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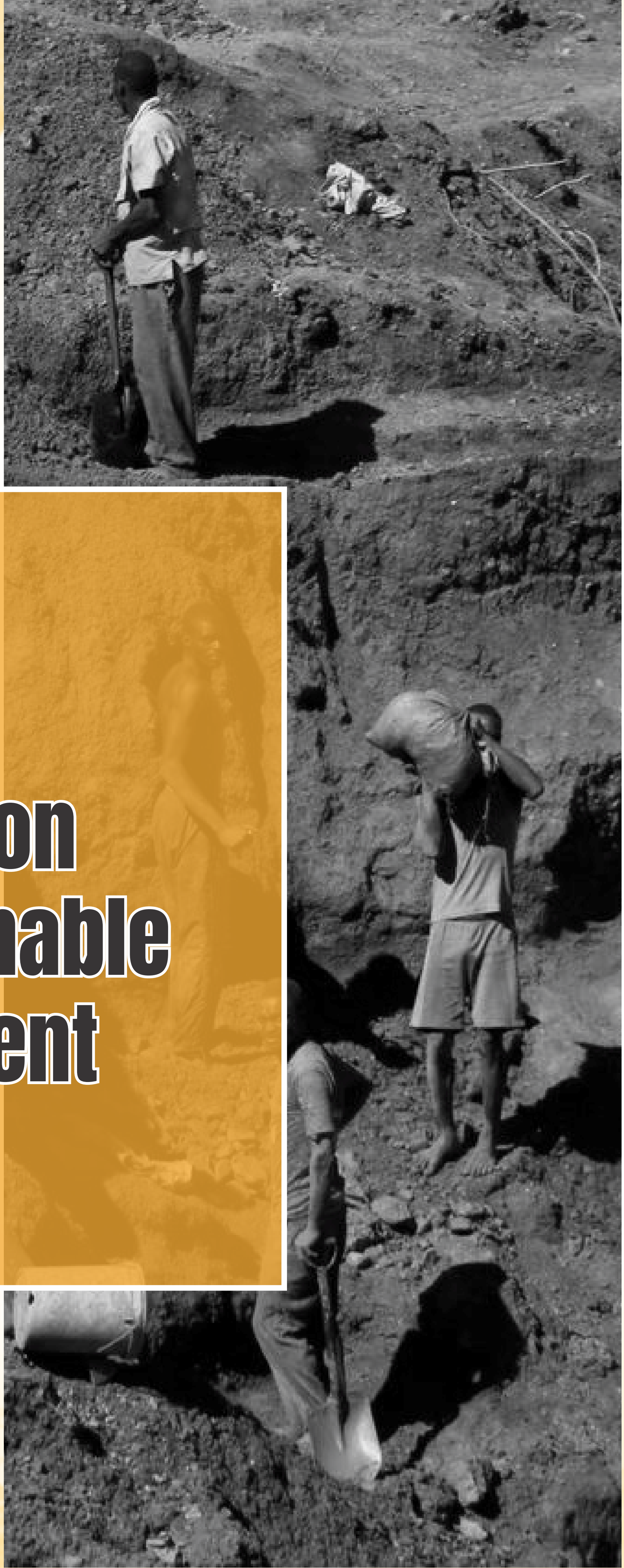

Domestic Resource Mobilisation for Sustainable Development Financing

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DOMESTIC RESOURCE MOBILISATION AND THE QUEST FOR SUSTAINABLE ALTERNATIVE TO EXTERNAL DEBT IN ZIMBABWE

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TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

4IR	-	Fourth Industrial Revolution
ACBF	-	African Capacity Building Foundation
AfCFTA	-	African Continental Free Trade Area
AfDB	-	African Development Bank
AFRODAD	-	African Network on Debt and Development
AI	-	Artificial Intelligence
AMV	-	African Mining Vision
AU	-	African Union
AUC	-	African Union Commission
COMESA	-	Common Market for Eastern and Southern Africa
COVID-19	-	Coronavirus 2019
EU	-	European Union
Fintech	-	Financial Technologies
GDP	-	Gross Domestic Product
I.D	-	Identity Card
ICT	-	Information, Communication and Technology
IDBZ	-	Indigenous Development Bank of Zimbabwe
IMF	-	International Monetary Fund
IMTT	-	Intermediated Money Transfer Tax
MSMEs	-	Micro, Small and Medium Enterprises
NEPAD	-	New Partnership for Africa's Development
NMB	-	National Merchant Bank of Zimbabwe
NSSA	-	National Social Security Authority
OECD	-	Organisation for Economic Cooperation and Development
PFMA	-	Public Finance Management Act
PPP	-	Public Private Partnerships
RBZ	-	Reserve Bank of Zimbabwe
SDGs	-	Sustainable Development Goals
SEZ	-	Special Economic Zones
SWF	-	Sovereign Wealth Funds
U.S.	-	United States.
UK	-	United Kingdom
UN	-	United Nations
UNCTAD	-	United Nations Conference on Trade and Development
UNECA	-	United Nations Economic Commission for Africa
VAT	-	Value Added Tax
WB-StAR	-	World Bank Stolen Asset Recovery
ZEPARU	-	Zimbabwe Economic Policy Analysis and Research Unit
ZERA	-	Zimbabwe Electricity Regulatory Authority
ZIMCODD	-	Zimbabwe Coalition on Debt and Development
ZIMRA	-	Zimbabwe Revenue Authority
ZMDC	-	Zimbabwe Mining Development Corporation
ZPC	-	Zimbabwe Power Company

