators, in writing, to reverse, suspend or rescind decisions or actions that are not in the public interest or the interest of the consumers or licencees as a whole;
- Mandatory regulatory powers, for example, in the Posts and Telecommunications sector, in all matters relating to the management of Post Offices and provision of postal and telecommunication services or systems supply, sale and use of postage stamps and registration of postal article;
- Prescribe duties, powers, rights and obligations of a licencee, and the procedures of amending or cancelling licences; and
- Carry out regulatory activities, whilst at the same time the same regulatory functions are being carried out by the regulated SEPs, for example, Ministry of Transport and the National Railways of Zimbabwe (Ministry of State Enterprises and Parastatals, 2012).

On the other hand regulatory bodies such as ZERA, POTRAZ and BAZ are also vested with authority such as:

- Receive, evaluate and consider applications for the issue of licences;
- Monitor tariffs charged by the players on the market, with a view to eliminate unfair business practices among such licencees, and to protect interest of the consumers;
- Maintain and promote effective competition between persons engaged in the provision of services and products in the field being regulated;
- Create, promote and preserve an efficiënt industry market for the provision of goods and services;
- Ensure that the prices charged by the licencees are fair to consumers in light of the need to allow licencees to finance their activities to obtain reasonable earnings for their efficient operations;
- Ensure the maintenance of safety standards prescribed by or under the Act;
- Regulate the technical standards expected in the business being regulated;
- Provide advice to the Minister on the formulation of National policies and standards in the field being regulated, in terms of quality, pricing and safety; and
- Formulate quality standards for services and goods provided (Ministry of State Enterprises and Parastatal, 2012).

It is clear that the regulatory framework in place is confusing and ineffective. Having been adopted at independence, the framework can hardly be effective in regulating today's business environment, which has become sophisticated due to technology and globalisation (*see* Mwaura, 2007). Thus, the legal, institutional and regulatory frameworks of SEPs in Zimbabwe need further reconstitution to flush out deficits relating to delineation of boundaries and responsibilities. The role boundaries between and among various players need clear delineation in order to quicken decision-making on matters relating to SEPs reform (Zhou, 2012:182). What is of paramount importance,is that all SEPs, not only have regulators, but are properly regulated, in line with international best practices. Some studies indicate that sound regulation ensures, among other things, that SEPs deliver quality and fair priced goods and services, to consumers. Moreover, SEPs that are properly regulated attract both foreign and local investment to partner with them in their quest to recapitalise, and improve their performance.

Institutional Framework

In this section we discuss, from a normative perspective, the institutional framework of SEPs. SEPs in Zimbabwe operate within a heavily institutionalised policy environment. Currently there are 8 institutional players which are directly involved in the administration of SEPs and these include the SEPs themselves, parent ministry, SERA, OPC, the Ministry of Finance, Inter-ministerial Committee on Commercialisation and Privatisation of Parastatals, cabinet and the ruling party ZANU PF. These multiple institutions confuse SEPs, which are often unable to determine what is expected from them by government as owner, policy-maker and regulator. In fact, when SEPs receive directives from their owner, it is unclear whether they are in pursuance of ownership interests, in pursuance of government policy or regulator interests.

There is a need to restructure the institutional framework for SEPs in Zimbabwe. The eight institutions currently existing are an unnecessary liability to the successful implementation of the entire SEPs reforms. Apart from duplication of functions, the institutional scope has caused unnecessary delay during the implementation process. It has also blurred accountability channels (Zhou, 2000:216). Clearly, this complex institutional structure has resulted in an unnatural subdivision of the decision-making processes. Consequently, SEPs problems are analysed by different groups with different criteria and with inadequate timing. This fractioning of decisions and the application of inherently different logic create policy inconsistence and incoherence.

In short, the institutional scope as currently constituted, apart from being inaccessible to the relevant stakeholders, is also largely seen as oversized and therefore a liability to successful implementation of SEPs reforms in Zimbabwe (Zhou 2000:214). In fact, due to the various institutional defects, corruption is often prevalent in SEPs. The concern here is the overall quantity and quality of institutions that are involved in the governance of SEPs. This study proposes the streamlining of institutions to reduce bottlenecks and bureaucratic red tape in the governance of these entities. Moreover, institutions should constrain self-interested policy-makers from disrupting the professionalization of SEPs. This last point shall be subject to critical analysis in the chapter on corporate governance.

Policy Framework

The legislative, regulatory and institutional frameworks are generally supported by policy direction and guidelines issued from time to time by government or parent ministries and or ministers. Notably, policies and guidelines for SEPs are not legally binding and enforceable. It is beyond the scope of this chapter to provide a detailed review of policies pursued by SEPs. However, for illustrative purposes, this section provides an overview on corporate governance guidelines, restructuring policy and remuneration policies of government.

Firstly, the government adopted the Corporate Governance Framework in November 2010 as a guideline for the governance of SEPs in Zimbabwe. This formulation adoption was a direct response to the acknowledgement of the need to make SEPs responsive to a clearly defined mandate and support of the social and developmental objectives of government. The provisions of the CGF were supposed to protect the SEPs from corruption, kleptocracy, ad hoc decision making, and chaos in general that is rampant in the SEPs sector. It is therefore important to note that the poor governance and poor performance of SEPs are a result of poor corporate governance.

Secondly, the policy on the restructuring of SEPs was adopted in 1994 subsequent to the Economic Structural Adjustment Programme (ESAP). The framework sets out government's vision for restructuring SEPs and points out that government's restructuring strategy aimed to maximise the contribution that its assets can make to the country. The policy framework aimed at reducing public expenditure through reduction of fiscal support to underperforming SEPs. At its inception, the policy was solely focused on privatisation which resulted in the establishment of the Privatisation Agency of Zimbabwe (PAZ) in 1999. Between 1991 and 1995 only three SEPs were privatised that is, the Dairy Board Zimbabwe Limited, Cotton Company and the Commercial Bank of Zimbabwe (CBZ).

Later, the government realised the inadequacy of this narrowly focused privatisation strategy. Thus, privatization was later on broadened to include commercialisation. The adoption of this holistic approach resulted in the transformation of the focused PAZ into a more comprehensive institution, the State Enterprises Restructuring Agency (SERA) in 2005. This approach involves the SEPs turnaround strategies that are outside commercialisation-privatisation framework. These strategies include among others rationalisation, unbundling, concessions, management contracts, leasing of excess capacity, and public private partnerships (PPPs). To this end, the government identified ten SEPs for restructuring in 2010 and these were NRZ, CSC, Air Zimbabwe, ZISCO, GMB, ZESA, TELONE, NETONE, ARDA, and NOCZM. At the expiry of the Government of National Unity (GNU), only one of these entities had been restructured, that is, the unbundling of NOCZIM which saw the formation of Petro-Trade and National Oil Infrastructure Company. The attempt to restructure has failed because of the lack of political will, policy inconsistence and the demand for bribes by some line ministers. The restructuring of ZISCO has become a national embarrassment after the turfing between the Ministry of Industry and Commerce and the Ministry of Mines and Mining Development stalled process.

Thirdly, in 2011 the then Ministry of State Enterprises and Parastatals produced a remuneration policy of SEPs which was adopted by cabinet. The policy took cognisance of the salaries, wages and allowances paid to the chief executive officers in the private sector, local government, senior government officers, as well as chief executive officers of SEPs in the SADC region. Using a formula which took into account the then economic performance in the country, the policy factored the issues of reasonability, affordability, comparability, sustainability to conclude that no SEP should pay its chief executive officers more than U$6000. This was meant to curb outrageous salaries and allowances paid to Chief Executive Officers (CEOs). At the time, these CEOs were earning an average of USD$6000-USD$20 000 (Ministry of State Enterprises and Parastatals, 2012). Despite the fact that the policy was adopted by cabinet, parent ministries and SEPs ignored it. By 2013, these salaries had sky-rocketed to between USD$20 000-USD$230 000 (*see* Mutanda, 2014; Rusvingo, 2014). Compelled by public opinion and by sheer necessity of relieving strains on its budget, the ZANU PF led government has since dusted the remuneration policy and is currently struggling to implement it.

Political Interference

The lack of overarching legal, institutional, regulatory and policy framework has provided opportunities for political interference by different actors in SEPs. In the absence of a clear framework politicians in the form of ministers have been the most dominant and most visible and yet most destructive players in SEPs. Zhou (2012:182) was correct when he observed that, viability problems currently dogging SEPs in Zimbabwe should be interpreted within the context of political interference and abuse. SEPs are often used as patronage dispensing instruments where there is lack of commitment and common vision within the leadership, line ministries and management of the enterprises (Zhou, 2012:182). As noted earlier, the minister responsible for a SEP has plenary powers to give directions of a general or specific nature to a Board with regard to the exercise and performance of the functions of SEPs and the Board gives effect to these directions. Moreover, ministers have the power to remove Boards, to revoke appointments and appoint new members. In this way, the minister's word is law in the management of SEPs in Zimbabwe.

Political interventionism often takes place through the government appointed directors. Politicians who are not successful at general elections often fill some top posts in SEPs, and these politicians are sometimes appointed as chairpersons or members of the Board of Directors in such enterprises irrespective of their entrepreneurial and administrative skills (Babaita, 2001:33). Thus, political stalwarts, whose key objective is to sustain the status quo at all costs, often, fill positions of influence in SEPs.

As previously mentioned, the struggling SEPs have become feeding troughs for the corrupt ministers and other senior government officials. It is now commonly understood that these officials draw large sums of money from their coffers, leaving taxpayers to cover the gaps. Bootlicking managers are more than happy to bail out these officials and they sometimes go as far as buying them top-of–the range vehicles. They also fund their political campaigns and expensive trips abroad (The Standard Newspaper 15 December 2013 in Mutanda, 2014:5). Thus, survival for top management is related to the degree to which they are able to understand the motives of ministers, politicians, or simple officials in key positions. The management also seeks to achieve the balance of political and economic effectiveness, which would satisfy these controlling powers (*see* Heath, 1990:181).

Notably, SEPs sector is one of the most heavily militarized in Zimbabwe. There are seventy-eight state enterprises and Parastatals each with a board composed of roughly ten members, meaning that there are approximately eight hundred board members (military officers) presiding over the public entities in Zimbabwe. As the minister responsible for the state enterprises and Parastatals then, I met almost all the board members who introduced themselves as the retired brigadier so and so, retired air commodore so and so etc. Most of the Chief Executive Officers were also either former army, police, intelligence or war veterans.

Clearly, individuals are not appointed on merit, but evidence has shown that retired military personnel, especially war veterans are eligible for these positions (Mutanda 2014:5). The official reason given for the growing presence of the military in SEPs is that, the military is endowed with rigor, order, discipline, loyalty, probity and adaptability all of which are crucial 'ingredients' for effective administration of state institutions. Speaking on the occasion of the burial of the late national hero and General Manager of the National Railways of Zimbabwe (NRZ), Retired Air Commodore Mike Tichafa Karakadzai, President Mugabe told the mourners that 'one gets surprised when our detractors question the wisdom of deploying ex-military officers in state institutions and they describe such deployment as the Militarisation of the institutions concerned' (NewsDay, 12 September 2013).

The military foray into the SEPs so far has been a curse to the political economy of Zimbabwe for several reasons some of which are summarized below. First, SEPs in Zimbabwe are more often than not characterized by poor service delivery, lack of accountability, rampant corruption, abuse of power, and clientelism. Some key informants observed that the deployment of military in SEPS appears to have exacerbated rather than improved their performance. Moreover, the abuse of SEPs for political advantage at the expense of economic realities inevitably resulted in institutions that became less efficient even as sources of rents let alone as service providers. Subsequently, public trust and confidence on SEPs have been eroded.

Secondly, SEPs such as the GMB, NOCZIM and Parks and Wildlife Authority have operated as fiefdoms for primitive accumulation of capital for senior military commanders at the expense of the suffering poor majority of Zimbabwe. For instance, NOCZIM was used by the military officials as an instrument to buy petroleum products at concessional prices in the mid 2000s and sell them in Zimbabwe at higher prices (Campbell 2003), and the hunting concessions managed by the Parks and Wildlife Authority have both brought in huge untaxable income for the military (Mangongera, 2014: 70). Additionally, as part of the patronage network, over 4000 members of the army were absorbed by the Grain Marketing Board (GMB) as part of Operation Maguta between 2002 and 2006. These members of the force were incorporated into Parastatals presumably so that they could be paid from both the Parastatals and the army. Similarly, the National Railways of Zimbabwe absorbed about 2000 members of the military. In this way, the payrolls of these SEPs came to be bloated. Predictably, public policy lost its accustomed stability and in a relatively short of time these SEPs collapsed. Instead of being enablers of the economy, SEPs have become a curse to economic development in Zimbabwe.

Thirdly, evidence indicates that the extra-budgetary revenue generated through the military's commercial activities is typically not turned over to the treasury. The Ministry of Finance has not been given managerial authority of profits from production operations or other forms of extra-budgetary revenue from military controlled SEPs including the Marange Diamond mining operations. For instance, in the first quarter of 2012 the four main companies operating in Marange remitted only USD$35.1 Million to the treasury against the anticipated USD$169 Million (Mangongera 2014:70). This simply means that much of the revenue from military controlled and managed ventures goes directly to military generals, specific security units or individual soldiers.

This section has demonstrated that politicians and ministers acknowledge in theory the need for top management autonomy, but in practice they find it difficult to resist the temptation to intervene at will. Clearly, SEPs provide them with opportunities to control the allocation of considerable amounts of resources away from the very visible and highly politicised process of public budgeting (Heath 1990:181). This contribution recommends that it would be useful to have an impartial body composed by Parliament to review the SEPs sector periodically and see if there has been undue political influence, which has been prejudicial to SEPs.

Strengthening Legal and Institution Framework

As noted earlier, a clearly defined legal and institutional framework for SEPs is essential for communicating key expectations to SEPs shareholders, boards, management, and all other stakeholders, including the general public. In this context, the legal and institutional reform of SEPs is critical for the revival of the economy, since they already account for a large share in domestic capital formation, industrial investment and output in Zimbabwe. The legal and regulatory framework needs to be streamlined to provide a level playing field, with the aim of facilitating an equitable and fair basis for the efficient functioning of SEPs. In fact, the legal, institutional, regulatory and policy frameworks in Zimbabwe need to be reconstituted 'to flush out deficits relating to delineation of boundaries of responsibilities' (Zhou 2012:182). The following need critical attention if the SEPs sector is going to contribute towards economic recovery in Zimbabwe as a short-term objective:

- The administration of SEPs should be centralised in a single entity, which is independent or under the authority of one ministry. This approach would help in clarifying the ownership policy and its orientation, and would also ensure its more consistent implementation of reforms (see OECD 2005). To be sure, centralisation can be a major force in the development of aggregate reporting on SEPs performance. In the absence of a central authority, each SEP acts as an independent discrete unit, so that decisions made by one SEP may thwart the efforts of another and so prevent it from achieving its objectives. The South African model where all strategic SEPs are housed in one ministry-the Ministry of Public Enterprise can be another option.

- The Government should consider codifying the Corporate Governance Framework into an Act of Parliament. It is important that those statutes become enforceable and punitive measures should be preferred against any offending members. This codification should also give parliament a thicker voice in its oversight role. Currently, parliament plays a peripheral role in the affairs of SEPs since the executive dominates all processes of SEPs management from the appointment of the Board of Directors to investment decisions.
- The total overhaul of the regulatory framework is required to provide significant independence of Regulators from the owner or players on the market, as well as independence from those being regulated. This contribution advises that (a) all SEPs have regulators; (b) there is a separation of regulatory functions from ownership functions. The owner of SEPs should not regulate its SEPs; (c) SEPs should not be both players and regulators in one. In other words, SEPs should not regulate themselves; and (d) regulators should not duplicate the same functions. Where such duplication exists, the functions should be fused into one Regulator.
- In establishing authority for the boards of Regulators, it is extremely important to balance the need for autonomy and independence with the importance of protecting them against regulatory capture or potential corruption. To this end, the Regulatory Authorities should report directly to Parliament.

