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NETONE CELLULAR PRIVATE LIMITED'S UNDERPERFORMANCE, CAUSES AND WAYS FORWARD

BY

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DEDICATION

This research is dedicated to my wife and two children. Whilst my children missed me during my absence for classes in Cape Town, my wife did not just miss me but also took up my responsibilities including financing my trips and upkeep to see me through my studies.

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ABSTRACT

This research is a case study analysis of NetOne Cellular (Pvt) Ltd, a state enterprise in the mobile cellular telecommunications industry in Zimbabwe which has failed to perform to government and public expectation since its launch in 1996. At the advent of mobile telecommunications industry in Zimbabwe in the 1990s, it was expected that the Government of Zimbabwe would reap huge revenues in the lucrative telecommunications industry by being the pioneer and monopolising the provision of mobile telecommunications in the country. Government therefore, set up NetOne, initially as a department under the Postal and Telecommunications Corporation (PTC) and later turned it into an incorporated company in 2001. The company has however failed to perform to expectations despite the advantages which usually go with government protection and favouritism in comparison to its competitors Econet Wireless Zimbabwe and Telecel Zimbabwe. This study provides evidence of the company’s poor performance, an analysis and discussion of the underlying and proximate causal factors thereto as well as a set of recommendations and possible ways forward.

The study seeks to explore and prove that the Zimbabwean political settlements, mismanagement of economic rents, as well as the scourge of poor corporate governance, undercapitalisation, and unfavourable sectoral and regulatory dynamics negatively impact on NetOne’s performance. Derived from the foregoing the above are the cascading effects of inadequate leadership and business practices within the organisation which also played a major role in the company’s modicum growth and underperformance over the years. It concludes that the Zimbabwe political settlements and failure to manage and effectively exploit political rents is the major contributor to the company’s failure and lead to both external and internal poor governance of the company thereby affecting its performance.

TABLE OF CONTENTS

LIST OF TABLES

DIAGRAMS

LIST OF ACRNOYMS

2G	-	Second Generation
3G	-	Third Generation
AG	-	Auditor General
ARPE	-	Average Revenue Per Employee
ARPU	-	Average Revenue Per User
CAPEX	-	Capital Expenditure

CEO	-	Chief Executive Officer
CGFSEP	-	Corporate Governance Framework for State Enterprises and Parastatals
Cottco	-	Cotton Company
DZL	-	Dairiboard Zimbabwe Limited
EBITDA	-	Earnings Before Interest Tax Depreciation and Amortisation
EDGE	-	Enhanced Data for Global Evolution
GDP	-	Gross Domestic Product
GLC	-	Government Linked Company
GPRS	-	General Packet Radio Service
ICT	-	Information Communication Technology
ICTP&CS	-	Information Communication Technology, Postal and Courier Services
ING Japan	-	International Netherlands Group Japan
MDC-T	-	Movement for Democratic Change – Tsvangirai
MTN	-	Mobile Telecom Network
NCCG	-	National Code for Corporate Governance
NOCZIM	-	National Oil Company of Zimbabwe
OAG	-	Office of the Auditor General
NRZ	-	National Railways of Zimbabwe
OAG	-	Office of the Auditor General
OECD	-	Organisation for Economic Cooperation and Development
OPC	-	Office of the President and Cabinet
PAZ	-	Privatisation Agency of Zimbabwe
PFMA	-	Public Finance Management Act
PTC	-	Posts and Telecommunications Corporation
POTRAZ	-	Postal and Telecommunications Regulatory Authority Zimbabwe
RBM	-	Results Based Management
SEDCO	-	State Enterprise Development Corporation
SERA	-	State Enterprise Restructuring Agency

SOEs	-	State Owned Enterprises
SPB	-	State Procurement Board
TA	-	Tobacco Auctions
TIZ	-	Transparency International Zimbabwe
UDI	-	Unilateral Declaration of Independence
UK	-	United Kingdom
USF	-	Universal Services Fund
ZANU PF	-	Zimbabwe African National Union Patriotic Front
ZBC	-	Zimbabwe Broadcasting Corporation
ZESA	-	Zimbabwe Electricity Supply Authority
ZIM- ASSET	-	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMPOST	-	Zimbabwe Posts
ZimRe	-	Zimbabwe Reinsurance

CHAPTER 1: INTRODUCTION

Chapter 1 provides the background of the problem, problem statement, research objectives and the research questions. The essence of the whole chapter is to set the tone for solving the problem of perennial underperformance by NetOne as evidenced by low market share, poor service offering and loss making by the state owned company.

1.1. BACKGROUND OF THE PROBLEM

As a way of growing the economy, raising revenue and providing critical services, the Government of Zimbabwe runs numerous state enterprises and parastatals. This phenomenon is not peculiar to Zimbabwe since most governments across the world do the same in strategic areas. Like many other state enterprises NetOne is expected to play a fundamental role in the resuscitation of the ailing Zimbabwean economy. The company was formed in 1996 initially as a monopoly in the provision of mobile telecommunications services. Now almost 20 years down the line, the state enterprise is making losses while its competing private owned companies like Econet Wireless are performing well beyond expectations.

Government accuses NetOne of underperformance as pointed out by the current Minister of ICT, Postal and Courier Services, Supa Mandiwanzira, when he said;

"What is NetOne's performance in comparison to other operators? Government as a shareholder is very much aware of the other telecoms operators in the sector and that it is nothing but successful and profitable. There is no reason why state enterprises should not be profitable'' (Techzim, May 2015).

1.2. STATEMENT OF THE PROBLEM

As indicated above, in the Zimbabwe mobile cellular industry, phenomenal growth has been realised by one private mobile cellular company, Econet Wireless Zimbabwe, while the government owned, NetOne Cellular (Pvt) Limited has perpetually lagged behind. This has led to the emergence of a de-facto oligopoly in the industry in the form of Econet Wireless Zimbabwe. NetOne is failing to expand services, pay dividends to treasury and meet its debt redemptions as well as annual statutory obligations due to the telecommunications regulator, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ). NetOne also does not sufficiently contribute to the Universal Services Fund (USF) which all operators must contribute to for infrastructural development in remote and underserviced areas.

The company also made significant losses during the dollarization era from 2010 to 2014 as revealed by its Audited Financial Statements summarized in Chapter 5 below. Meanwhile NetOne's major competitors, especially Econet Wireless has been making huge profits during the same period buttressing assertions from some quarters that government run solutions do not work. Observers also note with concern that NetOne has issues of poor corporate governance.

The following questions will be dealt with in this research;

- Can the Zimbabwe government run a commercial state enterprise viably?
- What are the underlying and proximate causes of NetOne's poor performance over the years?
- Since government is the 100% owner of the company which it allegedly provides with protection and succour, why is NetOne allowed to continue supplying mediocre and inefficient services?
- What can be done to turnaround the fortunes of NetOne?

1.3.PURPOSE OF RESEARCH

The research seeks to explore and explain how political settlements and management of economic rents, as well as other underlying and proximate factors have contributed to the poor performance of NetOne Cellular (Pvt) Limited and recommend policy measures and operational issues that can be formulated and executed to turn around the company's fortunes. NetOne has been chosen because of the potential of mobile telecommunications services to facilitate accelerated social and economic development. Achievements made can provide lessons to be learnt and possibly be adapted for the transformation of other state-owned enterprises in the Zimbabwean economy consequently leading to massive social and economic transformation for the country.

1.4. RESEARCH OBJECTIVES

i. To find out how political settlements and the management/ mismanagement of political rent affect the performance of NetOne

ii. To establish the extent to which poor corporate governance and weak business acumen affect the performance of NetOne
iii. To establish the extent to which sectoral and regulatory dynamics affect NetOne's ability to raise capital for investment
iv. To recommend ways forward for the effective turnaround of NetOne
v. To contribute to literature on the effective transformation of SOEs in Zimbabwe

CHAPTER 2: HYPOTHESES, RESEARCH METHODOLOGY, SCOPE OF RESEARCH, JUSTIFICATION, ETHICAL CONSIDERATIONS AND LIMITATIONS OF STUDY

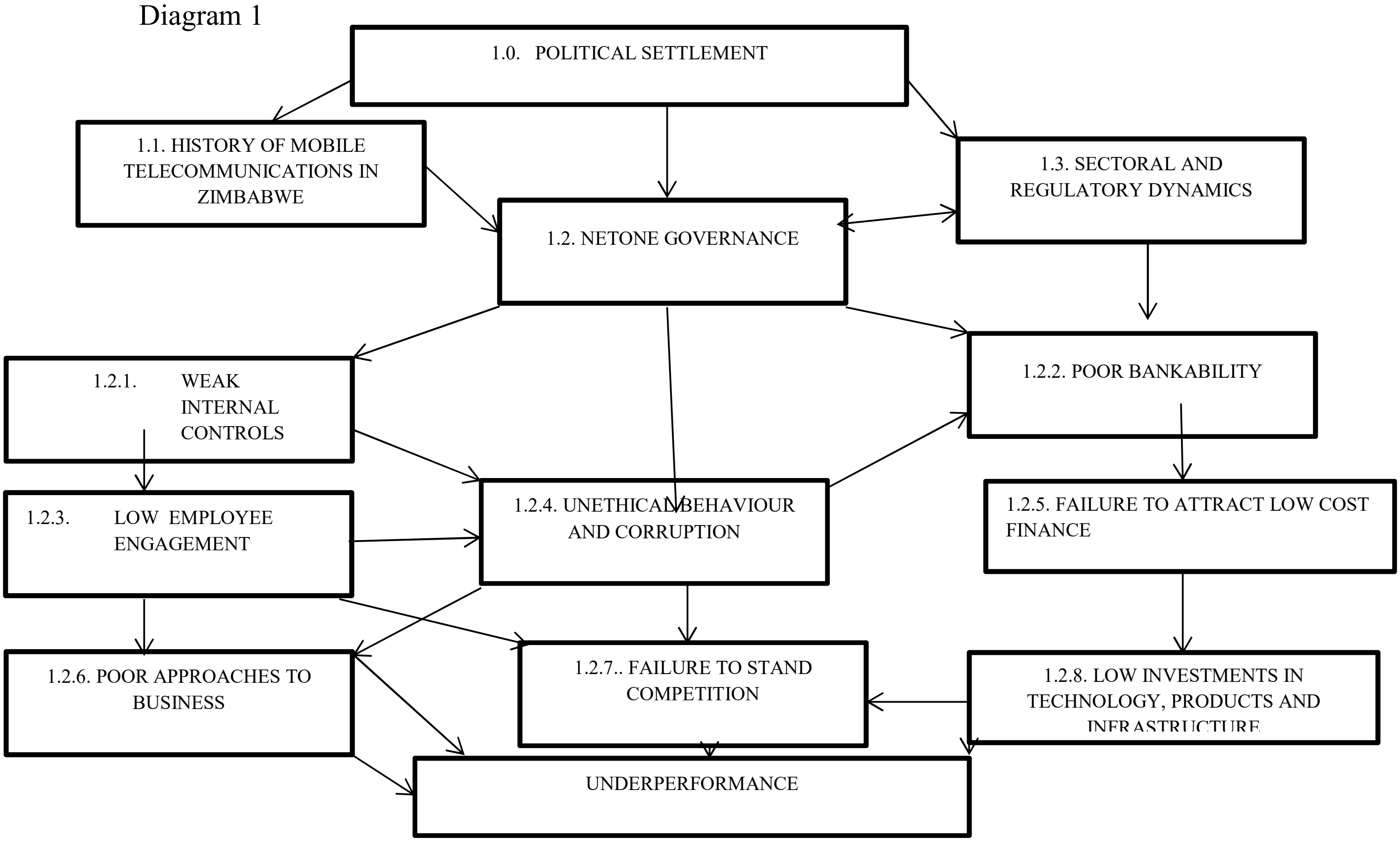
2.1. INTRODUCTION

Having outlined the above, Chapter 2 will pave way for the application for the research methodology and attendant details. It states the hypotheses, research methodology and scope of the research, research justification, ethical considerations and limitations of the study. The hypotheses seek to make precise statements to be tested by the research findings. The methodology will give the set of approaches and instruments used to gather and analyse the evidence.

2.2. HYPOTHESES

Hypotheses attempt to answer the research questions. They can be considered to be intelligent hunches, guesses or predictions that help a researcher find answers or solutions to research questions (Haber, undated). The relationships of the hypotheses relating to the NetOne case study are portrayed in Diagram 1 below.

