Three Decades of Public Enterprise Restructuring in Zimbabwe a will-Of-The-Wisp Chase?

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Abstract

The public enterprise sector in Zimbabwe has over the past three decades gone through various phases of restructurings, each decade reflecting a distinct restructuring approach. First decade public enterprise restructurings were state-initiated and expansionary, fundamentally concerned with reconstituting public enterprises into majority-interest-driven entities. Second decade restructurings had an external-driven bias, emphasizing the rolling back of the public enterprise sector through liberalization, deregulation, commercialization and privatization. Third decade restructurings took the unbundling route, breaking state monopolies into small, business-oriented entities. However, three decades down the line, the public enterprise sector in Zimbabwe remains a sad tale of loss making and debt-ridden entities with a voracious appetite for fiscal support. Could this have been a case of misdiagnosing the ailment and prescribing a wrong prescription or a case of correct prescription in wrong hands? This article dissects this conundrum through a three-decade case study review of reform experiences in selected public enterprises.

Kew Words: Public enterprise restructuring, commercialisation, privatisation, unbundling

1.0 Introduction

At the dawn of independence in Zimbabwe in 1980, the new government took over a public sector that had a portfolio profile of twenty public enterprises thinly spread across all key sectors of the economy and with varying levels of state ownerships. They included the Rhodesia Iron and Steel Company, the Grain Marketing Board, the Rhodesia Railway Lines, the Agricultural Marketing Board, the Rhodesia Air Lines, the Cotton Marketing Board, the Tobacco Marketing Board, the Industrial Development Corporation, the Rhodesia Broadcasting Corporation, the Cold Storage Commission, the Sugar Industry Board, the Agricultural Finance Corporation, the Cotton Research Board, and the Maize Control Board, among others. This public enterprise infrastructure formed the bastion of colonial settler regime and a "buffer against the threatening international environment" during the period of international sanctions (Herbst, 1990, 19). Public enterprises mainly were primarily concerned with subsidising inputs and promoting access to credit facilities to white commercial farmers (Rukuni, 1994, 18). Such a constituted public enterprise sector was at cross roads with the socioeconomic mandates of the new dispensation.

Against this backdrop, the new state instituted a raft of policy measures aimed at reconfiguring and refocusing the operational thrust of the public enterprise sector. This involved amending enabling Acts and mandates, creating new parastatals in sectors that were perceived to be neglected and putting in place direct state controls on enterprise pricing, investment, borrowing and marketing. Underpinning these efforts were considerations of distributive equity, welfare promotion, balanced regional development, and service affordability. Notwithstanding notable benefit stream detailed in most first decade literature on Zimbabwe, these initiatives generated visible negative externalities. They resulted in a public enterprise sector that was oversized, overregulated, inefficient, debt-ridden and subsidy-dependent public enterprise sector with a cumulative aggregate expenditures of10 per cent of GDP (see Zhou, 2000 and 2001; Herbst, 1990; ZIMCODD, 2001).

Under these unfolding conditions, Zimbabwe adopted Bretton Woods–initiated public sector reform that were implemented world-wide as means for “breathing the fresh air” of the private sector into the state sector (Ramanadham, 1989, 10). Underlying these reforms was that the solution to the public sector crises rested in the embracing of private sector values and practices (Mlambo, 1992; Godhana & Hlatswayo, 1998). To these ends, the second decade saw wide ranging restrictive measures being implemented under the Zimbabwe: A Framework For Economic Reform (1991-95), encompassing the elimination of the budgetary burden of the public enterprise sector by reducing direct and indirect subsidies to PEs, overhauling the policy and legal framework under which PEs operate, restricting state controls to the apex level of the enterprise, commercialisation and privatisation, introducing performance related incentives for management and employees as well as giving entities autonomy over investment, pricing, marketing and sourcing of capital funds from the market (GoZ, Framework for Economic Reform, 1991).