Arguably, some of these policy measures can be implemented internally by SEPs. However, most require considerable support from government. In fact all these reforms have to pass not only the test of technical, economic, and operational feasibility, but also the test of political acceptability. Thus, unless the reforms are introduced at central government level and unless the relationships between SEPs and government are redefined, the overall problems are likey to remain. The political will and a new paradigm on governance are prerequisites for the successful transformation of SEPs in Zimbabwe. In this context, the legal and institutional framework of SEPs should be realigned with the provisions of the Constitution Chapter 9 Article 195 which stipulates that

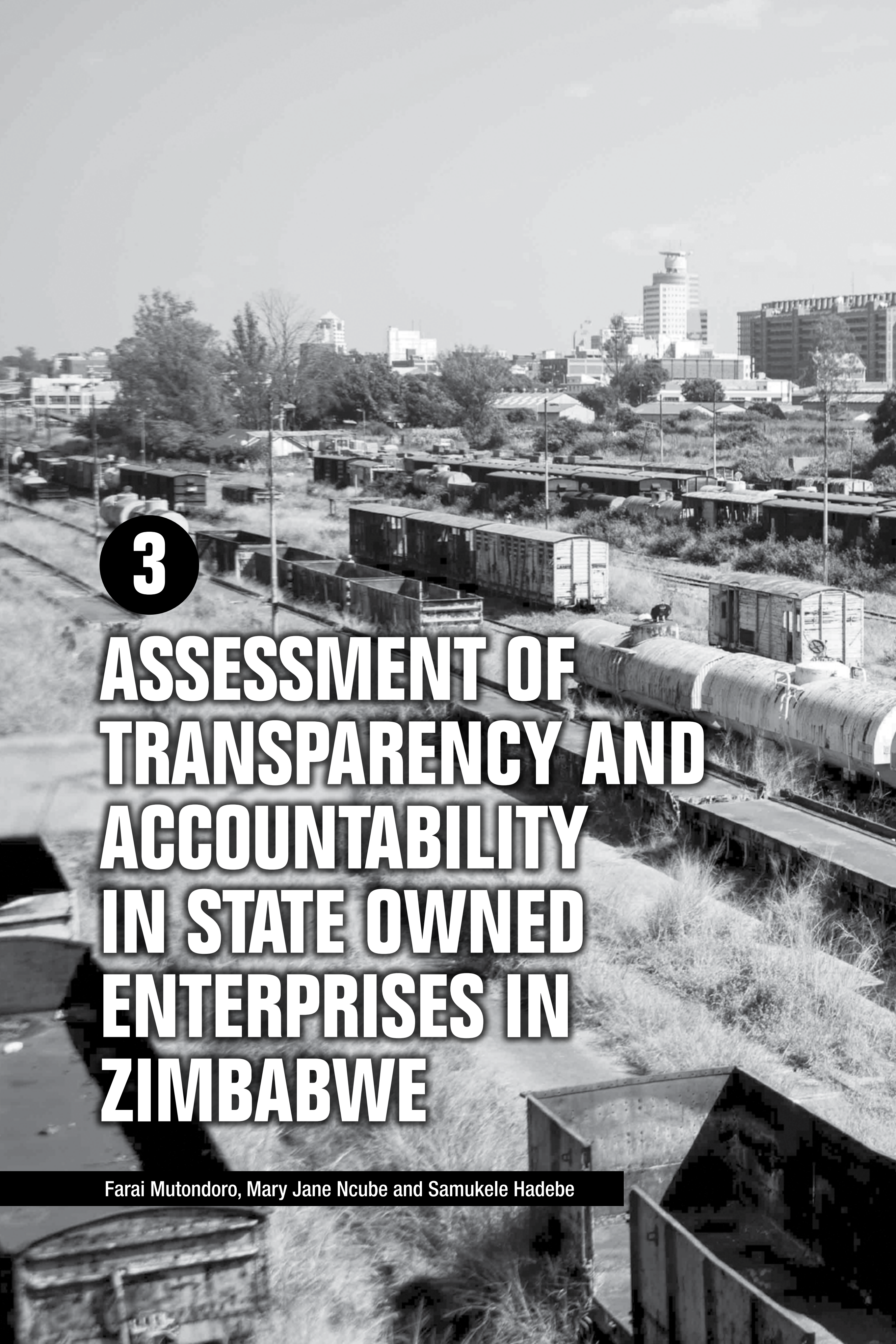
(1) Companies and other commercial entities owned or wholly controlled by the State must... conduct their operations so as to maintain commercial viability and abide by generally accepted standards of good corporate governance.

(2) Companies and other commercial entities referred to in subsection (1) must establish transparent, open and competitive procurement systems.

Regrettably, the 2013 Constitution which provides a framework for legal, institutional, administrative and structural reforms across all public sector institutions is yet to be prioritised by government beyond rhetoric. Almost two years after its adoption there is no indication that the government is prioritising the implementation of the provisions on state owned enterprises among other provisions such Chapter 10 on Civil Service.

Conclusion

This chapter has offered some insights into the legal, institutional, regulatory, policy, and political frameworks of SEPs in Zimbabwe. It was noted that the existing frameworks for decision-making are unable to meet the challenges faced by the SEPs sector today. Ideally, government's role should be that of establishing effective and appropriate legal and regulatory frameworks that simplify and streamline legal structures for SEPs operation, specify obligations, protect the rights of stakeholders, and create standards and procedures for effective internal and external auditing, transparent and accurate accounting, and public financial disclosure. In the absence of these, the SEPs sector in Zimbabwe is characterized by problems such as inadequate working capital, dilapidated plants and equipment, undercapitalization, huge debt overhang, limited access to lines of credit, outdated technology, skills flight, mismanagement and corruption, political interference and limited access to international markets. While it takes an enabling legal, institutional and political framework to shape and regulate SEPs, their potential for economic efficiency and service delivery is contingent on corporate governance.



3

ASSESSMENT OF TRANSPARENCY AND ACCOUNTABILITY IN STATE OWNED ENTERPRISES IN ZIMBABWE

Farai Mutondoro, Mary Jane Ncube and Samukele Hadebe

Introduction

This chapter discusses findings from an inquiry on transparency and accountability in State owned Enterprises (SOEs). State enterprises have been relatively characterized by inefficiency and loss making in Zimbabwe (Efird, 2010). Loss making is a characteristic attributed to lack of transparency and accountability which impedes effective performance. Shana (2006) shows that the lack of transparency and accountability in state enterprises deters their performance and ultimately retards economic development. The management of SOEs in many African countries, Zimbabwe included, is synonymous with perennial problems of poor corporate governance, mismanagement, corruption, and lack of application of mechanisms that promote transparency and accountability. This assessment was motivated by the growing concern over worsening corruption in Zimbabwe's SOEs. Therefore, the chapter assesses the state of transparency and accountability in SOEs guided by the following research objectives:

- Assess the state of transparency and accountability in SOEs;
- Document the socio-economic impact of corruption in SOEs;
- Identify factors hindering transparency and accountability in SOEs;
- Proffer policy recommendations on improving transparency and accountability in SOEs; and
- Recommend what needs to be done to restore integrity.

The chapter utilises the qualitative research approach. Qualitative research consists of a set of interpretive, material practices that make the world visible. It turns the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to the self[13]. The chapter is informed by extensive secondary data review and a series of interviews. Among some of the key documents reviewed include the 2012 Auditor General's Report on SOEs, OECD reports on SOEs in Southern Africa, Financial statements of some SOEs and newspaper articles, inter alia.

Background to the Study

State Owned Enterprises (SOEs) are defined differently culminating in them having diverse definitions owing to a plethora of lens that academics and scholars utilise. OECD (2014)[14] notes that SOEs are one of the largest segments of the economy accounting close to 20% of the total of non-agricultural economic activities in most developing countries. SOEs take many forms which also contribute to them having no standard definition. However, SOEs are distinct in that whilst executing their commercial endeavours, they are mainly characterised by government involvement in terms of percentage of ownership and or control. Another basic yardstick that defines SOEs is their main function of provision of basic services to the public. Transparency International (2013)[15] defines SOEs as legal entities, often created by the state, that operate in commercial activities. SOEs can be wholly or partially owned by the state. OECD (2014) notes that SOEs are distinguishable since they are characterized by state's "significant control", through full, majority, or significant minority ownership in them. SOEs are also known as Public Enterprises or Parastatals. Gildenhuys, et al (1991)[16] define public enterprises as organizations trading goods and services which are wholly or partly owned or controlled by the state, but operating as commercial enterprises.

Khan (2005)[17] argues that the philosophical linchpins underlining the founding of SOEs emanated in the 1930s and particularly after World War II. The SOEs were created in both developed and developing countries to address market deficits and capital shortfalls. Other reasons that led to the birth of SOEs are: The need to promote economic development, reduce mass unemployment, and or ensure national control over the overall direction of the economy, especially in developing countries. Jones and Mason (1982)[18] are of the view that some of the reasons for the emergence of SOEs include acquisition, or consolidation of political or economic power, historical heritage and inertia and pragmatic response to economic problems. One striking example, which befits the above scholarly point of view, is the Chinese economy which was once referred to as the

[13] Denzin and Lincoln, 2005
[14] OECD corporate Governance Working Papers No.13 2014
[15] Transparency International –Anti Corruption Help Desk-2013
[16] Gildenhuys, *et al* (1991:72)
[17] UN-Public Enterprises: Unresolved Challenges and New Opportunities, New York October 2005
[18] Jones, Leroy and Edward Mason. Why Public Enterprise? In Public Enterprise in less Developed Countries

command economy[19]. China's economy however gradually changed into a mixed economy as the government lessened its influence and authority in them.

In the Zimbabwean context, SOEs are understood as government owned institutions that were created by an act of parliament after 1980 (Dube 2011)[20]. SOEs are understood as state organs or tools of public administration and they are the instruments of public policy and are subordinate to parliament and the executive (ibid). State public enterprises are different from state departments manned by line ministry officials as they have independent management systems. Ströh, et al. (1997:231)[21], posits that SOEs are headed by board of directors who are accountable to the parliament since they were established by statutes which implies that the state accepts responsibility for activities of these institutions. In mid-1960 to mid-80s, State enterprises dominated the industrial sector in much of Sub-Saharan Africa (Pryor, 1976; Short, 1984; Nellis, 1986)[22]. In Zimbabwe, SOEs were established by the emergence of industrialization and colonial ideologies (Shadur, 1991[23]; Godana and Hlatshwayo, 1998). In the 1950s the colonial government had comprehensive control over the large parts of the Zimbabwean economy. Herbst (1990, 22) contends that the settler government was characterized by interventionist policies, which benefited the colonial community to a larger extent than they did indigenous people. The white farmers for example, had prices for the bulk of their crops subsidized thus guaranteeing the purchase of these crops when they were marketed. In the same manner, manufacturing industries were also protected from the vagaries of the market as they took advantage of protectionist tariffs and the inexpensive labor provided by the labor reserve system (Seldam, 1986, 173). In addition to the use of controls and subsidies, the colonial state aggressively developed public enterprises in areas deemed vital to the economy so that they may control all the profits. Ideally, this regulatory control of public enterprises was beneficial to the white community but unattractive to private investors(Stoneman, 1976: 33).

In the late 1950s the colonial government created state enterprises which included the Electrical Power Stations Commission, the Cold Storage Commission, Abattoirs Commission, Cotton Research Board, Industrial Board, Maize Control Board and Rhodesian Iron Steel. The year 1970 was marked with an increase of other state companies like the Zimbabwe Broadcasting Corporation and the Finance Corporation (Stoneman, 1976, 33). By 1980 there were 20 state enterprises in full operation. After the establishment of the 20 state enterprises, Nzombe (1989, 194) suggests that the white community safeguarded the operations of these enterprises through the Lancaster constitution to ensure that there were no major changes in the socio economic structures in the first decade. In 1980 at independence, the new black government took over a state in which income and wealth distribution was skewed in favor of the foreign (non-Zimbabwean) element (Seidman, et.al., 1986).

By 1990 public enterprises had increased from 20 to over 40 with the majority being monopoly companies in which the state had 100% share ownership. These enterprises comprised of the public corporations established through Parliamentary Acts, as state companies incorporated under the Private Companies Act (Zhou, 2012)[24]. Zhou indicates that, state enterprises in Zimbabwe exhibit a variegated mix of regulatory, promotional, development and commercial objectives with each set of objectives varying according to the nature of the enterprise (Sikwila, 2012). To date, the country has more than 78 state owned enterprises (SOEs). These include, the Agricultural and Rural development Authority (ARDA), Agricultural Research Council (ARC), Air Zimbabwe Holdings (Pvt. Ltd), Allied Timber Holdings, Bio-Technology of Zimbabwe, Board of Censors, Broadcasting Authority of Zimbabwe (BAZ) Central Mechanical and Equipment Department (CMED), Civil Aviation Authority of Zimbabwe (CAAZ), Cold Storage Commission (CSC), Competition and Tariff Commission, Consumer Council of Zimbabwe (CCZ), Environmental Management Authority (EMA), Forestry Commission Company (FCC), Grain Marketing Board (GMB), Hwange Colliery Company Limited, Lottery and Gaming Board, Medicines Control Authority of Zimbabwe (MCAZ), Minerals Marketing Corporation of Zimbabwe (MMCZ),Traffic Safety of Zimbabwe and the Industrial Development Corporation.

Godana and Hlatshwayo (1998) note that, serious problems emerged in the state enterprises by mid-1970 in many African countries. Most of the enterprises have been shown to have

[19] http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/China-OVERVIEW-OF-ECONOMY.html
[20] Taonashe Dube-2011: Systemic Corruption in Public Enterprises in the Harare Metropolitan Area
[21] Ströh, E.C., Brynard, D.J. and Smith, F.H. (1997). Administrative Justice and Quasi-Autonomous Public Institutions. Pretoria: University of South Africa.
[22] Pryor, 1976; Short, 1984; Nellis, 1986: *The Emergence of State Owned Enterprises: The Australian APEC National Centre*
[23] M.A Shadur –Labour Relations in a Zimbabwean Parastatal Enterprise: Zambezia: The Journal of UZ Vol 18, No. i 1991
[24] Zhou G. (2012)," Three Decades of Public Enterprise Restructuring in Zimbabwe a will-Of-The-Wisp Chase?", *International Journal of Humanities and Social Science*, Vol. 2 No. 20, October 2012.

been making huge loses which caused economic instability. The quantity and quality of service provided by the public enterprises were insensitive to consumer demands and preferences. In response Zimbabwe called for public sector reforms. It is of key insight to note that the major source of problems encountered by state owned enterprises derived from the nature of the relationship between the government and the enterprises. The government set contradictory objectives, which precluded and distorted any meaningful assessment of the efficiency or inefficiencies of the public enterprise sector.

Conceptual Framework on Transparency and Accountability in SOEs

Transparency is a characteristic of governments, companies, organizations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions.[25] Vishwanath and Kaufmann (1999) and Kaufmann (2002) define transparency as the "increased flow of timely and reliable economic, social and political information, which is accessible to all relevant stakeholders". This perspective emphasizes not only the availability of information, but also its reliability and accessibility to a range of potential agents. In the context of SOEs transparency refers to the process of provision of relevant and accurate information to the public and other key stakeholders. Such information should be easily accessible, accurate and relevant. Accountability refers to the extent to which people, groups and institutions (known as principals) are able to hold government and other power holders (known as agents) responsible for their actions and the extent to which government and other power holders provide a public account of their decisions and actions[26].

Schedler (1999) argues that accountability can either be vertical in that it is demanded from below by citizens or horizontal in that; institutions of the state check abuses by other public agencies and branches of government and impose a requirement to report sideways. According to a study by BBC Media Action (2012), accountability has a two dimension definition comprising of answerability and enforcement. Answerability refers to the obligation by governments to provide information on what they are doing, while enforcement refers to the capacity of a principal either an individual citizen or a collective focus such as mass media or civil society to impose sanctions on power holders who have violated their public duties (Schedler, 2009). This two-dimension definition of accountability implies forcing power holders to justify their decisions and actions and obliging them to exercise power in transparent ways and subjecting power holders to the threat of sanctions (enforcement).

Fox (2007) makes three major claims about the relationships between transparency and accountability:

i) Opaque transparency will almost never result in any real sort of accountability;
ii) Clear transparency can be understood as a form of soft accountability – both of which may result in institutional 'answerability,' but not sanctions, remediation, policy changes, etc. and;
iii) Hard accountability may not necessarily arise from institutional 'answerability'.

In essence, in order to achieve 'hard accountability,' there is the need to go beyond the discussion of transparency, to deal with both the nature of the governing regime as well as civil society's capacity to encourage the institutions of public accountability to do their job. Accountability can either be upward or downward. Literature on upward and downward accountability puts emphasis on how civil society organizations usually account to their funders and not to the communities who are beneficiaries of developmental projects. Accounting to funders is an example of upward accountability while accounting to communities is an example of downward accountability. It is important to note that the concept of upward and downward accountability also applies in the context of SOEs. Principals in most SOEs have a tendency of accounting to the executive or line ministries and seldom do they account to the public. It is downward accountability that broadens participation[27]. Shana (2006) argues that the lack of transparency and accountability in state enterprises deters their performance and ultimately economic development. SOEs operate better in a democracy where the voice of the ordinary citizens will be given precedence, thus ensuring accountability, good governance and effective operations.

To assess transparency and accountability in SOEs, this study has made use of the Political Economy Approach (PEA).

[25] http://www.transparency-initiative.org/about/definitions.
[26] Conceptualising Accountability (2012) BBC, Bridging Theory and Practice, Research Dissemination series Working paper
[27] Agrawal, A. and Ribot, J. C. (1999). Accountability in Decentralization: A framework with South Asian and West African Cases. *Journal of Developing Areas*, 33, 473-502

Agrawal and Ribot (1999) argue that it is necessary to attend to the actors between whom relations of accountability exist. Accountability is also about the mechanisms through which those subject to actors holding decentralized power exercise counter powers. Political Economy Analysis (PEA) provides a framework to identify the political factors such as incentives, power dynamics, informal influence, and institutional culture that contribute to lack of transparency and accountability in SOEs. Halloran (2014) notes that challenges in the transparency and accountability (T/A) sector are rooted in political dynamics between states and citizens, and thus must be addressed through politically- informed approaches. PEA focuses on the interplay between public policy power and productive assets across society. SOEs by configuration and policy design are meant to be productive assets, which serve the purpose of driving state capitalism. The management and control fall in the hands of political actors who have political and economic interests in SOEs.

Findings and Discussion

Grand and Political Corruption in State Owned Enterprises in Zimbabwe

Through document review and interviews, the study noted that corruption is dominant in SOEs in Zimbabwe (see table below for the corruption scandals in SOEs in Zimbabwe). What is however worrying is that there have been very few cases successfully prosecuted despite the prevalence of grand scale political corruption in SOEs. Moyo (2014) points out that grand scale corruption and political corruption go hand in hand and often occur together involving political decision-makers acting alone or in complicity with private actors. Grand corruption is "the misuse of public power by the heads of the state, Ministers and senior government officials for private pecuniary gain" (Ackerman, 1994:83). Political corruption is any transaction between private and public sector actors through which collective goods are illegitimately converted into private-regarding payoffs.[28] At the centre of the grand political corruption is power. Power is the ability to achieve a desired outcome, through whatever means. The 'whatever means' in the definition of power alerts us to the fact that power has also a dark side which manifests itself in the form of corruption (Mutondoro and Ncube, 2013). Those who wield power to determine and decide the allocations of resources in society are referred to as the power elites.[29] Through the exercise of political power, the power elites can administer public resources including mineral resources in a self-serving manner that excludes the majority who are supposed to be the joint beneficiaries of these resources.[30] The table below shows cases of corruption scandals in selected SOEs.

