ISSN: 2704-4777 Diverse Journal of Multidisciplinary Research (DJMR)
Volume 3, Issue 7, December 2021

Redirecting the path of State-Owned Enterprises (SOEs) Through Corporate Governance Legislative Development. A Review of Related Literature

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[**Cite as:** Mthombeni, A., Nyamudzodza, J., Sifile, O., Manuere, F., and Siziba, S. (2021). Redirecting the path of State-Owned Enterprises (SOEs) Through Corporate Governance Legislative Development. A Review of Related Literature. *Diverse Journal of Multidisciplinary Research*, Vol. 3, Issue 7, Pages 1-12.]

***Abstract** – This review is concerned with corporate governance legislative development for State-Owned Enterprises (SOEs). The primary focus is on corporate governance developments in Kenya, South Africa, and Zimbabwe. The authors reviewed the literature on corporate governance development for SOEs with the primary goal of identifying the main malfeasances that have happened at SOEs in Africa so as to allow to authors to make recommendations on how such malfeasances may be reduced. The study used secondary literature sources such as published journals and government reports. The study reveals that in Africa corporate governance development has largely evolved following main corporate scandals that have happened in different parts of the world. The other findings from the review of the literature show that SOEs have been involved in scandals in Africa hence their inefficiencies. The authors recommended that more serious penalties be put for those who practice corporate misgovernance and corruption. Authors recommended that African countries strengthen non-partisan anti-corruption agencies that may reinforce good corporate governance practices by putting a cog to any corporate governance malfeasances in SOEs.*

***Keywords:** Corporate Governance, Corporate Scandals, Sustenance of State-Owned Enterprises, and State-Owned Enterprises, Corporate governance development*

Introduction

Corporate scandals have happened in different forms across the globe in State-Owned Enterprises in Africa. As such governments have developed corporate governance reforms to redirect the path of State-Owned Enterprises. In Zimbabwe, the government in May 2018 enacted the Public Entities Corporate Governance Act Chapter 10.31. The purpose of the Act is to provide for the governance of State-Owned Enterprises in Zimbabwe which have not been spared of different corporate malfeasances. It is in light of this that, the government of Zimbabwe through the new political dispensation revitalized the anti-corruption agency; the Zimbabwe Anti-Corruption Commission (ZACC) to curb acts of corruption in various SOEs. It is in this view that the present paper makes a review of literature that is related to the development of corporate governance in Africa with a bias towards corporate governance in Zimbabwe. Therefore, the purpose of this review is to discuss the role of corporate governance development in the sustenance of SOEs in Africa. The authors discuss a brief history of corporate governance scandals that have happened across the globe.

Literature Review

The following paragraphs make a review of literature related to the development of corporate governance in selected African countries

Background of the Scandals by State-Owned Enterprises

Petrobras was at the center of Operation Car Wash, one of the worst corruption scandals in Brazilian history. The bribery plan at Petrobras was built on the coordination of three separate corruption schemes. For Petrobras contracts with engineering and construction businesses, including Odebrecht, there existed a long-standing bid-rigging cartel. Telia is a Swedish telecommunications firm that is partly owned by the Swedish and Finnish governments and is situated in Sweden. Between 2007 and 2010, Telia paid bribes to Gulnara Karimova, the daughter of the then-Uzbek President, totaling at least US$330 million. Telia received more than US$ 2.5 billion in bribery. Karimova was also an Uzbek government official who wielded great power over other Uzbek officials in the telecom industry's regulatory body. Telia entered the market and obtained licenses using bribery techniques. Corruption was involved, as were sham consulting contracts for which no services were provided. Telia's board of directors and management were complicit in the bribery schemes by sanctioning and paying bribes to Karimova. Telia's executives also recognized that only the government could authorize the award of telecommunications licenses under Uzbek law, therefore bribing Karimova to get approval was a red signal for corruption (Bray, Reed, & Brasileiro; 2018).