Commercialization and privatization initiatives underpinned second decade reforms, the former simply referring to measures that allow flexibility and autonomy within the operations of state institutions (Ndongko, 1991, 103; Nellis, 2003; Pande, 1994; Cook & Kirkpartick, 1988). Commercialized public enterprises have space to set market-based prices and source own funds from the capital markets on the basis of own performance credibility though they remain 100 per cent state-owned. Privatisation measures entail either selling the entire state company or portion of enterprise shares to the public (Commonwealth Secretariat, 1994; Walsh, 1995; World Bank, 1997). Thus, unlike commercialisation, privatisation measures result in the transfer of shares or equities from ‘government’ to ‘private” individuals and institutional players, processes that may generate far reaching effects on social welfare and even national economic sovereignty (Woods, 2011; Mkandawire, 2001; Nellis, 2006, Chang, 2007; Perrotti, 2003).

Against this conceptual background, this article seeks to interrogate why restructured public enterprises in Zimbabwe have remained loss making entities? Could it have been a case of misdiagnosing the ailment and prescribing a wrong prescription or a case of a correct prescription in wrong hands? A detailed review of restructuring efforts in selected state companies over decades was undertaken, with detail on agricultural marketing boards.

2.0 Second decade restructuring experiences

2.1 The Grain Marketing Board (GMB)

The GMB is still a 100 per cent state-owned company whose origin dates back to the colonial era where it was established in 1931 as the Maize Control Board with a mandate to provide producers with guaranteed prices (Smith, 1989). Although the post independence decade saw GMB expanding its operations from three depots in 1980 to 60 by 1990, it has remained among the highest loss-making agricultural marketing boards, heavily dependent on state subsidies. Although by 1995 the grain sector had been deregulated, export and import of maize remains the monopoly of the GMB. It is the national residual buyer, mandated to ensure national food security through Strategic Grain Reserves.

Deregulation opened up the purchasing, storage and the selling of grain in Zimbabwe to competition. In response to stiff competition from other private buyers and the resultant shrinking of the market, the GMB instituted cost saving measures that included reducing its full-time employees from 5 207 in 1990 to 3 647 in 1997 (GMB *Annual Report,* 1997: 7). However their impacts were largely low note as they mostly affected those in the lower ranks. In those isolated cases where those in the higher ranks were affected, higher severance packages were offered. Thus while the exercise was meant to reduce its monthly wage bill from Z$11 million to about Z$6 million, the target remained beyond reach (*Zimbabwe Independent*, My 23, 1997).

The GMB also streamlined its operation through re-grading of its seventy-four depots into three groups comprising twenty six commercially viable depots, thirty five seasonal depots and eleven strategic depots which were retained in drought prone Matabeleland areas of Gwai and Nkai. However the decision to close some of its collection points in rural areas was resisted by the Zimbabwe Farmers Union in fear that sudden closures of depots would result in the majority of small holder rural farmers losing out to unscrupulous middlemen. Consequently, rural grain depots such as Dewedzo, Chinyudze and Chipinge in Manicaland; Chirandura, Nembudzia and Zhombe in the Midlands as well as Sadza and Mutawatawa in Mashonaland East re-opened.

GMB also rationalised its operations by leasing out of unprofitable depots and storage facilities to the private sector. Some efforts were also directed towards relaxing government controls on the setting of buying and selling prices of various grains through the introduction of regional pricing variations.

Despite these reforms, the parent ministry continued to exercise control over pricing and the appointments of board of directors and senior management staff from the level of directors. GMB remained under government directives to subsidise producers and consumers. For instance, the 1994 maize export price of Z$419.02 per tonne was 47 per cent below the average producer price paid to farmers by the GMB. In the 1993/4 fiscal year, after importing maize at Z$1216.86 per tonne, GMB was forced by the government to sell it at a price of Z$1070, incurring losses.

Its performance remained low note throughout the second decade, incurring net losses of over Z$3 billion between 1990 and 1995 (*GMB Annual* Report, 1996). Of this loss, Z$2 billion was ascribed to financial charges on short term loans. Losses also arose from gaps between export prices and import prices on one hand and between producer prices and consumer prices on the other hand. Export prices were lower than import prices while producer prices were higher than GMB's selling prices to consumers and millers. The price at which the GMB was importing maize was also higher than the price at which it sold to millers. GMB was also structurally constrained by its legal status which placed it directly under government supervision and extensive ministerial directives and even mandated it to supply maize to its competitors at subsidised prices. Experienced retrenches, taking advantage of these constraints, re-entered the grain buying sector in competition with their former employer- the GMB. Its efforts to improve its competitive edge through diversification into other operations such as milling and packaging were thwarted by lack of adequate expertise, skills technology and institutional capacity.

