Global Journal of Human-Social Science: F
Political Science
Volume 14 Issue 7 Version 1.0 Year 2014
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
Online ISSN: 2249-460X & Print ISSN: 0975-587X

The Rot in the State-Owned Enterprises in Zimbabwe: A Cause for Great Concern (2014)

By Dr. Silas Luthingo Rusvingo
Great Zimbabwe University, Zimbabwe

Abstract- The objective in this paper is to carry out a literature review or on the rot in the state owned enterprises in Zimbabwe after which the Author will proffer a Summary, Conclusion Recommendations, Key assumption and a short prayer for Zimbabwe to wrap up the discourse in this Paper.

Keywords: rot, state enterprises, and concern.

GJHSS-F Classification : FOR Code: 160699p

THEROTINTHESTATEOWNEDENTERPRISESINZIMBABWEACAUSEFORGREATCONCERN2014

The Rot in the State–Owned Enterprises in Zimbabwe: A Cause for Great Concern (2014)

Dr. Silas Luthingo Rusvingo

Abstract- The objective in this paper is to carry out a literature review or on the rot in the state owned enterprises in Zimbabwe after which the Author will proffer a Summary, Conclusion Recommendations, Key assumption and a short prayer for Zimbabwe to wrap up the discourse in this Paper.

Keywords: rot, state enterprises, and concern.

I. Introduction

Zimbabwe's Parastatals have become synonymous with not only looting but corruption by corrupt ministers and other senior government officials .The struggling state – owned enterprises have become feeding troughs for these corrupt government officials who turn to them whenever they are broke and are in need of money. It is now commonly understood that these officials draw huge sums of money from their coffers, leaving the 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. This same struggling state owned enterprises and parastatals fund their political campaigns and trips abroad. Board members who should be at the forefront of enforcing good corporate governance, have become part of the problem there are also in the irresistible habit of fleecing the underperforming companies through inflated fees, fuel and other allowances. The former minister of state enterprises and parastatals Honourable Gorden Moyo tried without success to change this culture of looting during the inclusive government (2009 - 2013). For accountability and transparency in the governance of this companies have proposed that chief executive officer should have performance - basedand should adhere good cooperate governance. For your information he left government in July 2013 without any success after facing resistance them from these looting vultures. The positive thing though, is that the Information Minister Honourable Jonathan Moyo appears to have adopted his cause. Moyo had taken the lead in addressing the rot at the financially hamstrung Zimbabwe Broadcasting Corporation (ZBC)where Chief Executive Officer(CEO) Happison Muchechetere is reported to have been earning close to US$40 000 per month while the rest of the rank and file at the same corporation were wallowing in abject poverty.

While Moyo's noble actions of sending the CEO Happison Muchechetere on forced leave are welcome these are not only piece meal measures considering the problem at hand but that the same people sent on forced leave are on full pay and benefits and almost one year after their departure nothing has happened to then to convince the skeptics the days of the corrupt leaders are now numbered (Staff Reporter 2014)

A comprehensive independent audit report of all parastatals that include the Grain Marketing Board, the National Railways of Zimbabwe and Air Zimbabwe among others, must be carried out urgently to expose the large scale looting and corruption at these state – owned corperations and those found guilty of corruption and looting should be punished to send the right signal to the like-mindedlooters that looting and corruption are not tolerated in these state – owned corporations (Staff Reporter 2014).

The introduction has, this far painted a grim picture of corruption and looting in the state – owned and parastatals sector in Zimbabwe. To expose more on this endemic problem in this sector the Author will carry out a short Literature Review and Research Methodology to expose the research findings to confirm as reject the Conclusion that there is indeed rampant corruption and looting in state owned enterprises and parastatals sector in Zimbabwe.