Petrobras is the largest corporation and a state-owned company in Brazil. Petrobras was ranked 38th out of 541 multinational firms in the Geneva-based Covalence Ethical Ranking in 2014, (Bray, Reed, & Brasileiro, 2018) The Petrobras bribery case was linked to a bribery scandal involving Odebrecht, a global Brazilian engineering corporation, and its subsidiary company, Braskem. Between 2001 and 2016, Odebrecht and Braskem spent approximately US$788 million in bribery in connection with 100 projects in 12 countries. Bribes had to be hidden via a network of phony firms and cash suitcases placed at pre-arranged locations, as well as skillfully disguised monies transferred through a network of dummy businesses.

Table 1 Malfeasances by SOEs in Zimbabwe

Entity	Scandal	Year
Central Vehicle Registry (CVR)	CVR failed to account for approximately $16.5 million from a revolving fund used to create vehicle number plates, and there was no documentation proof to support this claim. The integrity of CVR financial statements was compromised, according to the Auditor General's findings. The SOE also broke the fund's constitution by giving Air Zimbabwe and the Civil Aviation Authority interest-free loans totaling US$11 million and US$160,000. CVR also failed to submit the two loan agreements' documentation.	2015
Air Zimbabwe	Over five years, top managers and Navistar Insurance Brokers misappropriated more than US$10 million in an insurance scheme with the reported involvement of Air Zimbabwe's corporate secretary.	2014
Zimbabwe Electricity Supply Authority	In a procurement scandal, ZESA Holdings' Zimbabwe Power Company (ZPC) controversially granted a tender to two losing bidders, Intratrek Zimbabwe (Private) Limited and ZTE Corporation, at the cost of the winning bidder, China Jiangxi Corporation. The tender for the installation of a 100 megawatt (MW) solar power station was worth US$183 million.	2014
Zimbabwe Broadcasting	The ZBC boss was paid a basic monthly salary of more than US$27 000, plus monthly housing allowances of US$3 500, domestic worker	2014

Corporation (ZBC)	salaries of US$2 500, entertainment allowances of US$3 000, and a general allowance of US$3 000. He took home almost US$40,000 per month, minus petrol and other incentives, while employees at the company went without pay for nearly seven months.	
Central Mechanical Department (CMED)	First Oil Company was awarded a USD 3 million tender to deliver diesel with no due diligence checks. The fuel was never delivered in this case. Because there was no due diligence report, top managers were sacked. Managers are entitled to adjudicate tenders of $10,000 and managing directors' tenders worth $50,000, according to tender regulations. Tenders exceeding that amount should be reported to the State Procurement Board (SPB).	2014
Zimbabwe National Roads Administration (ZINARA)	ZINARA paid USD 8 million for 40 graders that were unsuitable for usage in local climates because they were equipped with snowplows. ZINARA signed an agreement with Univern (Pvt) Ltd, a local politician's company. The contract was signed on behalf of ZINARA and other board members by the previous Chief Executive of the organization.	2014
Premier Services Medical Aid Society (PSMAS)	The CEO was earning a salary and allowances of over $500 000 per month when the organization was failing to pay its suppliers and medical claims.	2014
Zimbabwe School Examination Council (ZIMSEC)	Financial irregularities totaling over $2 million were discovered at ZIMSEC, according to a 2012 Auditor General's Report. ZIMSEC disregarded tender procedures, paying service providers US$1.8 million without proper invoicing, overpaying some vendors, and purchasing a Nissan UD vehicle for US$149 000 that had not been delivered for a long amount of time following the audit.	2012
Zimbabwe National Water Authority (ZINWA)	In the dams construction scam, ZINWA was accused of spending US$46 million in 2004, US$49,4 million in 2005, and US$4,2 million in 2007, while there were 14 unfinished dams projects across the country.	2007

Source As adapted from Hadebe, (2015)

The above background points out to the discussion that State-Owned Enterprises have been depressed and need sustenance by developing sound corporate governance that may bring to halt all malfeasances and malpractices by SOEs in various countries.