These operational problems have to be understood within the context of its mandated social responsibility to maintain the nation's Strategic Grain Reserve (SGR), a very costly exercise to sustain as government often failed to own up to its obligations. For instance, under the Grain Loan Scheme which was introduced in 1994, GMB was forced to borrow Z$700 million from the financial market to finance the buying of maize. However, over 12 000 beneficiary villagers failed to pay back the loans for successive years up to the setting in of the socioeconomic meltdown between 2000 and 2008.

2.2 The Cold Storage Company (CSC)

Another agricultural marketing board, CSC started as Cold Storage Commission in the colonial era. In 1994 the CSC was commercialized, its legal status changing from a statutory corporation under an Act of Parliament to a public company under chapter 190 of the Companies Act. It also changed its name from the Cold Storage Commission to Cold Storage Company, however with government as the sole shareholder. As was the case in GMB, the CSC lost its monopoly on the livestock buying and meat processing on the domestic market; it retained monopoly on the export of beef.

Following commercialisation, the Cold Storage Company instituted some measures to improve its operational efficiency, including cutting its departments to four, reducing its staff from 3 600 to 2 300 as well as rationalising assets. Prior to commercialisation, the Kadoma abattoir (which had a throughput of 500 beasts), had shut down in 1990 due to dwindling exports to the European Union following the outbreak of the mad cow epidemic. The slump on the world beef market had induced an oversupply on the domestic market which in turn forced the local beef price to drop. In a bid to save operational costs, the CSC shifted to seasonal operations while some of its slaughter facilities were temporarily closed.

However as in the case of the GMB, the opening up of the beef sector to private players caught the Cold Storage Company unawares. The CSC which had traditionally enjoyed overbooking for slaughter, struggled to come up with competitive producer prices, scenarios that saw producers holding back stocks for breeding purposes or to selling them to private abattoirs who offered competitive prices. By 1996, around 200 new private abattoirs had emerged and were accounting for about 64 per cent of the national slaughter off, leaving 36 per cent to the CSC (*Financial Gazette*, 12 December, 1996). Stiff competition emerged from *Meatmark*, a co-operative company that was launched in 1996 by the Cattle Producers' Association (CPA) to establish markets, source cattle and contract existing slaughter facilities to process the product. Farmers exporting through *Meatmark* were for the first time able to earn foreign currency as well as sourcing off-shore loans.

The emerging competitive environment also had its toll on its traditional 'cattle producer of the year competitions' and 'cattle finance schemed'. By the close of the 1990s, the breeding herd had plummeted from 640 000 cows to an all low of 425 000 cows (*The Herald,* 8 August, 1996).
The performance of the Cold Storage Company has to be understood within the context of an interplay of factors that include restrictive enabling Acts, organisational and operational constraints, de-stocking due to drought spells, failure to withstand competition from rival abattoirs, lack of cheap finance and drop in export volumes following the "Mad Cow" disease in Europe (*Financial Gazette*, 12 December, 1996).

2.3 The Dairy Zimbabwe Limited (DZL)

The DZL was established in 1952 as the Dairy Marketing Board with a mandate to manufacture and market milk and dairy products. During the first decade of independence, the DZL was among the most consistently loss-making parastatals requiring huge government subsidies. Its losses were mainly attributed to government controls on pricing which fixed producer and consumer prices at levels which reflected neither costs nor supply and demand conditions. In 1994, the DMB was fully commercialised and registered under the Company's Act as a public company, Dairybord Zimbabwe Limited. The dairy industry was deregulated, allowing all farmers to sell their milk in a free market. There were about 375 large scale producers registered with the National Association of Dairy Farmers (NADF), producing around 98 per cent of the national milk production. There were also approximately 2 000 registered small scale producers, contributing around 3 per cent of total milk production.

As part of its rationalisation and cost saving measures, the DZL phased out some of its traditional activities such as door- to- door service delivery and rural depots. Staff establishment was reduced from 3 600 to 1500 in a bid to save in excess of Z$25 million per annum. Some distribution activities were franchised out, saving Z$20 million per annum (DZL *Mission Statement*, 1998). Reforms also covered deregulation of the policy environment by opening the dairy sector to competition, removal of state controls on pricing and appointments of PE boards and management.