[28] Amundsen, I , Op.Cit p5.
[29] Preliminary findings on the Power Dimension to Mineral related corruption, Transparency International Zimbabwe 2013
[30] ibid

Table 1: Corruption scandals in SOEs

Institution	Corruption Case	Description
Willowvale Mazda Motor Industry (WMMI) - 1988	Willowgate Scandal	The Willowvale scandal was a political scandal that occurred in 1988 and 1989. It involved political officials who used their political influence to purchase foreign cars and selling them at high profit[31]. The implicated political officials were former and late political affairs Minister Maurice Nyagumbo and former and late Minister of Defence Enos Nkala.[32] The implicated officials were neither arrested nor prosecuted but however resigned from the President's cabinet.
Civil Aviation Authority 1998	Harare Airport extension Scandal	Z$5 billion tender of renovations for the Harare International airport was awarded to the Air Harbour Technologies (AHT) instead of a world class construction airport construction company Airport de Paris. AHT was owned by political figures and ministers. It emerged that the awarding of the tender involved influential political figures and members of the ruling party. This became an example of how those with decision making powers manipulate the public procurement system to benefit themselves, friends and families.[33]
National Oil Company of Zimbabwe (NOCZIM) - 1999	Fuel Scandal	National Oil company fraud scandal involved the slandering of Officials of the National Oil Company of Z$238 million. It is alleged that the fraud scandal implicated the former Permanent Secretary for the Ministry of Transport Mr. Enos Chikowore, Minister Mike Nyambuya, Minister Oppah Muchinguri, Manicaland Governor, Tinaye Chigudu, ZANU PF legislator Enock Porusingazi, ZANU PF party's Central Committee member Esau Mupfumi; and Mutare businessman and now Member of Parliament for Mutare South, politician and businessman Phillip Chiyangwa and Fred Kanzama[34]. This illustrates the involvement of powerful figures who have control and influence in the operations of National Oil Company.
ZISCO Steel	Looting and abuse of public assets scandals	Zisco steel's blast furnace scandals involved gross abuse of resources by government officials and company executives. Among those implicated were: Gabriel Masanga, the former Zisco group MD, David Murangari, Samuel Mumbengegwi former Indigenisation and Empowerment Minister &formerly Industry and International Trade Minister in charge of Zisco, former Vice President Cde Joice Mujuru former Vice President, former minister of science and technology Olivia Muchena, former Minister of Small to Medium enterprise Development Sithembiso Nyoni, former minister of Higher Education Stan Mudenge, Gibson Munyoro (Zanu PF MP), George Mlilo former Transport Permanent secretary, Tirivanhu Mudariki (businessman and former Zanu MP member). These individuals were implicated for abuse of resources through claiming large allowances from the company after travelling on business that had nothing to do with Zisco. Other dubious contracts included the bids that were rigged, taking cash for private use, abuse of credit cards for hotel bookings and entertainment allowances.[35]

[31] http://www.pindula.zw/Main_Page
[32] ibid
[33] Anti Corruption Trust of Southern Africa, 2012, Zimbabwe: Corruption Cases: Lest We Forget: Bad Leadership Examples for Accountability, Transparency and Integrity in Zimbabwe.
[34] Anti-Corruption Trust of Southern Africa (ACT-Southern Africa) ZIMBABWE (2012): Corruption Cases: Lest We Forget: Bad Leadership Examples for Accountability, Transparency and Integrity in Zimbabwe.
[35] http://www.sokwanele.com/thisiszimbabwe/archives/480.

Institution	Corruption Case	Description
National Railways of Zimbabwe (NRZ) - 2009 National Railway of Zimbabwe (NRZ) - 2010	Looting scandal Inflating prices scandal	The National Railway of Zimbabwe (NRZ) scandal implicated retired[36] Air Commodore Michael Karakadzai who was the general manager. He was accused of looting more than US$1 million together with the top executives on National Railway of Zimbabwe while workers went for several months without pay. NRZ finance Director Patrick Bondayi and former police commander Frank Msutu, NRZ senior manager for security operations were accused of looting £10 million at NRZ through inflating prices[37].
Zimbabwe United Passenger's Company (ZUPCO) - 2009	Bribery scandal	The Zimbabwe United Passenger's company (ZUPCO) scandal involved, among other co-accused, Charles Nherera, the chairman of the Zimbabwe United Passenger Company (ZUPCO). He was charged with soliciting for bribes from South African firm, Gift Investments, worth US$85 000[38].
Zimbabwe Mining Development Corporation (ZMDC) - 2010	Diamonds fraud scandal	5 officials from the state-owned Zimbabwe Mining Development Corporation (ZMDC) and a representative of the South Africa – registered Canadile Miners, which formed a partnership with the government to mine diamonds in Marange district. It is apparent that the government was duped into believing that the Zimbabwe mining company (ZMDC) was going into partnership with a South African firm, BSGR and a total of US$2 billion was squandered in the process[39].
Zimbabwe School Examination Council (ZIMSEC) - 2012	Tender scandal	A Comptroller and Auditor Report (2012)[40] unearthed financial irregularities at ZIMSEC involving close to US$2 million. ZIMSEC flouted tender procedures, paid service providers US$1,8 million without proper invoicing, overpaid some suppliers and bought a Nissan UD truck for US$149 000 that had not been delivered for a significant period after the time the audit was conducted.
ZBC - 2013	Over pricing scandal	Allegations are that in 2013 former ZBC CEO Muchechetere connived with officials from a Chinese firm and inflated the figure and fabricated receipts when he bought an outside broadcasting van. It is also alleged that he shared the balance with the firm's officials. He misrepresented that the van was purchased for more than $1 million and yet it cost $100,000.00.[41]
Air Zimbabwe - 2014	Insurance Scam	Top managers and Navistar Insurance Brokers looted more than US$10 million over a five-year period in an insurance scam with the help of Mrs Pfumbidzayi, Air Zimbabwe company secretary[42].
ZESA-2014	Procurement scandal	Zimbabwe Power Company (ZPC) a subsidiary of ZESA Holdings controversially awarded a tender to two losing bidders namely Intratrek Zimbabwe (Private) Limited and ZTE Corporation at the expense of China Jiangxi Corporation which had won the tender. The tender involved was US$183 million for the installation of a 100 megawatt (MW) solar power station[43].

36 Zim Eye: March 13, 2009. NRZ Boss Karakadzai for National Hero status Despite "Looting Millions"
37 Zimbabwe Independent, July 1, 2010. Militarisation, Mismanagement, Corruption Destroy Parastatals
38 Zimbabwe Daily 31 December 2011. ZUPCO crumbles: Mugabe presides over yet another historic destruction
39 Zimbabwe Independent, 20 September 2014, Zimbabwe Diamond US$6M bribery scandal deepens
40 The Herald. 28 February2014. ZIMSEC in US$2m scandal
41 Daily News 28 January 2014. ZBC boss in $1m scandal
42 The Herald 27 January 2014. Air Zim bigwigs fleece millions, Zimbabwe Independent 31 January 2014. Navistar insurance scam rocks Air Zim
43 The Financial Gazette. 31 January 2014. ZESA in US$183m scandal

Institution	Corruption Case	Description
Zimbabwe Broadcasting Cooperation (ZBC) - 2014	Salary and benefits scandal	ZBC boss Happison Muchechetere was earning a basic monthly salary of more than US$27 000 and monthly allowances for housing at US$3 500 per month, US$2 500 in domestic workers' salaries, US$3 000 for entertainment and a general allowance of US$3 000. He was raking in about US$40 000 per month, excluding fuel and other benefits, while workers at the insolvent broadcaster went unpaid for seven months[44].
Zesa Holdings - 2014	Procurement scandal	ZESA authorised a company called Revma to supply prepared billing platform without going to tender. Documents revealed that Julian Chinembiri, the managing director of ZETDC, a subsidiary of ZESA authorised a US$6 million deal for Revna to supply the prepaid billing platform and meters without the involvement of State Procurement Board[45].
Zimbabwe National Water Authority (ZINWA) - 2014	Dams Construction Scandals	Dams construction scandal implicates ZINWA for squandering US$46 million in 2004; US$49,4 million and US$4,2 million in 2007 while it is recorded that there are 14 uncompleted dam projects country wide[46].
Central Mechanical Department (CMED) - 2014	Fuel scandal	$3 million tender was awarded to First Oil Company to deliver diesel. This deal turned sour when the fuel was never delivered. Top managers were fired as the process was without a due diligence report. According to tender procedures, managers are allowed to adjudicate tenders worth $10 000 and managing directors tenders worth $50 000. Tenders worth more than that should be referred to State Procurement Board (SPB)[47].
Zimbabwe National Roads Administration (ZINARA) - 2014	ZINARA boss US$2 million scandal	A total of $2 015 650 was authorised for payment by the ZINARA boss Mr Chitukutuku and Umguza Rural District Council CEO Collen Moyo towards the rehabilitation of 12km of Illitshe Road and construction of a bridge across Umguza River in Matabeleland North Province, but the road was not completed and no bridge was constructed across Umguza. The tender was also inflated to $1 599 991,80 by the addition of $415 658,80 more than the original contract value[48].
Zimbabwe National Roads Administration (ZINARA)-2014	Snow Graders scandal	ZINARA purchased 40 graders worth $8 million which are unsuitable for use under local climates since they were fitted with snow ploughs. ZINARA entered into contract with Univern (pvt) ltd a company owned by Super Mandiwanzira. In the contract, former Chief Executive Frank Chitukutuku signed on behalf of ZINARA and other board members involved included Abdul Kasim[49].
Allied Timbers - 2015	Kanyekanye finance mismanagement scandal	Dr Joseph Kanyekanye the chief executive was suspended on grounds of corruption, failure to observe operating procedures and gross insubordination. He also incurred 31 million Pula of unrecoverable debts to Botswana where Allied Timbers used to export timber. The chief executive continued to receive housing allowances despite having secured a housing loan in 2001[50].

[44] Zimbabwe Independent. 31 January 2014. Muchechetere,Kasu face arrest
[45] The Financial Gazette, 6 March 2014. ZESA in $6m scandal
[46] http://www.changeimbabwe.com/index.php/news-maimmenu-2/1latest/4917-corruption-fingered-in-tokwe-mukosi-dam-disaster.
[47] The Herald, 19 May 2014. CMED Scandal Test Government Integrity, Zimbabwe Independent, 27 June 2014: US$ 3m scandal rocks CMED
[48] Southern Eye, 10 February 2015. ZINARA boss in $2m scandal
[49] The Chronicle, 5 January 2015. Massive scandal at ZINARA…$8m graders "useless"…creditors owed $40m
[50] The Herald 20 January 2015. Kanyekanye in Corruption Scandal: Altim Board Suspended for Misconduct

Institution	Corruption Case	Description
Central Vehicle Registry (CVR) - 2015	Misappropriation of funds	CVR failed to account for about US$16,5 million of a revolving fund used to produce vehicle number plates and there is no documentary evidence to account for it. The auditor general report noted that the integrity of CVR financial statements was compromised. The parastatal also breeched provisions of the fund's constitution after it gave interest free loans of US$ 11 million to Air Zimbabwe and US$160 000 to the Civil Aviation Authority. CVR also failed to produce documents of the two loan agreements[51].

(Please note that the table is not exhaustive of all the corruption scandals that were reported in SOEs in Zimbabwe)

Mandaza in 1986 argued:

> The quest for power and wealth is expressed sometimes in open corruption and nepotism. The long years of colonial domination and deprivation, not to mention imprisonment and the hard days of the struggle, became almost the license- albeit for only a few among the many who might claim such a license – to accumulate quickly; and the state....appeared the most viable agency for such accumulation (Mandaza, 1986: 57).

This analysis shows that those who hold political power in present day Zimbabwe view the state as a vehicle for wealth accumulation through gross abuse of office. This view is well supported by Bratton and Masunungure (2011) who argue that the state is the most precious prize in Zimbabwe because its power can be used to generate wide-ranging opportunities for private gain. The private sector employment opportunities are limited; therefore, the occupation of the public office remains the most dependable means of accumulating wealth. Appendix 1 highlights the political players who have been implicated in the various corruption scandals in SOEs in Zimbabwe

Political Actors involved in SOE Corruption Scandals

The table below shows some corruption scandals and the political players involved. As noted these were either not investigated or no prosecution was done.

[51] The 2013 Auditor General Report

Table 2: Political players implicated in SOEs corruption scandals

Corruption Scandal	Name of Official	Political Profile
Airport Expansion Scandal	Leo Mugabe	ZANU PF MP for Makonde. Robert Mugabe's nephew
Willowvale Scandal	Maurice Nyagumbo	Nyagumbo was a ZANU-PF Senior member and veteran nationalist. He was appointed Minister of Mines before he was moved to the Ministry of Political Affairs until 1988.
Willowvale Scandal	Enos Chikowore	Enos Chikowore was a ZANU-PF Politburo member, and former Cabinet Minister
Willowvale Scandal	Enos Nkala	A top brass ZANU PF member who served in ministries including: Finance, Home Affairs and the Ministry of Defence.
Willowvale Scandal	Callistas Ndlovu	Ndlovu is a former ZANU PF Bulawayo Provincial Chairman.
Zisco Steel scandal	Samuel Mumbengegwi	Mumbengegwi is a ZANU-PF member. He is a former Minister of Higher Education.
Zisco Steel scandal	Dr. Joyce Mujuru	Dr. Joyce Mujuru is the former Vice President of Zimbabwe. She led various government portfolios since 1980.
Zisco Steel scandal	Olivia Muchena	She is a ZANU-PF former politician who served as an MP and a Minister in various ministries
Zisco Steel scandal	Sithembiso Nyoni	Sithembiso Nyoni is a ZANU PF member. She is the current Minister of Small to Medium Enterprises and Co-operative Development from 2002 to date.
Zisco Steel scandal	Stan Mudenge	The late Mudenge was a ZANU-PF member who served as a government Minister in various ministries such as Foreign Affairs and Higher Education.
Zisco Steel scandal Diamonds Looting Scandal	Dr. Obert Mpofu	Dr. Obert Mpofu is a ZANU-PF member and MP. Dr. Mpofu is the Minister of Transport and Infrastructure Development.
Zisco Steel scandal	Patrick Chinamasa	A leading member of the ruling ZANU PF party and current Minister of Finance
NOCZIM Fuel Scandal	Mike Nyambuya	Michael Rueben Nyambuya, a ZANU PF member and a former army general, former Governor of Manicaland and former Minister of Energy and Power Development.
NOCZIM Fuel Scandal	Oppah Muchinguri	Muchinguri is a ZANU-PF war veteran and active member. Currently she is the Minister of Higher and Tertiary Education (2014)
ZINARA Snow Graders scandal	Super Mandiwanzira	Supa Collins Mandiwanzira is a ZANU-PF member, MP for Nyanga South and the current Minister of Information, Technology and Courier Services.

While the media has done its best to expose the various corruption scandals in Zimbabwe, it is sad to observe that the majority of these offenders have never been prosecuted. In fact scandals are just an attempt by the media to expose an anomaly and such a brave effort has not been followed by positive responses from the state. In actual fact, most of these political actors have been implicated in more than one corruption scandal in SOEs yet they still occupy public positions, and in some cases they continue to perpetrate and perpetuate corruption. Ideally the political elites have become so rich because of corruption while the poor remain trapped in poverty. The section below shows the cumulative cost of SOEs corruption on social and economic development.

The Impact of SOEs Corruption on Socio Economic Development

This section outlines how corruption in SOEs impacts on socio economic development. This section profiles how revenue losses in the PSMAS salary gate scandal, Snowgrader scandals and Diamond scandal could have benefitted the needy and the nation at large if it had not been of corruption and greedy.