II. The Proposed Literature Review and Research Methodology Adopted for the Study

The source of his information shall be the private media in Zimbabwe where the Author shall investigate what the various stakeholders in this private media in Zimbabwe have to say about the rot in the public enterprises sector in Zimbabwe after which the Author will, as aforementioned proceed with the required appropriate summary, Conclusion and Recommendations. Without much ado the Author will call upon John Makamure[2] whose gist of argument in that changes in the enabling Act alone will not address the rot in public enterprises in Zimbabwe which has become an issue of great concern to various stakeholders in Zimbabwe. As below let us hear him make his presentation to shed more light on this

Author: The member of the Church of the Province of Central Africa (CPCA), Diocese of Harare, St Mary Mgadalene Anglican, Avondale Parish Church. e-mail: srusvingo@yahoo.com

nightmare of a problem in the state owned enterprises and parastatals sector in Zimbabwe.

a) Changes to Act alone will not address rot in public enterprises (Makamure 2014)

In his mid –term fiscal policy review statement presented to parliament on 11 September 2014 the Ministers of Finance and Economic Development Honorable Patrick Chinamasa had announced that the Zimbabwe government was in the process of amending the public finance management Act in order to address corruption problem bedeviling the public enterprises section and that the amended Act was expected to come before parliament before the end of the year (2014).The public finance management Act is the main finance statute governing the management of public financial resources and assets in Zimbabwe. Tightening of the legislation to cover parastatals is most welcome given that these enterprises are entrusted with managing large amounts of public resources. It is therefore in the public interest as a whole that the enabling public legislation for their conduct promotes efficient and effective delivery of public goods and services (Makamure 2014).

[2]John Makamure is the Executive Director of the Southern African Parliamentary support Trust whose mission is to provide Technical support to strengthen parliamentary processes, and public participation in the legislative process for good governance and accountability and whose objectives, among others is to assists Parliaments to disseminate timely and relevant information to stakeholders (Staff Reporter 2014).

The honourable minister said a review of the legal framework will be necessary to deal with all the concerns and fears about public entities management of public resources poor governance arrangements and deployment of resources to non – priority areas at the expense of service and the entities core-mandates. The honourable minister also added that this would entail the introduction of a governance code for all parastatals. Section 298 of the constitution to which the public finance management must be linked talks about the principles of public financial management. Public funds must be expanded transparently, prudently, economically and effectively and fiscal reporting must be clear for easy understanding thereof ,and any public borrowing and all transactions involving the national debt must be carried out transparently and in the best interests of Zimbabwe and its people (Makamure 2014). Section 194(1) outlines 11 basic values and principles of public administration and leadership. Among others, they include efficient and economical use of resources and exercising transparency through providing the public with timely accessible and accurate information. The state is required to take measures, including legislative measures to promote and principles. It would be good for the amended Public Finance Management Act to restate all these principles and values (Makamure 2014).

Part 4 of the constitution is about safe guiding of public funds and assets. Section 308 stipulates that it is the duty of everybody who is responsible for expenditure of public finance to safeguard the public funds and assure that they are spent only on legally authorized purposes and in legally authorized amounts. It is also the duty of every person who has custody all control of the public property to safeguard the property and ensure that it not lost, destroyed, damaged misapplied or misused. The Act of Parliament must provide for the speedy detection of breaches of provisions to safeguard public funds and assets and the disciplining and punishment of persons responsible for any such breaches. The Public Finance Management Act must therefore be fully aligned with section 308. Penalties outlined in the current Act must be revisited to make them deterrent enough to would be offenders. The Author personally liked Section 197 which says that an Act of parliament may limit terms of offices for chief executive officers of public enterprises. It is the Author's sincere hope therefore that the Act or the Governance code for public enterprises will set these term limits so that people move away from treating these enterprises as a personal property for some people just like Zimbabwe which has become a dynasty of the Mugabe family. Stakeholders need dynamic leadership and more innovative ideas in parastatals in order for them to effectively save the public good. The honourable minister also announce the remuneration policy framework for state enterprises, parastatals and local authorities to address the remuneration anomalies which were being finalized and would be in place by the end of October 2014(Makamure 2014).

The same policy framework will be designed to classify public enterprises, into various categories of public enterprises, require each board to enter into a performance agreement with the CEOs; and also require the shareholder to also enter on performance agreement with the board on specific performance targets. In practice performance management contracts are very difficult to implement without a strong oversight authority. Parliamentary Portfolio Committees should play this rule through ensuring that these public enterprises regularly appear before them to account for their action during a given period of time. The proposals amendments to the Public Finance Management Act require that state enterprises and Local Authorities submit their corporate and financial plans to Treasury not later than three months before the beginning of each fiscal year, mandating Treasury to review the budgets of public entities to ensure that deployment of resources is consistent with set priorities and service delivery objectives mandates; empowering the minister of Finance and Economic Development to direct entity boards to amend their corporate plans where necessary to align with the national development agenda; and incorporating provisions requiring enterprise and local authorities to submit quarterly financial statements and performance reports not later than 30 days after the end of respective quarter. This financial information will facilitate assessment of performance against budget and identify the causes of major variances and to also guard against cases of non-compliance. The amendments have very good intentions which require effective enforcement or they count for nothing without this enforcement. Noncompliance with the amended Act will as before hamstrung the proposed changes (Makamure 2014).