LIST OF TABLES

EXECUTIVE SUMMARY

Overview

This contribution sets out to re-center the idea of domestic resource mobilisation as a sustainable alternative to the thorny problem of external debt peonage in Zimbabwe. It argues that greater domestic resource mobilisation is a crucial scaffold in the process of rebooting economic growth, tackling poverty and fortifying social contract as well as 'inoculating' the country against aid addiction and debt dependence. The need for greater domestic revenue mobilisation strategy is particularly urgent in Zimbabwe where the country is currently mired in an economic turmoil that is characterised by perennial fiscal deficits and deepening debt distress among the other economic and social ills.

It is no secret that Zimbabwe has long been engrossed in the morass of a debilitating debt trap and has been struggling to extricate itself from this trap especially in the last two decades. The current government has no obvious means of affording debt and arrears repayments except borrowing from borrowing; pursuing austerity policy measures; and hoping for re-engagement with the Euro-American creditors, lenders, and donors all of which is yet to yield the desired results.

It is common cause that the flow of external financing to the country has been in its nadir since the beginning of the 2000s as a result of a melange of diplomatic, economic, and political nuances. In particular, the triad of official development assistance, foreign direct investment and export earnings has plummeted owing to the country's tenuous relationship with the Euro-American powers and their juridical economic institutions including the World Bank, the International Monetary Fund and the European Investment Bank among others. Zimbabwe's soured relations with these multilateral institutions and countries especially the UK, the U.S., the EU, Canada and Australia partly explains its debt sustainability problems.

However, a cursory analysis of the natural capital in Zimbabwe including its mineral resource stocks, wildlife, forestry, fisheries, and arable land among others suggests that the country's resources are enough to finance its own development if the right mindsets, conditions, institutional, and legal frameworks are put in place. Some of the proven minerals and precious stones in Zimbabwe include: 13 million tons of gold; 2.8 billion tons of platinum; 26 billion tons of coal; 10 billion tons of chrome; 4.5 million tons of nickel; 16.5 million carats of diamonds; 30 billion tons of iron ore; 5.2 million tons of copper; and 765 billion cubic metres of coal bed methane. Given this magnitude of natural capital, a well repurposed approach to domestic revenue mobilisation could harness all these and many other resources to scale up development finance in Zimbabwe without overly relying on erratic external flows.

As such, this analysis has identified the instruments and measures that should be deployed in order to reload domestic resource mobilisation as a vector for fiscal and debt sustainability in Zimbabwe. To be clear, this contribution hypothesizes that greater domestic resource mobilisation is a powerful means to create fiscal space and reduce government indebtedness as well as facilitate higher levels of economic growth and poverty reduction.

Rationale for Domestic Resource Mobilisation

The rationale for a greater focus on domestic resource mobilisation in Zimbabwe springs from the quest for fiscal consolidation and debt sustainability both of which have been notoriously elusive in recent years. By definition, domestic resource mobilisation is the financial and fiscal accruals generated within a domestic economy. It consists of taxes on personal and corporation incomes, goods and services, as well as non-tax revenues such as social security contributions, commission on natural resource extraction, property income, dividends from state enterprises, tourism income, domestic savings, domestic credits, user fees, fines, interest, royalties, licences, rents, penalties, forfeits, and sale of goods and services as well as other kinds of levies collected by government from citizens, resident non-citizens and local businesses.

In the current global context where most Euro-American countries have been increasingly focusing on their own internal affairs owing to a constellation of factors including the lingering problems of 2008/2009 global financial crisis, sluggish economic growth in the Eurozone; influx of refugees and immigrants in Europe; complicated Brexit; the deepening geopolitical and geoeconomic contestations between Washington and Beijing; as well as the current global health scourge of Coronavirus Disease-2019 (Covid 19), it has become incogent for any country to pin its hopes for development on the official development assistance and investment from the global North countries. The situation is worse with Zimbabwe where the economy is already on its knees.

These global and national dynamics, therefore, call for renewed efforts to accelerate mobilization of domestic resources in Zimbabwe. This is because domestic resources are predictable, less volatile, stable, and independent from the neoliberal conditionalities that have kept the country exposed to debt peonage since the dawn of the country's independence in 1980. Accordingly, domestic resources also referred to as 'de-imperialised finance' may also liberate the country from the Chinese debt book diplomacy. There is sufficient evidence that suggests that the Chinese expansion to Zimbabwe has led to the piling up of fresh debts as some mineral resources such as chrome, diamonds, and coal have been mortgaged to that country. In short, greater domestic resource mobilisation provides not only the quantities but also qualitative revenues in terms of their potential to trigger transformative change towards greater economic independence from both the traditional and the 'new' creditors, lenders, investors, and donors.