Diagram 1



The situation that NetOne finds itself in is deeply rooted in the politics of the ZANU PF political system and its government. The ZANU PF government inherited and nurtured the colonial regime's system of institutionalised politicised economic rents extraction. With the ruling ZANU PF party highly cash-strapped following the failure of its companies from which it used to extract rents, it has turned to state enterprises such as NetOne as sources of income to finance its operations. The Zimbabwe political settlements the development of the mobile telecommunications industry and in turn impacts the governance of NetOne leading weak internal controls, unethical behaviour, to low employee engagement, poor bankability, failure to attract low cost finance, low investment in infrastructure and products, poor approaches to business, failure to stand completion thus ultimately underperformance.

HYPOTHEISIS 1: Due to Zimbabwe's political settlements and mismanagement of political rents NetOne will be unable to sustain a competitive position in Zimbabwe's telecommunications industry.

Politics and power balancing shape the development trajectory of any country. Historically, the Zimbabwe political economy has been characterised by political patronage and centralised rent management. Formed in 1996 as a department under the Posts and Telecommunications Corporation (PTC) during the structural adjustment decade, NetOne has not been spared from ZANU PF's politicisation and rent-seeking. Its growth was severely incapacitated during the crisis period from 2000 to 2008 where the Zimbabwean economy sank to the lowest ebbs and rent seeking in the economy became free for all with the ruling party being more predatory to survive. The paper seeks to prove or disprove the contribution by political settlements and rent management in terms of the governance of the company (Hypothesis 2), and the bankability of the company (Hypothesis 4) leading to its underperformance.

HYPOTHESIS 2: NetOne's performance will remain poor if its corporate governance practices are not improved.

NetOne is one of the companies which constitute a significant share of the economy accounted for by SOEs in Zimbabwe. As Dawson and Kelsall (2011) observe, the character of SOEs in Zimbabwe increasingly changed 'from production and marketing mechanisms into sites of patronage as ZANU PF appointed boards based less on technical competence than on clientelism' (p9). In the foreword of the Corporate Governance Framework for State

Enterprises and Parastatals (CGFSEP) which was launched in November 2010, the President of the Republic of Zimbabwe, Robert Mugabe acknowledged that weak corporate governance and unethical practices were chief causes of poor performance by SOEs. He was supported by the then Deputy Prime Minister of Zimbabwe, Arthur Mutambara, who asserted that SOEs have potential to contribute 40% to Gross Domestic Product (GDP) but due to the poor governance system in SOEs that was characterized by role ambiguity, ineffective boards, ineffective management systems, failure to adhere to statutes, these otherwise profitable entities are consistently performing dismally (Corporate Governance Framework for State Enterprises and Parastatals; CGFSEP, 2010). Poor corporate governance in turn leads to poor management as evidenced by poor ethics, uncompetitive approaches to business and low employee engagement leading to underperformance.

HYPOTHESIS 3: NetOne will continue failing to compete effectively if sectoral (including state procurement systems) and regulatory dynamics are not reformed.

This hypothesis has been included for logical completeness but will not be explored since it can form a complete research area and cannot be adequately covered in this research.

Following the unbundling of the Posts and Telecommunications Corporation in 2000, Zimbabwe's telecommunications operators are regulated by the Postal and Telecommunications Regulatory Authority (POTRAZ) which was formed in the same year and assumed responsibility in 2001. The policy environment is in transition towards a converged licensing regime which is very slow. The main future aim is to regulate services – and not technology. To this effect, the regulatory authority (POTRAZ) is currently working on a new set of draft regulations. The current licensing framework is not conducive to promote operators to introduce new services.

A converged licensing framework will liberate operators to innovate and introduce new services without worrying about whether the service requires licensing by the broadcasting regulator or the telecommunications regulator, thereby promoting investment and making available a wider variety of services. This argument can go either way since it can work in favour of NetOne or other operators like Econet in an industry where the first mover is likely to be the winner.

The company's procurement is also governed by the State Procurement Board (SPB). Whilst, Government, as shareholder, insists on performance targets being met, red tape frustrates the faster acquisition of equipment and other services through stringent and cumbersome procurement regulations and procedures. The company is put at a disadvantage compared to its private sector competitors who quickly make decisions and implement them as quickly as possible.

HYPOTHESIS 4: NetOne will continue failing to raise enough investment capital if political settlements, unfavourable investment climate and corporate governance issues are not resolved.

Although commercialised, NetOne has been operating without significant y investment funds for years in a hotly contested environment where its competitors have been enjoying large investments for growth. NetOne is not directly funded by the state. It's funding has been through its own operations, sparsely spread local and foreign borrowing with the guarantee given by the government. The continued economic sanctions/restrictions imposed on the country for the past decade and half and the poor Zimbabwe corporate governance and business environment have seen the company failing to attract ready and cheap capital as compared to its competitors seriously affecting its operations.

HYPOTHEISIS 5: A home grown reform based on good fit approaches compatible with the broad Zimbabwean political settlement will improve the performance of NetOne.

There have not been significant efforts to transform NetOne into a viable company by both government as the shareholder and its successive boards and management. Half backed approaches like partial commercialisation and performance management approaches like the Results Based Management (RBM) system and the Balanced Scorecard (BSC) have been imposed on the company without really testing their applicability considering the unique political and economic setting of the company; hence they have yielded positive results so far.

2.3. RESEARCH METHODOLOGY

In this research, a case study analysis of NetOne Cellular (Pvt) Limited's underperformance and causal factors was carried out. A case study is a strategy for doing research involving empirical investigation of a phenomenon within its real life context, in this case the state enterprise. The research methodology paradigm used is qualitative. Interviews, documentary analysis and personal observations were used as research instruments. Interviews included face-to-face discussions on NetOne's performance in comparison with Econet Wireless

Zimbabwe and Telecel Zimbabwe. Issues discussed included market share, network coverage and infrastructure development and deployment levels, employment levels, revenues, ARPE, ARPU, CAPEX, EBIDTAs, as well as good corporate governance practices like board appointments and autonomy. The research focussed on exploring hypotheses 1, 2 and 4.

The case study method enabled the researcher to test the hypotheses and also provide a source of new research questions. The researcher targeted individuals with knowledge on SOE issues. Matters of political influence and corporate governance being higher level in nature are mostly known by top leadership and management in organisations, and thus a small sample of interviewees was used as it allowed the researcher to personally choose people with certain characteristics to include as participants as well a unit of analysis that was typical of the population with regard to the characteristics under study.

At NetOne, the interviewees were divided into two categories; namely management and middle level officers in the organisation. At POTRAZ top management and a selected number of officers with technical know-how in the field were also engaged during the research process. With regard to other key stakeholders senior people at director level and above were interviewed.

The total number of interviewees was therefore 32: 15 from NetOne, 2 former NetOne board members, 5 from the sector regulator, 3 from the Ministry of Information Technology, postal and Courier Services, 2 from the Ministry of Finance, 1 from Econet Wireless Zimbabwe, 1 from Telecel Zimbabwe, 1 from State Procurement Board (SPB), 1 from Office of the Auditor General (OAG) and 1 from State Enterprise Restructuring Agency (SERA).

At NetOne, the Managing Director, Company Secretary, Finance Manager, Technical Director, Internal Auditor as well as technical and marketing and sales officers who cannot be named for fear of reprisal were interviewed. The purpose of the interviews was to gather basic facts about NetOne's underperformance and causal factors thereto. At POTRAZ interviews were carried out with the Acting Director General and Finance and Administration Director as well as two officers from the Economics and Tariffs Department.

Data on the history and topical issues regarding NetOne's comparative performance and other statistics like customer bases, employee statistics, board sizes, tenure of CEOs and boards was mined from company websites, brochures, newspapers, POTRAZ sector performance reports and other publications was used. The data relating to some corporate governance variables such as number of women on the board, number of independent directors and external audits was also obtained from the company database.

Primary data was critical for this research as it addressed key components of the research focus. Profitability measures like ARPU, ARPE, CAPEX and EBIDTAs were limited to a six year period (2009-2014) for the convenience of excluding the hyperinflationary period between 2000 and 2008.

Secondary data was acquired through the analysis of documents pertaining to NetOne and its competitors and the relevant government departments as well as press and media reports.

2.4. ETHICAL CONSIDERATIONS

The researcher conducted himself ethically in carrying out the research. Confidentiality of information given by research subjects and the anonymity of all respondents was respected in all areas, and where it did not apply, the consent of the affected respondents was sought. All prospective participants were given as much information as possible with regards to the research so that they made informed decisions on their possible involvement and participation. NetOne requested the researcher to share the findings of the study.

2.5. SCOPE OF RESEARCH

While poor performance pervades almost all SOEs in Zimbabwe, this research was restricted to the mobile telecommunications industry and in particular, NetOne (Pvt) Limited due to the lucrativeness of the industry and the potential that mobile telecommunications provide as a catalyst for both social and economic development. The research also concentrated on key performance indicators of the company in analysing its underperformance.

2.6. JUSTIFICATION OF RESEARCH

This research seeks to make a contribution to the ongoing public and policy debate and dialogue on proper and transparent management of SOEs. In developed and emerging countries, SOEs contribute to a substantial part of the economy's Gross Domestic Product (GDP) and employment (OECD, 2006). Elsewhere, 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, despite the political system, where there is transparency and accountability.

The Government of Zimbabwe is facing serious revenue challenges and one potential source of revenue is NetOne since it is operating in the lucrative telecommunications industry. The Government should therefore be keen to turnaround this company into a viable entity that can provide not only the much needed revenue to the fiscus but also sustainable employment creation too. Zimbabweans are wondering why private companies in the same industry have done so well and not the SOE.

Furthermore, mobile telecommunications have become a key enabler to social and economic development. NetOne (Pvt) Limited is one of the Government's strategic national institutions that must drive the telecommunications sector. Thus Government will reap the biggest benefits from this study along with the poor citizenry who are the real owners of the company. At sector level, other stakeholders like consumers of NetOne (Pvt) Limited's services; POTRAZ the regulator of the sector the Ministry of ICT, Postal and Courier Services; Parliament of Zimbabwe, the Ministry of Finance; the State Enterprise Restructuring Agency (SERA) and creditors who are owed long overdue amounts will also benefit from the research and its recommendations.

Last but not least the researcher will also benefit not only from the application of the research skills he acquired in this course but also from the new knowledge that seeks to answer the question whether African governments can successfully run commercial enterprises.

2.7. LIMITATIONS OF STUDY

Time and resources limited the research to just one state owned company in the Zimbabwe telecommunications industry. More SOEs would have enriched the responses, conclusions and recommendations. The research was done during the time most SOEs' operations were on the spotlight hence getting information was not easy. However the assistance received from the Managing Director of NetOne and the Acting Director General of POTRAZ mitigated the challenges.

Having outlined the research hypotheses, methodology justification, scope and limitations, the next chapter presents the unfavourable position on NetOne in comparison with its competitors. It clearly shows the dire state in which NetOne is hence the need to reposition it if it must survive.

CHAPTER 3: LITERATURE REVIEW

3.1. INTRODUCTION

This chapter gives a comprehensive literature review on the issues affecting the performance of state owned enterprises in Zimbabwe in comparison with selected developing countries across the globe. The potential of Zimbabwe's SOEs to be engines of economic growth and exemplar of efficient public management underlines the discussions in this chapter. Relevant literature covering topical areas and insights of practices significant to the study are presented. These issues are:

a) SOEs and their role in the political economy
b) SOEs and political settlements
c) Corporate governance challenges, and
d) Options and approaches to reforming SOEs

3.2. SOES AND THEIR ROLE IN THE POLITICAL ECONOMY

3.2.1. SOEs origins and definition

Khan (2005) argues that the philosophical linchpins underlining the founding of SOEs emanated from World War 2 to address market deficits and to address issues of mass unemployment and capital shortfalls especially in developing countries. Jones and Mason (1982) are of the view that some of the reasons for 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 command economy. China's economy however gradually changed into a mixed economy as the government lessened its influence and authority in them. 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) notes that SOEs are one of the largest segments of the economy accounting close to 20% of the total 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) 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. According to the OECD (2014) SOEs are distinguishable since they are characterized by the state's significant control through full, majority, or significant minority ownership in them.

Gildenhuys, et al (1991), 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.

3.2.2. SOEs in Zimbabwe

In the Zimbabwean context, SOEs are understood as government owned institutions that were created by an act of parliament after 1980 (Dube, 2011). 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. Stroh, et al. (1997), posit 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). In Zimbabwe, SOEs were established by the emergence of industrialization and colonial ideologies (Shadur, 1991; Godana and Hlatshwayo, 1998).