Despite its privatisation in 1997, DZL remained a monopoly entity on the domestic market with control over a wide range of individual dairy products that included pasteurised milk, lacto, long life milk, skimmed milk powder, cheese, butter, ice cream and yoghurt, Slimline and Purepack Pasteurised Milk, Super and Supreme Lacto, Sterimilk, Chimombe, Oakchurn and Meadowmaid Butter, Cheddar, Gouda and Roquefort Cheese and Dairilite and Crema Milk Powder. DZL also introduced 'short' and 'long' shelf life products; the latter making dairy products usable even in those sectors without access to refrigeration facilities.

2.4 The Cotton Company of Zimbabwe (Cottco)

The origin of Cottco can be traced back to the establishment of the Cotton Research and Industry Board in 1936 and the Cotton Marketing Board (CMB) in 1969. They had monopoly powers to purchase and market all seed cotton in Zimbabwe, mandates that continued throughout the first decade of independence. Although by 1994 CMB had been commercialised, it remained under extensive government directives, government exercising direct controls in the selection of board of directors and the setting of producer prices. For instance, in 1994, the government issued directives ordering the Cotton Marketing Board to sell lint to local spinners at a subsidised price of $10,50 /kg (a price that was below the international price of Z$13,20/ kg). It also faced pressure from the powerful 400 union member Commercial Cotton Growers Association who frequently threatened to withhold deliveries to the CMB whenever it felt that its 400 union members were short changed by price offers (*Sunday Mail,* June 5, 1994).

The liberalisation of the cotton sector in 1993 opened the market to new players such as Cargill (a subsidiary of the giant Cargill International) and Cotpro (owned by the Commercial Cotton Growers' Association) and Boka Cotton Auction Floors (owned by a local indigenous business tycoon, the late Roger Boka) (*Zimbabwe Independent*, October, 10, 1997). The entry of these new cotton buyers set in motion "price wars" (*Herald,* March 11, 1998). For instance, at the start of the cotton growing season in 1996, Cotpro had announced a price offer of Z$6.30 a kg for Grade A cotton, a price that was 30 cent more than the price offered by the leading industrial players while Cotpro begun offering growers a farm-gate price denominated in US dollars such that by the end of the second decade, it had taken over 30 per cent of the growers in the cotton sector (*Financial Gazette*, July 25, 1997).

Cottco responded to the competitive market by putting in place an efficient data processing capability across its depots in a bid to quicken the processing of producer payments. It also streamlined its core business (buying, processing and selling of cotton) by running the seed business and the inputs credit scheme separately. In 1998 the CMB was privatised, making it the second state company to be off-loaded onto the market.

3.0 Third Decade Restructuring Experiences

3.1 Restructuring under socioeconomic meltdown (2000-2008)

Restructuring experiences should be periodized within the context of the socioeconomic meltdown (2000-2008) and the formation of the inclusive government (2009-2012), each with own distinct imperatives that had visible bearings on the restructuring process. The 2000-2008 period experienced deep-seated socioeconomic problems characterized by declining economy and inflation levels of 231 million percent by July 2008 (*Government of Zimbabwe Budget Statement*, 2009). The socioeconomic meltdown almost paralyzed operations in government ministries and state bodies. Since 2000, government was no longer a recipient of balance of payments (BOPs) from international financial institutions such as the IMF and the World Bank. National politics, besides being heavily partisan, had a strong economic indigenization bent. By 2008, the Zimbabwean currency had become valueless.

These developments left visible imprints on public enterprise restructuring. Public enterprise restructuring opted the unbundling route whereby targeted parastatals were broken into smaller business oriented units under a 100 per cent state-owned holding company. The Privatization Agency of Zimbabwe which had been established in 1998 was reconstituted into State Enterprise Restructuring Agency (SERA). Policy emphasis was on *restructuring* rather than *privatization,* because the former retained state ownership (which was consistent with the economic indigenization rhetoric in the air) while the latter by transferring company ownership (was now perceived as posing latent threats to national economic sovereignty). Government had in 1998 published the first policy on the indigenization of the economy.