Binding Constraints

The findings of this analysis indicate that greater domestic resource mobilisation is likely to face a cocktail of obstacles. One of the glaring challenges is a narrow tax base that is characterised by few taxpayers, and large informal and subsistence agricultural sectors. To be clear, Zimbabwe's financial services sector is characterised by low levels of private savings since most of the transactions do not pass through the formal banking system. This has been occasioned by loss of public confidence on the banking sector due to the breakdown of social contract between the public and the financial and monetary authorities. Apparently, Zimbabwe's tax base is further eroded by tax incentives given largely to foreign investors including some Chinese state-owned enterprises and entrepreneurs in a bid to attract more investment from Beijing and other emerging economies so as to circumvent the conditionalities imposed by the Euro-American countries and institutions.

However, the biggest bane to greater domestic resource mobilisation in Zimbabwe is corruption and illicit financial flows. Large amounts of financial resources have been siphoned out of the country leaving it heavily indebted. The Global Financial Integrity (2015) estimates that Zimbabwe lost about US$12 billion over the past three decades through illicit financial flows while Choruma (2018) put the figure at US$15 billion in a period of 10 years, that is, 2005-2015. Moreover, the Reserve Bank of Zimbabwe has reported that over US$1.2 billion dollars was externalised by exporters in 2016 alone. This analysis therefore posits that stemming capital flight and encouraging the repatriation of capital held abroad will have a very significant impact on the level of resources available for productive investment in Zimbabwe thereby directly contributing towards debt sustainability.

Innovative Financing Mechanisms

This contribution also argues that Zimbabwe can generate even more substantially domestic resources through innovative financing mechanisms. Thus, a focus on these will crowd in more private sector investment and thus help preserve the solvency of the public sector balance sheets. Some of the innovative financing mechanisms considered in this contribution include: Public Private Partnerships (PPPs), Diaspora Remittances, Sovereign Wealth Funds (SWFs), Intermediated Money Transfer Tax, and digital tools for enhancing tax administration as well as the Online Gaming Industry. More importantly, this analysis posits that the development of financial technology (fintech) based on innovations of processes, applications, products and business models can promote efficiency in the financial industry by transforming the delivery of core financial sector functions, such as the settlement of payments, borrowing and saving, risk sharing and the allocation of capital (IMF, 2018). While embracing these innovative mechanisms, policy makers should be cognisant of the fact that their proliferation may also increase the risk of money laundering and other smart financial crimes. This contribution advises that anti-cybercrime packages must form an integral part of the fintech strategies of greater domestic resource mobilisation.

Recommendations

The following instruments and policy measures are recommended to step up the mobilisation of domestic financial resources in Zimbabwe:

- Combat Corruption and illicit financial flows: Government should go beyond the rhetoric of zero-tolerance to corruption and adopt drastic measures to curtail illicit financial flows. Every effort must be made to strengthen all institutions that are involved in the management of illicit financial flows including customs, tax departments, Zimbabwe Revenue Authority, Zimbabwe Anti-Corruption Commission, and all the relevant parliamentary portfolio committees. Stemming capital flight and encouraging the repatriation of capital held abroad will have a very significant impact on the level of resources available for productive investment in Zimbabwe thereby directly contributing towards debt sustainability.

- Public Finance Management: Government must revamp and revitalise its public finance management systems and align them with the constitution. This should aim at promoting a real culture of transparency in the public sector in order to ensure that the budgetary resources result in economic growth and development.

- Embrace the African Mining Vision: Government should embrace, customise, and fully implement the principles and values of the African Mining Vision (AMV). These include maximisation and management of tax revenues in the mining sector. AMV offers the unique opportunity of increasing the transparency of transactions between companies and government entities, and of the use of revenues by governments.

- Adopt Innovative Financing Instruments: Government should urgently adopt innovative financing mechanisms such as public private partnerships, securitization of diaspora remittances, and sovereign wealth funds, and digitally-enhanced tax administration practices as well as online gaming industries. The successful implementation of these innovative financing mechanisms would provide strong impetus to efforts geared at accelerating accumulation of capital, productivity, and economic growth in the country thereby contributing towards debt sustainability.

- Embrace the Fourth Industrial Revolution: Government should fully embrace the principles of the Fourth Industrial Revolution (4IR) in tax administration, and in monitoring and tracing financial crimes. Also simplify the registration process for businesses, leveraging new technologies to modernize the tax collection system, deepening regional integration, and tax coordination in order to broaden the tax base. National tax policies can be developed to include subscription based, ad-supported, freemium, and e-commerce business models within the country's tax base.

- Take Advantage of the African Continental Free Trade Area: Government should capitalise on its membership to the nascent African Continental Free Trade Area (AfCFTA) to increase its intra-Africa trade. Attendant benefits include technology transfer and development of regional value chains in which Zimbabwe businesses can add value as they turn raw materials into finished goods. The net result of this will be greater domestic resource capital for Zimbabwe.