Rudzuna (2014) gives a long lecture on accountability to guide against failure .For more on his contribution eliminate the reported looting and corruption in state entities and parastatals details coming your way in just a moment.

b) Accountability in State Enterprises in Zimbabawe (Rudzuna 2014)

State involvement in business has long been debated with two polarized views emerging on the one hand the western influenced view looks down on direct participation in business my government, favoring instant private enterprises. According to this view business in better run by private owners with boards of directions and accountability in shareholders competing openly in a free market. The other extreme favors state –owned enterprises run by government appointed bureaucrats for the benefit of the nation. In reality many enterprises exist which fall somewhere between these two extremes. Success has generally followed the former model and countries that strongly favor the free market enterprises have succeeded better than others. As such where state influence exists, the make -up of the business sector is such that it still learns towards the private enterprises model. Zimbabwe has many parastatals and a few private businesses in which government has significant shareholding some of these are actually former parastatals which privatized during the time when government was implementing Economic Structural enterprises have had more success than those that examined pure parastatals. Every year people hear of how parastatals lose money and have to get more money and have to get more money from government coffers. It is also a widely held view that service delivery at parastatals is poor. For these reasons citizens usually speaks out of these entities and decry how they waste tax payers's money (Rudzuna 2014).

Public anger at poorly run parastatals seems well placed but there are other companies that citizens should also be worried about. These are often listed entities in which government and by extension taxpayers have an interest. When these companies become perennial loss makers then it might be well within the public's rights to scrutinize their conduct. In reality not many ordinary people even understand the workings of these companies and how they are costing them their task dollars. Yet for a long time these oversee seem to be happy to no truffle any feathers letting poor performance goun punished. It was with surprise therefore that people witnessed events at Zimpapers Ltd in the first week of October 2014 that seemed to be a divergence from that norm. Reports are that the Chief Executive Officers and the Financial Director voluntarily went into early retirement as did by general manager and a senior disc jockey (DJ) at the Zimpapers owned radio station Star FM. Although Zimpapers seemed to want to portray the exodus was a simple case of early retirement it did cause curiosity in the market. Firstly because it is an unlikely coincidence that four senior executive would simultaneously decide to voluntarily take early retirement from the same organization at the same time. And secondly because the en masse early involvement coincided with the release of yet another dismal set of results by Zimpapers (Rudzuna 2014).

Speculation has it thatthe four were asked to leave because of poor performance. If it is true there it is positive developments in the way government controlled corporations are run Zimpapers in majority owned by an entity in which government has an interest. The company suffered a 6% decline in revenues for the first half years to June 2014. Finance costs emanating from expensive short term debt short up by 63% to US$851 721. Ultimately, the company made a loss of US $1.4 million whose they had made a small profit in the comparable period in 2013. If the exit of the four is a sign that authorities are willing to let heads roll for poor performance at government controlled companies, then it is a good development. Of course capitalism will question the need for government to be involved directly in business in the first place. Some accept that certain essential services which cannot be offered at commercially viable hates should be owned by government. Examples are Railways companies like National Railways of Zimbabwe (NRZ) and telephones companies like Tel One. But does the government really need to own a newspaper publishing company, something that the private section seems quite capable of doing? Does government have to have a driving school like CMED? When these businesses start using players namely through operating losses, it is the public that bears the loss (Rudzuna 2014).

If the government is to be involved in business then it has to be more aggressive in demanding the best performance from those untrusted with those entrusted with running those entities. Where performance is below paper then necessary steps should be taken to correct the situation. The ultimate beneficial stakeholders investing in the public would demand no less than a good return on their hard earned money. There is even a perception that hiring at senior level for those companies happens clandestinely on a partisan basis in favor of political appointees. Whether this perception is accurate or not it gives an encouraging picture when performance is demanded from the executives of government companies (Rudzuna 2014).