The unbundling route saw the breaking of the Postal and Telecommunication (PTC) of Zimbabwe in 2001 into three (3) smaller companies, ZIMPOST, Net-One and Tel-One; the splitting of the Zimbabwe Broadcasting Corporation into nine (9) subsidiary companies that include the National Television, the NEWSNET, Radio Zimbabwe, Power FM, the SFM, and the National FM operating under the Zimbabwe Broadcasting Holdings; the restructuring of the Zimbabwe Electricity Supply Authority in 2002 into five subsidiary companies (the Zimbabwe Power Company (ZPC), the Zimbabwe Electricity Transmission Company (ZETC), the Zimbabwe Electricity Distribution Company (ZEDC0, the ZESA Enterprises and the Power Tel) under ZESA Holdings. However, to date, there are mixed reviews on the extent to which these restructurings injected the expected business mindset in the respective entities. Review of post restructuring in these companies suggest that besides creating top-heavy board structures and going for years without fully constituted boards, responsible ministries continued to wield excessive powers, directly determining into the day to day affairs of holding companies as well as interfering in matters of appointment of board members and selection of strategic partners (Zhou, 2007,12-18). The implementation of the public enterprise restructuring programme also lost steam during the decade-long economic decline between as most parastatals due to undercapitalization, aged plant and equipment, lack of access to credit lines and foreign currency shortages which constrained the importation of spare parts (GoZ, Ministry of State Enterprises and Parastatals, 2009).

3.2 Restructuring under the Inclusive Government (2009-2012)

3.2.1 Regulatory and Institutional Framework

At the formation of the inclusive government in 2009 (comprising of three main political parties, ZANU PF and the two MDC formations), the public enterprises were cited as critical players in the national socioeconomic drive. Public enterprise restructuring is undertaken within an institutional framework of 78 parastatals and state companies, the ministry of state enterprises and parastatals, line ministries, the State Enterprise and Restructuring Agency (SERA) and the Inter-Ministerial Committee on Commercialisation and Privatisation of Parastatals (IMCCPP). The Ministry State Enterprises and Parastatals (initially, the Department of State Enterprises) is responsible for the management of parastatals and state companies. Its functions, as outlined in Government of Zimbabwe: Ministry of State Enterprises and Parastatals (2009) include:

- Advising and reporting to Cabinet on issues affecting PEs.
- Developing and initiating policies pertaining to PEs
- Developing systems for monitoring the performance of PEs.
- Reviewing Acts and Regulations governing PEs in line with the current socio-economic policies and environment.
- Developing and reviewing Corporate Governance Framework for PEs.
- Ensuring together with line ministries compliance of PEs to regulations governing their operations.
- Ensuring that there is no duplication or conflict of interest in the programmes and operations of PEs
- Facilitating inter-PE consultative processes.
- Assessing opportunity to restructure and privatize PEs.
- Act as a shareholder for PEs.

The State Enterprise and Restructuring Agency (SERA) was born from the Privatisation Agency of Zimbabwe (PAZ) of 1998. It is a semi-autonomous Agency responsible for the implementation of the restructuring programme. SERA serves as the technical arm of the Ministry of State Enterprises and Parastatals as well as the secretariat of the Inter-Ministerial Committee on Commercialisation and Privatisation of Parastatals (IMCCPP). The roles of SERA as gleaned from a paper presented presented by the minister of Parastatals and State Enterprises at the ZTA Tourism Investment include:

- Advising line ministries and SEPs Board and management on SEPs reforms.
- Leading, advising and managing the commercialization, privatization and restructuring programme of SEPs in line with Government policies.
- Assisting line ministries and relevant SEPs in the identification and hiring of local and/or external consultants (corporate advisors, accountants, valuations, management and marketing specialists, e.t.c.) to be engaged to undertake technical aspects of the restructuring programme.
- Prepare in consultation with line Ministries, detailed work plans and timetables for the privatisation of designated enterprises for onward presentation to Cabinet for approval through the IMCCPP.
- Advise on the legal issues and the regulatory framework to facilitate the commercialisation and restructuring process.
- To advise line Ministries and PEs on the management of SEPs debt and the balance sheet restructuring.
- Manage Government shareholding in SEPs and listed companies to enhance and maximize shareholder value.
- Undertake the transparent evaluation of joint venture projects and the Public Private Partnerships (PPPs) with the SEPs in consultation with the line Ministries.
- To assist in the indigenous economic empowerment of Zimbabweans through the restructuring process.
- Undertake the preparation and implementation of a public information campaign relating to the benefits of restructuring.
- Undertake post-restructuring evaluation exercise.
- To be the secretariat of the Inter-Ministerial Committee on Commercialization and Privatization of Parastatals (IMCCPP).