State-Owned Enterprises

What is referred to as State-Owned Enterprises has diverse meanings in different nations. SOEs are known by a variety of titles, including Government Corporations, Government Business Enterprises, Government Linked Companies, Public Enterprises, and Parastatals, according to the International Public Sector Accounting Standards Board (IPSASB) in May 2018. Willemyns (2016) describes SOEs as enterprises founded for the only goal of correcting market failures rather than for the single purpose of profit-making; thus, in many circumstances, SOEs are monopolies that avoid competition for the express purpose of correcting market failures. According to the OECD (2015), SOEs are "any business entity recognized by national law as an enterprise in which the state exercises ownership or control." Countries have different definitions of what constitutes a State-Owned Enterprise, with certain SOEs appearing in various categories or groupings of the economy, such as commercial businesses, transportation, mining, and financial intermediaries, among others, over which the government exercises authority. According to the Auditor General's Report (2018), SOEs in Zimbabwe have been classified into boards, commissions, councils, companies and corporations, financial institutions, funds, hospitals, and institutions, among other categories.

Definition of Corporate Governance and its importance to SOEs

There are numerous ways to define and characterize corporate governance. It can be thought of as a system for directing and controlling businesses (Cadbury, 2000). Corporate governance can also be defined as a set of procedures that determine how a company is run and how it addresses the needs and aspirations of all stakeholders, including shareholders, management, the board of directors, lenders, regulators, and the general public (Sami, Wang, & Zhou, 2011) The authors use the Cadbury (2000) definition of corporate governance in this assessment, which states that corporate governance is "a framework by which firms are directed and governed." Corporate governance, in this view, is critical to a company's overall success (Chigudu, 2020). It is widely recognized as a factor in a company's economic performance, long-term viability, and investor trust, as well as a deterrent to corruption and immoral business activities that harm Africa's commercial image (Armstrong, 2003). Good corporate governance can boost corporate responsibility and improve a company's brand, attracting both domestic and international investors. Many obstacles exist in Africa that hinder the drive for good governance (Rossouw, 2005), which manifests itself in the form of corporate scandals, as seen in the background of this review paper.

The development of corporate governance – An African perspective

Corporate governance arose hundreds of years ago as a result of corporate failures and as a response to systemic crises. The first notable governance failure occurred during the 1700s South Sea Bubble, which led to the establishment of corporate rules and practices in England. In the United States of America, the trend began when the stock market crashed in 1929, and corporate governance has become more prominent as a result of a succession of severe firm failures. The raid on the pension fund of the Mirror Group of newspapers by the Maxwell Group, the collapse of the Bank of Credit and Commerce International, and the collapse of Barings Bank (Dagli, Eyuboglu & Ayaydin, 2012).) contend that corporate governance gained prominence in the 1980s and 1990s as a result of stock market crashes and general corporate failure around the world. As a result of the recurrence of similar crises, boards were formed, giving rise to the belief that effective boards are required for managers to run firms efficiently (Gompers, Ishii, & Metrick, 2003). The failures of Bank of Credit and Commerce International, Enron, WorldCom, and Parmalat, as well as the HIH Australian Company, to name a few, forced the establishment of corporate governance.

The Emergence of Corporate governance in East Africa- Kenya

The privatization of government firms in Kenya in the 1990s was aided by a lack of corporate governance and accountability in the public sector. The clear lack of a sound corporate governance framework was the largest source of aggravation. As a result, some government officials now hold publicly-traded company stock. Many listed companies' boards of directors were made up of government officials' friends, families, and political cronies, resulting in a significant breach of corporate governance. The Kenyan Capital Market Authority created rules on corporate governance standards for public listed corporations in 2002 in order to institutionalize corporate governance concepts in Kenya (Mukabwa, 2017). The Authority's efforts resulted in Kenya's adoption of a code of best practice for corporate governance, with the guidelines' main goal being to strengthen corporate governance practices among Kenya's publicly traded companies and promote self-regulation standards, bringing the country's governance level in line with international trends.