PSMAS Mega Salaries and its Impact on the provision of Health Care

More than 350 000 people living with HIV and Aids might fail to access anti-retroviral drugs as Zimbabwe could face a US$227 million deficit by 2018[52]. As of 2012, the gap was about US$10 million and by 2018 it will be US$227 million and about 358 000 people who will need treatment will not be able to afford it (National Aids Council 2012). All this is happening at a time when one of the largest medical insurers in the country Premier Service Medical Aid Society (PSMAS) was paying more than US$1,1 million per month to 14 of its Executives. The amount of money these top bosses were paying themselves is enough to save and alleviate the suffering of more than 61 111 people suffering from HIV and AIDS who can have ARVs bought for them every month with these huge salaries. These obscene salaries were also being paid out of medical aid funds which are contributed by mostly civil servants who can never dream of ever earning just a single month's salary (i.e. US$500 000) that Cuthbert Dube earned in their entire lives especially after taking into cognizance the fact that average civil servant earns US$350 per month. All this is also happening at a time when government has been failing to pay its civil servants their salaries on time and has to stagger paying their 13th cheque but PSMAS bosses have never failed to pay themselves their obscene perks every month. What this means is that Dube's monthly salary could pay up to 1 428 civil servants every month and as he was paid this sum, PSMAS has been failing to pay suppliers and service providers debts of up to US$38 million[53] thereby forcing most pharmacies, doctors and other health care professionals to refuse to accept PSMAS health care insurance card holders and many have even died after failing to cough up the huge cash payments demanded by the former.[54]

ZINARA Snow Graders Scandal and its Impact on Road carnage in Zimbabwe

A web of corruption has made it extremely difficult for ZINARA to function well and construct road networks which can be a driver to economic development of Zimbabwe and also help in ending the carnage on the country's roads which has claimed the lives of thousands each year. The US$8m Snow Graders scandal linking Minister Supa Mandwanzira's company Univern has put focus on top lawyer Florence Ziumbe after it has been established that the two jointly own Tarcon Africa Pvt Ltd, with the latter being a Deputy Chair at the State Procurement Board (SPB),raising a conflict of interest. The SPB on 19 October 2012, (Award No PRB 1854 of October 18, 2012, Reference SPB/C/24) gave the green light to a company Southern Region. Trading Company t/a Univern whose majority shareholder is believed to be Supa Mandiwanzira to supply 40 snow graders to ZINARA. Ziumbe is a board chairperson at Tarcon and a deputy chairperson at the SPB which awards tenders to businesses and entrepreneurs which awarded Univern a tender to supply snow graders in 2012. Mandiwanzira is also a board chairperson of XCMG, a partner to XCMG Co. Ltd China- renowned for multi-billion dollar construction and mining equipment (the Zimbabwe newslive, 17 Jan 2015). In the XCMG Mandiwanzira also sits in the board with Lawrence Gudo (Director) who is also group CEO of Tarcon Pvt Ltd. In December 2014 Transport minister Obert Mpofu appointed Albert Mugabe, (son to President Robert Mugabe's late brother Albert), as the ZINARA board chairperson. With such brazen, corrupt and murky associations and links at ZINARA corporate governance is clearly compromised leading to inefficiency of operations as evidenced by roads in disrepair and with pot holes thereby costing and claiming the lives of thousands of Zimbabweans as shown below.

Police statistics indicate that a total of 2 094 deaths and 14 965 injuries were recorded in 2012 in the 30 911 road accidents recorded in Zimbabwe. The Traffic Safety Council of Zimbabwe (TSCZ) indicates that each year

[52] http://www.nac.org.zw/news/over-350-000-might-fail-access-arvs
[53] https://www.newsday.co.zw/2014/02/26/psmas-appears-parly/
[54] www.newzimbabwe.com/news-20226-Crisis+looms+as+medical+schemes+can't+pay/news.aspx

since 2006, road accident fatalities have increased from a total of 1,037 deaths. Although researchers say that road traffic accidents are rated 12th on the causes of death in Zimbabwe, they fear that by 2020 they may overtake HIV and AIDS if no action is taken to improve road safety in the country. The TSCZ attributed the deaths to the country's poor road infrastructure, human error and unroadworthy vehicles. Proctor Utete, Director of Operations, Research and Marketing, Traffic Safety Council of Zimbabwe (TSCZ) notes that there are several factors contributing to vehicle accidents, among them the make-up of the roads. "Our national roads are narrow and more often they don't leave enough space for many road users to use it at the same time. The edges of the roads are often damaged. Many of the roads have pot-holes and make it difficult for inexperienced drivers to navigate them. Our roads fail to cope with adverse weather patterns. Frequently, during rainy weather so much rain falls and the roads become slippery; tires cannot maintain their grip as water collects on the road surface of the road. In cases like these the vehicle becomes difficult to steer, stop the car, and car ends up skidding."

Looting of Diamond revenue and its Impact on the Provision of Education

The scale of illegality in the mining of Zimbabwean diamonds is huge. Conservative estimates place the theft of Marange goods at almost $2 billion since 2008. One confidential geologist report cited by the August 2010 Kimberley Process Review Mission to Zimbabwe claimed "in excess of 10,000,000 carats have been removed by artisanal effort over the last three years"— an amount worth almost $600,000,000 at today's depressed prices. The Review Mission also estimated illegal mining at 60,000 carats a month, ranking the illicit Marange trade at between 7th and 10th in overall world diamond production. Hundreds of millions of dollars owed to Zimbabwe's Treasury have been lost in both illegal and legal trades. Determining the actual amount is impossible, but in February 2011 fiscal update the Finance Minister Tendai Biti complained US$300 million collected by Zimbabwean Minerals Development Corporation (ZMDC) and the Mineral Marketing Commission of Zimbabwe (MMCZ)—two parastatals under Obert Mpofu's remit—had not arrived in state coffers. Then there is the mysterious whereabouts of a 2.5 million carat stockpile that apparently disappeared following the controversial "Kinshasa Agreement" undertaken by the Kimberley Process in November 2011. At the scale of looting of the diamonds in Chiadzwa alone, this money could have been used to educate 1 million secondary school children on the BEAM scheme for a period of 11 years according to conservative estimates that US$15 million was enough to send 83 000 children to secondary school in 2014 where to be used and one can imagine the number of primary school children that could have been assisted had money not gone into a few corrupt hands. Whole generations have been denied an education courtesy of a thoroughly corrupt, inefficient and greedy clique of politicians, military and others.

Militarization of SOEs

The study noted that lack of transparency and accountability in SOEs is compounded by the recruitment of ex-service men and women that are plugged into positions requiring technocrats without the relevant experience. While there is nothing out of the norm for members from the security services serving in SOEs, it becomes disturbing when there emerges a clear pattern of militarization of SOEs especially in areas needing technocrats. Apart from retired army chiefs serving in a number of Boards, even serving members have taken very senior management positions in SOEs. This militarization is further strengthened by the fact that even the non-military members of the Boards would either be war veterans or senior ruling party members. Such a situation tends to foster political patronage that hinders instead of promoting transparency and accountability in SOEs.

The impression created is that of a stronger state control rather than relaxation to allow commercial activities to be done profitably. Perhaps, by involving the members of security departments the government is demonstrating the national strategic role of SOEs in the country, especially during the tumultuous economic meltdown period. There is usually no public scrutiny of security agencies in terms of their efficiency, procurement or expenditures. It would be difficult for the military personnel in SOEs to subject themselves to public scrutiny, transparency and public accountability.

It is important to note that since Zimbabwe's Independence in 1980, the military has played a significant role in the political affairs of the country. An elaborate system was established to reward partisan senior military officials through the appointment of Brigadier Generals and Colonels to head some state enterprises. Since independence, the viability and influence of the military rose to dominance as military personnel continued to assume power over civilian affairs.[55] This, however led to the deployment of military personnel to strategic state institutions of governance such as the judiciary, the Zimbabwe Electoral Commission, local government institutions and state controlled companies. Moyo[56] asserts that the management and governance of SOEs has been militarized because of the consistent deployment of military personnel in public enterprises as board members and or managers of state enterprises[57]. The militarization of SOEs created a system of political expedience. This political hegemony takes precedence over good management of SOEs, as former military officials are selected to head state enterprises based on the premise of sworn loyalty to the ruling party which falsifies the precepts of institutional relevance of SOEs.[58] Appointments based on loyalty and patronage dismisses rules of efficiency and effectiveness.

There is, however, a misconception of management excellence as some military personnel are neither qualified, experienced, nor possess the competences needed to manage SOEs. The nature of governance by military personnel is characterised by an upward chain of command making them liable only to superior authority.[59] It is apparent that in managing SOEs military personnel exercise upward accountability as they only become answerable to superior government official of the ruling party rather than the general public. In this context, power dynamics make an interplay which necessitates the provision of information to the public as a process of being accountable. In this view, it can be noted that the political hegemony within military personnel in the management of SOEs, perpetuates a culture of withholding information which creates gaps that result in patronage, looting and corruption manifesting through the lack of transparency and accountability.

Table 3: Military Appointments in SOEs

Name	SOE	Position
Retired Captain Noah Madziva	Zimbabwe Electricity Supply Authority (ZESA)	Board Chairman
Air Commodore Michael Karakadzai	National Railways of Zimbabwe (NRZ)	Former General Manager
Retired Col Samuel Muvuti	Grain Marketing Board (GMB	Former CEO
Retired Senior Police Assistant commissioner Albert Mandizha	Grain Marketing Board	Current CEO
Brig Gen Douglas Nyikayaramba	National Railways of Zimbabwe	Former Chairman
Colonel Levy Mayihlo	NRZ	Officer
Brig Gen Epmarcus Kananga	Parks and Wildlife	Deputy Director
Major Gen Engelbert Rugeje	Zimbabwe Broadcasting Holdings	Board Member
Brigadier Gen Sibusisi Moyo	Zimbabwe Broadcasting Holdings	Board Member
Col Godfrey Nhemachena	Commercial Bank of Zimbabwe	General Manager
Retired Lt Col Nelly Abu Basutu	Minerals Marketing Corporation of Zimbabwe (MMCZ)	Chairperson
Retired Brig-Gen Flex	Broadcasting Authority of Zimbabwe	Board Member
Brigadier-General Epmarcus Kanhanga	Zimbabwe Papers	Board Member
Lt Col Reuben Ngwayi	Potraz	Board Member
Wing Commander Kapondoro	Telone	Board Member

Furthermore, the militarization and political patronage are deepened by the ministerial control over the SOEs' activities including activities that would normally be decided by Boards. Actually, SOE have upward accountability Boards that they owe allegiance to the concerned minister and hence would be amenable to ministerial private interests. By extension, this compromises the transparency and accountability of SOE.

Poor Management and Coordination

One of the key roles of parliament in a democracy is the overseeing function. In the Zimbabwean context where the principle of separation of powers has been relatively weak, the

55 The Military Factor in Zimbabwe's Political and Electoral Affairs (2011); Crisis in Zimbabwe Coalition.
56 Moyo, 2014
57 ibid.
58 Muller, 2000:311
59 The Security-Military Business Complex and the Transition in Zimbabwe (2008)

executive dominates the legislature. The strong presidential system and the whipping in parliament have further eroded the oversight capacity of parliament. It has become a local joke that in fact 'laws pass through Parliament and not passed by Parliament'. Parliament's oversight function has been severely withered down over the years. For example, rarely do ministers attend Parliamentary sessions; submit themselves for questioning in Parliamentary portfolio sessions and even rarer is their respect for the recommendations coming from Parliament and its portfolio committees. Understandably under these circumstance SOEs, being wholly owned by the state come under the oversight jurisdiction of parliament and without an effective parliament they are left to their own devices. In 2010 for instance the Parliamentary Portfolio Committee on Mines was blocked from accessing the Marange Diamond fields on a fact-finding mission. This event aptly confirmed the fears that systems of oversight in the country are powerless and ineffectual, in their current form.

Another concern is that most SOEs have either gone without Boards or have Boards that have overstayed. Since most SOE Boards feel they owe allegiance to the relevant minister, this fosters political patronage and reduces the effectiveness of Boards. In the alternative, political interference has also caused the problem of people being given short terms in boards. This refers to when the parent minister uses wide-ranging discretionary powers unilaterally and arbitrarily dismisses board members especially at chairmanship level. Such spurious decisions affect effective decision-making and institutional oversight, especially over the implementation of big projects. Ministerial control and interference compromises oversight and coordination roles of relevant bodies.

The 2012 Auditor General's Report on State Enterprises and Parastatals notes that SOEs and parastatals in Zimbabwe have numerous cases of improperly constituted boards of directors and board committees. The board of directors or boards of committees are essential for an organization's existence. Larcker and Tayan,[60] points out that board of directors and board committees have a dual mandate of advisory and oversight. This is to say, the board consults with management regarding strategic and operational direction of the organization and monitors the organization's performance thus reducing the agency cost. The improper establishment of a number of parastatals in Zimbabwe creates avenues of mismanagement of resources because of the lack of an effective umbrella body that regulates the operations. The Auditor General's Report details the fact that out of 8 board committees at the National Social Security Authority (NSSA)[61], one of the board members was a chairperson in four of them. This therefore can underline bias and error of judgement as the one person is committed to the decision making of more than one board. Moreover, in 2012, the Zimbabwe Mining Development Corporation (ZMDC)[62] did not have representation on the boards of its joint ventures. In this essence, the mining corporation lacked guidance and effective monitoring which affects its performance.

Weak Legal and Policy Framework

The study noted that corruption and lack of transparency and accountability in State Owned enterprises in Zimbabwe is largely a result of lack of sufficient conditions and mechanisms for regulation and enforcement of corporate governance rules which results in the perceived dysfunction of most SOEs. These weaknesses create conditions and opportunities necessary for corruption and lack of transparency and accountability to manifest. Perhaps the notable weakness in the legal framework governing SOEs is the amount of unfettered ministerial discretion enjoyed by Ministers whose ministries oversee the particular SOEs. The Mines and Minerals Act, for instance, gives opportunities for the Minister of Mines to act unilaterally with little regard for the principles of accountability, transparency, and professionalism[63]. Under the Act, the Minister of Mines has the final say in the granting of an Exclusive Prospecting Order (EPO) instead of it being done collectively with the Mining Affairs Board. It is largely as a result of these excessive discretionary powers in law that the former Minister of Mines Dr Obert Mpofu was accused of single-handedly running the Zimbabwe Mining Development Corporation[64] (ZMDC) for four months after dissolving its board of directors soon after his appointment.[65]

While being cross-examined by Beatrice Mtetwa in the 2 billion-fraud matter in which he was implicated Minister Mpofu argued that he was not at liberty to disclose his

[60] Larcker and Tayan, 2011
[61] National Social Security is a corporate body that was established in terms of the National Social Security Authority Act (Chapter 17:04).
[62] Zimbabwe Mining Development Corporation is company wholly owned by the Government of Zimbabwe. The main business of the corporation and its subsidiaries is to oversee mineral extraction and sales.
[63] 2012 Annual State of Corruption Report, Power Dimension to mineral related corruption in Zimbabwe.
[64] https://www.newsday.co.zw/2014/07/30/diamonds-case-obert-mpofu-grilled/
[65] ibid

ministerial reasons to run the state owned enterprises single-handedly[66]. He maintained he had an obligation to act in the manner he did on the basis of his discretionary powers as the parent minister. Specifically, the former Minister was quoted as saying, "If there is no board, the minister runs the affairs."[67] It was reported and confirmed that during his meetings with the investors, Minister Mpofu had engaged no one to assist him with documenting minutes and he never documented any minutes of these meetings. Documentation of minutes in (any corporate meeting) state meetings is a requirement which provides proof of what was discussed and agreed upon. Ideally minutes are a way of accounting not only to the Executive but to the Ministry itself and the general public. The fact that the said Minister failed to document minutes let alone ask someone to document for him shows how the Minister either misinformed himself on the rules and procedures of corporate governance and or misinterpreted the law. In his interpretation, the Minster is the Ministry and his word is final.

The disregard of legal and policy framework governing SOEs is a key driver of corruption and lack of transparency and accountability in the sector. This became evident during the tenure of Former Energy Minister Dzikamai Mavhaire. Empowered by Part 11 subsection 5 (2) of the Electricity Act which notes that "The minister appoints Zimbabwe Electricity Authority Supply board members after consultation and in accordance with any directions the president may give him", the former Minister went on to appoint a Board consisting of largely ZANU loyalists, disregarding the merits and demerits of these appointments to this very critical sector. The table below shows the Board appointments made by the former Minister Mavhaire.

Table 4: Board Appointments by the Former Minister Dzikamai Mavhaire

COMPANY	BOARD MEMBERS	Political Profile
Kariba South Hydro Power Company	Professor Calisatus Ndlovu	Former ZANU-PF Bulawayo Province chairperson
National Oil and Infrastructure Company	Cde Jacob Chadehama	ZANU-PF losing candidate for Masvingo North primary elections
Petrotrade	Cde Walter Mutsauri	Former Bikita East legislator
	Cde Shadreck Chipanga	Former Home Affairs Deputy Minister and ZANU-PF employee
	Henry Muchena	Air Vice Marshall and ZANU-PF member
Powertel	Cde Fred Kanzama	Former Mutare South legislator
Rural Electrification Agency Board	Willard Chiwewe	Former Masvingo Provincial Governor and Former Resident Minister and ZANU PF member
ZESA Holdings	Minister Hebert Murerwa	Former Lands and Rural Resettlement Minister
	Cde Nyasha Mandeya	ZANU-PF Director for Economic Affairs
ZESA Enterprises	Cde Elias Musakwa	ZANU-PF losing candidate for Bikita West
	Zenzo Nsimbi	Former Ambassador and Former Transport Deputy Minister. Former ZANU PF Politburo Member and Chairman for Bulawayo Province.
Zimbabwe Power Company	Cde Patrick Zhuwawo	Robert Mugabe's nephew and Former Zvimba East Legislator
	Clarisa Vongai Muchengeti	Former Chirumanzu-Kwekwe-Silobela ZANU-PF Senator

The example above shows the extent to which SOE boards have an entrenched culture of partisan and politicised appointments. The idea of having a board is to ensure that there is transparency and accountability in the operations of the secretariat. The board therefore acts as an overseeing mechanism and it checks if the operations of the secretariat are in sync with tenets of corporate governance and financial transparency. When the selection of board members is flawed, it essentially means there is poor or rather weak forms of ensuring transparency and accountability in SOEs governance. The selection of board members is anchored on a system of political patronage as the Minster appoint people believed to be in his camp and those loyal to his faction. For example, when the former Minister was fired some of his appointees like Callistus Ndlovu were similarly disgraced over factional rivalry. CHRA[68] noted that in a country that has many people with different talents, experience and expertise the minister chose to zero in on politicians who lost elections and over the years have proved to have nothing more to offer.

[66] ibid
[67] https://www.newsday.co.zw/2014/07/30/diamonds-case-obert-mpofu-grilled/

Mainly this strategy is used to maintain loyalty to the appointing individual rather than achieve efficiency.