- Craft Zimbabwe-China Policy: Government should adopt a specific policy towards China to ensure that the country maximises on its relations with this re-emerging global geoeconomic power. An important starting point will be for the government to urgently commission and publish a full, independent audit of Zimbabwe's current debt obligations to China.

- Lobby for Debt Cancellation: Given the menace of the Coronavirus which has ravaged the health systems globally, government together with other countries in the African Union should advocate for the cancellation of all the debts to the vulnerable African countries. The funds earmarked for debt repayments can then be redirected to fighting Coronavirus 19 as well as towards the productive sectors of the economy.

- Allow Civil Society Space: Give space for civil society organisations and researchers working on the anti-corruption agenda, and support the country's effort to build capacity in fighting tax evasion, money laundering and corruption. These organisations must also continue to inform the debate on the dangers of both irresponsible borrowing and irresponsible lending.

- Political Will: Political leaders must have the will to change the current situation in Zimbabwe. The benefits of domestic resource mobilisation will only accrue to the country if the political leadership is prepared to shift its mindset away from aid and debt dependence syndromes. It also depends on whether the government has the political will and capacity to put in place the appropriate policy measures.

1.0 INTRODUCTION

This paper privileges the idea of domestic resource mobilisation as a sustainable alternative to the thorny issue of external debt crisis in Zimbabwe. It argues that domestic resource mobilisation is a crucial scaffold in the process of rebooting eco-social development, tackling poverty and fortifying social contract as well as 'inoculating' the country against aid addiction and debt dependence. More importantly, the chapter posits that domestic resource mobilisation is a key financial tool for responding to the excruciating problem of external debt overhang and the ever-expanding fiscal deficit in Zimbabwe (see also ZIMCODD, 2019a; Forstater, 2018; Saungweme and Odhiambo, 2018; Odhiambo, 2017).

It is no secret that Zimbabwe has long been engrossed in the morass of a debilitating debt trap and has been struggling to extricate itself from this trap especially in the last two decades. Needless to say, the current government has no obvious means of affording debt and arrears repayments except borrowing from borrowing; pursuing austerity policy measures; and hoping for re-engagement with the Euro-American creditors, lenders, and donors. In light of this trilemma, there is now an increasing din of voices from civil society, labour, business, and academia calling for greater recourse to domestic resource mobilisation as the potential solution to the continued debt risk in Zimbabwe. The repurposed domestic resource mobilisation agenda could enable the government to better meet its external debt servicing obligations as well as reposition the country to realise its ambitious vision of becoming an upper middle-class economy by 2030.

Moreover, doubling down on domestic resource mobilisation could also enable the country to realise the much-publicised United Nations Agenda 2030[1] while at the same time gravitate towards the lofty ideals of the African Union Agenda 2063[2]. As such, the specific goal of this contribution is to identify the financial instruments and policy measures that can significantly trigger greater domestic resource mobilisation in the immediate, medium and long term. While the discussion here does not portend that domestic resource mobilisation is the sole path to debt sustainability in Zimbabwe, it ostensibly posits that the mechanism is an indisputable antidote to the country's current debt peonage.

The inescapable set of questions that will stalk the discussion in this paper are: What are the key policy and institutional drivers of greater domestic resource mobilisation? What steps can policymakers take to enhance domestic capital mobilisation? And, can Zimbabwe's debt obligations be made sustainable through greater domestic resource mobilisation? Finding answers to these questions constitutes the focus of this chapter.

In responding to these questions, policy documents from the Ministry of Finance and Economic Development, Reserve Bank of Zimbabwe (RBZ) and Parliament were analysed. The study also benefited from key informants drawn from government departments, business, labour, academia, media, and civil society. The consulted individuals have profound and intimate knowledge of the domestic resources and the debt situation in Zimbabwe. To respect the anonymity of these individuals, the interviews were held off record. Secondary data obtained from the web-based sources were also extensively deployed in this analysis.

The paper is structured as follows: section 2 presents the contextual and conceptual foundation of the study; section 3 discusses the rationale for domestic resource mobilisation; section 4 analyses the key drivers and sources of domestic capital; section 5 presents the binding constraints of resource mobilisation; sections 6 and 7 discuss ways of enhancing both traditional and innovative financing mechanisms respectively while sections 8 and 9 present recommendations and conclusions of the paper respectively.