Guidelines for Public Listed Companies' Corporate Governance Practices, which are referred to as SOEs in this study, were abolished by the Capital Markets Authority in 2002. As part of the recommendations, the Comply or Explain method was used. As a result of this policy, all publicly traded companies are now required to include a statement in their annual reports declaring whether they followed the 2002 Corporate Governance Practices or not. If such businesses failed to comply, they were required to explain why and what steps they were doing to do so. Between 2002 and 2015, many companies went bankrupt as a result of poor corporate governance. Among the banks, that failed were Chase Bank, Uchimi Bank, and Imperial Bank. In an attempt to preserve businesses from bankruptcy, the Capital Market Authority established the 2015 Code of Corporate Governance Practices for Issuers of Securities to the Public. The methodology of the Code was altered from Comply or Explain to Apply or Explain. Boards were required to fully comply with the 2015 Code under the new system, which requires failed businesses to notify the Capital Market Authority of their reasons for non-application, as well as a time frame and plans for full compliance. Kenya's Corporate Governance continued to evolve in 2016, with specific mandatory regulations that listed companies must follow. Such rules were included in the Capital Markets (Securities), (Public Offers, Listing and Disclosures) (Amendments) Regulations, 2016.

Corruption, misallocation, and misuse of public resources, inefficiencies, losses, budgetary pressures, and the provision of inferior products and services, to name a few, have long been a feature of state businesses in Kenya (Mukabwa, 2017). Furthermore, the Presidential Taskforce on Parastatal Reforms in Kenya noted that state firms were governed by a complex governance system that included relationships between parliament, ministries, boards, and CEOs (Ochieng, 2017). Confusion and disagreement arose as a result of such a government system, particularly when it came to responsibilities and accountability difficulties (Manduku, 2015). According to the Presidential Taskforce in Kenya, Kenyan SOEs lacked a clear structure for board recruitment, selection, appointment, and induction. According to Omenta (2019), Kenyan SOEs Board members lacked sufficient skills and did not understand their jobs as directors, resulting in boards for SOEs in Kenya lacking independence, with the CEO and Board secretary roles being performed by one individual. The Mwongozo was created as a response to the difficulties raised by SOEs in Kenya, as outlined in Kenya Executive Order Number 7 of 2015. The Mwongozo Code has a conform or expel strategy and is based on Kenya's constitution's article 10, which establishes national values and principles of governance (Githiri, 2020).

Corporate Governance in South Africa

According to Stewart (2010), South Africa opened its doors to democracy in 1994, allowing previously marginalized groups of the society to participate in economic and political development. The King Report I on corporate governance was released, to educate and bring the newly democratic South Africa into line with the workings of the capitalist market system. Following that, in 2002, another report on corporate governance, known as the King Report II, was released, and in 2010, the King Report III was released (Dube, 2016). The United Kingdom Combined Code of 2010 was imitated in King Report III. The King Committee on Corporate Governance, led by Mervin King, produced the King Report I on corporate governance. By including a Code of Corporate Governance Practices and Conduct, the Report became the first of its kind. King Report 1 was created to foster the highest levels of corporate governance in South Africa. King 1 argued for an integrated approach to excellent corporate governance that considers the interests of numerous stakeholders in addition to the financial and regulatory components of corporate governance. The King Reports on South African Corporate Governance is a reflection of the country's political, social, and economic changes, and it now stands as a model of corporate governance throughout history (Dube, 2016). According to this interpretation, the King I report on the development of corporate governance in South Africa was intended to address the challenges of new corporate governance and lay the groundwork for institutionalized corporate governance. The King 1 Report was a significant development in the South African corporate governance landscape, but because the global economic and legislative climate is constantly changing, the King Committee on Corporate Governance published the King II Report in 2002.

