

Corporate Governance Practices by Rural District Councils (RDCs) in Zimbabwe. A Review of Related Literature

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Abstract – The review paper focuses on challenges currently being faced by Rural District Councils (RDCs) in Zimbabwe of corporate governance nature. The performance of Rural District Councils (RDCs) in most parts of the country is being affected by council members who are advancing their interests at the expense of the community. The authors reviewed the literature on corporate governance challenges impeding the functionality of local authorities in Zimbabwe. The authors also looked at how the pillars of corporate governance are being violated by council members at the expense of service delivery in communities. Rural communities are characterized by poor roads and bridges, refuse collection, shortage of water and sanitation facilities, shortage of schools, poor entertainment centers, and under-equipped clinics amongst other determinants. The authors recommended the implementation of proper corporate governance frameworks in Rural District Councils (RDCs) to improve service delivery in communities under their jurisdiction.

Keywords: corporate governance, rural district councils, state-owned enterprises, service delivery, local authorities

Introduction

A multi-leveled and double-stranded hierarchical administrative framework characterizes local administration in rural areas (Kurebwa, 2015). Zimbabwe's self-regulating state adopted a centralized government from the British colonizers. The Prime Minister's directive on decentralization and development in 1984 led to the enactment of both the Provincial Councils and Administration Act, which laid the groundwork for Zimbabwe's rural local governance. The Prime Minister's directive on decentralization and development, which was later enacted as the Provincial Councils and Administration Act, laid the groundwork for Zimbabwe's rural local governance. The Village Development Committee (VIDCO) was defined as the basic unit of organization in rural governance in the directive, which aimed to decentralize developmental responsibility to rural communities (Civil Protection Act; Chapter10:06). Zimbabwe's population is approximated to be 13 million people and rural areas account for 75 to 80 percent of this population, with the difference being found in urban areas (Munyede, Mazambani, & Maja, 2021). Local authorities have a lot of ground to cover in terms of service delivery as compared to urban councils due to differences in the size of communities they serve.

In Zimbabwe, there are 60 Rural District Councils (RDCs) that are charged with the duty of improving the welfare status of people and socio-economic development in their respective localities. Rural District Councils carry out consultation exercises in various ways under their jurisdiction for guidance in crafting their

strategic plans. The councilors and council members spend a lot of time and effort consulting and working with ordinary citizens, entrepreneurs, and a large number of local organizations to serve on how the best effort can be channeled towards the betterment of their community (Munyede, Mazambani, & Maja, 2021). At the district level, Rural District Councils (RDCs) are the only democratic organization of rural local government. The setup of rural councils is different from that one of District Administrators and traditional leaders, who are recruited by the central state, as the setup of councils is influenced by the Constitution. According to the Constitution of Zimbabwe, councils have broad rights, including the power to rule, based on their initiatives, affairs in their region, and all the authorities necessary to do so. Before independence, there was a double system of local government that was in place, with rural councils serving primarily white commercial farming communities and district councils covering primarily black communal spaces. As a result, rural councils were better funded and managed compared with district councils, which were underfunded and controlled by inept employees (Sifile, Joseph, & Faitira, 2018).

RDCs are created to provide low-cost, efficient services to communities, to promote public participation in government as a means of enabling and encouraging people to exercise their rights and responsibilities as citizens, and to regulate the behavior of individuals and organizations in areas under their jurisdiction (Chakaipa, et.al, 2010). The Rural District Council Act (29:13), which is the main act for rural local governments, gives them 64 powers towards the improvement of service delivery in various communities. Many rural local governments have struggled with corporate governance concerns ranging from council mismanagement to corruption and greed in recent years, but the extent to which these vices have impacted service delivery has yet to be adequately investigated (Sifile, Joseph, & Faitira, 2018). Local governments provide a variety of services to both private and public corporations, thereby creating a platform for other industries such as infrastructure development, water and sanitation, and physical and land use planning to ride and flourish. Despite the importance of such organizations in Zimbabwe, they have consistently performed above and below expectations as a result of financial issues and a general lack of corporate governance enforcement measures (Sithole and Mthetwa, 2009). Local governments in general, on the other hand, have been chastised for providing inadequate service that falls short of citizens' demands and expectations. Rural local governments have a reputation for being inefficient and having nothing to show for their efforts. Ratepayers frequently criticize or protest that local governments are not doing enough to provide the services that they are required to offer. The Ministry of Local Government, Public Works, and National Housing, on behalf of the federal government, have voiced dissatisfaction with local governments' failure to meet their service delivery obligations (Magura, 2017).