In the 1950s government had comprehensive control over the large parts of the Zimbabwean economy. Herbst (1990) contends that the settler 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 labour provided by the labour reserve system (Seldam, 1986, 173). In addition to the use of controls and subsidies, the aggressively developed public enterprises in areas deemed vital to the economy so that they may control all the profits.

3.2.3. SOEs across the globe

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 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 the 2008 to 2013 market capitalisation data, SOEs or GLCs accounted for 37% of the stock market value (TZI, 2015). 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. According to TZI (2015) 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). In South Africa, 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 (TZI, 2015). 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 mismanagement and corruption challenges in SOEs unlike Zimbabwe.

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. The Political Economy Analysis (PEA) examines the explicit political and economic incentives that serve to influence or constrain the behaviour of key actors 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 (Hadebe, 2015).

3.3. STATE OWNED ENTERPRISES AND POLITICAL SETTLEMENTS

An approach informed by an appreciation of political settlements suggests that development outcomes, patterns of resource mobilisation and institutional change are best explained by understanding the underlying political constellations and their chief attributes. This, however, does not mean that institutions no longer matter, but rather that the specific form of institutions and proposed reforms in relation to them need to be consonant with or adequately reflect underlying political balances of power. Put another way, simply transferring Weberian institutions to fragile developing country contexts is unlikely to be successful where this will undermine or threaten the prevailing political settlement and distribution of rents.

3.3.1. Definition of political settlements

Political settlements have been variously defined. According to DfID (2010), political settlements constitute the forging of a common understanding usually among elites and that their interests or beliefs are served by a particular way of organisation of political power. Jonathan Di John and James Putzel (2009) add that this must be accompanied by an understanding of the extent to which settlements are the `bargaining outcomes among contending elites. Mushtaq Khan (2010) sees the reciprocal interaction between settlements and institutions as key, defining them as a combination of power and institutions that is mutually compatible and sustainable in terms of economic and political viability. Political settlements are understood as being central to state-building as they determine the relationships between different organised groups within society and how power is distributed and controlled The further argue that these often unarticulated , negotiated agreements usually go beyond elites to bind together state and society, provide legitimacy for rulers and can prevent violent conflict from occurring.

Furthermore, recent research has emphasised that the inclusiveness of the political settlement as the extent to which key elites and social constituencies have been adequately incorporated into the prevailing political dispensation and how it affects the potential for stability. Scholars stress that although political settlements may adopt the structures of the modern state and be underpinned by a formal constitution, in practice the power relations behind the settlement may be very different.

3.3.2. Forms of political settlements

It is possible to distinguish between different forms of settlement according to certain defining attributes. Khan (2010) argues that the first important distinction to make is between political settlements in developing countries and those pertaining to capitalist, developed countries. The former, he explains, face crucially different determinants due to the pervasive sway of informal institutions based on patron-client organisations. It describes good governance being primarily about capability accountability and responsiveness: put another way, the state must be able to get things done, public institutions should respond to citizens' needs and public officials can be held to account for their actions or decisions. Again the centrality of politics is stated. Politics determines how resources are used and policies are made. And politics determines who benefits. In short, good governance is about good politics. But, again, here politics is understood in the more immediate sense of who is in power, how the electoral system operates or what policies are in place.

3.4. CORPORATE GOVERNANCE CHALLENGES

3.4.1. What is Corporate Governance?

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 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). 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). More broadly, corporate governance encompasses authority, accountability stewardship, leadership, direction and control exercised in the organisation (Hontz, and Shkolnikov, 2009). Invariably, SOES that are committed good corporate governance should have strong Boards of Directors, effective internal controls, transparent disclosure, and well-defined shareholder rights (World Bank, 2014).

Available evidence shows that a good corporate governance system in a country is associated with a number of 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).

Good corporate governance practices possess the potential to increase productivity in and competitiveness of the SOEs. Good corporate governance will also help to ensure that services are effectively and efficiently delivered to the public (Hontz, and Shkolnikov, 2009). In this way, corporate governance can be deployed in Zimbabwe as a means improving the efficiency of state owned companies like NetOne and improving investor confidence and attracting low cost capital.

3.4.2. SOEs' Conflicting Goals and Objectives

Corporate governance challenges in SOEs nest on the structural, legal and institutional framework deformities. The key one being the existence of complex political goals and conflicting interests in SOEs. A cursory analysis of the legal and institutional framework as highlighted in chapter four indicates that in addition to profitability, SOEs are subject to broad mandates such as the public service obligations and broader social and industrial policy goals. Available evidence indicates that when SOEs pursue many and incongruent goals and objectives the indicates is that CEOs, board members and politicians tend to abuse them for private and political gains under the cover of their varied policy agendas and purposes. In Zimbabwe the governance of SOEs is carried out 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 SOEs. To structure this complex web of accountabilities in order to ensure efficient decisions and good corporate governance is a challenge (OECD, 2005, World Bank 2006). Arguably, conflicts' between the state's ownership functions and its policymaking and regulatory functions arise and leave the SEOs 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 or Managing Director and being involved in budgetary approvals and investment options. This gives room to unfettered interference as well as inconsistencies in direction and approach and has opened opportunities for corruption (World Bank, 2014).For instance, as part of the political goals 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 deployed to SOEs presumably so that they could be paid from both the SOEs and the army. Similarly, the National Railways of Zimbabwe absorbed about members of the military (Ministry of State Enterprises and Parastatal Internal Report, 2012).

Furthermore, from 2002 up until 2012 NRZ was ordered by government to run passenger trains dubbed "Freedom Trains" (Hadebe, 2015). 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 SOEs for its survival

3.4.3. Transparency and Accountability

Transparency is a characteristic of governments, companies, organizations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions. Vishwanath and Kaufmann (1999) and Kaufmann (2002) define transparency as the "increased flow of timely and reliable economic, social 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. Schedler (1999) argues that accountability can either be vertical in that it is demanded from below by citizens or horizontal in institutions of the state to 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 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 regulate the behaviour on public office bearers who do not conform to set obligations (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 major claims about the relationships between transparency and accountability:

- Opaque transparency will almost never result in any real sort of accountability;
- 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;

- 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. 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.

Halloran (2014) notes that challenges in the transparency and accountability are rooted in political dynamics between states and citizens, and thus must be addressed through politically- informed approaches hence the analyses 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.

3.4.4. Ethics and corruption

As the broader concept of ethics is not clearly defined (Erasmus and Wordsworth, 2004), over the years, it has not been easy for the law makers and scholars to come up with the precise definition of ethics. Komba and Vermaak (2012) attempted to define ethics concept to mean "a set of rules that define right and wrong conduct and help individuals distinguish between fact and belief, decide how such issues are defined and what moral principles apply to the situation." Ethics is a very important pillar of leadership and if it is applied properly in all the governance structures, it can yield results leading to good governance that promotes responsibility, transparency and accountability (Szekely and Knirsch, 2005).

The emphasis of this definition echoed the attribute of Lloyd and Mey (2010) that unethical employees, in this case managers will hamper a company's attempts to become globally competitive. Retaining unethical employees at the helm of the SOEs directorship is suicidal to the management of the company and may consequently results in the low morale of the subordinates at the grassroots level. Similarly, subordinates may be encouraged by their leaders within the SOEs who subscribe to ethical rules; this will impact honesty and trust in the company, promoting positive outcomes for competitiveness (Joseph, 2000). It is therefore in the light of Joseph's assertion that indeed the application of ethics forms the crux of good governance. The observance of ethics is becoming more important as communities begin to realise its significance (Lloyd and Mey, 2010). According to Schoeman (2014), ethics should encompass all issues that are pertinent to accountability and transparency in the SOEs as this will serve as a guiding tool in the policy development within the company. 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 SOEs, it has to take on board principles that self- induce good behaviour, integrity, commitment and greater accountability by its public sector officials' (Gono, 2004).

Various press reports and government statements report that corruption is dominant in SOEs in Zimbabwe It is however worrying 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 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.

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, 2015). Those who wield power to determine and decide the allocations of resources in society referred to as the power elites. Through the exercise of political power, the power elites can administer public resources in a self-serving manner that excludes the majority who are supposed to be the joint beneficiaries of these resources.

3.5. OPTIONS AND APPROACHES TO REFORMING STATE OWNED ENTERPRISES

According to Hadebe et al (2015), corporate governance deficits remain largely responsible for the under-performance, opacity and rent seeking behaviour in SOEs. Notwithstanding the glaring shortcomings of the Zimbabwean SOEs sector, there are possibilities for the sector to contribute meaningfully and fulfil the developmental mandate while also improving on social services.

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. Zimbabwe embarked on privatization and abandoned the process and made a policy shift to the restructuring of SOEs (Hadebe, 2015). 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 SOEs performance. Drawing from experiences from Brazil, Israel and China (Chen 2013), it is not necessarily the degree of state control but adherence to corporate governance standards and best practices that largely determines the performance of SOEs. 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, SOEs are not generally known for having good corporate governance (Chen 2013).

Unlocking the potential of SOEs should logically be premised on the current policy of SOEs restructuring. Therefore, the reform of SOEs is instrumental to the realization of their potential fruits in Zimbabwe. Restructuring initiatives must be aligned with broader long term vision of the state (Mokoena, 2012). 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 SOEs. It is these national goals and ideals that should ideally guide the restructuring of SOEs and benchmarking their performance thereafter. That further buttresses the urgency of SOEs reform if the envisaged national developmental goals are anything to go by.

It has been noted that restructuring of Zimbabwe's SOEs was conceived of as an alternative to privatization that had earlier been embarked on but not completed [Balbuena 2014].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.

According to Hadebe (2015) the dual roles of ownership and regulation by the State have generally created problems for the management, performance and transparency in SOEs 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.

3.5.1. Option 1: Separation of roles and responsibilities

This approach has had successes in Singapore through the Temasek Holdings [Chen 2013]. Already Zimbabwe has in some cases structured a number of SOEs into smaller business oriented units under a wholly state owned holding company. Zimbabwe Electricity Supply Authority (ZESA) is one such example. As a key aspect of reform of SOEs, analysts like Hadebe (2015) argue that there must be a strong policy towards this separation of roles. 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.

3.5.2. Option 2: The Need to Balance Commercial Objectives and Public Services Obligations

Several scholars argue that at every level of the reform process, it is imperative to reflect on the very purpose of SOEs and how best they could achieve their stated mandates. In addition to their strategic role in the national development agenda, SOEs are meant to avail essential services at affordable prices to the citizens. Needless to say that the reforms that solely focus on cost recovery and commercial viability of SOEs 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], 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.

3.5.3. Option 3: Commercialization

The commercialization of SOEs is another option recommended for reform of the sector. Most countries from time to time commercialize certain SOEs. It is the executive's prerogative to choose the candidates for commercialization after due diligence and related preliminary considerations. Protagonists of this approach argue that it’s not about 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 SOEs in Zimbabwe was lack of discretionary autonomy commensurate with the new status' [Zhou and Masunungure, 2006] 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 Masunungure2006]. There is need for a shift in mind-sets and acknowledge that bureaucrats have not succeeded in running public companies. Therefore, political interference should be curtailed as a matter of principle.

3.5.4. *Option 4: Privatization*

Whilst some countries like Singapore have successfully privatised their SOEs including listing them on the stock exchange, for Zimbabwe the privatization option has been handled cognizant of the possible negative attitudes. That is understandable, considering the undesirable consequences from some previous SOEs 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 SOEs. Already a number of SOEs 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]. Of course, there are a number of short comings 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' [Zhou and Masunungure, 2006], 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] 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 recent ZISCO-ESSAR deal is one such example of ill-preparedness, lack of evidence-based policy and lack of transparency in contract making. Hadebe (2015) argues that 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 SOE is privatized to minimize negative consequences.

Apart from a clear privatization law and sector specific policies prior to disposal of SOEs, privatization shall remain unpopular with some citizens and stakeholders for the negative consequences like job losses. Privatization is meant to inject the needed investment and retooling in most of the SOEs and it should facilitate the redistributive agenda. The indigenization policy 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 (TZI, 2015). 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 SOEs. There cannot be a prescription to the type of privatization whether it is management buyout or contracting-out or franchising or any other model. According to TIZ

(2015), 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 State Procurement Board which is actually prioritized in ZIM-ASSET. Strengthening the State Procurement 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 SOEs in Zimbabwe.