Most disappointing is the unsavory discovery that state entities and parastatals in Zimbabwe are hopelessly in shambles. Details on this depressing story coming your way in just a moment.

c) State Entities Parastatals in Zimbabwe in shambles (Staff Reporter 2014)

Zimbabwe's parastatals are technically insolvent as they are saddled with liabilities which far exceed assets, with the National Railways of Zimbabwe (NRZ) and the Civil Aviation Authority of Zimbabwe (CAAZ) topping the list of loss making entities. In her damnable report on state entities and parastatals for the period ending 31 December 2012.Auditor and Comptroller General Mildred Chiri found that the perennially loss making NRZ current liabilities continued to exceed its asserts with the deficit increasing to US$64 086 443 as 31 December 2012,up from US $19 317 021 as at end of 31 December 2011. This thought its cumulative losses since the introduction of multicurrency regime of the Zimbabwean economy in 2009 to US $134 594 3848 (Staff Reporter 2014).

Management at the parastatal also made prepayment to five different suppliers amounting to US $1,9 million who ended up not meeting services supply obligations to the organization.

''In their response management did not outline the measures they were going to take in order to discover the prepaid amount or having the goods and services supplied" Chiri noted in her damning report.

CAAZ has liabilities of US$220 083 101 against a background of only US$177 790 643 in asserts resulting in deficit of US$42 292 456 furthermore the parastatals recorded a loss of US $ 33 602 100 for the year ending 31 December 2012, bringing cumulative losses to US$30 210 104 for 2010 and 2011 a development which cast doubt on the authorities' ability to sustain services delivery without external financial support. However, CAAZ management refused to shoulder any responsibility for the short comings choosing to blame low capacity utilization due to depressed business volume (Staff Reporter 2014).

Management even insisted that the authority has huge and high value assets, which do not generate the expected levels:

However the aviation business in the country is looking bright as shown by the coming of new airlines (Emirates, Klm and Lam) in 2012.'

The Zimbabwe Broadcasting Corporation (ZBC) was also found to be in the led posting cumulative losses of US$7074 908 for 2009 and 2010 respectively the public broadcaster also had arrears in statutory payments amounting US$3 259 583 representing a sharp increase from US$605 527 for 2009 ZBC also financed its employment costs averaging US700,000 through an overdraft. The Zimbabwe Mining Development Corporation is also in serious financial trouble due to its failure to pay taxes for some of the mining concerns under its fold these include diamond mining concern Marange Resources which had corporate tax liabilities totaling US$3152 820 and value added tax of US$683 931 as at 31 December 2011,either loss making entities cited in the report include the Grain Marketing Board, CMED and Net One, among many (Staff Reporter 2014).

With this tragedy of a financial performance from the state entities and parastatals in Zimbabawe up next is the summary of the paper to wrap up the discourse in this Paper. So please don't go away as details of this Summary not far away.

III. Summary

It is sad to note that the State Enterprises and Parastatals have become the feeding troughs for corrupt Cabinet Ministers and their colleagues who borrow money from this corporations and never bother to repay it. This is sadly the ignition to the discourse in this Paper. To arrests the deteriorating governance problem of corruption and looting in State Entities and Parastatals the Finance and Economic Development Minister Honourable Patrick Chinamasa announced in parliament on 11 September 2014 that he intends to amend the Public Finance Management Act (Makamure 2014).

Rudzuna (2014) addresses the aspect of accountability in State Owned Enterprises and Parastatals in Zimbabwe. Public Officials in a show of accountability should resign on account of poor performance by their companies as happened at Zimpapers.

Finally a sad report prepared by Staff Reporter (2014) painted a grim picture that all State Entities and Parastatals in Zimbabwe are in symbolic shambles and not performing well. Topping the list are NRZ and CAAZ, among others.

With the summary now conveniently out of the way as above up next is the Conclusion of the paper. So please don't go away as more details on the Conclusion coming your way in just a second from now.

IV. Conclusion

According to Kenkel (1984) a Conclusion is made from either the Null Research Hypothesis denoted (H_o) or the Alternative Research Hypothesis denoted (H_1). The two are conflicting meaning when one is true the other one is false.

For the studying in this Paper the Null Hypothesis is:

H_o

There is no rot what so ever in the State Owned Enterprises and Parastatals sector in Zimbabwe.