The unfettered discretion given to Minister of parent Ministries managing SOEs also allows them to interfere in the operations of SOEs in a manner which results in corruption and lack of transparency and accountability. During his tenure in office, former Minister Mavhaire and his Deputy are reported to have coerced Zesa Holdings to give money to the Manicaland Zanu-PF Women's League ahead of its conference in August to cushion VP Joice Mujuru's plot to oust President Mugabe. The Herald of 25 November 2014 (see extract below) reported that Zesa Holdings deposited US$40 000 in the Manicaland Women's League account number 23916650018 held by CBZ Bank on the 31st of July 2014. It is alleged deputy minister Munacho Mutezo who was also ZANU PF Politburo Member provided the bank account to ZESA. It is further alleged by the same paper that Comrades Porusingazi and Matara (all Zanu-PF members) withdrew US$45 733 leaving the account with US$1.50[69]

"ZESA Funds used to Bankroll Mujuru"

UNDER fire Energy and Power Development Minister Dzikamai Mavhaire connived with his deputy Engineer Munacho Mutezo to coerce Zesa Holdings to give money to the Manicaland Zanu-PF Women's League ahead of its conference last August to abet Vice President Joice Mujuru's bid to oust President Mugabe.

According to a bank statement seen by The Herald, Zesa Holdings deposited $40 000 in the Manicaland Women's League account number 23916650018 held by CBZ Bank on July 31 this year. Deputy Minister Mutezo apparently provided the bank account to ZESA with strict instructions that the money be deposited. Deputy Minister Mutezo's wife Loveness was deputy chairlady in Manicaland, but was booted out recently through a vote of no confidence alongside chairlady Cde Joyline Chipo Porusingazi and secretary for finance Cde Pedigree Matara. The trio was accused of fanning factionalism, undermining the authority of the President and misappropriating the league's funds. Between them, Cdes Porusingazi and Matara withdrew $45 733 leaving the account with a mere $1.50.

Furthermore, in 2013 it is alleged that former Minister Mavhaire instructed Green Fuel to construct a 49 Kilometre power line and a sub-station in Chisumbanje without the knowledge of Zimbabwe Electricity Transmission and Distribution Company (ZETDC) board.[70] Consequently, Green Fuel through one of its companies, Rating Investments is now demanding over US$2.7 million from ZESA, claiming it constructed the 33KV power line. Whereas ZESA claims it is not aware of Mavhaire's directive and commented that had ZESA constructed the power line on their own, it would have cost them less than US$1.2 million. Hence, the Minister misdirected himself and paid US$ 1.5 million more than the project was worth.

Conclusion

This chapter has shown that deficits in transparency and accountability in Zimbabwe's SOEs have had negative consequences in national development. It makes abuse of office, trading of influence, bribery and fraud possible. SOEs became extensions of political patronage and havens of corrupt practices and mismanagement of public assets. The legal and policy frameworks governing SOEs foster political interference, which is largely responsible for poor governance and management in SOEs. Citizens and other interested parties need access to timely and accurate information in order to demand and hold responsible authorities to account. Similarly, those charged with managing national assets like SOEs should be responsible and answerable for their actions or inactions, reporting to competent boards who are in a position to give strategic direction and evaluate proposed actions knowledgeably. As argued in the chapter, transparency and accountability mechanisms are necessary to enable citizens to have a say about issues that matter to them. Zimbabwe would benefit both politically and economically from established transparency and public accountability mechanisms in SOEs in particular and in every sector in general.

It should be borne in mind that public accountability of SOEs should be premised on the assumption that SOEs operate better in a democracy where the interests of citizens are paramount. Thus, they would be in a better position to provide goods and services that in other parts of the world are provided and managed by the private sector. All the factors that hinder transparency and accountability as highlighted in the chapter can be addressed and minimized provided there is political will to stamp out corruption. The history of corruption and apparent impunity works against the promotion of transparency and accountability and should be attended to if corruption in SOEs is to be eradicated.

[68] Combined Harare Residents Association
[69] http://www.herald.co.zw/zesa-funds-used-to-bankroll-mujuru-%E2%80%A2ceo-confirms-transaction-%E2%80%A2millions-involved-%E2%80%A2mavhaire-mutezo-implicated/
[70] Bulawayo 24 News by Felix Share 12 January 2015

4

CORPORATE GOVERNANCE OF STATE ENTERPRISES AND PARASTATALS

by Gorden Moyo

Introduction

Zimbabwe's State Enterprises and Parastatals (SEPs) have increasingly become a national disgrace and a liability to the national fiscus. Instead of pursuing public interests, they are increasingly viewed as pursuing private and political interests. In fact, the mention of the word 'parastatals' conjures up epithets and superlatives such as 'partystatals', 'havens of corruption', 'caravans of corruption', 'retirement homes for senior military officers', 'patronage networks', 'white elephants', and 'personal fiefdoms of chief executive officers (CEOs). Similarly, the CEOs of parastatals and State Enterprises (SEPs) are infamously referred to as 'emperors'. But all this has not been without reason. As will be demonstrated in the rest of this chapter, the majority of SEPs in Zimbabwe are characterised by odious debts, dilapidated infrastructure and equipment, under-capitalisation, skills deficits, vandalism and looting by top ranking government officials and politicians, mismanagement and outright corruption (Zvavahera, 2014; Mutanda, 2014; Zhou, 2012; Ministry of State Enterprises and Parastatals, 2010).

Unsurprisingly, bad corporate governance has been implicated in the demise of the SEPs such as Air Zimbabwe, National Railways of Zimbabwe (NRZ) and Zimbabwe United Passenger Company (ZUPCO). Available evidence indicates that these entities have been used to provide transport for political supporters to rallies and other political meetings (Ministry of State Enterprises Parastatals Internal Memo, 2012). Recently, ZUPCO has been commandeered to carry adverts in the form of the images of the First Lady Grace Mugabe as she campaigned for the post of the chairperson of ZANU PF Women League and President Mugabe as the godfather of Zimbabwe's liberation struggle. On the other hand, it is common knowledge that the Grain Marketing Board (GMB) has been perennially used to provide agricultural inputs including the Presidential Inputs Support Scheme to the ruling party- supporters. All this is indicative of a total collapse of corporate governance systems in SEPs.

The quintessential question here is 'to what extent can good corporate governance practices mitigate or curb corruption, mismanagement, political interference, and abuse of office for private gain and other types of financial irregularities that continue to ruin the state enterprises and parastatals sector in Zimbabwe?' Indeed, SEPs are currently under strong pressure to improve their corporate governance systems and practices. These pressures come from various sources, including the need to provide essential infrastructure, financial, and other services to business and consumers efficiently and cost effectively. There is need to reduce fiscal burden and fiscal risk and to enhance the transparency and accountability of the use of scarce public funds (World Bank, 2014: xxi). The media, civil society, social, economic and political commentators have been equally vociferous in their calls for reforms in the public enterprises sector.

This study reinforces the demand and call for ethical standards and moral climate to be restored in SEPs if these institutions are to contribute towards economic growth and development in Zimbabwe. It argues that without sound corporate governance norms, values and principles, SEPs will continue to impose a heavy toll on the already ailing economy in Zimbabwe. It also notes that no amount of restructuring, privatisation and/ or commercialisation can reform SEPs to efficiency if there is dearth of integrity and good corporate governance in their 'veins and arteries'. In fact, corporate governance is the central nervous system of the SEPs reform agenda in Zimbabwe. Viewed from this perspective sound corporate governance practice is a viable solution to many of the problems that have pervaded the public enterprises sector. To be sure, good corporate governance practices help to clean up the governance environment of SEPs, exposing insider relationships and injecting values of transparency and accountability in transactions thereby reinforcing all other reforms (*see* OECD, 2005; World Bank, 2014). In this way, the principles of good corporate governance such as integrity, openness, transparency and accountability are not just optional extras for SEPs but they are fundamental foundations on which effective reforms can be mounted.

This chapter therefore intends to examine some of the corporate governance challenges be devilling the performance of SEPs in Zimbabwe today. Thus, for the purposes of illustration, only a few factors have been identified as the drawbacks in SEPs and these are: multiple and conflicting objectives, unprofessional board appointments, political interference and corruption in SEPs. The chapter also looks at different ways of strengthening corporate governance practices. It concludes by calling for the reform of the state itself in line with the provisions of the New Constitution (2013) as a prerequisite for the comprehensive corporate governance reforms in SEPs.

Conceptualizing Corporate Governance

As noted above, there is increasing recognition that poor corporate governance of SEPs is at the heart of their underperformance. This takes the form of poor service delivery, odious debts, dilapidated infrastructure and equipment, undercapitalization, skills deficits, vandalism and looting by top ranking government officials and politicians, mismanagement and corruption. Thus, understanding the governance challenges in SEPs and addressing them is a prerequisite to the national efforts on economic rehabilitation in Zimbabwe. To begin with, corporate governance refers to the structures and processes for the direction and control of companies (OECD, 2005; Hontz, and Shkolnikov, 2009). It specifies the distribution of rights and responsibilities among the company's stakeholders and articulates the rules and procedures for making decisions on corporate affairs.

Simply put, corporate governance provides the structure for defining, implementing, and monitoring a company's goals and objectives and for ensuring accountability to appropriate stakeholders (World Bank, 2014:12). In the main, corporate governance involves the establishment of structures and processes, with appropriate checks and balances, which enable directors to discharge their legal responsibilities (Khoza and Adam, 2005:28). More broadly, corporate governance encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation (Hontz, and Shkolnikov, 2009). Invariably, SEPS that are committed to good corporate governance should have strong Boards of Directors, effective internal controls, transparent disclosure, and well-defined shareholder rights (World Bank, 2014:12). Available evidence shows that a good corporate governance system in a country is associated with a number of benefits for all companies whether private or state owned. These benefits include among others:

- Better access to external finance by firms, which in turn can lead to larger investments, higher growth, and greater employment creation;
- Lower costs of capital and higher firm valuation, which make investments more attractive and lead to growth and greater employment;
- Improved operational performance through better allocation of resources and more efficient management, which create wealth more generally; and
- Reduced risk of corporate crises and scandals...and better relationships with stakeholders (World Bank, 2014: xxiii).

Good corporate governance practices possess the potential to increase productivity in and competitiveness of the SEPs. In addition, good practice helps in ensuring that public funds invested in these enterprises are not mismanaged and are spent effectively. By creating more transparent and economically viable SEPs, corporate governance will also help to ensure that services are effectively and efficiently delivered to the public (*see* Hontz, and Shkolnikov, 2009). In this way, corporate governance can be deployed in Zimbabwe as a means of improving the efficiency of SEPs and as a mechanism to improve their attractiveness to investors. Gideon Gono, the former Governor of the Reserve Bank of Zimbabwe was right when he observed that 'if Government is to break the backbone of corruption, financial mismanagement and tendencies of slackness in any of its SEPs, it has to take on board principles that self induce good behaviour, integrity, commitment and greater accountability by its public sector officials' (Gono, 2004).

To be sure, SEPs in Zimbabwe are generally exposed to political interference, cronyism and corruption in their governance and operation. Consequently, they are unable to generate adequate financial returns to either cover their costs or return a surplus to the government. Thus, SEPs are usually diverted from fulfilling developmental objectives (also see Rondinelli, 2008:23). In response to these dilemmas, the Government of National Unity (GNU) launched a 'Corporate Governance Framework' in November 2010. The Framework sought to address corporate governance deficiencies that were identified as primary impediments to SEPs performance. The Framework lays the bedrock for better performance, transparency, openness, accountability and corporate responsibility to all stakeholders, that is, government, investors, private sector, labour, civil society and the public in general. The Framework also focuses on making Government as an effective owner, by establishing clear and simple lines of political and social accountability; improving board selection and board quality; and it contributes to the development of clear corporate strategies that reward efficiency and professionalism in SEPs (Corporate Governance Framework, 2010).

Sadly, SEPs reforms were both politically contentious and institutionally challenging to implement during the

GNU. Vested interests within SEPs and some actors of the GNU were often resistant to change. For instance, SEPs management saw corporate governance reform as a threat to its independence; boards saw reform as a threat to their positions; and some line ministries were resistant to changes that threatened their capacity to use the SEPs within their control to meet their political and private objectives (Ministry of State Enterprises Parastatals Internal Memo, 2012). Moreover, institutional constraints and lack of capacity also impeded implementation, since the reforms required fundamental changes in organisation, incentives and behaviour that can be difficult to achieve (World Bank 2014:261). In short, the GNU efforts to reform SEPs were futile hence the rot has now reached alarming levels as demonstrated by outrageous salaries of CEOs of Zimbabwe Broadcasting Services (ZBC) and Public Services Medical Aid Society (PSMAS), failure of NRZ to pay its employees as well as the failure of ZESA to provide power for the consumers and industry. A lot of these problems arise from the non-implementation of the already existing policies including the Corporate Governance Framework, 2010, and the Public Finances Management Act, 2009.

SEPs Conflicting Objectives

Corporate governance challenges in SEPs nest on the structural, legal and institutional framework deformities. The key one being the existence of complex political goals and conflicting interests in SEPs. A cursory analysis of the legal and institutional framework in chapter two indicates that in addition to profitability, SEPs are subject to broad mandates such as the public service obligations and broader social and industrial policy goals. Available evidence indicates that when SEPs have such multiple, ambiguous, or conflicting objectives, a practical consequence is that CEOs, board members and politicians tend to abuse them for private and political gains under the cover of their different policy goals and mandates.

In Zimbabwe the state exercises its ownership responsibilities through multiple actors such as line ministries, the Ministry of Finance, Office of the President and Cabinet and a number of other government bodies over and above the board of directors of SEPs. To structure this complex web of accountabilities in order to ensure efficient decisions and good corporate governance is a challenge (OECD, 2005:10). Arguably, conflicts' between the state's ownership functions and its policy-making and regulatory functions arise and leave the SEPs vulnerable to being used to achieve short-term political goals to the detriment of its efficiency. Moreover, the state often assumes functions that should be carried out by the Board, such as appointing and dismissing the Chief Executive Officer and approving budgets and investment plans. This provides scope for political interference and inconsistencies in direction and approach and has opened opportunities for corruption (World Bank, 2014:13).

For instance, as part of the political objectives of the ZANU PF–led government patronage network, the Grain Marketing Board (GMB) as part of Operation Maguta between 2002 and 2006 absorbed over 4000 members of the army. These members of the force were incorporated into parastatals presumably so that they could be paid from both the parastatals and the army. Similarly, the National Railways of Zimbabwe absorbed about 2000 members of the military (Ministry of State Enterprises and Parastatal Internal Report, 2012). Furthermore, from 2002 up until 2012 NRZ was directed by government to run passenger trains dubbed "Freedom Trains". These were loss making and the government did not cushion the NRZ for its losses. The trains were ostensibly meant to provide transport for urban commuters at the height of fuel shortages in Zimbabwe. Afraid of citizens' riots, the government relied on SEPs for its survival.

In this way, the SEPs were made to achieve political and security goals that had nothing to do with their corporate mandates and objectives. Thus, working with unclear strategies and multiple lines of accountability, CEOs within SEPs become hostage to politics and conflicting bureaucratic interests, resulting in a situation where multiple agencies and ministries vie to influence SEPs management while ultimate accountability for decision-making is non-existent (Hontz and Shkolnikov, 2009:26). In the ZESA case, the management claims that it was compelled by the minister acting in his capacity as the owner of the power utility to divert funds to political party in direct violation of the Public Finances Management Act, 2009 and Corporate Governance Framework, 2010.

Politicized Boards and Management

One of the sources of the corporate governance challenges in SEPs in Zimbabwe is the lack of accountability and transparency in the composition and structure of the Board. This is a problem that needs to be resolved in order to improve performance of SEPs and send appropriate signals to the investors and the public at large. As noted in chapter two of this publication, directorships and senior managerial positions in SEPs were often viewed as political patronage positions for the retired military and high level civil servants or for the relatives and friends of powerful political leaders (also see *Crisis in Zimbabwe Coalition, 2011*;Rondinelli, 2008).

To be sure, SEPs in Zimbabwe are home to retired military and security officers; politburo members who are not appointed to cabinet; former cabinet ministers; retired ambassadors; and regime intellectuals. For instance, in 2012, the following were at the helm of SEPs either as CEOs or board chairpersons of some of the SEPs: Rtd Air Commodore Machael Tachafa Karakadzai (NRZ), Col. Nelly Basutu (Minerals Marketing Corporation of Zimbabwe-MMCZ), Col. Nyabadza (Agricultural and Rural Development Authority –ARDA), Rtd Senior Police Commissioner Albert Mandizha (GMB), and Rtd Col. Tshinga Dube (Zimbabwe Mining Development Corporation-ZMDC) (Ministry of State Enterprises and Parastatals-Internal Memo, 2012). These individuals were deployed in various structures of the public entities such as the boards, management, operations and shop-floor depending on their seniority in the party, ZANU PF or their war credentials. These party "deployees" facilitate the flow of resources from the parastatals to ZANU PF particularly during election season. A classic example was during the run up to the ZANU PF party congress in December 2014 when the first lady Grace Mugabe had a whirl-wind of rallies across the country and ZUPCO buses were commandeered to carry supporters to those rallies.

Thus, the poor performance and ineffective management of SEPs can be attributed to the appointment criteria of boards based on political affiliation rather than technical expertise. These boards lack independence to stand their ground against the pressures from politicians who appointed them in the first place. Clearly, political interference prevents SEPs from being professional because politicians and bureaucrats have power to use SEPs as tools in carrying out their political and private agendas (Kamal, 2010:214). For instance, over the years the members of the public have been witnessing a comic drama when various boards of directors and management of SEPs made a stampede to outdo one another as they broadcast laborious media adverts to congratulate President Mugabe on his annual February birthday galas. It is also common knowledge that these annual galas are funded by SEPs off budget and in direct violation of good corporate practices. Similar media adverts are a common feature in the event of a wedding, death or appointment of a senior government official, military officer or ruling party senior politician.