3.6. CHAPTER SUMMARY

This chapter reviewed literature regarding the ownership and performance of SOEs across the world. What stands out is that despite the political system it is the approach to manage the SOEs that make them succeed or fail. Singapore gives a good example of the successful management of SOEs through Temasek.

CHAPTER 4: EVOLUTION AND GROWTH OF STATE ENTERPRISES AND PRARASTATALS, THE ZIMBABWEAN POLITICAL SETTLEMENTS, THE AND THE MOBILE TELECOMMUNICATIONS INDUSTRY

4.1. INTRODUCTION

This Chapter provides a framework within which to elaborate upon the most pertinent themes in the study NetOne's performance by highlighting the problem of political settlements, access to capital, corporate governance and the consequent lack of accountability and transparency in the management of SOEs in Zimbabwe.

The chapter covers the following areas:

- Zimbabwe's contemporary political settlement
- A brief history of SOEs in Zimbabwe , and
- A brief history of the evolution of the mobile telecommunications sector in Zimbabwe

It concludes that SEOs' performance has historically been affected by the predatory as well personalised patrimonial system leading poor corporate governance and unethical practices.

4.2. THE ZIMBABWEAN POLITICAL STELLEMENT

4.2.1. The Zimbabwe political system

Upon independence in 1980, the Zimbabwe political system was dominated by ZANU PF until 2000 when the labour backed Movement for Democratic Change (MDC) put a formidable challenge to ZANU PF's hegemony. It is particularly worrying that the focus of the ruling ZANU PF has been political survival rather than transformation in the productive structure of its economy with critics arguing that the multi-party system in Zimbabwe has become increasingly characterized by, and is further embedding, patron client rather than democratic forms of politics within what Levy (2012) terms a `competitive clientelist' settlement. Particularly since the 2000s, elections have been highly contested, with the two main parties having each won and lost elections by the narrowest of margins and in some instances have necessitated two rounds of polling (run-off) to determine the winner culminating in the formation of the All-Inclusive Government between 2008 and 2013.

The current party system reflects a growing political polarization, which is both shaped by and sustains a patronage system that has penetrated all levels of government and which undermines the nation's already weak institutions. There remain significant formal and substantive deficits in the country's governance arrangement, including constitutional arrangements characterized by dominant personalised patrimonialism, excessive presidentialism, weak checks and balances, and lack of effective devolution of authority to democratic local government.

Close observers suggest that the general level of elite consensus over the formal rules of the game concerning multi-party elections obscures a virulent level of contestation for power behind the scenes, whereby an increasingly defining feature of the Zimbabwe political system is the growing elite competition for power and the high tendency for inter-elite factionalism. Power in Zimbabwe is concentrated in the party hierarchy, membership of which offers access to rents and widespread patronage opportunities and networks. As a result, intense intra-party competition has characterized party leadership contests in the two main parties, often triggering the coalescing of elites and grassroots interests, actors and players behind certain individuals. This intensely competitive elite struggle for political power and bloc forming has not only made the ruling elite more vulnerable to clientelist interests, but also contributes to the ever growing level of political polarisation in the country.

The highly contested and condemned nature of the country's electoral process, and the constitutionally imposed five year term limit, have combined to generate strong pressures for the ruling ZANU PF and its elites to answer to the short term socio-economic needs of voters and their supporters, and the needs of their own short-term political survival. This enduring political pressure has informed competitive patronage and clientelist-based politics, which sustain and underlie the policy choices and preferences of the ruling elites, as well as the interests of the ruling coalitions within the parties. As such, the degree of formalization now witnessed within the electoral process does not extend far beyond the actual mechanics of polling themselves.

The underlying logic of a competitive clientelist political system is a structured mutual patron-client relationship. Indeed, this relationship has dominated the politics of developing countries everywhere in the world (van de Walle, 2009). The particular form of this relationship and resulting politics and development, however, vary across different democratic systems. The country's political system has developed into a source of patronage where parties provide job opportunities for the ‘boys and girls’ or the more politically correct term party foot-soldiers in their bid to win election. It must be noted that the patron-client political relations that characterize the Zimbabwean political system are not new. This relationship has characterized

Zimbabwe's political development since independence has been volatile becoming more manifest during the turn of the millennium. For some observers, this suggests that competitive clientelism in Zimbabwe (as elsewhere) derives its underpinning from deep structural roots. These include the failure to establish a formal economy large enough to displace the informal economy (Khan, 2010), universal public organisations unable to personalized and partial ones (North et al., 2009) and the lack of programmatic forms of party politics to replace clientelist ones (Levy, 2012). Such a political system party foot-soldiers expect to disproportionately benefit from the reallocation of public resources: higher ranking officials such as party officials and financiers pursue rent-seeking and influence peddling, while the ruling party governs not in the national interest but in order to returning to power in the next election. Thus, the political strategy structures a rentier mutual expectation in which patrons distribute resources in return for political support. So for example, in Zimbabwe, for public officials like heads of SOEs and top civil servants and unemployed youths belonging to ZANU PF a political party has become a source of economic empowerment.

The consolidation of patronage-driven politics, some analysts note, has skewed political incentives and government spending in favour of influential interest groups and public investment with short-term electoral pay-offs as opposed to investments in long-term and sustainable public goods delivery aimed at broad poverty alleviation. Competition for rents through corruption has become more pervasive. There is considerable corruption in the Zimbabwean public life. Rent seeking behaviour, particularly among the country's ruling and bureaucratic elites, is pervasive. Contestation and acceptance of patronage in the public sector and state-owned enterprises has gained ground becoming a central feature of the country's political economy. Patronage and the associated distribution of the spoils of state power have become the primary pay-off for campaign and party donors as well as a means of securing new financiers.

This tendency has caused most Zimbabweans to consider corruption to be the major factor that is holding back the country's development. The public sector, which is supposed to serve as a vital agency driving sustainable developmental agenda, has also not witnessed any meaningful efficiency and effectiveness and is thereby becoming another source of corrupt practices.

In terms of policy formulation, decisions regarding where to spend the country's resources by this coalition have primarily looked the incentive structure available to them before embarking on any policy intervention or reforms. At the levels of individuals and groups, the ruling elite have often ensured warped party ideologies and beliefs take precedent when deciding on how policies and programmes for development are conceived. However, such processes are leveraged upon by leaders with extreme power and grip within the ruling elite to entrench their power for political survival. This pervasive experience has meant that the ruling elites within the ruling party have pursued and implemented policies that have a short time horizon do not significantly shift the allocation of resources towards building productive sectors and are often plagued by problems of enforcement. The compounding factors resulting in this phenomenon include high degrees of vulnerability in power due to a strong opposition party, by strong lower-level factions within the ruling coalition due to their importance in winning elections, and by a high degree of fragmentation among the ruling elite, not excluding a weak domestic capitalist class and arguably, low inflows of foreign aid.

One example of this glaring short-term political interest-driven policy formulation relates to the political party financing during elections. The code of conduct and other regulatory frameworks of the political parties regarding elections in Zimbabwe acknowledge party financing as the most important political resource that drives party vibrancy and competitiveness. However it forbids parties from being sponsored by non-Zimbabweans. In spite of this, there have been many instances where political parties have grossly abused these provisions because the extent of contributions and the identity of the donors have remained a closely guarded secret.

4.2.2. SOEs and the Zimbabwean political settlement

As noted in the above section , both Rhodesia and Zimbabwe drew on the British precedence, in the establishment and development of SOEs, and both the colonial and post-colonial states reduced these enterprises largely into agencies of patronage, 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 illustrated in the Treasury Internal Paper (1996), already referred to in the foregoing.

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 socioeconomic 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 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.

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 modelled 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 state which has been captured by ZANU PF party members and security forces who have correspondingly relied on coercion/violence (or the threat of it) and patronage. 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.

Dawson and Kelsall (2011) note that over the years, these SOEs increasingly changed in character from production and marketing mechanisms into sites of political patronage as ZANU PF appointed boards were based less on technical competence than on clientelism. After the Willowgate Scandal of 1988, patronage politics rather than economic success appeared to be the driving ethos within the SOEs. For example, in 2005 SOEs were ordered to erect stands and pay rentals at ZANU PF's congress thereby contributing to the costs of the event (Dawson and Kelsall ibid).

4.3. A BRIEF HISTORY OF SEOs IN ZIMBABWE

4.3.1. SOEs in the Zimbabwean political economy

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.

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. 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), it is recorded that the SOEs process involved the reconstruction 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.

In the colonial era, economic policies were characterised by unprecedented investment in physical and social infrastructure for whites. The state used SOEs to exercise control over strategic economic activities, and investing in areas deemed unattractive to the private sector, like the Cold Storage Commission and the Rhodesia Iron and Steel Company (Zhou and Masunungure, 2006). The majority of the SOEs were wholly owned state monopolies and the state controlled the prices of goods and services provided by the SOEs. The prices were pegged at low levels, making it difficult for the parastatals to recover their operational costs. As a result, they received heavy subsidies (Zhou and Masunungure, 2006).

This is the situation that was inherited by the new black government at independence. The government adopted the policy of Growth with Equity in 1981, in order to address the inequities between blacks and whites, and in line with its redistributive policies, more parastatals were established, e.g. Small Enterprises Development Corporation (SEDCO), National Social Security Agency (NSSA), National Oil Company of Zimbabwe (NOCZIM), and existing ones were expanded. From 1980 to 2015, the number of SOEs rose from 20 to 78, with some being wholly owned state monopolies (Zhou and Masunungure 2006).

The Rhodesian experience with SOEs was integral to the political economy of white settler colonialism. The Land Apportionment Act (1930) constituted the backbone of economy which thrived for the benefit of the settlers, at the direct expense - and with surplus drawn from their labour and dispossession - 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 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, postcolonial Zimbabwe.

Apart from the SOEs, the entire economic system was designed as an enclave for the protection, benefit and patronage of the white settler community. The post-white settler colonial situation was characterized by continuity rather than change from onwards. In other words, the structure of the economy and most of its vestiges - income, wealth distribution, land ownership - 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 joined this echelon of the few.

Zimbabwe has done little or nothing to learn from the experiences of such countries as India which has transformed most of its SOEs into dynamic engines of growth and development; and China, which has developed an amazing form of State Capitalism out of SOEs which had become mostly agencies of patronage and stagnation. 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 social services. Generally, the developments were no less than revolutionary in import.

The SOEs consist of public corporations established through Parliamentary Acts and state companies incorporated under the Private Companies Act. State enterprises promotional development and commercial objectives, with each set of objectives varying according to the nature of the enterprise. As others like Sikwila (2014), have observed, some SOEs are 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 role of the SOEs as outlined in the Zimbabwe government publication entitled *Zimbabwe: First Decade 1980 -1990* was to provide the state with a means and agency through which the state could intervene in economic and social sectors. SOEs were established under different legal forms, some through a special act of parliament, some through the companies act, and others as joint ventures with private companies, with the state having a majority ownership (51% and above). A Parastatals Commission was put in charge of all SOEs from 1988 to 1990, and after its dissolution, each state enterprise or parastatals was managed by a board whose members were appointed by the responsible minister (Zhou and Masunungure, 2006).

SOES continued to receive subsidies, with no improvement in their financial performance (Zhou and Masunungure, 2006). This subsidy dependence syndrome became a heavy burden on the fiscus. Zhou et al (2006) also point out that besides handouts from the Treasury, SOEs also enjoyed hidden subsidies in the form of tax exemptions, cheap government-guaranteed credit facilities and below market price purchases from the government. The state continued to set prices for SOEs' goods and services, and inordinate delays were experienced in approving price increases. Zhou (2001) cites instances where the government took twenty-six months to approve a request for a tariff increase by the National Railways of Zimbabwe, and Air Zimbabwe had to wait three months before it could increase its fares. This led to huge deficits by SOEs. Losses were also incurred as a result of social mandates of some SOEs, which were not economically viable but beneficial to society as a whole.

4.3.2. 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 (Hadebe *et al,* 2015), 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, monopoly purchasers, processors and suppliers entities, controlling over 95 per cent of the domestic market for its products. Not surprisingly, 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.

The Justice Smith Commission had been established to deal with overbearing ministerial responsibility and its evils which include inter-alia patronage and corruption and 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 Secretary and subsequently deputy chairman of the Public Service Commission) and reporting directly to the President of the Republic of Zimbabwe. Unfortunately, the President 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 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 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 many Permanent Secretaries or similar rank - accounts for most key decisions SOEs in Zimbabwe.