[1] The UN Agenda 2030 have set high expectations for domestic resource mobilisation as a self-sustaining development finance strategy. The United Nations Sustainable Development Goal (SDG), Target 17. I speaks to the need for strengthening of domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.www.stats.unctads.org/Dgf2016/partnership/goal17/target 17_1,html

[2] The African Union Agenda 2063 is a roadmap for structurally transforming Africa over 50 years, and emphasises the importance of domestic resource mobilisation for a successful implementation of the continental development blueprint. www.acbf-pact.org/media/news/mobilisation-african-resources-agenda-2063

2.0 CONTEXTUAL AND CONCEPTUAL ISSUES

It is almost trite to say that Zimbabwe has a large financing gap which has kept the country precariously exposed to debt distress. Over the last two decades, the flow of external financing to the country has been in its nadir as a result of a confluence of diplomatic, economic, and political nuances. In particular, the triad of official development assistance, foreign direct investment and export earnings have plummeted owing to the country's tenuous relationship with the Euro-American powers and their juridical economic institutions such as the World Bank, the International Monetary Fund (IMF) and the European Investment Bank among others(see Chigumira, Mupunga, and Chipumho, 2018; Moyo, in press).

Zimbabwe's soured relations with the Euro-American powers especially, the UK, the U.S., the EU, Canada, and Australia have been characterised by accusations and counter-accusations about the claims of sanctions and targeted measures imposed on the southern African country. Gallons of ink have been expended by scholars and researchers on the study of sanctions in Zimbabwe and thus deserves no further elaboration here, serve to note that the controversy partly explains the country's debt vulnerabilities as well as the low external flows from the country's traditional providers of development finance.

In the meanwhile, the global geo-economic and geopolitical factors such as the rise of Donald Trump as the President of the U.S with his 'Making America Great Again' slogan; the continued effects of the 2008/2009 Global Financial crisis to the economies of Europe; the difficult Brexit; the immigrants and the refugee crises in the Euro-American countries, and today's global health scourge of the Coronavirus Disease 2019 (Covid-19)are likely to continue and further reduce development aid, trade and foreign direct investment as the traditional donors, creditors, lenders, and investors adopt more inward looking policies as they grapple with their own internal affairs. The uncertainty associated with these global developments should awaken Zimbabwe and the rest of the continent to the realisation that it is largely through redoubling of domestic resource mobilisation that the imperatives of debt sustainability could be met.

Viewed from this discursive context, it is hardly surprising that many African countries are currently shifting their development trajectories away from development alms from the global North partners towards the emerging and re-emerging economies of the global South including Brazil, Russia, India and China. Thus, in addition to the huge debt owed by Zimbabwe to the international financial institutions, the country has contracted fresh loans from the new creditors, lenders, investors, and donors as well as traders from the global South.

For example, in the last few years China has doled out some financial largesse to the country including US$16 million undefined concessional loan; US$10 million concessional loan for road equipment; US$150 million for the expansion of Victoria Falls International Airport; US$151 million for the rehabilitation of Robert Mugabe Airport; US$1 billion for the expansion of Hwange 7and 8 power generation units; US$319 million for Kariba hydro-electric power station; and US$77 million for the construction of the new Parliament of Zimbabwe Building(Reserve Bank of Zimbabwe, Internal Document on Zimbabwe's Obligations to China-June 2019).This is just a snapshot of the Chinese arcane lending to Zimbabwe. To be clear, very little is known about the quantum, terms, and structure of some of these loans since some of them were contracted below the legal radar of the parliamentary scrutiny. Only the ruling elite and the militricians, that is, the military officials cum businessmen/woman, are privy to the Sino-Zimbabwe deals.

Considering the fact that China is generally accused of being a 'predatory lender', a 'rogue creditor', a 'rogue donor', an 'economic hawk', a 'resource colonialist', a 'resource grabber', a 'new scrambler', a 'new-imperialist', and a 'sub-imperialist, Zimbabwe is undoubtedly further exposed to deeper debt distress than is generally acknowledged by both scholars and policy makers (see Moyo, in press).As at June 2019, Zimbabwe's obligations to China stood at US$2 647 818, 779.55 (Reserve Bank of Zimbabwe, Internal Document on Zimbabwe's Obligations to China June- 2019) while the country's total sovereign debt is estimated at US$18 billion dollars. Of this, US$13.13 billion is external debt (ZIMCODD, 2020). Concerns therefore abound that the increasing pile of external sovereign debt is not being managed in a way that promotes the required fiscal sustainability and there is thus a deepening problem of debt peonage in the country.

In response to this debt crisis, the government of Zimbabwe has, in recent years put in place fiscal consolidation measures. These include among others, a freeze on public service recruitments, retirement of all staff older than 65, the introduction of a voluntary retirement scheme, state enterprises and parastatals reforms, management of the public service wage bill and flashing out of the so-called 'ghost workers' in the public service as well as closing tax loopholes (Government of Zimbabwe 2018a).

At the same time, there have been some efforts to increase the transparency and accountability of revenue mobilization. For example, in 2018 government proposed that the national budget should fully capture and account for all public revenue in-flows and expenditures, including revenue retentions by some government departments (Odero, 2018:3).However, the ever-increasing public wage bill-which accounted for over 70 percent of the total expenditure in 2019, combined with high debt servicing costs and lower than planned domestic revenues are hampering Zimbabwe's ability to promote economic growth as well as achieve debt sustainability. Crudely put, efforts to increase revenue streams over the past decades have generated limited results, and consequently Zimbabwe remains a low domestic capital mobiliser and a bad debtor to its creditors.