According to Kakabadse, Kakabadse, and Knyght (2010), the King II Report is an enlargement and build-up of the King Committee's first report on corporate governance, which was produced during the 1994 South African transition period. According to Kakabadse, Kakabadse, and Knyght (2010), King II is a more detailed version of King I. The six primary sections of King 11 relate to accountability, shareholder duties, auditing methods, and accounting. Internal audits, risk management, non-financial problems, and compliance and enforcement of corporate governance best practices are all highlighted in the King II report. The King II report, on the other hand, improves on the previous King Report in the following ways:

It suggests that non-executive director contracts should be no more than three years, and it emphasizes the role and contribution of independent non-executive directors. King II places a greater emphasis on non-financial aspects of corporate governance, including workplace safety and health, ethical issues, fair treatment of workers, a requirement for companies to be empathetic to social factors such as HIV and the promotion of black empowerment, accountability, and responsiveness to broader public interests, and encouraging a greater sense of responsibility to the public.

In addition, King II contains rules for the handling and disclosure of non-financial problems, as well as the compliance and enforcement of corporate policies. In addition, King II includes standards for handling and disclosing non-financial information, as well as compliance and enforcement of business policies. Shareholder activism and increased media engagement in naming and shaming of code of conduct offenders are also encouraged by King II, as well as the creation of a "delinquent directors' register," where individuals listed would be barred from further directorship duty (Kakabadse, Kakabadse, and Knyght, 2010). The King II report emphasizes corporate citizenship and intergraded sustainability, commonly known as the triple bottom line, in which businesses must account for not just economic and financial concerns, but also social and environmental concerns. King III, according to Kakabadse, Kakabadse, and Knyght (2010), places a greater emphasis on sustainability. As previously stated, each report is dependent on and builds on the one before it. The Companies Act, as well as the focus on sustainability, necessitates the inclusion of an increased emphasis on several corporate governance concerns. All entities are guided by King III in many elements of government, including:

Unlike the King II Report on Corporate Governance (Comply or Explain), King III takes an apply or explain approach rather than requiring firms to follow the recommended practices. If the board of directors decides not to implement the steps outlined in King III, they must justify their decision to the shareholders. The twenty-first century has been marked by fundamental changes in industry and society. As evidenced by the adoption of King IV in South Africa, the business climate is evolving, and the corporate governance framework is expected to adapt suit. All of these economic and social changes influenced the content and approach of King IV, as well as the context in which the King Committee drafted it. Inequality, globalized commerce, social conflicts, climate change, population growth, ecological overshoot, geopolitical tensions, radical transparency, and rapid technological and scientific developments are all putting organizations' leadership to the test. (South African Institute of Directors, 2016). As a result, King IV is based on the United Nations Sustainable Development Goals, which were agreed upon by all states in 2015, the Africa 2063 Agenda, and the South African National Development Plan 2030. All of these advances have one thing in common: they all sustainably create value.

The King Committee received several petitions from organizations outside of the commercial sector, both large and small, profit-making and non-profit, requesting that the King Report be applied universally. King IV refers to organizations and governing bodies, not merely corporations and boards of directors, in this manner. Another distinguishing feature of King IV is that it has changed its approach from applying or explaining to apply and explain. It has also simplified the King III Report's 75 principles to only 17 core principles. One of the 17 principles can be used by institutional investors, while the other 16 can be used by any business (Institute of Directors in Southern Africa, 2016). It is clear from the foregoing explanation that King IV is not a departure from earlier King Reports. All of the previous reports' philosophical foundations have been revised to reflect developments in the corporate sector. The table below gives a summary of the philosophies upheld by King IV.

Corporate governance development in Zimbabwe

In the paragraphs below authors gives a detailed discussion of corporate governance development in Zimbabwe by primarily looking at main legislative developments that are meant to shape and redirect the path of SOEs in Zimbabwe.

Table 2. Philosophies of the King IV Report

King IV Philosophy	Explanation
1. Sustainable Development	It is a fitting reaction to the organization's role as a corporate citizen, as well as its stakeholder demands, interests, and expectations, as it was with King IV.
2. Integrated thinking	Considers the interconnections and interdependencies among the various aspects that influence a company's ability to create value over time.
3. The organization as an integral part of society	Organizations function in a sociocultural context that they both influence and are influenced by.
4. Corporate Citizenship	The company has a corporate citizenship status since it is a vital part of society.
Stakeholder Inclusivity	The ability of the organization to produce value for itself is dependent on its ability to create value for others, resulting in an interdependent connection between the company and its stakeholders.