Rural local governments in Zimbabwe are failing to provide the services that their ratepayers are entitled to. Failure to effectively maintain roads and other key infrastructure, provide quality health and educational services, and engage in meaningful development efforts for the benefit of ratepayers (Mushuku, et al, 2012). Residents of Chivhu urged the Chikomba Rural District Council (RDC) to seek charges against four revenue clerks who were recently fired from the local administration after being accused of fraud. Employees from the department of finance were fired after an internal investigation found them guilty of robbing the local government of an undisclosed sum of money by under-receiving ratepayer collections. The Chivhu Residents and Ratepayers Alliance (CHARRA) claimed that council officials fostered a culture of theft and fraud, which has harmed service delivery. In addition, the engineer for the Bindura Rural District Council was sentenced to 24 months in prison after being convicted of embezzlement of funds totaling over \$8000. The never-ending corporate governance issues in Rural District Councils have had a negative impact on service delivery in many areas of the country. Bubi Rural District Council was penalized \$10,000 by the Environmental Management Agency (EMA) in 2016 because it did not have a landfill, according to the Auditor General Report 2016. Asset management policy, accounting procedures manual, and risk management policy were also missing from the Council's policies and procedure manuals (Auditor General Report, 2016).

Due to inadequate corporate governance procedures by management heads in such organizations, people's living standards have deteriorated in rural communities. Corruption as well as other unethical behaviors have been common at Gutu RDC, as evidenced by misuse of funds, favoritism, cronyism, bribery, and fraud, to

name a few. In 2010, the Chief Executive Officer of Gutu RDC was found guilty of corruption, and in 2015, an assistant grader operator vanished after siphoning more than 1000 gallons of fuel intended for road maintenance and development from Zimbabwe National Road Authority (ZINARA) (Auditor Report 2016). There are public outcries of poor water supply, refuse collections, road maintenance, and the state of the environment in communities being serviced by rural councils. The review papers seek to detail the extent to which Rural District Councils are being affected by poor corporate governance practices in pushing for their main agenda.

Literature Review

Corporate governance

Corporate governance refers to the procedures, conventions, rules, regulations, and institutions that guide how organizations and businesses conduct, manage, and control their activities (Jiang and Kim, 2021). The concept works to fulfill the organization's goals and maintains relationships with stakeholders such as the board of directors and shareholders (Khan and Zahid, 2020). The connections among various stakeholders involved, as well as the aims for which the company is controlled, are all part of corporate governance. Shareholders, debt holders, trade creditors, suppliers, customers, and communities affected by the corporation's activity are the primary external stakeholder groups in today's corporate corporations (Jiang and Kim, 2021). The board of directors, executives, and other staff are all internal stakeholders. It also addresses individual accountability through a system that mitigates the organization's principal-agent problem. Because of the separation of management and ownership control in modern firms, corporate governance has become increasingly important (Chakaipa, et.al, 2010). The interests of shareholders and the interests of managers are at odds. Due to the disparate interests of the firm's stakeholders, the primary agent problem manifests itself in management and direction issues (Khan, 2011). The corporate governance structure lays out the rights and obligations of the many stakeholders in the company, including the board of directors, managers, shareholders, and other interested parties, as well as the rules and methods for making corporate decisions (Alabdullah, 2014).

Corporate governance framework for State-Owned Enterprises (SOEs) and Public Companies

State-Owned Enterprises and public entities play an essential role in the delivery of services and as a catalyst for economic growth in Zimbabwe. Since independence, the government has entrusted the major duty of encouraging growth with equity to numerous State Enterprises and parastatals, particularly in relation to formerly marginalized sectors, ethnic communities, and regions of the country (Mapetere, *et al*, 2012). The government acquired a constructive role in the supply of critical public utilities like highways, rail, and air transportation, telecommunications, power, and water through State Enterprises and parastatals (Ministry of State Enterprises and Parastatals, 2010). The Corporate Governance Framework (CGF) provides a consistent framework for government, SEPs, and stakeholders to discuss corporate governance issues. The primary goal of the Corporate Governance Framework (CGF) is to encourage the effective use of government resources while also requiring accountability for their care (Maune, 2015). As a result, the Framework strives to align personal interests, SEPs, and society as closely as feasible.

The Government evaluates the Framework on a regular basis as it implements the Corporate Governance Framework (CGF) to ensure that it remains in line with internationally and domestically best practices. The four pillars of governance, responsibility, accountability, fairness, and transparency, were used to develop this CGF (Ministry of State Enterprises and Parastatals, 2010). The process of promoting good governance by the use of SEP Boards which have the requisite authority, expertise, and impartiality to perform their strategic advising and management oversight functions. Furthermore, the Boards are responsible for their acts and will be compelled to behave with integrity. The Boards are selected by the government and are responsible for governing SEPs with the help of senior management in order to guarantee that the country's strategic intent and goals for public sector enterprises are met (Mukanganiki, Maibvisira, & Kandufu, 2014).