Thus, in spite of all the fiscal stabilisation measures so far undertaken and despite the government's re-engagement strategy (ZIMCODD, 2019b), the country has continued to experience stresses and strains arising from the excruciating and excessive debt overhang, fiscal deficits, negative balance of payments as well as many other macroeconomic challenges facing the country. To be precise, Zimbabwe's external debt servicing ability remains constrained by a battery of factors including; low industrial and export competitiveness, rising levels of illicit capital flight and corruption, depressed investor confidence, and severe liquidity constraints to name but just a few (Odhiambo, 2018). It is however the contention of this discussion that in order to defang the vicious cycle of debt, Zimbabwe will need to raise its volume high on domestic resource mobilisation as a vector of financing for development to trigger transformative change towards greater financial stability and debt sustainability.

Apparently, there is consensus amongst a melange of scholars and researchers that effective domestic resource mobilisation is well poised to enable Zimbabwe to balance its financing needs while containing the spiralling sovereign debt. Scholars and researchers including the famed Dambisa Moyo in her recent magisterial book, Edge of Chaos: Why Democracy is failing to deliver and How to Fix It (2018), contends that domestic resource mobilisation is a sure strategy for reconciling the rising debt levels and financing needs for the countries that are exposed to debt distress.

This line of thinking is also shared by the African Union Commission (AUC) which argues that: '...at a time when public debt levels have been rising rapidly, domestic revenue mobilization should be a key component of any fiscal consolidation strategy. In fact, without adequate efforts to raise domestic revenues, fiscal consolidation tends to rely excessively on reductions in public spending, which can have a more negative impact on growth...' (African Union Commission, 2019:34).

ZIMCODD (2019a:13) was even more sanguine when it opined that 'adopting a strong stance on domestic resource mobilisation is a key option to derive maximum benefits for Zimbabwe not only to pay off the national debt without further borrowing but also for creating fiscal space for economic development of the country'. Notably, the notion of domestic resource mobilization is also raised in the United Nations Sustainable Development Goals (SDGs). Specifically, Target No.17.1 talks about the strengthening of domestic resource mobilization through international support to developing countries in order to improve domestic capacity for tax and other revenue collection measures. It is against this backdrop that the current contribution sets out to examine the linkages between greater domestic resource mobilisation and external debt and draw policy recommendations for Zimbabwe.

3.0 RATIONALE FOR DOMESTIC RESOURCE MOBILISATION

This section surveys and analyses the relevance of domestic capital to debt sustainability. It begins by providing a generalised understanding of domestic resource mobilisation. In simple terms, domestic resource mobilisation is defined as the financial and fiscal accruals generated within a domestic economy (Bhushan, 2008). Such resources consist of taxes on personal and corporation incomes, goods and services, as well as non-tax revenues such as social security contributions, commission on natural resource extraction, property income, dividends from state enterprises, tourism income, domestic savings, domestic credits, fees, fines, interest, royalties, licences, rents, penalties, forfeits, and sale of goods and services as well as other kinds of levies collected by government from citizens, resident non-citizens and local businesses (AUC, 2018; Bhushan, 2008). As alluded above, a broad intellectual consensus has emerged in academia and among policy practitioners on the importance of the link between domestic resource mobilisation and debt sustainability (Forstater, 2018; Saungweme and Odhiambo, 2018; Odhiambo, 2017).

More recent studies by reputable institutions such as the African Development Bank (AfDB), the New Partnership for Africa's Development (NEPAD), the United Nations Economic Commission for Africa (UNECA), and the African Forum and Network on Debt and Development (AFRODAD) as well as the IMF have all underscored the fact that domestic resources have panoply of compelling advantages as compared to external sources of financing as will be explained anon (AfDB, 2018; UNECA, 2018). It is in this respect that this contribution canvasses for the redoubling of domestic resource mobilization effort as a sustainable alternative to debt financing in Zimbabwe.

There is little debate among scholars, researchers and policy makers that effective domestic resource mobilisation leads to greater policy ownership and increased policy space resulting in better matching of capital investment and development strategies to domestic needs. As such, domestic resource mobilisation has the potential to provide what decolonial scholars such as Anibal Quijano, Walter Mignolo, and Sabelo Gatsheni Ndlovu refer to as decolonial finance which could reduce Zimbabwe's dependence on debt financing from the juridical economic institutions including but not limited to the multilateral institutions such as the World Bank Group, the IMF, the European Investment Bank and the African Development Bank (Moyo, 2019). Besides responding to the Euro-Western creditors, greater domestic capital mobilisation may also liberate the country from the conceptual envelope of Sino-Zimbabwe neo-imperial trap that is dominated by Beijing's debt book diplomacy (see Parker and Chefitz, 2018). In this regard, COMESA was right when it observed that:

> *'Domestic resources bring about a sense of patriotism and ownership of development policies and outcomes unlike foreign aid that comes with conditionalities, constraining a country's ability to manoeuvre and adopt policies that are consistent with its national development goals'. (COMESA, 2015:3)*

The potential for domestic capital mobilisation can easily be gleaned from the continent-wide metrics which indicate that African countries are currently raising more than US$500 billion annually from domestic taxes compared to the US$70 billion received in external private flows andthe paltry US$50 billion in official development assistance (Hamdok, 2015). These figures show that unlike foreign direct investment and official development assistance both of which are externally determined, highly volatile, unpredictable, and uncertain; domestic resources are not only predictable and reliable but are a quantitatively superior form of development financein Africa. Table 1 below presents a selected set of values of potential domestic financial resources at continental level.