Source: Adapted from Institute of Directors in Southern Africa (2016)

The Constitution of Zimbabwe and SOEs

The country's supreme law is the Constitution. It is viewed as a set of core principles or established precedents that govern a state or institution (Oxford English Dictionary). As a result, the constitution regulates the management and administration of Public Entities. As a result, the core values and principles regulating public administration are enshrined in Section 194(1) of the Zimbabwean constitution amendment (Number 20) of 2013. It states that democratic norms and principles must govern public administration at all levels of government, including state institutions and agencies, government-controlled entities, and other public enterprises. These values which govern SOEs are:

- Professional ethics must be fostered and maintained at a high level.
- Resources must be used efficiently and economically.
- Public administration must be development-oriented
- Services must be provided impartially, fairly, equitably, and without bias
- People’s needs must be responded to within a reasonable time, and the public must be encouraged to participate in policy-making
- Public administration must be accountable to Parliament and the people
- Government institutions and agencies at all levels must collaborate;
- Transparency must be promoted by making information available to the public in a timely, accessible, and accurate manner;
- To maximize human potential, good human-resource management and career-development methods must be cultivated.
- Zimbabwe's public administration must be representative of the country's different communities.
- Practices in employment, training, and progression must be based on merit, ability, objectivity, justice, gender equality, and the inclusion of people with disabilities.

Source: *Constitution of Zimbabwe Amendment No 20 (2013)*

In addition to the above values in the administration of public entities, section 194(2) of the Constitution of Zimbabwe also highlights how the appointment to offices of SOEs is done. In that respect, the Constitution of Zimbabwe espouses those appointments to offices in all tiers of government, including government institutions and agencies and government-controlled entities, and other public enterprises, must be made primarily based on merit. This is necessary for ensuring that such individuals hold merit that enables them to interpret the various legislative frameworks which govern the operation and management of SOEs.

More so, the constitution which is supreme to other laws also in section 196 (1) (2) (3) opines the responsibilities of public officers in such public enterprises which in this study are being referred to as SOEs. The constitution also gives highlights the principles of leadership that must be applied by such officers of public entities. It mentions that authority assigned to a public officer is a public trust which must be exercised in a manner that promotes public confidence in the office held by the public officer. Such public officers must conduct themselves, in public and private life, to avoid any conflict between their interests and their public or official duties, and to abstain from any conduct that demeans their office. In terms of leadership, public officers in leadership positions in public enterprises must abide by the following principles of leadership:

- Objectivity and impartiality in decision making
- Honesty in the execution of public duties
- Accountability to the public for decisions and actions
- Discipline and commitment in the service of the people.

The constitution of Zimbabwe also highlights in Section 197 the terms of office of heads of government-controlled entities. In that respect, an Act of Parliament may limit the terms of office of chief executive officers or heads of government-controlled entities and other commercial entities and public enterprises owned or wholly controlled by the State.

The Companies and other Business Entities (COBE) Act Chapter 24.31

The Act was gazetted in November 2019 and came into effect on 13 February 2021and provides for the constitution, the incorporation, registration management, and internal administration of companies in Zimbabwe. Notably, the Companies and other Business Entities Act repeals the Companies Act Chapter 24:03. The Act also provides for the winding up of companies and private business corporations, enables the voluntary registration of other business entities as well as ensures the removal of defunct companies and private business corporations through the re-registration of all existing companies and private business corporations. The Act also sets provisions for matters connected incidentally thereto.

As such, the enactment of the Companies and other Business Entities Act on 13 February 2020 was a significant step in the corporate governance landscape of Zimbabwe by replacing the companies Act Chapter 24:03 of April 1951.