The inherent contradictions of the abuse of SOEs for political advantage at the expense of economic realities inevitably resulted in institutions that became less and less efficient even as sources of rents let alone as service providers. Since the SOEs operated as short-horizon and centralised sites of rent-seeking, the cost of maintaining these grew substantially as profitability declined, perpetuating underdevelopment.

4.3.3. New Developments on SOEs Reform in Zimbabwe

Recent developments show that the government of Zimbabwe is on paper still pursuing commercialisation and privatisation of SOEs. The government has since produced a code of corporate governance for parastatals (Daily News, 2 March 2013) as well as a restructuring manual to guide state owned enterprises in management and restructuring processes (The Herald , 23 November 2013). It is also interesting to note the following remarks by the Minster of State Enterprises and Parastatals. He is quoted in the Herald of 7 May 2012 as saying that most SOEs were run by incompetent managers, as evidenced by their failure to come up with meaningful restructuring proposals. The same newspaper on 10 March 2012 also highlights the fact that about seven SOEs had been operating for more than two years without boards. This means that SOEs will either be privatised or commercialised. It is therefore my opinion that an empowered and re-oriented SOEs management regime will greatly assist the SOEs earmarked for commercialisation and privatisation to achieve break-even and even profitability, thereby making them attractive to investors.

Although the new Constitution of Zimbabwe [Amendment No. 20 of 2013] demands that all public agencies report Zimbabwean citizenry on their performance there is lack of transparency and accountability since the company does not publish its results for public scrutiny. This researcher was also denied the full list of board members from 2002 to date and had to rely on newspaper articles to get the names of the past and present board members. In 2010 the government through its push for the one size fits all approach to Results Based Management (RBM) and the fad Performance Contracts System responded to the corporate governance challenges faced by the country through the adoption of various corporate governance codes elsewhere around the world. It therefore developed the Corporate Framework for State Enterprises and Parastatals (CGFSOE) of 2010 and National Code of Corporate Governance (NCCG) in 2015. A bill for the Public Sector Corporate Governance Act is currently under debate in Parliament.

The frameworks focus on impartial appointment of board of directors, procedures and meetings, strategic planning, budgeting, performance contracts, financial reporting and production of audited accounts. The Companies Act [Chapter 24:03] as well as other various acts governing the conduct of all registered companies compel them to abide by good governance practices.

The Public Finance Management Act [Chapter 22:19] (PFMA) gives legal effect to some provisions of the corporate governance framework. Section 50 of the PFMA legally compels every public entity to adhere to the principles of sound corporate governance policies, procedures and practices. The PFMA imposes various penalties on officers of the SOEs who fail to observe certain provisions of the act as well as the NCCG and its predecessor the CGFSOE which unfortunately have not been implemented by SEOs including NetOne. A Corporate Governance Bill is currently being discussed in Parliament but it remains to be seen whether the law if passed will backed by political will to ensure its enforcement.

4.4. EVOLUTION, GROWTH AND POLITICS OF THE ZIMBABWE MOBILE TELECOMMUNICATIONS INDUSTRY

In colonial Zimbabwe (then Rhodesia) the Posts and Telecommunications Corporation (PTC) was a monopoly in the provision of posts and telecommunications services. It was formed in 1968 as a statutory body to take over telecommunications services from the police under the Ministry of Posts. An Act of Parliament was passed in 1970 to create the Posts and Telecommunications Corporation (PTC) and was governed by the Posts Telecommunications Services Act [Chapter 250] and the Posts and Telecommunications Corporation Act [Chapter 251]. The management and control PTC was bureaucratic with the successive Ministers having the final decisions in its operations.

Mobile telecommunications services were introduced in Zimbabwe in 1996 when first attempts to liberalise the telecommunications sector were made. Due to patrimonial politics, the liberalisation of the telecommunications industry was hurriedly done in Zimbabwe through the Judiciary instead of the Executive, following a lawsuit by the founder of Econet Wireless Zimbabwe. Hitherto the Government of Zimbabwe has failed to institute necessary reforms on the successor entities of the PTC in order to allow them to compete in the new liberalised telecommunications environment.

With sheer reluctance in response to evolving technological developments and legal challenges, the Government liberalized the sector in the late 1990s. In the mid-1990s Strive Masiyiwa the founder of Econet Wireless Zimbabwe heralded the idea of setting up a mobile cellular telephony business in partnership with the then PTC. Upon failing to persuade PTC to set up a Joint venture Masiyiwa struck out on his own (Dawson and Kendall, 2011). While, Strive Masiyiwa Econet Wireless Zimbabwe was fighting in the courts to get a mobile licence. Telecel was the first private mobile cellular operator in 1997. Econet Wireless Zimbabwe was finally granted a licence by The Supreme Court in 1998 completely ending government monopoly in the sector.

The industry now has four mobile network operators namely; Econet Wireless, NetOne Cellular (Pvt) Limited, Telecel Zimbabwe and Tel-One (Pvt) Limited. There are however, three operators since Tel-One has failed to offer mobile telecommunication services since it was granted a licence in 2011. The industry has over the years phenomenally grown with Econet Wireless emerging as an oligopoly owing to the slow growth of the other two operators.

According to sources at NetOne, their company was the first to be licenced in 1996 and launched its operations with 500 post-paid lines during the World Solar Summit in September 1996 in Harare. NetOne is one of the four successor agencies all wholly owned by the Government following the unbundling of the PTC in the late 1990s. The others are Tel-One (Pvt) Limited, Zimbabwe Posts (ZIMPOST) and the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ). No private players were allowed to offer similar services in competition with PTC. Since it was a monopoly it managed to extend its footprint to all cities, towns, tourist resort areas, mining farming and rural areas and for the following ten or more years boasted of the widest network coverage in Zimbabwe. In interviews conducted with NetOne management, it was revealed that NetOne needs about

US$570m to put up 3 000 base stations, up from the current figure of 750 base stations, at average cost of US$250 000 per rural base station. It also requires a lot of capital for optic fibre infrastructure and to upgrade its value services like OneWallet, its money transfer platform.

Econet Wireless is the market leader and is also one of the largest companies listed on the Zimbabwe Exchange. In 2009, the company became the first operator to launch mobile data services under 3G technology and began building an extensive optic network through its subsidiary, Liquid Telecom.

Survival and success the mobile telecommunications industry is characterized by the ability to adapt to the changing profile and higher user expectations on the one hand and a rapidly changing technology environment on the other. In recent years, competition amongst the brands: Econet, NetOne and Telecel have intensified driven by increased demand for mobile telecom services which is a phenomenal trend especially in developing countries. All the mobile operators are 100% digitalized and offer 2G, GPRS, EDGE, and 3G services. With the basic mobile telecommunications services relatively identical, consumers face a complex task of selecting their preferred mobile telecom brand amongst the given alternatives. According to www econet.co.zw, Econet Wireless Zimbabwe was incorporated in 1994 and launched its full scale operations in 1998 and boasted of a host of brands with Ecocash its mobile money transfer platform and Econet Broadband the internet service provider topping the list.

Whilst literature on the shift in market share and positions is dominant in the local press, scholarly articles on the determinants of brand preferences is somehow scarce. Notwithstanding the major drivers for the use of mobile telecommunications services has for the past 19 years been the consumers' need for faster and efficient telecommunications services emanating from the slow growth, accessibility and affordability of the traditional fixed telephone lines.

Competition in the mobile telecommunications services sector has intensified over the past few years since the adoption of a multi-currency financial system in early 2009 with the subsequent launch of new products and services such as internet broadband services, mobile money transfer platforms and mobile banking services. In addition, the aggressive promotional activities by all the telecom players such as bonus calls, free SMS services, reduced tariffs at selected times confirm assertions by market analysts who predict even stiffer competition in the preceding years.

4.5. CHAPTER SUMMARY

This chapter has presented the history of SOEs in Zimbabwe and how the Zimbabwean political settlements played a part in the development of the telecommunications industry, the introduction of the highly contested mobile telecommunications industry and the birth of NetOne. It is evident that NetOne is a product of centralised state control whose ownership structure undoubtedly has a bearing on the performance on of the company as will be explored in the following chapters.

CHAPTER 5: EVIDENCE OF NETONE'S UNDERPERFORMANCE

5.1. INTRODUCTION

This chapter analyses NetOne's performance in terms of market share, financial performance and contribution to employment in comparison with Econet Wireless and Telecel over the years. It also provides the company's financial position in terms of debtors and creditors. It concludes that overall, NetOne has not done well despite isolated cases of success.

5.2. MARKET SHARE

This subsection provides NetOne's historical market share in comparison with other operators in the industry and reveals its low competitiveness. Statistics given in tables 3 to 5 below obtained from the sector regulator, POTRAZ show that NetOne (Pvt) Ltd used to be the sector leader with 72 127 subscribers in 1999 while its competitors were below 70 000. The figures show that NetOne has played second fiddle to Econet and has been exchanging the second position with Telecel in between the years, only to completely upstage Telecel Zimbabwe in 2014 owing to threats to close Telecel by government for failure to abide by the contentious indigenization policy which led to it losing a substantial number of subscribers. At the end of 2014, NetOne (Pvt) Ltd had around 3 million subscribers (27.1%) while Econet Wireless had 6.4 million subscribers (54,7%) and Telecel had around 2 million (18.2%). As shown in the tables 1-3 below, between 2009 and 2013, NetOne was number three out of three in terms of subscribers.

Table 1: Market share 1997-2004

Company	1997	1998	1999	2000	2001	2002	2003	2004
Telecel	-	574	53,079	82,786	84,690	85,084	95,286	130,152
NetOne	20,492	60,161	72,217	89,949	91,805	114,295	118,295	122,139
Econet	-	-	63,286	93,706	137,512	140,462	151,084	173,606
Total	**20,492**	**60,735**	**188,582**	**266,441**	**314,007**	**339,841**	**364,665**	**425,897**

Table 2: Market share 2005-2010

Company	2005	2006	2007	2008	2009	2010

Telecel	140,000	156,698	245,746	257,785	451,063	1,270,562
NetOne	166,000	215,488	331,254	340,189	347,293	1,253,456
Econet	341,000	477,459	648,908	678,148	3,214,836	4,680,782
Total	**647,000**	**849,645**	**1,225,908**	**1,276,122**	**4,013,192**	**7,204,800**

Table 3: Market share 2011-2014

Company	**2011**	**2012**	**2013**	**2014**
Telecel	1,516,167	2,582,154	2,578,559	2,152,148
NetOne	1,662,952	2,017,726	2,333,739	3,194,641
Econet	5,608,444	5,914,055	6,120,869	6,451,863
Total	**8,787,563**	**10,513,935**	**11,033,167**	**11,798,652**

5.3. FINANCIAL PERFORMANCE

This subsection presents NetOne is financial performance by looking at revenues from 2001-2014 as well as the Average Revenue Per User (ARPU) and profits from 2009-2014 as shown in tables 4 – 11 below.

The ARPU is generally a revenue growth indicator as a result of promotions and supplemental services provided by a company. It is also used to measure profitability of an operator.

Table 4: Average Revenue Per User (ARPU) (US$) 2009-2014

Company	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Telecel	153	67	65	52	58	56
NetOne	291	63	57	47	45	35

Econet	92	95	98	111	112	104

Table 5: Average Revenue Per Employee (ARPE) (US$) 2009-2014

Company	2009	2010	2011	2012	2013	2014
Telecel	306	303	314	424	214	172
NetOne	368	235	268	273	277	258
Econet	690	631	702	771	342	337

Table 6: EBITDA (US$) 2009-2014

Company	2009	2010	2011	2012	2013	2014
NetOne	25 688 109	6 708 289	12 890 233	13 270 095	25 454 419	31 392 051
Econet	26 600 000	179 28 242	242 700 000	290 900 00	305 300 000	332 200 000

Table 7: CAPEX (US$) 2009-2014

Company	2009	2010	2011	2012	2013	2014
Net*One	17 203 558	34 055 863	46 727 210	25 488 778	30 586 752	48 542 151
Econet	34 195 449	160 000 000	270 000 000	216 000 000	147 000 000	1 200 000 000

In terms of revenue generation, Net*One was number three out of three. Information obtained from POTRAZ presented in tables 2.1 to 2.3 below show the financial performance of Net*One compared to its competitors Econet Wireless and Telecel over the said period.