Essentially, SEPs in Zimbabwe lack boards of directors with required independence, experience and a range of competencies to perform the classic corporate governance roles, inter alia, to guide strategy, oversee management, and ensure a robust internal control system. Instead, SEPs Boards often represent different stakeholders, all of whom have agendas that conflict with the interest of the company and that interfere with commercial decision making (*see* World Bank 2014:15). The implicit role of these politicised boards is protection of the interest of their ministries/ ministers, a task often at odds with advancing the welfare of the SEPs.

Bowing from the pressure mounted by media, civil society and opposition members of Parliament, on the 4th of March 2014 the Cabinet came up with measures regarding board appointments, management and performance in SEPs. The Minister of Finance in a document entitled *Corporate Governance and Remuneration Policy Framework for Chief Executive Officers of Parastatals, State Enterprises and Local Authorities* presented the following measures:

- That Board members be selected on grounds of merit, based on a clearly defined capability matrix and skills mix, in areas such as legal, finance, marketing, audit, technical, human resources, strategic and economic planning;
- That a 50:50 gender representation and regional spread be factored into the selection of Board members;
- That a Corporate Governance and Delivery Agency be established within the Office of the President and Cabinet to coordinate and monitor compliance with the Corporate Governance Framework and the National Code of Corporate Governance in Zimbabwe (ZIMCODE);
- That a systematic programme for the induction and training of Board members be carried out under the auspices of the Corporate Governance Delivery Agency;
- That line Ministries should at the time of appointment of the Board clearly spell out the Mandate of the Board for the period of office;

- That all Boards be appointed for a four-year term, which is renewable once;
- That no Permanent Secretary should be a member of a Public Enterprise Board, but that Ministers should appoint appropriately qualified and experienced persons from their Ministries to sit through deliberations of the Board and to report to the Ministry the gist of the Board's deliberations; and
- That all State Enterprises and Parastatals should hold Annual General Meetings, which meetings should be attended on the Government side by representatives from the Office of the President and Cabinet, Treasury, the parent Ministry, the Auditor and Comptroller General, and other stakeholder Ministries.

More than a year after this Cabinet proclamation SEPs continue to be deployed by politicians, who use them as tools of political control, and reward their political cronies with appointment to the Boards without requisite managerial skills and experience. Thus, in spite of the *Corporate Governance Framework* (2010) and the *Corporate Governance and Remuneration Policy Framework for Chief Executive Officers of Parastatals, State Enterprises and Local Authorities* (2014), there appears to be no change in the corporate governance of SEPs. The renewed commitment by government to turnaround the SEPs will only make sense if all board members are nominated through a transparent process that is led by Parliament and is open to scrutiny by the members of the public.

Board and Management Remuneration

Corporate Governance Framework Chapter 3: 13 clearly states that the process of determining remuneration for CEOs and allowances for Board members of SEPs shall be transparent and approved by the responsible line minister in line with the principles of affordability, sustainability, competitiveness and reasonableness. Contrary to this provision, Ncube and Maunganidze (2014:131) observe that senior managers and directors of SEPs are living a lavish life through rewarding themselves mega salaries, with the blessings of their boards. They further observe that service delivery in all the affected SEPs has been extremely pitiable with executives pocketing hefty salaries while their employees earn very little and the general public gets a raw deal as exemplified by Zimbabwe Broadcasting Services (ZBC) and the Public Service Medical Aid Society (PSMAS). For instance, when the CEO of ZBC took home USD$40 000 a month in salary and benefits, other members of the management also raked in tens of thousands of US dollars. All this happened against a background where non managerial staff had gone for more than six months without pay and the institution was reeling from a huge debt (Financial Gazette, 4 December 2014). Similarly, the PSMAS boss was wrecking almost USD$500 000 a month in salaries and allowances. Mutanda (2014:3) notes that:

> The salaries and allowances which the parastatal bosses awarded themselves did not relate to the performance of their companies. Most of these companies are reeling under a heavy debt burden and workers could go for months without receiving their meagre salaries, yet bosses received hefty packages (Mutanda, 2014:3).

In line with the provisions of the Corporate Governance Framework (2010) read together with the Public Finances Management Act (2009), Companies Act, and the enabling Acts of Parastatals, the salaries and allowances of the CEOs of SEPs should be subject to approval by the line ministries/ministers. As far back as 2010, the then Ministry of State Enterprises and Parastatals noted the anomaly whereby CEOs award themselves outrageous salaries without the approval of the Board and the Ministry.. In some cases the ministers were involved in approving the scandalous salaries (Ministry of State Enterprises and Parastatals Internal Report, 2010). The internal records of the then Ministry of State Enterprises clearly show that by then some of the CEOs were already earning an average of USD$20 000. The latest revelations by the media are actually shocking. Table 1 below presents some of the 2014 figures for CEO salaries and benefits.

Table 5: Top 20 Highly Salaried SEPs Chief Executives

SEPs	Basic Salary- USD$	Benefits-USD$	Total-USD$
1. Public Service Medical Aid Society (PSMAS)	230,000	305,499	535,499
2. NETONE	10,126	33,567	43,693
3. Zimbabwe Broadcasting Corporation (ZBC)	15,030	22,050	37,050
4. Zimbabwe Power Company (ZPC)	11,882	24,477	36,359
5. Indigenous Development Bank of Zimbabwe (IDBZ)	18,502	16,944	35,446
6. Reserve Bank of Zimbabwe (RBZ)	18,000	14,943	32,943
7. Zimbabwe Mining Development Corporation (ZMDC)	13,744	17,978	31,722
8. National Social Security Association (NSSA)	13,238	15,824	29,062
9. Zimbabwe Electricity Regulatory Authority (ZERA)	10,985	17,418	28,403
10. Agribank	15,500	12,362	27,862
11. Marange Resources	18,575	8,797	27,275
12. Zimbabwe National Road Authority (ZINARA)	9,350	16,166	25,516
13. POTRAZ	13,000	11,459	24,459
14. Zimbabwe Revenue Authority (ZIMRA)	11,670	12,371	24,041
15. TELONE	10, 000	14,940	22,940
16. Transmedia	6,090	15,142	21,502
17. Postal Office Services Bureau (POSB)	10,039	10,352	20,391
18. National Oil Company (NOIC)	9,500	9,472	18,972
19. Mineral Marketing Corporation of Zimbabwe (MMCZ)	6,861	11,515	18,376
20. Zimbabwe Electricity Supply Authority (ZESA)	2,984	14,942	17,926

Source: Newsday, 19 March 2014.

Using the formula of affordability, reasonability, comparability and sustainability factors, the then Ministry of State Enterprises and Parastatals came to the conclusion that the salaries and benefits of CEOs were unaffordable, unreasonable, and unsustainable given the weak balance sheets of SEPs and the ailing economy of Zimbabwe. It is revealing that ZANU PF-led government has since dismantled the Ministry of State Enterprises and Parastatals, which unearthed the salary scam during the era of the Inclusive Government in Zimbabwe. However, recently, the government has decided that the Cabinet Committee on State Enterprises and Parastatals Development will oversee the forensic audit of all parastatals. It will also rationalise the salaries and allowances of CEOs. In undertaking this important and urgent task the Cabinet Committee will endeavour to ensure that the process is objective, transparent, fair, impartial, non political and strictly evidence based (Minister of Finance, 4 March, 2014). It will be useful for the said committee to adapt and adopt the principles of compensation crafted by World Bank (2014) in its effort to rationalise the salaries, wages and allowances in SEPs. These principles include the following:

- SEPs should be grouped according to their characteristics so that fees may be comparable by SEP size and industry, given the wide differences by industry, particularly financial and non-financial sectors;
- Compensation practices of private and public sectors Boards could be used as benchmarks;
- Remuneration should be commensurate with the directors' responsibilities and accountabilities;
- Care must be taken to ensure that packages are not set so high that they jeopardise the independence of directors; and
- Remuneration structures should be kept simple.

In addition to the above principles, there is need for the disclosure of remuneration paid to each member of the board including all their allowances such as housing, health, vehicles, education, pension contribution, travel, communication and holiday. The public has a right to know the director's remuneration or the director's packages because they have a responsibility to balance their remuneration and service delivery (Ncube and Maunganidze, 2014).

Corporate Governance as an Anti-Corruption Tool

Good corporate governance practice can be deployed as an antidote to corruption in SEPs in Zimbabwe. It has the potential to reduce the corruption by making bribery harder to conceal, positioning it not only as an immoral but also illegal behaviour with personal costs to those who provide bribes, and outlining internal penalties for violation (Hontz and Shkolnikov, 2009:32). In fact, as a corruption-fighting tool, corporate governance reduces the scope for corporate employees and directors to engage in self-dealing and or corrupt practices (Hontz and Shkolnikov, 2009:32).

Invariably, corruption has been institutionalised to the extent that it is now part of the culture of SEPs and other public and private enterprises in Zimbabwe. Ordinarily all SEPs should produce annual financial statements, including balance sheets, cash flow statements, profit and loss statements, statement of changes to owners' equity, and notes. These statements should generally be finalised three to six months after the end of the financial year. However, a number of SEPs have not been preparing their financial statements. According to the Memorandum on Financial Statement of SEPs prepared by the then Ministry of SEPs in 2012, only 35 had their financial statements up to date out of 78 SEPs. Moreover, those that had been able to prepare their financial statements had been found wanting by the Auditor and Comptroller General. Falsification of financial reports and fraud was common in SEPs (Ministry of State Enterprises and Parastatals, 2012). In this regard, corruption threatens service delivery, good corporate governance; it derails administrative goals and drastically reduces the image of SEPs to the investors and the public at large.

Despite the Auditor-General's numerous reports, exposing maladministration and ineptitude in loss-making SEPs, government has failed to plug the holes that have hindered them from operating viably (Zimbabwe Independent, 27 February 2015). Indeed, the audited financial statements for 2009, 2010, 2011 and 2012show that a few of the SEPs managed to make marginal profit (Ministry of State Enterprises and Parastatals, 2012).The majority of SEPs in Zimbabwe continue to underperform, with high economic, financial, and opportunity costs for the wider economy.

As noted above, the Auditor and Comptroller General's Report (2012) to parliament indicates that there were some irregularities on the financial statements of a number of government institutions such Air Zimbabwe, Central Mechanical Engineering Department (CEMED), National Railways of Zimbabwe (NRZ), and Zimbabwe Mining Development Corporation (ZMDC). The indications were that some ministers were getting double allocations of vehicles, fuel, mobile phones, airtime, travelling allowances and accommodation from both the ministry and parastatals (Ministry of State Enterprises and Parastatals Internal Report, 2012). In this respect, the ministers become accomplices to crime. At times, they would be bribed by the CEOs hence they would not regulate their salaries and allowances as stipulated by governing Acts of Parliament. This attitude of SEPs has led Mutanda (2014:1) to posit that:

> Government run institutions are in shambles and this greatly contributed to the economic chaos confronting the country. Although the origins of Zimbabwe's problems are multidimensional, there is no qualm corruption dominates them all (Mutanda, 2014:1).

The dilemma for President Mugabe, ZANU PF and law enforcing agents is that they cannot decisively act against corruption in SEPs such as PSMAS, ZBC, GMB, NRZ or Air Zimbabwe without exposing their own complicities and culpabilities. The arrest of any of the perpetrators of corruption in SEPs is likely to open a Pandora's Box thereby entrapping ZANU PF big wigs. President Mugabe is aware of this hence his rhetoric on corruption without action. The culprits of the 1989 Willowgate scandal and the beneficiaries of the 2000 GMB scandal who defrauded government of millions of dollars were arrested and then set free without paying back the loot. Besides the dissolution of the boards, there hasn't been any tangible action taken against the erring boards of SEPs. Clearly, corruption in SEPs remains a deep-seated issue but no action has been taken (Zimbabwe Independent, 27 February 2015).

More cynically, SEPs such as NOCZIM and Parks and Wildlife Authority have operated as fiefdoms for primitive accumulation of capital for senior military commanders at the expense of the suffering poor majority of Zimbabwe. For instance, the then National Oil Company of Zimbabwe (NOCZIM) was used by military officials as an instrument to buy petroleum products at concessional prices in the mid 2000s and sell them in Zimbabwe at higher prices. The hunting concessions managed by the Parks and Wildlife Authority have brought huge untaxable income for the military (*see* Campbell, 2003; Mangongera, 2014). Instead of being enablers of the economy, SEPs have become a curse to the economic development of Zimbabwe.

Broadly observed, corruption in SEPs and government in general begins with the State Procurement Board whose act is administered by the Office of the President and Cabinet. This board is the most incompetent and corrupt political entity. Tenders are not given to deserving, professional, competent and viable applicants. Only those who have links with ZANU PF bigwigs and are able to give 'cuts' are given the deals and tenders by the Procurement Board. Most of the CEOs and Boards are aware of these shenanigans. If they are dragged to the courts to face the law, there is danger that even the president will be entangled hence the laxity on corruption in Zimbabwe. Of course, the State Procurement Act is administered through the Office of the President and Cabinet hence all the shenanigans of the state procurement board are likely to be sanctioned by the presidency, including the awarding of various power generation projects to Chinese companies without due process.

Viewed from this perspective, the critical inadequate factor in SEPs performance is not only financial, technological know-how and raw materials. It is the general leadership and governance environment. Admittedly, good corporate governance is essentially a function of effective leadership. Leadership that is characterised by the ethical values of responsibility, accountability, fairness and transparency, and based on moral duties that find expression in the concept of ubuntu is likely to create a moral climate in SEPs that will enhance performance. Bronstein and Olivier (n.d:43) were correct when they noted that responsible leaders direct company strategies and operations with a view to achieve sustainable economic, social and environmental performance. It therefore makes sense to attribute the failure of SEPs in Zimbabwe to leadership and governance deficits in the country.

While the existing legislation such as the Companies Act Chapter 24:03, Public Finances Management Act of 2009, and Corporate Governance Framework, 2010 were meant to regulate and give direction for the operations of SEPs and other public institutions so as to minimise corruption and unethical behaviours (Zvavahera and Ndoda (2014:4), the continued lack of implementation and the total disregard of their existence is an indictment to the political leadership. Worse still, the Zimbabwe Anti-Corruption Commission (ZACC) which should provide a more thorough and robust mechanism for dealing with institutionalised corruption in the public sector is a paper tiger. It has limited powers, understaffed and underfunded. It appears the anti-corruption effort is also doomed because the political leadership class who should provide the much needed support appears insincere and seems to be interested in using the state machinery as tools to hunt political adversaries. Typical examples of selective prosecution includes the Mavhaire-Mutezo-ZESA case which came to light only because these political leaders belong to a political ZANU PF faction which was defeated at the 2014 party congress.

Yet, in SEPs in particular and in Zimbabwe generally corruption is ubiquitous and pervasive. Moreover, weak internal controls and processes, inadequate accounting and auditing practices, and weak compliance procedures, with low levels of financial and non-financial disclosure in SEPs have all conspired to provide the breeding ground for corruption. To this end, fighting corruption brings into existence public officials who are responsive to the needs and interests of the people thereby enhancing socio-economic development of the society (*see* Awofeso and Odeyemi, 2014:249).

Strengthening Corporate Governance Practice

As stated above, there are many obstacles that hinder the implementation of good corporate governance within SEPs. Government officials as supervisors face temptation to accommodate CEOs and board of directors at the expense of the public interests. By adopting the principles of good corporate governance, SEPs will be able to establish some of the mechanisms needed to mitigate corruption risks (Transparency International, 2009).Key informants consulted for this study contend that good corporate governance practices will lead to improved operational performance of SEPs; reduced fiscal burden of SEPs and increased net contribution to the budget through higher dividend payments; and reduced corruption and improved transparency (*also see* World Bank, 2014). Viewed from this perspective the implementation of corporate governance reforms in SEPs is likely to benefit the entire economy which is currently characterized by a liquidity crunch, de-industrialization, high unemployment levels, very high domestic and external debt, balance of payments deficits, and institutionalized corruption among others.

Besides the traditional accountability to the minister and the Auditor and Comptroller General as well as Parliament, SEPs in Zimbabwe should be made to account to the citizens. This can neither be effected without strong political commitment nor implemented nor sustained without an accommodative and supportive political leadership. In fact, studies have shown that SEPs' corporate governance reforms cannot be effective without strong political commitment and a deeper recognition and consensus that these firms are strategic assets and it is incumbent on the political leadership in particular to recognize that it serves as custodian of SEPs and is accountable to the nation for their poor performance. To strengthen the good corporate governance of SEPs, the government and SEPs themselves should consider a number of corporate governance practices that are currently weak compared to the international best practices. Firstly, each SEP Board should have a Citizen Charter, which defines its perception of its responsibilities to the consumers, and citizens. Such a charter will also define the rights of citizens in case the SEP fails to discharge the services it has pledged to provide. The perception of citizens of the performance of each enterprise should be fed to the legislatures annual report review (*also see* UNECA, 1996:38).

Secondly, an appropriate legal framework is necessary to define the roles of governing bodies, chief executive officers and the related framework of authorities and responsibilities of each level of corporate governance. Such framework needs to have broad political and ideally parliamentary support to avoid changes based upon shifting political currents (Frederick 2011:24).Thus, a revision of the legal framework to clarify the ownership relationships between the state and SEPs as well as adopt international practices of corporate governance is urgent. In this way, an appropriate legal framework would define the roles of boards, chief executive officers and the related framework of authorities and responsibilities of each level of corporate governance (ECSAFA, 2004). The government does not need to reinvent the wheel, the Public Finances Management Act, 2009 and the Corporate Governance Framework, 2010 should be used as the foundation of the corporate governance reform in Zimbabwe.