4.0 Synopsis of public enterprise restructuring in 2012

The National Railways of Zimbabwe (NRZ)

NRZ is yet to have a fully constituted board of management. Members of the board occupy positions beyond terms of appointments. Appointments to the board and management show visible preference for people with military background. NRZ also has an obese structure that is increasingly proving to be difficult to manage, given that it is yet to recover from most of the operational challenges inflicted by the socioeconomic meltdown, namely, aging traffic system, skilled manpower shortage, deteriorating infrastructure, theft and vandalism, poor signaling system, shortage of spares for locomotives and signaling equipment. It is currently debt-ridden, operates below the 18 million tones of freight traffic per annum, has dilapidated equipment, and is struggling to pay its employees. Scenarios at the NRZ pose a serious threat to industrial production and the current national socioeconomic recovery drive.

The National Oil Company of Zimbabwe (NOCZIM)

NOCZIM is post independence state company. Since its unbundled into two companies-Petro Trade and National Oil Infrastructure Company of Zimbabwe, there has been a visible improvement in the oil procurement. Fuel is no longer a problem in Zimbabwe.

The Zimbabwe Iron and Steel Company (ZISCO)

It is the nation's main steel-maker. Since 2000, ZISCO has operated without a fully constituted board and a substantive Chief Executive Officer. The steel company is yet to roll back into production as its two Blast Furnaces (Number 3 and 4) are no longer functional. Blast Furnace Number 3 was decommissioned in 1999 while the other Blast Furnace Number 4 stopped producing hot metal due to water cuts and power outages in 2008. The bulk of ZISCO mills, plant and equipment are in a dilapidated state following a decade of no funding. While the steel company has been taken over by Essar Africa Holdings, the deal is experiencing some hitches following revelations that the US$750 million sale may have prejudiced the government of around US$30 billion (http://www.newzimbabwe.com).

Zimbabwe Electricity Supply Authority (ZESA)

ZESA was unbundled in 2002 into five subsidiary companies (the Zimbabwe Power Company, the Zimbabwe Electricity Transmission Company, the Zimbabwe Electricity Distribution Company, the ZESA Enterprises and the Power Tel under ZESA Holdings. However, the benefit streams from the unbundling process are yet to bear fruits as most of the electricity supply problems experienced during the socioeconomic meltdown are still manifest. The supply of electricity remains erratic while its capacity to raise working capital is compromised by political patronage and inept management. The entity is currently struggling to shrug off claims that some high profile government officials, some government departments, some party offices and some senior politicians have not been paying electricity bills for long periods while ordinary consumers have been subjected to billing systems that are not transparent (http://www.dailynews.co.zw). There are also claims that the entity is prioritizing paying huge salaries to its executives over service provision and serving of its financial obligations to power suppliers in neighboring countries.

Grain Marketing Board (GMB)

GMB is currently 100 per cent state owned and has National Strategic Reserve status. It has 44 depots in operation across the country. Despite its exposure to some commercialization in the post 1990s, GMB remains among the highest loss making and debt-ridden entities earmarked for robust restructuring. It is struggling to service funds owed to various companies and countries in the region that supplied maize to Zimbabwe during the period of socioeconomic meltdown (2000 and 2008). Besides having a board and management that is questionable in terms of professional background and competence, its operational problems are deep-seated. GMB has since independence served as a patronage-dispensing mechanism. The Audit Report 2010 refers to several cases in which maize and subsidized inputs were looted by high ranking government officials and politicians (GoZ Audit Report, 2010).

Air Zimbabwe

Air Zimbabwe has since independence in 1980 served as the sole national airliner. Air Zimbabwe is currently debt-ridden, scenarios that forced it to suspend its international and domestic fights at the beginning of 2012. It currently reeling under a $140 million debt and struggling to pay its employees (http://www.dailynews.com.zw). Its operational problems arise from an interplay factors that include weakly constituted board, abuse by senior government officials, under-capitalization, aging fleet, debt overhang, poor management, corruption and mismanagement (www.zimdiaspora.com). Currently only domestic flights are in operation.