Table 8: Revenues (ZW$ Million) 1997-2001

Company	1997	1998	1999	2000	2001
*Telecel	-	387	530	1,286	2,690
NetOne	28	403	629	1,472	2,623

*Econet	-	-	460	1,323	3,312
Total	**28**	**790**	**1,619**	**4,081**	**8,625**

*Telecel and Econet started operating in 1998 and 1999 respectively

Table 9: Revenues (ZW$ Million) 2002-2007

Company	2002	2003	2004	2005	2006	2007
Telecel	18,000	45,000	130,000	340,000	756,698	5,245,746
NetOne	16,042	31,000	111,008	279,494	455,780	3,275,629
Econet	23,809	48,000	192,504	647,355	1,424,035	11,462,593
Total	57,851	124,000	433,512	1,266,849	2,636,513	19,983,968

*2008 revenues could not be accurately consolidated because of the hyperinflationary period and the removal of zeros from the ZW currency multiple times.

Table 10: Revenues (US$) 2009-2014

Company	2009	2010	2011	2012	2013	2014
Telecel	69,034,912	85,208,934	99,109,700	135,120,894	149,974,285	120,845,285
NetOne	100,930,543	78,542,522	95 274 401	94 662 845	105 529 419	113 066 485
Econet	295,872,107	446,345,209	552,373,776	654,542,156	684,427,842	674,189,335
Total	**465,837,562**	**610,096,665**	**746,757,877**	**884,325,895**	**939,931,546**	**908,101,105**

In terms of profits, NetOne also made significant losses from 2010-2014 as revealed by its Audited Financial Statements summarized below. Meanwhile NetOne's major competitors, Econet Wireless Zimbabwe and Telecel Zimbabwe made huge profits over the same period with Econet upsetting its loss from US$1.6 million in 2009. As shown in table 11 below, NetOne made a total loss of about US$48 million in the last 6 years.

Table 11: Profits ($US) 2009-2014

Company	2009	2010	2011	2012	2013	2014

NetOne	7. 7m	(13.6m)	(7.7m)	(5.9m)	(4.8m)	(5.8m)
Telecel	1.9m	19.8m	4.7m	22m	30m	*
Econet	1.6m	113.2m	140.9m	165.7m	139.9m	119.4m

*Telecel figure for 2014 not available due to ownership and licensing challenges faced by the company from the middle of 2014

5.4. NETONE'S FINANCIAL POSITION AND BANKABILITY

At the time of study, NetOne had and unsustainable cash flow position evidenced by accumulation of domestic payables and receivables from other SOEs, the Central Government and private sector suppliers. Treasury, through Government Ministries, owes NetOne more than US$6 million. Effectively, NetOne is subsidizing defaulting customers. A number of Ministers, and Parliamentarians were reported to owe NetOne large sums of money since 2009. At the time of research, sources at NetOne indicated that the company is owed close to US$60 million (shown in Table 12 below) an amount whose provision in their financials constitutes much of the losses the company is making.

Table 12: Amounts owed to NetOne

Entity		Amount
1	Direct Consumers (corporates and individuals)	$30m
2	Zelco (former agent)	$15m
3	Firstel (former agent)	$8m
4	Central Government	$5m
Total		**$59m**

Source: NetOne

NetOne also owes huge amounts of money its lenders, the regulator and other operators in statutory obligations and interconnection fees. It is also servicing legacy debts it took over when the government unbundled the Post and Telecommunications Corporation PTC). Table 13 below shows its debt position.

Table 13: NetOne debts

Entity		**Amount**
1	Huawei	$218m

2	Other international lenders (legacy debt)	$14
3	Local lenders	$20m
4	Other operators	$19m
5	POTRAZ	$10m
Total		**$281m**

Source: NetOne

5.5. EMPLOYMENT

The three mobile telecommunications companies directly employ over 3000 people broken down in Table1below. Statistics clearly show that NetOne employs the least number of people.

Table 14: Direct employment by company

Company	Number of people employed
Econet	2 000
Telecel	700
NetOne	437
Total	3 137

Compiled by author from various sources

5.6. CHAPTER SUMMARY

This chapter presented NetOne's performance in terms of market share and financial performance, that is, revenues and profits in comparison to Econet Wireless and Telecel. It revealed that the state enterprise has performed dismally over the years. The researcher therefore concludes that NetOne must improve its revenue generation to improve its ARPU, ARPE and EBITDAs to comparable levels with the market leader Econet Wireless. Could it be its cost structures? Is it weak supervision? What are the causal factors for this state of affairs? The following chapter seeks to answer these questions?

This section presented NetOne’s performance in terms of market share and financial performance, service offerings and contribution to employment in comparison to Econet Wireless and Telecel Zimbabwe. It revealed that the state enterprise has performed dismally over the years and is burned by debts and amounts owed to it by its clients portraying an unhealthy state of affairs.

CHAPTER 6: CAUSAL FACTORS FOR NETONE'S UNDERPERFORMANCE

6.1. INTRODUCTION

This chapter explores the causes of NetOne's underperformance from both an internal and external perspective. These will be examined as underlying and proximate contributory factors

6.2. UNDERLYING CAUSES

6.2.1. Politics of patronage, misappropriation of rents, control and interference

The root cause of NetOne's problems is embedded in the Zimbabwean political settlements and the political and economic history of the country.

It is this researcher's view that NetOne is a product of anti-development patrimonialism since it was created to thwart Econet Wireless in wanton disregard of the country's laws. As seen in Chapters 4 and 5, when Econet came into play, it overtook NetOne. NetOne practically lacks the incentive to grow as a company but instead spends a lot of effort fighting wars to destroy other operators especially Econet Wireless as evidenced by its refusal to pay $12 million interconnection fees owed to Econet Wireless (www.techzim.co.zw, 27 August 2012) and seeking government protection when it was disconnected ((www.techzim.co.zw, 27 August 2012).

Just to show how ZANU PF political control is a major factor in the affairs of the company, in 2009, following the formation of the All Inclusive Government, NetOne together other telecommunications related state enterprises and parastatals was initially placed under the Ministry of Information Communication Technology headed by Nelson Chamisa of MDC-T (T. Saharo, The Zimbabwean Online Newspaper, 17 April 2009). Barely a week into the life of the new government there was a clash at NetOne offices between Webster Shamhu ZANU PF), the then Minister of Media, Information and Publicity and Nelson Chamisa, the then Minister of Information Technology. According to the Zimbabwe Independent Newspaper of 26 February 2009, Shamhu had purportedly gone to address the grievances of the workers at NetOne and the meeting was eventually abandoned. The president then reacted by putting NetOne under the newly renamed Ministry of Transport, Communication and Infrastructural Development. This ministry was headed by Nicholas Goche, a former senior ZANU PF cabinet minister. Mugabe took away NetOne from Chamisa, allegedly following pressure from ZANU PF allies who perceived the company to be of strategic security importance, hence too risky to be in the of the MDC-T minister.

At the lapse of the All- Inclusive Government in October 2013, NetOne was then emplaced under the Minister of Information Communication Technology, Postal and Courier Services when Webster Shamu appointed was appointed the new Minister. A month later at the re-launch of the underperforming OneWallet, Net One's money transfer application, Shamu who was the guest of honour and dressed in party regalia demonstrated deep rooted patronage when he declared that the Managing Director was safe and would not go anywhere. This is despite the fact that the company was performing poorly (Herald, 9 November 2013).

As noted in the literature review, for political reasons, there is no performance management and measurement of the company as is the case with all other SOEs in Zimbabwe. The assertion by Caiden and Kwanbo (1991) reflects reality in what happens at NetOne where the company's resources are prone to use for other purposes other than economic development and social service provision. According to the Zimbabwe Independent, the then Ministry of State Enterprises and Parastatals reported that ministers from the political divide were crippling the state enterprises and parastatals including NetOne by illegally double dipping from government organizations (The Independent, 5 June 2015).

Ironically, speaking at the re-launch of NetOne's mobile money transfer service, OneWallet, the former Minister of ICT, Postal and Courier Services Webster Shamhu blamed government for prejudicing NetOne through bureaucracy when he said;

"The NetOne giant has awoken and is ready to compete with other players in the country. We as government no longer want to disadvantage the company; there will be no more bureaucracy in government and when NetOne wants something we will make sure it's done without delay," (The Financial Gazette, 16 January 2014,) ...and that

"NetOne is always lagging behind because of bureaucracy in government resulting in some of its ideas getting stolen before implementation" (Business Daily, 11 November 2014).

According to officers at the company, NetOne is regarded as ‘Network Yemusangano’ (ZANU PF network) and it is common knowledge that the company supports ZANU PF political functions like congresses and conferences. Anonymous sources at NetOne disclosed that company also donates cash, transport, sim cards, laptops, smartphones and other freebies to ZANU PF for distribution to its supporters during election campaigns.

The following examples seek to illustrate this assertion:

1. Sokwanele (6 June 2004) writing about the 2004 by election in Matabeleland North province reported the use of NetOne vehicles to carry ZANU PF supports around the constituency.
2. According to Balancing Act online publication (11 March 2011) it seemed ZANU PF abused the status of NetOne to send anti-sanctions campaigns messages to all NetOne subscribers yet it threatened to cancel Econet Wireless' licence in 2008 when MDC-T's campaign messages were transmitted through the network (Newsday, 6 March, 2011)
3. On 28 January 2009, Moses Muchemwa reported that the ZANU PF run mobile network provider, NetOne, was sued for rejecting to receipt Zimbabwe from desperate clients (ZimEye, 28 January 2009).
4. During the 2009 ZANU PF Congress, The Zimbabwe Mail reported that there was a Mnangagwa (now Vice President) faction command centre at the Kopje Plaza, Fourth Floor occupied by a company called Firstel Cellular, NetOne intermediary seized by ZANU PF from exiled businessman Mutumwa Mawere (Zimbabwe Daily, 11 December 2009).
5. The Zimbabwe Independent of 24 reported that cash strapped SOEs including NetOne was forced to donate up to $120 000 each for the first Lady Grace Mugabe's birthday.
6. NetOne management confirmed donating to ZANU PF functions and erecting stands for ZANU PF congresses and conferences (Anonymous)
7. In 2005, a ZANU PF Minister responsible for supervising the company ordered NetOne to allocate to him thousands of free lines for his political campaign in his rural constituency yet there was poor network coverage in the area (Anonymous).
8. In 2015, the Minister responsible for the supervision of NetOne directed that a base station be installed in his remote and underserviced area despite it being unprofitable for the company (Anonymous).

It is the author’s contention that politicisation plays a major role in the underperformance of NetOne. This section affirms Hypothesis 1 that given the political settlements and rent management system in Zimbabwe NetOne will continue to underperform if there is no change of ideology and approach to managing SOEs in Zimbabwe. Furthermore it has perennially affected corporate governance as discussed in the following section.

6.2.2. NetOne’s Governance

As seen in Chapter 4, the ZANU PF led government inherited and nurtured the colonial regime's system of institutionalised politicised economic rents extraction. With the ruling ZANU PF party highly cash-strapped following the failure of its companies from which it used to extract rents, it has turned to state enterprises such as NetOne as sources of resources to run its operations. This is orchestrated through the appointment of politicised boards loyal to the ruling party.

Querying NetOne's underperformance, Eldred Masunugure (2014) argues that patronage is at the centre of how ZANU PF operates and it is clear from how presidential appointments are made from ministerial appointments down to other levels where appointments are secondarily on merit and primarily on patronage. He blames poor corporate governance as the chief reason why NetOne trails Econet and sometimes Telecel in terms of market share and profitability when it was the first to get an operating licence. He concludes that just like most of the SOEs NetOne must be making profit but rent –seeking behaviour by boards and management have seen it failing. As also noted by Dawson and Kelsall (2011), upon attaining independence the administration of SOEs in Zimbabwe increasingly changed in character from production and marketing mechanisms into sites of political patronage as ZANU PF appointed boards were based less on technical competence than on clientelism and NetOne is no exception. Below is a sample of some of the NetOne board members linked to ZANU PF. to perform as expected. Table 15 below shows some of the board members linked to ZANU PF.