Table 1: General services offered by Rural District Councils (RDCs)

SOCIAL SERVICES	TECHNICAL SERVICES
Provision of education	Construction of schools
Provision of health	Construction and maintenance of clinics, promotion of health in remote areas through the use of mobile clinics
Environment protection	Construction of public toilets and social amenities
Provision of recreational facilities	Providing entertainment facilities including grounds, beerhalls
Provision of infrastructural development	Constructing and maintenance of roads and bridges
Provision of water and sanitation	Construction of sewerage ponds, water tanks

Source: Nyanga Rural District Council Report

Corporate governance and the performance of Rural District Councils (RDCs)

Wafawarova (2011) points out that local governments in Zimbabwe have recently become known for poor service delivery and significant levels of corruption. Corruption and other unethical behaviors have been a major concern that has harmed the operations of most local governments in Zimbabwe. Most local governments, which are the organizations closest to the public or grassroots level, are substantially hampered by these unethical behaviors in providing efficient and effective service delivery (Marongere, 2015). Local governments have failed to pay their employees competitive salaries and to pay them on time, resulting in personnel engaging in corrupt and unethical behavior (Machinjike & Bonga, 2021). According to Mukonza (2013), corruption, particularly administrative and political corruption, hinders the state's efficient allocation of resources, and a few with governmental power skew political and economic decisions to serve their interests at the expense of the public good (Marongere, 2015). According to Marongere, (2015), there are not sufficient funds for RDCs to conduct operations due to their mandate which is against commercial rate-based operations and other economic constraints which affect their ability to generate revenue. RDCs, according to Mbetu (1997), are unable to collect, administer, and disperse money because of a variety of constraints, including central government control, a lack of technical skills, and a lack of legal instruments to back up their efforts. The RDCs' ability to levy and mobilize their revenue is hampered by a lack of administrative competence and other factors embedded in the systems of the organizations. Local governance is a critical component and tier of government in every country, and it requires significant investment to enable sustainable growth, good service delivery, and responsible governance anchored by active public engagement in decision-making systems (Mukonza, 2013). Local governance is the level of government that is responsible to the people in terms of the structures, institutions, and activities of local government that occur at a local level within citizens' geographical proximity (Marongere, 2015). However, if Zimbabwe is to enjoy a healthy local governance system characterized by citizen involvement, responsive local institutions, excellent service delivery, responsibility, and transparency, a number of challenges ought to be addressed. There are obstacles that must be overcome in order for the country to have thriving local governance architecture.

Over centralization, corruption, dual institutional structure, narrow income bases, the politicization of growth structures, securitization of local governance, and dubious pedigree of elected leaders and, finally, a congenital inability to deliver services and support development amongst others (Chakaipa, 2010). Service delivery in RDCs is hampered by both internal issues which include a lack of cohesion between administration and councilors, insufficient financial resources, insufficient and incompetent human resources, lack of staff enthusiasm, corruption, and misuse of resources. According to Palmer, et al. (2010), the heads of the

departments are the driving force that makes it possible for the attainment of the council's strategic goals. Councils must choose substantive persons to manage the development goals, which has not been the case in several local governments. Palmer, *et al.* (2010) believe that, if resources permit, councils should fill all essential vacant positions to improve service delivery. Researchers have also discovered that councilors meddle in the hiring of council personnel and that many of the people they recruit lack the necessary skills and knowledge for the job.

Methodology

The researchers made use of secondary information for the review paper. The researcher reverted to the use of the Rural District Council Act, Auditor General Reports, Nyanga Rural District Council reports, online journals, and books for the review process to determine the nature of challenges currently being faced by councils in providing social services.

Conclusion and recommendations

The review of the literature showed that Rural District Councils are failing to provide adequate services to communities under their jurisdictions. The present political, economic, and social climate has exacerbated the growth of unethical activities in the local government system, which contempt the concept of good governance. Rural communities are facing serious challenges due to the poor provision of services by rural councils. Rural communities in most parts of Zimbabwe are characterized by poor roads and bridges, shortage of schools, poor refuse collection, shortage of water and proper sanitation facilities, and lack of proper entertainment centers amongst others. The local authorities are facing challenges of good governance as high cases of corruption, favoritism, fraud amongst other corporate governance scandals. Various corporate governance scandals have negatively affected the functionality of rural councils as the funds intended to improve the liquidity position and overall functionality of the organization are being misused.

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