The Public Finance Management Act (Chapter 22:19)

The Public Finance Management Act (PFMA) was gazetted on April 2, 2010, and it repeals Chapter 22:03 of the Audit and Exchequer Act, as well as Chapter 22:13 of the State Loans and Guarantees Act. The PFM Act aims to provide for the control and management of public resources, as well as the appointment powers and responsibilities of the Accountant/Auditor General and, most crucially, the regulation and control of Public Entities (The Public Finance Management Act, 2010). The PFMA mandates the Minister of Finance to guarantee that comprehensive and transparent accounts are made accessible to Parliament from time to time, not less than annually, in order to strengthen corporate governance, particularly the pillar of transparency. As a result, the Act specifies that every public entity must adhere to and execute solid corporate governance rules, procedures, and practices.

The Zimbabwe National Code of Corporate Governance (ZIMCODE 2015)

The ZIMCODE was adopted in Zimbabwe in 2015 with the goal of reducing corporate crises that had destroyed listed firms as a result of poor corporate governance compliance. It was intended to replace the outdated colonial-era Companies Act of 1951. (Nyakurukwa, 2021). The ZIMCODE was designed to apply to all businesses in Zimbabwe, regardless of how they were formed or established. It acknowledges the existence of sector-specific corporate governance rules whose principles are based on the ZIMCODE. The ZIMCODE has various rules that are also taken from the Zimbabwean Constitution, which defines how public entities are administered and managed. The following fundamental stipulations apply to the various chapters of the ZIMCODE (The Zimbabwe Leadership Forum, 2014).

Corporate Governance Framework for State-Owned Enterprises (CGF E 2010)

The CGF was implemented to provide the government, SOEs, and other stakeholders with a frame of corporate governance matters. It gives an outline of objectives, principles, guidelines, and ethical standards that binds and guide all SOEs in Zimbabwe. The main underpinning and objective of the frameworks was the promotion of efficient use of public resources and to foster accountability for the stewardship of such public resources (Corporate Governance Framework for SOEs, 2010). The crafting of the CGF took into consideration the main pillars of corporate governance that include responsibility, accountability, fairness, and transparency therefore the implementation of this framework was a key milestone in mapping the corporate governance for SOEs in Zimbabwe. However, this framework is not a law hence such entities which may be found in breach of the framework faced no punitive consequences. The making of the CGF carries the same principles carried in various corporate governance frameworks around the region that including the King III Code of South Africa, the OECD guidelines hence the framework was a step forward in addressing poor observance of best corporate governance standards by SOEs in Zimbabwe.

The Public Entities Corporate Governance Act [Chapter 10.31 of 2018]

This section gives a discussion of the provisions of the PECG Act whose enactment is a key milestone since Zimbabwe has been basing corporate governance practices without a clearly defined Act of parliament of corporate governance. The problem of basing on corporate governance guidelines and frameworks is that they are not law hence may not be enforceable in the court of law. Therefore, the coming of the PECG Act was a great development in the corporate landscape since it carries sentences and punitive measures in case of a breach of the provisions. Following poor observance to best corporate governance practices, the government of Zimbabwe in November 2018 enacted the PECG Act. The Act aims to ensure that public entities in Zimbabwe are governed in accordance with Chapter 9 of the Constitution. The PECG Act provides a uniform system for regulating the conditions of service for members of public entities in this regard.

The Act also specifies the term of office for Chief Executive Officers (CEOs) of SOEs. Section 197 of the Constitution, which authorizes an Act of Parliament to limit the periods of office of CEOs or heads of government-controlled companies, also mentions such a prescription. In essence, the Act establishes procedures and criteria for good corporate governance that must be followed by government-controlled enterprises and other commercial entities that are owned or controlled entirely by the government.

According to Sifile, Suppiah, & Chavunduka (2015), the board of directors forms the epitome of corporate governance hence the survival of corporates is hinged on the effectiveness of boards and their controlling functions. To ensure effective fulfillment of duty, boards for SOEs must be appointed in accordance with the PECG Act's prescriptions and regulations. The Act provides that no person shall be appointed as a member of a board of directors for a public institution for a term longer than four years and that such appointment may be renewed only once more for such a term. This assists in reawakening and activating board members for SOEs who are challenged to work hard in order to increase the likelihood of their membership being renewed when their terms expire. In terms of board member appointments, the Act states that a person may not be appointed to a board if he or she has previously served on such board for one or more periods totaling eight years, whether consecutive or not. Furthermore, the Act stipulates that no person shall be nominated to the board of a public organization if he or she is a member of two other such boards, in order to ensure proper fulfillment of duty by such board members of SOEs. The Corporate Governance Unit (CGU), which is housed in the President's Office, is also included in the PECG Act. By offering an advising and centralized support mechanism for line ministries, the unit is critical in spearheading the practice of good corporate governance by SOEs. The CGU guarantees that the PECG Act's provisions are followed by advising line ministries on how to evaluate the performance of public enterprises, their boards, and their workers regularly.