Table 1: Selected NetOne Board Members with ZANU PF links 2000-2015

NAME	PERIOD	GENDER	BACKGROUND	POSITION
Reward Kangai	2000	M	Net*One Managing Director and known ZANU PF stalwart	Board Chair
Irene Zindi		F	Former and current ZANU PF MP	
Theophilus Gambe	2001-2007	M	Former Electoral Supervisory Commission Chairman	Board Member
Muvengwa Mukarati	2001-2005	M	Losing ZANU PF parliamentary candidate for 2005	Board Member
Mainos Mudukuti	2001-2005	M	Son of ZANU PF stalwart	Board Member

			and National Hero George Mudukuti	
Callistus Dingiswayo Ndhlovu	2005- 2012	M	ZANU PF Politburo and Central Committee Member	Board Chair
Mazwi Fani Dandato	2005-2012	M	Firstel Director a company which had strong ZANU PF ties	Board Member
Kenzias Chabota	2005-2012	M	Businessman and ZANU PF stalwart	Board Member
Angeline Dambaza	2005-2012	F	Alleged relative of the President	Board Member
Gabriel Mugabe	2005-2007	M	Alleged relative of the President	Board Member
Sydney Nyanungo	2014 - 2015	M	CIO and ZANU PF stalwart	Vice Board Chair
Ministry Officials	2012-2014		Civil servants under direct supervision of the Minister and expected to tow the ZANU PF line	Board Chairs and Board Members

Source: Various

It is important to note that some managers had shares in Firstel leading to corporate incest. Furthermore, the basis for Ministers appointing these boards is not justified since NetOne is a private limited company which should operate under the Companies Act yet it is treated like a parastatal.

These politicised boards lack autonomy and cannot make critical decisions regarding to procurement and employment without clearance from the responsible Minister and other government stakeholders. The practice of corporate governance at NetOne as is the case with all other SOEs is atypical of what Andrews, Pritchett and Woolcock, (2013) call `isomorphic mimicry' where there is compliance in terms of form and not functionality.

The study established that while NetOne had standard corporate governance structures and practices are in place its performance remains poor. The corporate governance practices have not had a positive impact on the performance of the company. Strategy and business growth implementation are also singled out as particularly bad. Intermittent periods that the company went through without substantive boards negatively affected corporate governance practices in particular. Poor corporate governance has negatively affected the company's performance and continuously works against its efforts to attract foreign partners. An in-depth analysis of these key corporate governance instruments reveals that the missing link to improve their effectiveness is the dual role that government plays as both referee and player in the business world.

The government is often found wanting when it fails to distinguish its policy making role and shareholder position. Because of the failure to address this conflict of interest even with sound governance systems in place, NetOne will still fail to perform satisfactorily. An analysis of NetOne's strategic and operational documents reveals various strategic performance aspects that are well below the average as well as sector benchmarks. As indicated in Chapter 1, NetOne is seen to be performing badly because it is approaching the government with begging bowls instead of dividend cheques while its private sector counterparts are paying dividends to their shareholders. Strategic decisions by the board of directors are part of good corporate governance practices that determine the performance of the firm (Davis 2002). Short and long term viability of the firm as well as profitability is part of such good practices.

The documentary analysis revealed serious poor liquidity and profitability challenges for NetOne. These findings are corroborated by the research findings as discussed above. Despite all the good provisions cited above, NetOne like other SOEs continues to perform dismally.

In my analysis of the key governance instruments, I noted that the missing link to the above important observations was the dual role that government plays as both referee and player in the business world. The government is often found wanting when it fails to distinguish its policy making role and shareholder position in SOEs despite the provisions of the NCCG and the legal statutes. If this conflict of interest is not addressed even sound governance systems, NetOne will continue to perform unsatisfactorily. Overall, on the financial performance analysed above, the research findings conclude that some of NetOne's challenges are a strategic corporate governance matter that the respective corporate governance structures in place failed to contain. This confirms the research Hypothesis 2 stated in Chapter Two that the poor performance by NetOne may be associated with poor corporate governance practices, providing an answer to research the question questions.

6.2.3. Lack of adequate investment capital

This section looks at the above factors which are tied to the political system and seeks to prove postulations in Hypothesis 4. It also seeks to answer research questions 1, 2 and 3.

The telecommunications industry requires innovation and is capital intensive in nature and as such, there is need for massive capital injection by operators. The institutional endowment of Zimbabwe is a critical determinant factor for NetOne's performance. Because investors are wary of the government's potential to behave opportunistically by altering the rules of the game to take advantage of those who have made fixed investments they require credible assurances and insulation against expropriation of property and bureaucratic hold ups that negatively affect profitability. The environment under which NetOne operates is not conducive for innovation.

6.2.3.1 Undercapitalisation

Due to western economic sanctions imposed on Zimbabwe (1999 to present) and the hype of indigenisation, NetOne did not receive any lines of credit from its traditional foreign lenders for more than 10 years. Notwithstanding these constraints, NetOne used local loans which were short-term and with high interest rates, and internally generated revenues to roll out the existing network infrastructure, meaning NetOne can do better with adequate and timely funding.

According to sources at NetOne long periods of undercapitalisation resulted in NetOne lagging behind competition in infrastructure development, upgrade and augmentation thereby affecting it in terms of quality of services, innovation and product scope. This has been really critical in an environment where the first mover is always the winner. NetOne got the first loan-funding in 1997-1999. The next funding was in 2011, from China EXIM Bank. The initial loans were for 7 years. According to NetOne's Managing Director, Finance Manager and Internal Auditor, in 2002, they could not pay external loans and ING Bank of Tokyo put a lot of pressure. NetOne paid Z$263million, then equivalent to US$11 million to Government for onward remittance to the creditors. The debt was not paid and Treasury did not return the money.

There are also claims from NetOne management that it never received direct funding from government since its formation although it enjoys an exemption to pay licence fees pegged at US$137.5m. This lack of funding was corroborated by Patrick Chinamasa, the Minister of

Finance when he moved a motion for Parliament to ratify Government's loan application from China to support NetOne when he said:

"We [Government] have not given any meaningful capital to NetOne right from its inception and for that reason, Comrade Kangai who has been at the helm of this institution needs to be credited for growing this company from nothing and it is for this reason that he needs to be commended. One of the reasons why it lagged behind although it was first in the business is precisely that it was under capitalised" (Parliament of Zimbabwe Report, Thursday, 18 September, 2014)

This is contrary to assertions by the Minister of ICT, Postal and Courier Services who said; *"As government we have now invested more money into the company and we must see results. We cannot have the same performance."* (Techzim, May 2015). This statement was made in reference to the loan that NetOne accessed from EximBank of China in 2014.

When NetOne started it had the widest coverage across the country owing to the deployment of basic infrastructure through government guaranteed loans and easy access to lines of credit. The major obstacle hampering the development and extension of the network systems and service expansion by NetOne is lack of funds and low infrastructure sharing. NetOne's footprint has over the years been affected by low infrastructural development, upgrading and augmentation. According to engineers at NetOne, most of the infrastructure which is supposed to be replaced after 5 to 7 years has not been replaced in the past 15 years and is almost obsolete hence needs continuous replacement and upgrading to catch up with ever-changing technological developments to carry different services.

The Sunday Mail newspaper of 4 May 2014 ran an article entitled `Mobile giants locked in mortal combat: Telecel, Econet battle for supremacy. NetOne now insignificant' confirming the position that investment is key to gaining market share in the mobile telecommunications industry. The article also buttresses that the market share is getting to be a `zero-sum' game and that economies of scale are key business drivers.

6.2.3.2 Expensive capital

Another contributor to the underperformance of the company is the expensive money it borrows to finance its operations. For a variety reasons but mainly political, NetOne is unable to borrow from its traditional sources and has to find other sources where it gets interests rates as high as 30% per annum (Techzim, 6 August 2012).

6.2.3.3 Economic challenges

During the years of hyperinflation (2002-2008), NetOne just like all other SOEs was embedded in a vicious circle of distortions. It faced several viability problems as it operated at controlled non-economic tariffs. The most challenging problem can be singled out as the acute shortage of foreign currency on the official market and failed to import spare parts to upgrade and service its aging infrastructure.

6.2.3.4. Bad debtors

As illustrated in Chapter 5 NetOne has accumulated of domestic payables and receivables from other SOEs, the Central Government and private sector suppliers owing to unfavourable economic and market conditions. Various Government entities NetOne more than US$6 million. Effectively, NetOne is subsidizing defaulting customers. A number of Ministers and Parliamentarians are reported owe NetOne large sums of money since 2009. At the time of research, sources at NetOne indicated that the company is owed close to US$60 million an amount whose provision in their financials constitutes much of the losses the company is making. These owed resources if they had been paid to the company and with proper deployment could have gone a long way in improving the company's balance sheet and competitiveness.

6.2.3.5. Debt Overhang

As shown in Chapter 5, NetOne is also servicing legacy debts it took over when the government unbundled the Post and Telecommunications Corporation PTC). It also owes huge amounts of money to its lenders, the regulator and other operators in statutory obligations and interconnection fees.

6.3. PROXIMATE CAUSES

This section provides the linkages between political settlements and corporate governance and their effects on company performance attempting to prove or disprove Hypothesis 2.

Some of the effects of bad corporate governance are NetOne's poor organisational culture, bad leadership, weak internal management practices and their toll on the company's performance.

6.3.1. Poor organisational culture

Due to politicisation and poor oversight, the leadership and top management of the company is characterised by corruption, self-aggrandizement and suppression of low level employees. According to sources in the company, top executives from the Managing Director down to manager level have unquestionable authority and the privileges amid allegations of rampant siphoning of company resources for private gain.

When faced with difficult situations, executives avoid getting involved, because if something goes wrong, they fear that they might get fired, but nobody gets fired for doing nothing. At NetOne's top level, executives have stayed in their posts with the Managing Director having been at the helm for almost 20 years and other senior management members having been in their positions for more than 15 years leading to innovative inertia.

6.3.2. Low employee engagement

Just like other SOEs NetOne is a hierarchical company run bureaucratically. Whilst NetOne workers are also reported paid well and on time, they are demotivated since they feel they are not given room to be innovative to grow and realise their potential.

Because of the company culture employees are generally demotivated. They do not feel valued. The company vision is not known by the employees. People are promoted based on seniority or influence, with very little attention paid to actual performance. Said one of the employees whose identity will remain anonymous:

'I am NetOne for the money. Whether I perform or not no-one bothers. Our management is untouchable, corrupt and insensitive to our professional needs. They view themselves as emperors and owners of the company. Communication is a big problem and there is a lot of spying behind the scenes. People get fired for the slightest of mistakes if they are considered undesirable elements. Our management does not walk the talk. The performance management system called the Balanced Scorecard is only there on paper not in practice'. (Anonymous Interviewee, June 2015).

6.3.3. Weak Internal Controls, Unethical Behaviour and Corruption

NetOne was not spared the so called `Salarygate Scandal' that hit Zimbabwean SOEs in 2014. At the time of study, NetOne was alleged the highest paying state enterprise. It was made public by The Herald Newspaper, The Daily News and The News Day on the 28th of January 2014, that NetOne's Managing Director earns a whopping US$43 000 per month, over and above other undisclosed sums of money which include housing, education and vehicle allowances. Furthermore NetOne has lost and continues to lose a lot of real and potential revenues due to theft, procurement malpractices, fraud and outright corruption for which no recourse effective was taken as demonstrated in Table16 below.

Table 16: Selected cases of unethical conduct and alleged corruption at NetOne

ISSUE	SOURCE OF INFORMATION	PERPETRATORS	YEAR	REMEDY
$100m tender documents for Japanese investment missing	Zimbabwe News Online, (Accessed 14 September 2015)	NetOne and State Procurement Board	2001	None. Case only revealed 13 years later in 2014
NetOne loses $5m in unsecured debt for airtime supplies	The Zimbabwe Independent, 4 October 2013	Managing Director, Finance Director, Marketing and Sales Director, Staff in Marketing and Sales Department	2013	Several employees fired but nothing was done to management
NetOne not recovering car loans advanced to management	2012 Comptroller and Auditor General's Report	Senior Management	2012	None
NetOne gives management loans to buy Firstel shares (NB Firstel was a service provider for NetOne)	The Zimbabwe Independent, 4 October 2013	Managing Director, Marketing and Sales Director	2005	None

Rudo Shopo defrauds NetOne of $42 500	The Zimbabwe Independent, 4 October 2013	Rudo Shopo	2012	Employee eventually fired
USD1 602 718 vanishes at Bulawayo regional branch. Dealers paid 15% commission instead of the approved 10%. Stock issued without delivery notes.	Technomag 6 December 2014	Wellington Dodzo and several dealers	2011-2013	Dodzo still on the run. Nothing was recovered.
NetOne bought 3 Toyota Prado SUVs at $412 000. 00 instead of $201 000.00 approved by SPB	The Zimbabwe Independent, 4 October 2013	Senior Management	2010	Nothing was done
A South African company which undertook a job evaluation exercise was paid more than 200 000.00 instead of the quoted $30 000.00	The Zimbabwe Independent, 4 October 2013	Senior Management	Not available	

6.4. Poor consumer service and uncompetitive approaches to business

In mobile telecommunications, service quality is generally regarded as being a key factor in the creation of worth and in influencing customer satisfaction. To provide improved quality service, telecommunication companies need to investigate the degree of consumers' sensitivities and expectations towards service quality. Armed with such information these companies are then able to strategically focus service quality objectives and procedures to fit their specific markets. Service quality can be described as a rationale of differences between expectation and competence along the important quality dimensions. Gronroos (1988) as well as Parasuraman, Zeithaml identified ten requirements useful for consumers' evaluation of the quality of services: reliability, responsiveness, tangibles, communication credibility, security, competence, courtesy, understanding the consumers and service accessibility.