Table 1: Value of Potential Domestic Financial Resources in Africa

Tax Revenues	US$520 Billion/yr
Mineral Earnings	US$168 Billion/yr
International Reserves	US$400 Billion
Diaspora Remittances	US$40 Billion/yr
Remittances Securitisation	US$5-10Billion/yr
Stock Market Capitalisation	US$1.2 Trillion
Private Equity Market	US$30 Billion
Bank Reserves	US$60 Billion
Savings in Remittances Costs	US$2 884/yr
Curbing Illicit Financial Flows	US$854 Billion/yr

Source: ACBF (2017)

While the figures above present a generalised picture about Africa as a whole, there is a general consensus among a medley of scholars, researchers and policy thinkers that most of the African countries have a fair chance of raising domestic capital that is proportional to their natural resource endowments, economic performance and human capital development among the other vectors. There is therefore little doubt that the prioritisation of domestic resource mobilization can provide Zimbabwe with the much needed financial imprimatur to confront the lingering problem of debt vulnerability as well as the much desired flexibility to devote sufficient resources to fight poverty, bridge infrastructure gaps, provide public services, foster social contract between the governed and the government, strengthen democratic engagement and institutions, and facilitate the virtuous cycle of transparency, accountability and efficiency in public spending (see also ACBF, 2016).

For the purposes of emphasis, it is worthy reiterating that greater domestic resource mobilisation tends to strengthen a government's accountability and ability to deliver public goods such as long term investment in basic education, healthcare, public safety, agriculture, telecommunications, and infrastructures as well as water and sanitation(see for example Runde and Savoy, 2014). To be precise, prioritisation of domestic resource mobilisation is likely to contribute towards the fulfilment of the social and fiscal compact between citizens and government given the hostile State-Society relations bequeathed by the Mugabe's administration. And everything else being constant, domestic capital offers the new administration of President Emmerson Mnangagwa path to self-sufficiency, self-reliance, self-assertion, self-sustainment, self-determination, and self-debt sustainability among the many other 'selfs', that is, if it chooses to adopt a people-centric approach, democratic governance, and development oriented policies during its tenure in office.

A cross examination of literature also indicates that the economic impact of greater domestic resource mobilization gestures a country towards an eco-social turn, improved domestic capital formation, improved service delivery, increased tax collection, increased government revenues, increased capacity to fight social poverty, and more importantly, low external debt levels (Nyhodo, Ngqangweni, Ntombela, Myeki, Nengwekhulu and Mmbengwa, 2016). For instance, instead of using debt finance to purchase buses from Belarus and China for subsidised Urban Transport, subsidising the prices of Roller Mealie, and Garrison Shops for the security services which further put a strain on debt servicing, government should be relying on its own internal resources. Using debt finance for non-productive expenses is a recipe for a debt risk exposure and debt peonage.

Evidently, domestic resource mobilisation stands as the biggest source of long term financing for social protection schemes, sustained growth, inclusive development, and improved provisioning of public goods and services.It is refreshing to note that some African countries such as Angola, Benin, Botswana, Cote d' Ivoire, Ethiopia, Ghana, and Rwanda have already taken huge strides towards refocusing their development financing models towards greater domestic resource mobilisation as part of their development trajectories and as their 'Balm of Gilead' to the perennial problem of fiscal deficits. Consequently, the triad of Cote d' Ivoire, Ethiopia, and Rwanda is currently among the fastest growing economies in Africa while Botswana is the most economically stable country on the African continent (IMF, 2018).

At another level, the push for domestic resource mobilisation is informed by the fact that Zimbabwe is richly endowed with natural resources from which it can raise its domestic capital. To be sure, other than huge tracts of arable land, timber, wild life, and fisheries, the country has the world's third largest platinum reserves and is the fifth largest producer of lithium, which is essential for rechargeable batteries (African Development Bank, 2018). It is also rich in precious stones and other mineral resources such as gold, coal, iron ore, chromium ore, diamonds, vanadium, asbestos, nickel, and copper among others (African Development Bank, 2018). Table 2 below provides a snapshot of the potential mineral resources that the country is currently sitting on.