Thirdly, there should be a formal and transparent process to ensure that appointments to the board of each SEP are made in accordance with the specified criteria of competence and on the basis of merit (Corporate Governance Framework, 2010; ECSASA, 2004:33). To this end, boards need the right balance and mix of individuals, experience and professional skills. Simply put, board composition should be characterised by competence, capacity and diversity and should reflect the distinctive character of each SEP (*see* World Bank, 2014; Corporate Governance Framework, 2010; OECD, 2005). Thus, the appointment of SEPs Boards should be transparent, clearly structured and based on the appraisal of a variety of skills, competencies and experiences required. In fact, competence and experience requirements should derive from an evaluation of the incumbent board and the demand aligned with SEP's long term strategy (OECD, 2005:29). Ideally, appointments should be approved by parliament.

Fourthly, the state should act as an informed and active owner of SEPs. There should be a clear and consistent ownership policy, ensuring that the governance of SEPs is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness. For instance, the government should not be involved in the day-to-day management of SEPs; and the state should let SEPs boards exercise their responsibilities and respect their independence (World Bank, 2014). This includes the depoliticisation and demilitarisation of SEPs.

Fifth, the establishment of appropriate procurement practices and processes by government and SEPs should be a priority for the achievement of good governance. This should be accompanied by the amendment of the State Procurement Act and the State Procurement Board. Thus, a careful assessment of the procurement regulations and practices of SEPs should be carried out since any inefficiency will directly affect their corporate governance and their ability to procure in an efficient, timely, and transparent manner. More importantly, the State Procurement Board must be independent and thus operate outside the ambit of the Office of the President and Cabinet.

Sixth, the annual report of SEPs should contain statements on the remuneration policy and details of the remuneration and all benefits of each of the members of the board and senior managers (ECSAFA, 2004:49). Ideally, wages and incentives schemes should be formulated so that they promote value creation in SEPs and are perceived as reasonable.

Finally, comprehensive reforms should also include establishing a sound legal and regulatory framework for SEPs governance; creating effective ownership arrangements for state oversight and accountability; developing proper performance monitoring systems; promoting financial and fiscal discipline; professionalising SEPs Boards; enhancing transparency and disclosure as well as protecting shareholder rights in mixed-ownership companies (for detailed discussion on these issues see World Bank, 2014).This contribution argues that good corporate governance practices can curb SEPs failures due to fraudulent activities, collusion schemes and mismanagement.

The thrust of these measures and mechanisms is to attempt to advocate corporate governance reform that is sensitive to the realities and needs of SEPs in Zimbabwe. The measures attempt to shift focus from purely economic/ fiscal issues to governance issues with the hope that all actors in the SEPs sector will be made to account for their performance to the public. It is therefore critical that these suggestions be implemented in a credible manner that will earn the confidence of investors and the public at large. As noted by the World Bank (2014), the pace and sequencing of reforms will need to be calibrated to the economic, political and institutional realities on the ground and to the needs of individual SEPs. Moreover, all these proposed measures will need to be backed by the reform of the state itself. The postcolonial state of Zimbabwe needs to adopt democracy and development as its twin priorities. This demands the realignment of all old pieces of legislation in line with the dictates of the New Constitution, which came to force on 22 March 2013.

Conclusion

This chapter has attempted to demonstrate that inculcating good corporate governance is the key to the resolution of the various problems confronting SEPs in Zimbabwe today. It was noted here that corporate governance of SEPs in Zimbabwe is characterised by the mismanagement of SEPs by vested interests; political interference; misuse of resources; patronage and loyalty; and outright corruption. In this context, adequate checks and balances should be created to limit inappropriate political interference and to protect SEPs from cronyism, conflict of interest, corruption and nepotism in the hiring of executives and workers (Rondinelli, 2008). It is in the interest of government as the owner of SEPs to provide guidelines that seek to enhance the implementation of good corporate governance principles and practices in order to make SEPs more effective and to enable them to contribute to economic recovery, national development and poverty reduction. This calls for the full support of the political elite, commitment of government and SEPs boards and management. Finally, reforming corporate governance alone will not solve the problems of SEPs in Zimbabwe. Corporate governance reforms should be accompanied by other reforms such as commercialization, privatization, public-private-partnerships, and other restructuring approaches. More importantly, the reform of the state itself in line with norms and values etched in the New Constitution (2013) will undoubtedly provide the much-needed impetus for corporate governance reforms in Zimbabwe.

5

UNLOCKING THE POTENTIAL OF STATE OWNED ENTERPRISES IN ZIMBABWE

by Samukele Hadebe

Introduction

It has become an acknowledged fact that most if not all of Zimbabwe's State Enterprises and Parastatals (SEPs) have not performed to expectations, especially from the 1990s. Instead of playing a pivotal role in national economic development and in the provision of accessible and affordable public services, SEPs have actually been a drain to Treasury and a burden to taxpayers. The financial support has hardly yielded the corresponding benefits in the form of economic development or efficient services delivery. While a number of reasons could account for some of the SEPs shortcomings, it is undeniable that corporate governance deficits remain largely responsible for the under-performance, opacity and rent-seeking behaviour in the sector.

Notwithstanding the glaring shortcomings of the Zimbabwean SEPs sector, there are possibilities for the sector to contribute meaningfully and fulfil the developmental mandate while also improving on social services. The potential of Zimbabwe's SEPs to be engines of economic growth and exemplar of efficient public management underlines the discussions in this chapter. The recommendations given here are merely suggestions for possible consideration in the reform of Zimbabwe's SEPs and they are definitely not meant to be panacea to a myriad of challenges facing the sector. In fact, this chapter adds to the growing corpus of literature on the reform of SEPs to enhance their viability. Since there is hardly a 'single consideration or simplistic framework of issues that determines how public enterprises can be more effective in achieving strategic national goals' (Mokoena, 2012:5), the views here express some alternative approaches.

For a resource-based economy like Zimbabwe, that largely depends on mining and agriculture and that strives to be a resource-processing economy through value addition and beneficiation, the role of the State in the economy is unavoidable. Historically, the SEPs have been instrumental in every sector of the Zimbabwean economy, be it in mining, agriculture, infrastructure development, manufacturing, energy, tourism, communication, transport, to mention just a few. While acknowledging the progressive role of the State, it is equally crucial to note the drawbacks. The common example is the dual responsibilities of the State as both regulator and player and consequently, this constricts the operating space for the private sector that need to play its equally indispensable role in the economy.

As discussed in this chapter, Zimbabwe embarked on privatization and abandoned the process and made a policy shift to the restructuring of SEPs. Of course, privatization and commercialization could be some of the options under the restructuring. There is no consensus among scholars on whether privatization as an option could enhance SEPs performance. Drawing from experiences from Brazil, Israel and China [Chen 2013:7), it is not necessarily the degree of state control but adherence to corporate governance standards and best practices that largely determines the performance of SEPs. In addition, the government should ideally be a role model in terms of market practice when it imposes corporate governance rules on private companies, yet as a matter of fact, SEPs are not generally known for having good corporate governance [Christopher Chen 2013:5].

Unlocking the potential of Zimbabwe's SEPs should logically be premised on the current policy of SEPs restructuring. Therefore, the reform of SEPs is instrumental to the realization of their potential fruits in Zimbabwe. An important question is: What underpins Zimbabwe's restructuring exercises? An unambiguous answer to that question is fundamental in not only giving the proper diagnosis of the problem but in formulating relevant and viable alternatives. In any event, SEPs restructuring should be an on-going process in response to the changing environment technologically, politically, culturally and economically. Restructuring initiatives must be aligned with broader long-term vision of the state [Mokoena, 2012:4]. According to the macro-economic blueprint, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation [ZIM ASSET 2013-2018], Zimbabwe has prioritized food security and nutrition, infrastructure and public utilities development, value addition and beneficiation as well as social services and poverty eradication.

While ZIM ASSET points to an even stronger involvement of the State in economic activities, it includes the significant role of the private sector, especially through public-private partnerships. The blueprint also speaks of improving public administration, corporate governance and public accountability in SEPs. It is these national goals and ideals that should ideally guide the restructuring of SEPs and benchmarking their performance thereafter. That further buttresses the urgency of SEPs reform if the envisaged national developmental goals are anything to go by.

Objectives of the Study

Given the underperformance of SEPs in Zimbabwe in general and the incidence of mismanagement, corrupt practices and lack of transparency and accountability in most cases, this chapter proffers alternative policy approaches meant to facilitate SEPs reform as a way of unlocking their potential. The specific objectives of the chapter are as follows:

- Examine the environmental context [inhibiting performance] of the SEPs operations in Zimbabwe,
- Generate policy alternatives on SEPs restructuring, including the options of privatisation and or commercialisation,
- Propose some practical and implementable policy options for improving the management of SEPs in Zimbabwe, and
- Draw lessons from best practice cases from other countries that could be adapted for SEPs in Zimbabwe.

Scope of Work

The chapter has three main areas of focus meant to elaborate on possible ways in which the latent potential in Zimbabwe's SEPs could be unlocked and enhanced for national economic development and public services delivery. First, the focus shall be on the restructuring process and how it could be made more effective and yield the intended results. The options considered in restructuring include privatization and commercialization.

Secondly, the chapter makes reference to best practice models in the management of SEPs with a view to proffering alternative management systems that could improve corporate governance and accountability in Zimbabwe's SEPs sector. It is important for SEPs in Zimbabwe to change certain practices in order to ensure their viability and serve both their commercial objectives and public service obligations. The desired and necessary gamut of changes could best be attained through a clearly laid out SEPs reform process; hence the recommendations for reform of SEPs.

Finally, the operating context shall be factored as the legislative and policy frameworks are largely conditioned by and in response to the historical, political and economic circumstances of Zimbabwe. The proposed policy alternatives that could unlock the potential of SEPs are presented against the background of Zimbabwe's development trajectory and constraints.

Data Gathering and Analysis

Desk research

This work resulted from reviewing literature on SEPs restructuring and management practices in Zimbabwe, SADC and selected country cases globally. Reference was made to the legislative and policy frameworks guiding SEPs in Zimbabwe as well as literature on transparency and accountability. The proposed alternatives likely to improve SEPs' management and performance in Zimbabwe were gleaned from best practices locally, regionally and internationally.

Political Economy Analysis

The political economy analysis (PEA) examines 'the explicit political and economic incentives that serve to influence or constrain the behaviour of key actors' [PACT] in that it helps one unravel the 'complex web of implicit interests, values and norms that serve to influence the decisions and actions of key stakeholders' [PACT]. The PEA approach helps in this chapter in the following ways:

- It facilitates stakeholder analysis in terms of political and economic interests
- It helps in identifying interests of key decision makers
- It improves understanding of peculiar circumstances of SEPs
- It reveals the potential incentives needed to induce positive change among different stakeholders.

Since the PEA approach is concerned with the interaction of political and economic processes in a society [Mutondoro and Ncube, 2012:20], in this particular case, it deepens understanding of the various stakeholders' interests in the SEPs in Zimbabwe and how this knowledge could facilitate improving governance and performance of the sector.

Recommendation for Reform of SEPs

A number of recommendations are proffered that might help the repositioning of SEPs as key engines for Zimbabwe's sustainable development initiatives. Unlocking the potential of SEPs could be realized through fundamental reforms of the sector. Reforming SEPs could include but not limited to the following; improving the on-going restructuring exercise, transparency and accountability, corporate governance and realignment of the legislative and policy frameworks.

Improving SEPs Restructuring Exercise

Since there is an on-going restructuring of SEPs it could be a strategic intervention of the overall reform process to leverage on the restructuring exercise. Perhaps it is essential to point that ZIM ASSET sets the restructuring of SEPs as a key result area under the Public Sector Accountability. That could be interpreted to mean high prioritization by the Government of Zimbabwe, notwithstanding the fact that the modalities of restructuring remain largely undefined. It has been noted that restructuring of Zimbabwe's SEPs was conceived of as an alternative to privatization that had earlier been embarked on but not completed [Balbuena 2014:49]. The State Enterprises Restructuring Agency (SERA) formerly the Privatization Agency of Zimbabwe (PAZ) is mandated to coordinate the restructuring process. Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of improving its viability and profitability. The following are some approaches that could improve Zimbabwe's restructuring exercise that is supposedly an ongoing process.

i. The Need to Separate State Ownership from Regulatory roles

The dual roles of ownership and regulation by the State have generally created problems for the management, performance and transparency in SEPs the world over. The trend recently has been to separate these roles, since ideally 'Government should not be involved in management of businesses' [Chen 2013:23] but should attend to policy matters. The approach has had successes in Singapore through the Temasek Holdings [Chen 2013:20].

Already Zimbabwe has in some cases 'structured a number of SEPs into smaller business oriented units under a wholly state-owned holding company. Zimbabwe Electricity Supply Authority is one such example. Therefore, as a key aspect of reforms of SEPs, it is recommended that there be a strong policy towards this separation of roles. As shown elsewhere in this chapter, the separation of roles could help improve transparency and accountability and enhance performance towards set targets. The separation of roles could facilitate the balance between commercial and public service obligations.

ii. The Need to Balance Commercial Objectives and Public Services Obligations

At every level of the reform process, it is imperative to reflect on the very purpose of SEPs and how best they could achieve their stated mandates. In addition to their strategic role in the national development agenda, SEPs are meant to avail essential services at affordable prices to the citizens.Needless to say that the reform that solely focuses on cost recovery and commercial viability of SEPs may compromise public service obligations and the national development agenda. For example, the commercialization of ZESA resulted in massive increase in electricity tariff rates [Zhou and Masunungure, 2006:7], while in other instances it was accompanied by massive job losses.

For any public policy implemented, the unintended consequences should be equally factored in the planning just like the intended outcomes. The Government has an obligation to protect and guarantee adequate access for citizens to important public services (Freinkman and Starodubrovskaya, 1996). Most often, such reforms are done under severe fiscal constraints with pressure to recover costs hence, they tend to undermine social services. Reforms that are not balanced in terms of commercial and public service responsibilities could most likely result in deepening rather than alleviating poverty.

iii. The Commercialization Option

The commercialization of SEPs is another option recommended for reform of the sector. Like in any country, the Government of Zimbabwe could from time to time commercialize certain SEPs. It is the executive's prerogative to choose the candidates for commercialization after due diligence and related preliminary considerations. Our recommendation here, therefore, is not on which public entity to be commercialized but how best it could be done for maximum benefits to the nation.

One reason cited for the lack of viability of commercialized SEPs in Zimbabwe was 'lack of discretionary autonomy commensurate with the new status' [Zhou and Masunungure, 2006:28] as ministerial interference continues. Since part of the reasons for commercialization would be to achieve profitability through improved management and corporate governance, continued political interference defeats that objective.

Commercialization objectives would be defeated if the government persists in exercising direct controls on pricing, investment, hiring and firing as is usually the case in Zimbabwe [Zhou and Masunungure 2006:29]. There is need for a shift in mindset and acknowledge that civil servants have not succeeded in running public companies. Therefore, political interference should be curtailed as a matter of principle. Some of these recommendations for the commercialization option could as well apply for the privatization option, as shown below.

iv. The Privatization Option

The recommendations for the privatization option are given cognizant of the possible negative attitudes that Zimbabwean authorities may harbour on this option. That is understandable, considering the undesirable consequences from some previous SEPs privatization efforts. While it is logical that the Government would be reluctant to exercise this option due to historical reasons, economic circumstances could compel the authorities to exercise the privatization option for selected SEPs. Already a number of SEPs were privatized like Dairibord Zimbabwe Limited (DZL), Cotton Company (Cottco), Commercial Bank of Zimbabwe (CBZ), Zimbabwe Reinsurance (ZimRe) and Zimbabwe Tourism Group of Companies [Zhou and Masunungure, 2006:32]. Of course, there are a number of shortcomings learnt that should be avoided and guarded against in the future.

Privatization is usually fraught with corruption as 'it provides rich and easy pickings to the politically connected' [ibid, p33], especially the very government officials meant to safeguard national assets. It should be noted that 'privatization of state companies in Zimbabwe drained more funds than it generated' [Zhou and Masunungure, 2006:32] largely because of inadequate prior preparations.

Before a privatization option is exercised, it is important to do the necessary research so that the process is evidence-based. The ZISCO-ESSAR deal is one such example of ill-preparedness, lack of evidence-based policy and lack of transparency in contract making. Similar cases elsewhere have prejudiced countries of potential revenue. Each sector has its peculiar operating environment and a one-size fit all approach is not advisable. Nonetheless, there should be clarity in policy direction in the sector where an SEP is privatized to minimize negative consequences. The lack of a transport policy eroded the services that were previously offered by ZUPCO. Apart from a clear privatization law and sector specific policies prior to disposal of SEPs, privatization shall remain unpopular with some citizens and stakeholders for the negative consequences like job losses.

Privatization should inject the needed investment and retooling in most of the SEPs and it should facilitate the redistributive agenda. The indigenization as previously implemented has been selective of the certain elites without it being broad based and inclusive in terms of gender representation, social class or regional balance. For example, workers have in most cases been outclassed by management while some regions of the country hardly got an opportunity to participate in the privatization of SEPs.

There cannot be a prescription to the type of privatization whether it is management buyout or contracting-out or franchising or any other model. What is fundamental is the tightening of the process to make it transparent, fair and goal-oriented.. In Zimbabwe, this could be partly achieved with a revamp of the Zimbabwe Tender Board which is actually prioritized in ZIM ASSET. Strengthening the Tender Board and anti-corruption agencies like the Anti-Corruption Commission is one part of the solution; the other part is curtailing political interference through ministerial directives in the tendering process. This could avoid the embarrassing court cases against ministries that often accompany privatization of SEPs in Zimbabwe.