5.0 Conclusions and Recommendations

5.1 Concluding Remarks

The pace of public enterprise restructuring in Zimbabwe generally lags behind policy pronouncements. State attitude towards privatization measures reflects caution and suspicion- a general trend since the 1990. State ownership remains dominant in the public enterprise sector, with 78 parastatals and state companies.

Of this state investment portfolio, only three companies, the Cotton Company (Cottco), Dairibord Zimbabwe Ltd, and ZISCO Steel have been privatized. The rest have been exposed to various commercialization and unbundling processes. Emerging policy positions since the post 2000 suggest that the unbundling route is more prioritized over privatization. Despite the launch of the corporate governance framework document in 2010, legislation is ye t to be put in place while jurisdictional areas among the key players in the public restructuring process are not clearly delineated.

Most parastatal boards are poorly constituted in terms of autonomy, membership and capitalization while parent ministers wield extensive powers over parastatals and state companies, often inclining them to select investors and partners without consulting relevant government decision players such as state procurement board and inter-ministerial committees. Viability problems currently dogging parastatals and state companies in Zimbabwe should be interpreted within the context of political interference and abuse of parastatals as patronage dispensing instruments, lack of commitment and common vision within the leadership, line ministries and management of the enterprises. The majority of parastatals and state companies 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 bills and facing frequent threats of industrial action from employees.

Perceived scenarios in the public enterprise restructuring process should also be understood within the context of multiple institutional decision players. The implementation of the restructuring programme is not entirely the responsibility of the Ministry of State Enterprises and Parastatals. Multiple players are involved and these invariably determine the pace of restructuring. The process is also guided by the decisions of the line ministries who govern the Acts of the parastatals under their portfolios. The Ministry of State Enterprises and Parastatals also has to consult regularly with the IMCCPP and the Working Party Officials and the IMCC who have to meet regularly to discuss restructuring memoranda presented by line ministries. There is also the State Enterprises and Restructuring Agency which is responsible for preparing the Restructuring Procedures Manual which provides guidelines for ensuring transparency, accountability and fairness in the restructuring programme. These guidelines have to be considered and adopted by the IMCCPP. Underlined here is that a slight delay at each of this decision points invariably affects the entire restructuring process.

5.2 Recommendations

The institutional, regulatory and governance frameworks of public enterprises in Zimbabwe needs further reconstitution to flush out deficits relating to delineation of boundaries and responsibilities. The role boundaries between the Ministry of Parastatals and State Companies, SERA and line ministries needs clear delineation in order to quicken decision making on matters relating to public enterprise restructuring. Problems of duplication, institutional clashes and delays have been observed in cases where frameworks are not clearly defined (World Bank, 2000; Bangura, 2000) The proposed unbundling of entities such as NRZ, Air Zimbabwe, GMB, TelOne and NetOne, among others, should be pursued with more vigour. The NRZ should be split into Freight Company, Passenger Company and Infrastructure Company while the GMB breaks into a strategic-grain reserve (SGR) and a special purpose vehicle (to be run as a commercial strategic business unit. Indeed SGR should remain the responsibility of GMB to safeguard food security. The unbundling of NOCZIM seems to be paying returns as fuel is no longer the problem in Zimbabwe. Globally, unbundling measures have been linked with noticeable improvements in public enterprise performance (Batley, 2004; Ohemerg, 2010, Chowdhury& Viswanathan, 1994; Therkildsen, 2001; World Bank, 1994 & 1998),

Parastatals and state companies that have either been commercialised or unbundled should be given enough space to operate within the dictates of market discipline. There is also need to ensure that professional people are appointed to parastatal boards and that those appointed as directors and managers should be given space to operate without undue influence from politicians. World Bank (1995) refers to tendency by African governments to remain directly involved in critical decision making even after privatisation and commercialisation. The Anti-Corruption Commission, SERA and State Procurement Boards should be more proactive in their operations as the success of public enterprise restructuring largely hinges on their effectiveness. They are particularly critical in curbing corruption, ensuring compliance with extant regulatory frameworks and also strengthening transparency in tendering processes. Public enterprises should be run first and foremost as national entities. They should not be used to pursue political party objectives.

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