H_1

Again for the same study in this Paper there is indeed a rot in the State Owned Enterprises or Parastatals sector in Zimbabwe.

Given the overwhelming evidence in support of the alternative research hypothesis denoted (H_1) the conclusion to be adopted in this Paper is to resoundingly accept the Alternative Research Hypothesis(H_1) and at the same time resoundingly reject the Null Research Hypothesis as above.

With the conclusion Null conveniently out of the way up next are Recommendations of the study which are primarily designed to address what was not done right in the State Owned Enterprises in Zimbabwe. In case you wanted to go away please don't go as more details on the Recommendations coming your way sooner than later.

V. Recommendations

In the design of the Recommendations for the study or research in this Paper the pertinent question to ask yourself what in your opinion is being wrong in the State Enterprise and Parastatals sector to result in the reported rot in this trouble sector?

a) To tighten the sources against poor corporate governance which is which rampant in this troubled sector is to amend the Public Finance Management Act to eliminate poor corporate governance to replace it with good corporate governance. Period.
b) For accountability and transparency in the burning of these State Enterprises and Parastatals the corporate governance culture to adopt for these troubled corporations is that only to set term limits for senior management based on an achievement defined performance targets but to resign Zimpapers which was a very welcome development.
c) The deficits reported in most Parastatals and State OwnedEnterprises after comparing current liabilities and current assets do notmake interesting leading at all. Public money or to put more bluntly taxe payers money is being recklessly spent on projects whose return are atrocious resulting in the reported deficits .Spending of taxpayers money should be prioritized to avoid loss making as exported at NRZ and CAAZ. *MwariweMasimba neNyasha rambai!*(Meaning God of Mercy Forbid!) .

With Recommendations now out of the way there is no better way to end the discourse than to reassure the beloved Reader of this Paper about the accuracy of the facts and figures contained in this Paper. The statement on the Key Assumption is coming your way sooner than later.

VI. Key Assumptions

In presenting this Paper the Author would, right from the outset wish to reassure the beloved Reader that all the facts and figures herein contained were stated as they are on the ground without fear, favor or prejudice.

And finally people with a Christian background like the Author of this Paper will always remember at whatever cost to pay homage to the Almighty God as an appropriate finale to the discourse in this Paper. The nasty and unsavory discoveries in this Paper about astonishing rot, corruption and looting in the State Owned Enterprises in the Parastatals sector in Zimbabwe demand that we pray for Zimbabwe. The Author will automatically shoulder that responsibility as below.

VII. Short Prayer for Zimbabwe

a) Ngatinamatirei nyika yedu yeZimbabwe tichiti

Mwari wesimba rose nechiedza muvambi nemunakisi wekutenda kwedu: isai munesu rudo rwezita renyu, wedzerai munesu kutenda kwechokwadi, ipai kunesu kunaka kwenyu kwese nenyasha dzenyu huru tichengete nomaari ne kuna jesu Kristu Tenzi wedu. Amen

(Meaning lord of all power and might, the Author[3] and given of all good things : graft in our hearts the love of your name, increase us the religion nourish in us the goodness, and of your great mercy keep us in the same, though Jesus Christ our lord. Amen (Anglican Avondale Parish Church PewPaper 2014).

References Références Referencias

1. Kenkel, J.L (1984) Introductory statistics for Management and Economics 2nd edition, Boston, Duxburg Press.
2. Makamure, J (2014 September 26)Changes to Act alone will not address rot in public enterprises .Newsday , P.15.
3. Pew Paper (2014 October 12) AnglicanAvondale Parish Church of the Province of Central Africa. Diocese of Harare, St Mary Mgadalene Anglican Parish Church.
4. Staff Reporter (2014 October 23) Stop the rot at Parastatals. The standard .Retrieved on http//www. thestandard.co.zw/2013/12/12/15/st…..
5. Staff Reporter (2014 October 23) Southern African Parliamentary Support Trust (SAPST) Kubatana .net /dictionary/375/sout….
6. Rudzuna.C (2014 October 10-16) Accountability in State Enterprises. Zimbabwe Independent, P2 Business Digest.
7. Staff Reporter (2014 October 17-23) State entities, Parastatals in shambles. Zimbabwe Independent .P.4.