Reforms for Transparency and Accountability in SEPs

Although a more detailed discussion on transparency and accountability has already been given in Chapter 4, it is still imperative to highlight briefly how these could enhance SEPs viability. The following are some recommended reforms of improving transparency and accountability in SEPs as means of unlocking their potential in Zimbabwe.

i. Employee training on identifying corruption and how to act on it

Since external controls like parliamentary regulation are not adequate on their own to curtail corrupt practices and fraudulent activities in SEPs, it is crucial to emphasize employee training on identifying corruption and how to act on it. Increased focus should go to the facilitation of whistle blowing and the full legal protection of whistleblowers. Unfortunately, employees are not adequately empowered to act for the good of the organizations. In spite of this, the employees usually know much of the wrongdoing that takes place at workplaces.

ii. Public Disclosure of SEPs Activities and Deals

There should be transparency in SEPs activities that include recruitment procedures and practices as well as transparency in deals and contracts. Citizens' awareness of SEPs corruption and ways of minimizing it is possible when there is public disclosure of activities in SEPs. The same principle of 'publish what you pay' for private companies should apply to SEPs for public accountability in terms of what was received and how it was spent.

Since most corrupt practices are associated with the tender system and the award of contracts, it is important to make these as transparent as possible. The ZISCO-ESSAR deal shall remain a reference point of how not to negotiate contracts in SEPs. Because of the lack of transparency in what was once referred to as the best deal for the country, it turned out that the country risked potential loss of national wealth perhaps tenfold.

Reforms for Improving SEPs Corporate Governance

Poor corporate governance coupled with political interference by the executive is responsible for the many ills of the SEPs sector in Zimbabwe. While there is a nexus between political interference and poor corporate governance, it is the latter that is explicit and therefore could be systematically rectified. The Government of Zimbabwe's launch of the Corporate Governance Framework in 2010 and later the National Code on Corporate Governance in 2015 serve as testimony of the gravity of the problem. The following are some additional ways that could improve corporate governance in SEPs.

i. Streamlining of Responsibilities and Reporting Structures

There should be streamlining of responsibilities of SEPs boards. It could be ideal for the CEOs to be accountable to their respective Boards and not Parliament. There should therefore be transparency in Board appointments and remuneration practices.

The treatment of SEPs as extensions of ministerial powers and hence personal fiefdoms should be curtailed. The executive and civil servants should focus on policy and not the business of the SEPs which Boards should be empowered to handle and report to Parliament.

ii. Membership and Composition of SEPs Boards

Membership in several boards has been identified as a practice that hampers effectiveness of Boards while increasing political patronage, especially ministerial interference. In addition to transparency in selection to Boards and remuneration procedures, there should be a limit to the number of SEPs Boards that a member could serve in concurrently.

While it is unavoidable to have SEPs Boards being retirement homes for legislators, ministers, diplomats and more significantly the military, the composition of Boards could strengthen their performance if they include also academics, etc. In other countries, the use of independent directors strengthens the capacity of Boards to deliver on their mandates. It might also be useful to define clearly the Board evaluation and benchmark systems and procedures. The public should know the targets of the particular boards and whether or they meet the set targets.

Realigning the Legal and Policy Frameworks for SEPs

The economic blueprint, ZIM ASSET emphasizes amongst other measures to re-invent the government; the issue of improved policy coordination, reduced policy inconsistencies and the strengthening and capacitation of anti-corruption agencies [ZIM ASSET 2013:98-99]. Since the restructuring of SEPs is taking place during the realignment of laws with the new Constitution of Zimbabwe, it is important to use the opportunity to attend to the following legislative and policy frameworks governing SEPs.

i. Centralized Administration of SEPs

The multiple centres of control of SEPs induce inefficiency in the restructuring process, including commercialization and privatization. The experimentation with a Ministry of State Enterprises during the Inclusive Government did not yield much since there was no Act of Parliament to be administered by that ministry. The ministry has since been reverted to a department in the Office of the President. The running of different SEPs by line ministries as is the case hampers efficient management of SEPs and their restructuring.

ii. The Need for Policy Frameworks that Separate Commercial and Regulatory Functions

For those SEPs with board commercial and regulatory functions, the legislative and policy frameworks should clearly delineate the responsibilities. Ideally, regulation should be for government and civil servants while the business side should be allowed to compete in the open market without undue advantages.

iii. Curtail Political Interference in the Form of Ministerial Directives

The Acts of Parliament that are instruments for the establishment and the governing of some SEPs including commercialized ones, in some cases, give excessive control to the line ministry, especially the relevant Minister. The discretionary powers of the relevant Ministers have allowed for micro-managing of SEPs and consequently political patronage that compromises corporate governance. The ministries should continue to play the overseeing policy roles but not interference in the management and operations of the SOEs. There is need to clearly spell out the distinct mandates in the legislative and policy frameworks.

iv. Training of Boards of SEPs

The appropriate training of Board members of SEPs in corporate governance, anti-corruption practices, performance management and results-based management will yield the much-needed results in the running and governance of SEPs.. The usually high sitting allowances for Boards could be partly spent on training members to be effective in their duties to the organization. There are numerous cases where the Board Chairpersons connive with the CEOs to fleece the company and yet Boards should have internal control mechanisms.

v. Raising the Cost of Corruption in SEPs

Countries that have stamped out excessive corrupt practices in the public sector like China or Singapore have raised the premium on corruption. In Zimbabwe, as long as corruption continues to be treated like any ordinary crime the temptations shall remain high for corrupt practices, especially in SEPs. Because these are crimes that ordinary citizens perceive as sanctioned by the politically powerful, not much effort is put by citizens to help stem out the rot. If it takes special courts with prohibitive sentences and special police units to deal with corruption, let it be.

Of course, one reason could be that both the police force and members of the judiciary are ill-trained and inadequately prepared for the complexities of the crime of corruption.

Corruption in SEPs is corruption of a certain kind masked under bureaucratic niceties and political protection usually run by syndicates in various state agencies like in the police, immigration, tax departments, banking, and the judiciary. In certain circumstances, the corruption is done in connivance from some in the private sector and even some ordinary citizens. The penalty for corruption should be severe and no one should be exempt.

Conclusion

In drawing a conclusion to this chapter, one may need to answer the initial question on what motivates Zimbabwe's reform initiative. The then Minister of State Enterprises and Parastatals, Gorden Moyo stated that:

> The Government of Zimbabwe does not restructure, in particular privatize as an end in itself, but as a key tool for improving the efficient allocation of resources, for mobilizing investment, and for stimulating private sector development. This will be achieved by reducing the role of Government in economic activities thereby creating investment opportunities for the private sector participation and promoting the development of the capital market [2010:2].

Whether the Government of Zimbabwe remains committed to this position remains to be seen considering the flagrant policy violations, inconsistencies and even non-implementation. What is clear is that the Government cannot afford subsidizing perennially loss-making SEPs. Equally, the ZIM ASSET goal of socio-economic transformation and economic growth is not feasible with public enterprises that border on bankruptcy, with almost derelict machinery, poorly remunerated workforce and very low capacity utilization. The immediate need for investment and capital injection to SEPs in order to improve their management and corporate governance can only be conditional to, if not preceded by, a robust and comprehensive anti-corruption agenda underpinned by transparency and public accountability.

The attraction of foreign direct investment, the enhancing of the efficiency of SOEs and the raising of the competitiveness of the country's goods and services are not events but processes that are achievable through a consistent and steadfast pursuit of appropriate policies to create investor confidence. Needless to say, it needs political will. It is not necessarily about ownership but management of SEPs that could unlock their great potential as engines for national development and economic growth. The examples from Malaysia, Singapore and China are some of the reference cases. Zimbabwe's restructuring of SEPs gives an opportunity for unlocking the potential of public entities in playing a pivotal role in development. With the many lessons from previous reforms that include privatization and commercialization, the supposedly on-going restructuring should unlock value for the country.

APPENDICES

Appendix 1: List of State Enterprises and Parastatals in Zimbabwe

1 Premier Service Medical Aid Society (PSMAS)
2 Netone
3 Zimbabwe Broadcasting Corporation (ZBC)
4 Deposit Protection Board (DPC)
5 Infrastructure Development Bank of Zimbabwe (IDBZ)
6 Reserve Bank of Zimbabwe (RBZ)
7 Zimbabwe Mining Development Corporation (ZMDC)
8 National Social Security Authority (NSSA)
9 Zimbabwe Energy Regulatory Authority (ZERA)
10 Agricultural Bank of Zimbabwe Limited (Agribank)
11 Marange Resources
12 Zimbabwe National Road Authority (ZINARA)
13 Telone
14 Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ)
15 Zimbabwe Revenue Authority (ZIMRA)
16 Transmedia
17 Peoples Own Savings Bank (POSB)
18 National Oil Infrastructure Company of Zimbabwe (NOCZIM)
19 Mineral Marketing Corporation of Zimbabwe (MMCZ)
20 Zimbabwe Electricity Supply Authority (ZESA)
21 Grain Marketing Board (GMB)
22 Zimbabwe National Water Authority (ZINWA)
23 Industrial Development Corporation (IDC)
24 ZARNET
25 Civil Aviation Authority of Zimbabwe (CAAZ)
26 Tobacco Industry and Marketing Board (TIMB)
27 Zimbabwe Post Private Limited (ZIMPOST)
28 Securities and Exchange Commission (SEC)
29 Petrotrade (pvt) Limited
30 Rural Energy Agency (REA)
31 Agricultural and Rural Development Authority (ARDA)

32	Road Motor Service (RMS)
33	State Procurement Board (SPB)
34	National Railways of Zimbabwe (NRZ)
35	Allied Timbers Zimbabwe
36	Zimbabwe Investment Authority (ZIA)
37	Agricultural Marketing Authority (AMA)
38	Sports and Recreation Commission (SRC)
39	Tobacco Research Board
40	Environmental Management Authority (EMA)
41	Traffic Safety Council of Zimbabwe
42	National Aids Council (NAC)
43	Zimbabwe Schools Examination Council (ZIMSEC)
44	Central Mechanical Engineering Department (CMED)
45	ZIMTRADE
46	National Handling Service (NHL)
47	Zimbabwe Tourism Authority
48	National Indigenisation Economic Empowerment Board (NIEEB)
49	Printflow
50	Scientific and Industrial Research and Development Centre (SRIDC)
51	Ram Petroleum Services
52	Zimbabwe Council for Higher Education (ZIMCHE)
53	Forestry Commission
54	Medicines Control Authority of Zimbabwe
55	Air Zimbabwe
56	Kingstons
57	Chinhoyi University of Technology
58	Parks and Wildlife Management
59	Zimbabwe Open University (ZOU)
60	Zimbabwe National Statistics Agency (ZIMSTAT)
61	Radiation and Protection Authority
62	Insurance and Pensions Commission (IPEC)
63	Bindura State University

64 Zimbabwe Media Commission (ZMC)

65 Small Enterprises Development Corporation (SEDCO)

66 Zimbabwe Institute of Public Administration and Management (ZIPAM)

67 Lotteries & Gaming Board

68 Standards Association of Zimbabwe

69 Great Zimbabwe University

70 Lupane State University

71 Midlands State University

72 National University of Science and Technology (NUST)

73 University of Zimbabwe (UZ)

74 Harare Institute of Technology (HIT)

75 Zimbabwe National Family Planning Council (ZNFPC)

76 Research Council of Zimbabwe

77 National Museums and Momuments

78 Zimbabwe Manpower Development Fund (ZIMDEF)

79 Coal Tar Fuel Marketing

80 National Arts Council of Zim

81 National Economic Consultative Forum (NECF)

82 Competition & Tarrif Commission

83 Cold Storage Commission

84 Pig Industry Board

85 State Enterprise Restructuring Agency

86 Zimbabwe Youth Council

87 National Pricing and Monitoring Commission (NPMC)

88 Agricultural Research Council

89 National Gallery of Zimbabwe

Appendix 2: Salary gate scandal

Table 6: Salaries to Top executives in SOEs

Organization	Basic Pay	Benefits	Total
PSMAS	**$230,030**	$305,499	$535,529
NETONE	**$10,126**	$33,567	$43,693
ZBC	**$15,030**	$22,050	$37,050
Deposit Protection Board (DPC)	**$11,882**	$24,477	$36,359
IDBZ	**$18,502**	$16,944	$35,446
RBZ	**$18,000**	$14,943	$32,943
ZMDC & Sandawana	**$13,744**	$17,978	$28,403
NSSA	**$13,238**	$15,824	$29,062
ZERA	**$10,985**	$17,418	$28,403
AGRIBANK	**$15,500**	$12,362	$27,862
Marange Resources	**$18,575**	$8,797	$27,275
ZINARA	**$9,350**	$16,166	$25,516
TELONE	**$10,000**	$14,940	$24,940
POTRAZ	**$13,030**	$11,459	$24,489
ZIMRA	**$11,670**	$12,371	$24,041
Transmedia	**$6,090**	$15,142	$21,502
POSB	**$10,039**	$10,352	$20,391
National Oil Infrastructure Company	**$9,500**	$9,472	$18,972
MMCZ	**$6,861**	$11,515	$18,376
ZESA	**$2,984**	$14,942	$17,926
ZINWA	**$5,500**	$11,728	$17,228
IDC	**$7,167**	$9,211	$17,178
ZARNET	**$5,520**	$11,198	$16,718
CAAZ	**$4,500**	$12,099	$16,599
TMB	**$7,769**	$8,283	$16,052
ZIMPOST	**$4,480**	$10,832	$15,312
Securities & Exchange Commission	**$10,395**	$4,909	$15,304
Petrotrade (pvt) Limited	**$9,900**	$5,221	$15,121
REA	**$4,553**	$9,675	$14,228
ARDA	**$1,526**	$12,690	$14,216
RMS	**$5,000**	$9,199	$14,199
State Procurement Board	**$9,270**	$4,691	$13,961

Organization	**Basic Pay**	Benefits	Total
NRZ	**$5,320**	$8,544	$13,864
Allied Timbers	**$4,686**	$8,889	$13,575
ZIA	**$5,000**	$8,102	$13,102
AMA	**$5,000**	$6,494	$11,494
Sports & Recreation Commission	**$3,000**	$8,278	$11,278
Tobacco Research Board	**$6,000**	$5,096	$11,096
EMA	**$3,644**	$7,090	$10,734
Traffic Safety Council of Zim	**$5,560**	$5,387	$10,387
National Aids Council (Nac)	**$3,885**	$6,464	$10,349
ZIMSEC	**$6,500**	$3,685	$10,185
CMED	**$3,968**	$6,140	$10,108
ZIMTRADE	**$5,300**	$4,448	$9,748
National Handling Service	**$1,143**	$8,592	$9,736
Zimbabwe Tourism Authority	**$3,786**	$5,264	$9,050
NIEEB	**$5,000**	$3,946	$8,946
Printflow	**$3,250**	$5,556	$8,806
SRIDC	**$4,270**	$4,271	$8,541
Nap/Ram	**$3,264**	$5,204	$8,468
Zimbabwe Council for Higher Education	**$6,685**	$1,734	$8,419
Forestry Commission	**$2,119**	$6,024	$8,148
Medicines Control Authority of Zimbabwe	**$4,408**	$3,434	$7,842
Air Zimbabwe	**$5,631**	$1,707	$7,388
Kingstons	**$4,125**	$3,260	$7,385
Chinhoyi University of Technology	**$5,936**	$1,236	$7,172
Parks & Wildlife Management	**$1,310**	$5,845	$7,155
Zimbabwe Open University	**$5,456**	$1,631	$7,087
Zimstat	**$1,630**	$5,200	$6,830
Radiation & protection Authority	**$2,860**	$4,028	$6,888
Ipec	**$2,619**	$4,219	$6,838
Bindura State University	**$6,056**	$735	$6,791
ZMC	**$2,453**	$4,309	$6,762
SEDCO	**$3,500**	$3,108	$6,608
ZIPAM	**$3,000**	$3,561	$6,561

Source: http://iharare.co.zw/zimbabwes-highest-earning-ceos-salaries-and-bene

Organization	**Basic Pay**	Benefits	Total
Lotteries & Gaming Board	**$4,500**	$1,963	$6,463
Standards Association of Zimbabwe	**$3,172**	$3,283	$6,463
Great Zimbabwe University	**$5,306**	$1,062	$6,368
Lupane State University	**$5,149**	$1,108	$6,257
Midlands State University	**$5,306**	$876	$6,182
Nust University	**$5,306**	$807	$6,113
University of Zimbabwe	**$5,336**	$477	$5,813
Harare Institute of Technology	**$4,699**	$768	$5,467
ZNFPC	**$1,144**	$4,298	$5,442
Research Council of Zimbabwe	**$3,760**	$1,602	$5,362
National Museums and Momuments	**$1,447**	$3,851	$5,288
ZIMDEF	**$4,075**	$1,126	$5,201
Verify (Coal – Fuel)	**$4,559**	$250	$4,809
National Arts Council of Zim	**$1,282**	$3,446	$4,728
NECF	**$1,265**	$3,351	$4,616
Competition & Tarrif Commission	**$1,072**	$3,115	$4,187
Cold Storage Commission	**$2,535**	$1,571	$4,106
Pig Industry Board	**$1,200**	$2,863	$4,063
State Enterprise Restructuring Agency	**$1,316**	$2,533	$3,849
Zimbabwe Youth Council	**$795**	$2,615	$3,410
NIPC	**$1,144**	$2,136	$3,280
Agricultural Research Council	**$1,265**	$2,094	$3,265
National Gallery of Zimbabwe	**$1,072**	$1,953	$3,025

(**Source:** http://iharare.co.zw/zimbabwes-highest-earning-ceos-salaries-and-benefits-details/)

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