In addition, the Act highlight provisions that look into the remuneration of non-executive members of public entities which it requires to be fair and appropriate which essentially must be reached based on qualification and experience amongst other considerations. The issue of remuneration as discussed in the background of the study has seen CEOs in some SOEs rewarding themselves for too high salaries and allowances. Therefore, the PECG Act sets the tone right on how such remuneration for non-executive members must be determined. The Act requires that in the setting out of remuneration, the responsible minister for SOEs must do so in consultation with the Minister responsible for finance who has to determine the ministry's capacity to pay. This helps in avoiding situations where SOEs pay more than their ability to generate profits which cripples the performance of SOEs.

Another issue amongst the provisions of the PECG Act deals with the resignation of board members for SOEs. There are various reasons which may result in members resigning from boards which at times might be a detriment to the functioning and performance of public entities. As such, the Act requires that following the resignation of a board member of a public entity the head of the line ministry shall endeavor to ascertain from the member reasons for such resignation.

In cases where two or more board members of a public entity resign at the same time, the line minister is also required to make an investigation to again ascertain reasons for resignation. Findings made are communicated to the office of the President and Cabinet. Similar scenarios transpired at NetOne in February 2020 which saw simultaneous resignation of board members to which the Finance Director and the CEO were suspended.

Furthermore, the legislation emphasizes the system for appointing CEOs for public enterprises, who may be nominated for a term of no more than five years under the provisions. The tenure may be renewed for a maximum of one more term, but not beyond the second term. According to the PECG Act, no person may be appointed as CEO if they have previously served as CEO of the business for one or more periods, whether consecutive or not, totaling less than 10 years. In this regard, the Act emphasizes service conditions for SOE senior employees, stating that the service of CEOs and other senior staff shall be determined by boards of entities affected at properly convened meetings. The Act, however, requires such terms of service to be compatible with members' performance contracts and to include terminal benefits. Minutes taken under such circumstances must be properly recorded.

The PECG Act also includes a provision that prohibits board members from having a conflict of interest during meetings. In this regard, the Chairperson of every public entity's board of directors is required to ensure that the board meets at least once every three months and that any member who has a conflict of interest does not participate in the consideration or discussion, and does not vote on any question before the board that involves any interest. The Auditor General or a person who is registered as a public auditor in terms of the Public Accountants and Auditors appointed by the Auditor General shall conduct an annual audit of accounts for public entities subject to the Public Finance Management Act, and the Auditor-General or the public auditor, as the case may be, shall submit the audit report to the line minister, the Minister responsible for finance, and the board of directors.

Methodology

This review used relevant literature from scholarly articles, government reports, and other published works to provide for the development of corporate governance development of SOEs in selected African Countries. The paper provided a review of related literature.

Conclusion and Recommendations

The review above leads to the conclusion that corporate governance development in many African Countries has largely been shaped by corporate governance in Europe. Such development has enabled to redirect the corporate governance path of SOEs in Africa despite the occurrence of various malfeasances which are not only unique to Africa but also a feature in Europe. The other conclusion from the review of literature is that SOEs have been in scandals in Africa which requires governments to develop corporate governance Acts and legislation that puts punitive and custodial sentences on those who make a breach on best practice of corporate governance. Corporate governance is a necessary ingredient for the sustenance of SOEs. Authors thus also recommend that countries ensure compliance by corporate governance legislative developments. This may be done by criminalizing all corporate governance malpractices.

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