6.4.1. Poor Consumer Service

In a Consumer Satisfaction Research commissioned by POTRAZ in 2014, it was noted that while NetOne offers the cheapest services in terms of voice and data charges, it was still rated the least terms of consumer satisfaction among the three players.

Reasons given by the consumers were network reception ratings were mainly to do with availability and reliability while the reasons for coverage ratings focused on wide availability and countrywide coverage. In both rural and urban areas poor coverage was also reported. Consumers were also not happy with the recharge procedure (which only applies to non-contract clients) which was reported to take too long to complete while the numbers were said to be unclear and too small. It was also reported that terms and conditions to access and register sim cards were too long and complicated, NetOne experiences frequent call drops. Without improved consumer satisfaction NetOne there continues to have a low market share and consequently low revenues.

6.4.2. Uncompetitive approaches to business

The telecommunications global market continues to challenge operators to provide new and better performing products while at the same time balancing these developments with meeting the ever-changing customer requirements. This tenet seems to elude NetOne as evidenced by the deployment of the money transfer application OneWallet. NetOne started with the mobile money product in 2010 only to fail to demonstrate its functionality on the night of the launch. This eventually led to its uptake and popularity fading and the competition from Econet Wireless and Telecel mobile money platforms outperforming OneWallet.

According to the Comptroller and Auditor-General's report of 2012, Net One generated a paltry US$1194.00 revenue from OneWallet for the year ending 31 December 2012 after investing almost US$225 867.00 in the product AG Report, 2012, p.44). This translates to a mere 0.005% return on investment. One Wallet was then re-launched in November 2013 accounts for a meagre 0.1% of total money transfer deposits (POTRAZ, 2015). There are a number of reasons for OneWallet's dismal failure.

(i) The problem that NetOne faces is product testing as well as poor planning and celebrating victory instead of recognising that success demands greater effort, commitment and sacrifice from management.

(ii) OneWallet was hastily launched leading to substandard quality control measures. There was a laxity to be patient and recognise that product development takes time.

(iii) Furthermore there is a small catchment for the product due to a low number of agents and dealers. NetOne has only 1 612 compared to 17 181 and 4 586 for Econet Wireless and Telecel respectively (POTRAZ, April 2015).

To worsen the situation, NetOne despite enjoying wide coverage in remote areas fails to distribute adequate airtime. Airtime is mainly through NetOne flagship shops, ZIMPOST, Tel-One OK, Born Marche and Innscor retail outlets. However, only ZIMPOST, which unfortunately is also closing some of its shops, is the only one with nationwide presence to enable NetOne to provide services countrywide. The effect of this is loss of both revenue and market share since consumers tend to switch to other service providers whose airtime they can access. This research established that NetOne owes most of its dealers their commissions which are supposed to be paid on the 9th of each month. Some dealers go for up to six months without being paid and eventually fold their business relationships with NetOne.

NetOne is also a laggard in adapting to the ever-changing environment in which it operates. When cell-phones started in in Zimbabwe they were largely for the elite and well to do, hence they were s dubbed `Nhare Mbozha or Elite Phone'. NetOne remained in this mode for almost 15 years until 2011 when it introduced prepaid lines.

Just before the end of the hyperinflation period in early 2009, NetOne's competitors moved all their clients to the pre-paid platform. This business decision taken by the private operators had two effects. Firstly, it made the ownership and use of mobile cellular phones a mass market thus registering massive growth in the number of telephones per population of 100. Econet Wireless and Telecel got cash before it was eroded by inflation, converted the local currency into foreign currency and thus shut out the inflation risk.

On the other hand most of NetOne's clients who were mainly government Ministries, Departments and Agencies and their employees remained on the post-paid platform and literally enjoyed NetOne services for free. During this period NetOne lost greatly in market share let alone revenue. Econet Wireless and Telecel introduced internet services in 2009 and 2010 respectively while NetOne only followed suit four years later in but only for its prepaid subscribers. . While Econet Wireless and Telecel introduced Whatsapp and Facebook bundles in October 2013 respectively, NetOne only did the same in March 2015. This led to it losing significant market share as consumers migrated to the other two operators to enjoy these value added services. It is in this area of providing value added services where NetOne really falls short as illustrated in Table 17 below.

Table 17: Comparative range of value added services offered by mobile telecommunications companies

NAME OF SERVICE AND PRODUCTS AND PROMOTIONS		ECONET	NETONE	TELECEL
Internet data		✓	✓	✓
Text messages		✓	✓	✓
Money Transfers	Individual money transfers	✓	✓	✓
	Individual money transfers across networks	☒	✓	✓
	Salary payments	✓	☒	☒
	Dstv payments	✓	☒	☒
	Retail payments	✓	☒	✓
	Electricity payments	✓	✓	☒
	Local Authorities utility payments	✓	☒	☒
	Tel-One bill payments	☒	☒	✓

Farmer support	✓	☒	☒
Prepaid	✓	✓	✓
General Post-paid	✓	✓	✓
Premier Post-paid	✓	☒	☒
Handsets	✓	✓	✓
Solar chargers	✓	✓	✓
Internet devices	✓	✓	✓
Airtime promotions	✓	✓	✓
Handset promotions	✓	☒	✓
Vehicle tracking	✓	✓	✓
WhatsApp and Facebook bundles	✓	✓	✓
Medical services	✓	✓	☒
Life insurance	✓	☒	☒
Total number of services offered out of 21	20	14	15

Compiled by author from various sources

6.5. Chapter Summary

Political rents, self-aggrandisement by top management and abuse of company assets as well as poor consumer service and business approaches have been cited as some of the major contributing factors to the mediocre performance of NetOne. Furthermore, the undemocratic genesis of NetOne has perpetually afflicted its performance owing to lack of public sympathy hence low uptake of its services since it was and continues to be seen as an agent of the oppression and suppression of freedom of expression and communication.

The chapter concludes that there has never been any serious effort to reform NetOne through good corporate governance hence the company is failing to operate viably in order to fulfil its mandate. Related to the case of poor business approaches discussed below, NetOne has worsened its plight by treating other private operators as enemies of the state and therefore its enemies with whom it is anathema to do business with, hence its failure to pay interconnection fees.

CHAPTER 7: RECOMMENDATIONS, WAYS FORWARD AND CONCLUSION

7.1. INTRODUCTION

This chapter provides recommendations for possible consideration in the reform of NetOne and they are definitely not meant to be panacea to a myriad of challenges facing the company. In fact, the chapter adds to the growing corpus of literature on the reform of SOEs 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), the views here express some alternative approaches. It is therefore imperative and urgent for the Government of Zimbabwe to implement the long overdue reforms for NetOne.

It concludes that NetOne's problems are complex, and resolving them should not be reduced to mechanistic implementation of pre-defined plans and copying and pasting best practices since what works in one situation or country does not necessarily work in another.

7.2. RECOMMENDATIONS AND WAYS FORWARD

7.2.1. Finding a strategic private partner for NetOne

The government of Zimbabwe must find a strategic partner for NetOne. Getting a strategic private partner provides opportunities for commercial and profit orientation as well as impetus for further growth unlike the current mandate for NetOne which is divided between economic performance and social equity. Through higher efficiency gains and profits deployment, government can obtain additional revenue to finance other socioeconomic development initiatives. Although the contexts are different, empirical studies were done in the UK in 1991 which led to the conclusion that a change towards greater autonomy of an SOE is associated with improvements in efficiency (The Zimbabwe Independent, 20 January 2014). This can be in the form of a Chinese telecommunications company like China Mobile or Huawei which has long worked with NetOne in infrastructure development, deployment and augmentation. This partnership and may bring in the following envisaged benefits;

- Use of its established market presence in Africa and the world to bring in the requisite economies of scale especially in infrastructure investment and procurement challenges bedevilling NetOne.
- Attraction of access to affordable capital owing to the reputation of the company.

- Efficiency can be promoted through a commercially driven and innovation oriented structure which is free from general government bureaucratic rigidities and insulating the company from direct political control and interference through changed shareholding arrangements.

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7.2.2. Reforms for Improving NetOne's Corporate Governance

Poor corporate governance coupled with political interference by the executive is responsible for the many ills of NetOne. 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 at NetOne.

7.2.2.1.Streamlining of Responsibilities and Reporting Structures

There should be streamlining of responsibilities of NetOne's boards. It could be ideal for the Managing Director to be accountable to the respective Boards and not the Ministry and Parliament. There should therefore be transparency in Board appointments and remuneration practices. The treatment of NetOne as an extension of ministerial powers and hence personal fiefdom should be curtailed. The responsible Minister and civil servants in the Ministry should focus on policy and not the business of the NetOne which Boards should be empowered to handle and report to Parliament.

7.2.2.2.Membership and Composition of NetOne Boards

Membership in successive NetOne boards can be identified as clearly a causal factor hampering 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 SOEs Boards that a member could serve in concurrently. While it is unavoidable to have SOEs Boards being retirement homes for legislators, ministers, diplomats and more significantly the military, the composition of Boards could strengthen their performance if they also include 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 not they meet the set targets.

7.2.2..3. Curtailing Political Interference in the form of Ministerial Directives

The current system for a company which is governed by the Companies Act surprisingly gives excessive control to the line ministry, especially the relevant Minister. The discretionary powers of the relevant Minister have allowed for micro-managing of NetOne and consequently political patronage that compromises corporate governance. The responsible Ministry should continue to play the overseeing policy roles but not interference in the management and operations of the company. There is need to develop and clearly spell out the distinct mandates in the legislative and policy frameworks.

7.2.2.4.Training of Boards of NetOne and Managing Board Performance

The appropriate training of the current and future Board members of NetOne in corporate governance, anti-corruption practices, performance management and results-based management will yield the much-needed results in the running and governance of the company.

7.2.3. Reforms for ethical behaviour

Although a more detailed discussion on ethics has already been given in section 1, it is still imperative to highlight briefly how these could enhance SOEs viability. The following are recommended reforms of improving governance and professional ethics as means of the potential of NetOne.

7.2.3.1. Raising the Cost of Corruption

Countries that have stamped out excessive corrupt practices in the public sector like China or Singapore have raised the premium on corruption (Transparency International, 2015). In Zimbabwe, as long as corruption continues to be treated like any ordinary crime the temptations shall remain high for corrupt practices, especially in SOEs. 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 at NetOne is corruption of a certain kind masked under bureaucratic niceties and political protection usually run by syndicates in various state agencies. 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.

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

7.2.3.2.Public Disclosure of NetOne Activities and Deals

There should be transparency in NetOne's activities that include recruitment procedures and practices as well as transparency in deals and contracts. Citizens' awareness of NetOne's unethical practices and ways of minimizing it is possible when there is public disclosure of activities of the company. The same principle of 'publish what you pay' for private companies should apply to NetOne for public accountability in terms of what was received and how it was spent. Since most unethical practices are associated with the tender system and the award of contracts, it is important to make these as transparent as possible.

7.3. CONCLUSION

The Zimbabwe political settlements system of anti-development patrimonialism are clearly manifest at NetOne as the have affected corporate governance, ethical conduct and ultimately, the company's underperformance. Whilst a number of statutes that govern corporate governance and ethical behaviour are in place the practice has largely remained isomorphic.

Whether the Government of Zimbabwe remains committed to this position remains to be seen considering the flagrant policy violations, inconsistencies and even non-implementation. The immediate need for investment and capital injection at NetOne to improve its performance needs to be preceded by a robust and comprehensive drive for creating a climate conducive for investment, eliminating policy inconsistencies and anti-corruption agenda underpinned by transparency and public accountability. Needless to say, it needs political will. It is not necessarily about ownership but the governance and ethical practices at NetOne that could unlock its great potential as fuel to accelerate national development and economic growth through ICTs.

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