Table 2: Zimbabwe's Estimated Mineral Resources

Mineral	**Estimated Resource (Tons)**	**Global/Continental Rankings**
Lithium	23 million	5th largest producer globally and has the largest proven deposits in Africa
Platinum	2.8 billion	3rd largest producer
Chrome	10 billion	Approximately 80% of the world's known metallurgical chromite
Nickel	4.5 million	More than 30 deposits have been discovered to date.
Coal	26 billion	38th global producer
Diamond	16.5 million carats	The country has about 160 known kimberlites with kimberlite hosted diamond mining taking place. The exact amount is yet to be fully established.
Iron Ore	30 billion	Has huge iron ore deposits associated with banded ironstone formations in greenstone belts
Copper	5.2 million	There are over 70 known deposits in the country.
Coal Bed Methane	765 billion cubic metres	largest known reserves in Southern Africa
Gold	13 million	Amongst the top 20 global producer

Compiled by the Author

As demonstrated by the figures above, Zimbabwe's rich tapestry of resource base, combined with a strategy of beneficiation and value addition, could underpin a viable domestic financial resource mobilisation for fiscal consolidation, debt sustainability, and inclusive growth for the Southern African country (see Jourdan, Chigumira, Kwesu, and Chipumho, 2012; ZIMCODD, 2019a). Currently, mineral resources contribute approximately 68 percent to the country's foreign earnings. However, this is a high percentage point from a low base in global terms.

It is unfortunate that over the years the government of Zimbabwe has failed to properly harness its natural resource stock including diamonds revenues from Marange diamonds fields which continue to be looted by some government officials, militricians, and predatory investors (Moyo, 2016). Similarly, artisanal gold miners have recently turned various parts of the country into war zones as the machetes wielding gangs harass, rob, and kill people with impunity. This is not good for resource mobilisation, investment, and security. The 'bloody yields' from 'gold panning' are sold in the parallel market and most of them are smuggled to South Africa and other shadow markets in Asia and India.

The Mnangagwa administration which touts itself as a reform government with slogans such as 'New Dispensation', 'Second Republic', 'Listening Government', and 'Zimbabwe is Open for Business', will need to go beyond the rhetoric and adhere to the canons of the constitution and the principles of the African Mining Vision (to which Zimbabwe is a signatory) which advocate for effective governance of the mineral resources sector including security and public participation, if the country is to fully benefit from its natural resources(AMV, 2009)[3]. The country should also subscribe to the Extractive Industries Transparency International (EITI)[4]. This could contribute towards enhancing domestic resources from the extractive sectors of the economy with technical assistance from the World Bank and the other multilateral institutions (World Bank, 2015).

In all this, it must be made categorically clear that the policy of enhancing domestic resource mobilisation proposed in this contribution ***does not*** embrace the use of natural resources as collateral for accessing international financial markets, making it possible for global capitalists with their extractivists' tendencies to exploit Zimbabwe's natural capital without enabling the country to undergo systemic and structural transformation. Apparently, information adduced from some of the key informants that were interviewed for this study suggests that as part of its sanctions busting strategy, the previous administration of former President Robert Mugabe mortgaged a number of natural resources including minerals such as chrome, coal, and diamonds to the Chinese and other Asian investors as payments for some illegitimate debts (also see Chigumira, Mupunga, and Chipumho, 2018; Bracking and Sachikonye, 2009). There are also claims that some tracks of land have been mortgaged to the Chinese lenders thereby creating a problem of foreignisation of the land which has become a big political problem in a number African countries including Benin, Cameroon, Ethiopia, Mali, DRC, and Uganda among others (for a detailed discussion see Ferrando, 2012).

It is common cause that some of the Sino-Zimbabwe deals were conducted and contracted outside the radar of Parliament hence constitutes part of the illegimate debt that should be ideally cancelled. What is unsettling is that on 31 December 2019 the government of Zimbabwe published the Constitutional Amendment Bill No. 2, which proposes to make 27 changes to the constitution including amending Section 327 which provides for parliamentary oversight on external borrowing and replace it with the unfettered prerogative of the executive arm of government over external borrowings (Parliament of Zimbabwe, 2019). If the amendment is allowed to go through then the national resources of Zimbabwe will be further exposed to global capitalists from both the global North and South pillage without legal and financial accountability.

In sum, it must be reiterated here that the benefits of domestic resource mobilisation only accrue to countries that make deliberate efforts to shift their mindsets from aid and debt dependence attitudes and strategies. In also depends on whether the government has the political will and capacity to create a conducive environment. This assertion will become clearer as the rest of the analysis unfolds.

[3] The African Mining Vision (AMV) is a policy framework that was created by the African Union in 2009 to ensure that Africa utilises its mineral resources strategically for broad-based and inclusive development. www.africaminingvision.org

[4] Extractive Industries Transparency Initiative (EITI) supports improved governance and transparency in resource rich countries through the full publication and verification of company payments and government revenues from the extractive sectors of the economy. www.worldbank.org

4.0 DRIVERS AND DETERMINANTS OF DOMESTIC RESOURCES

The ability of a country to mobilise its domestic financial resources is determined by a myriad of complementary factors. Amongst them are the size of the economic activities that the country generates including its economic growth performance, capacity to raise and manage tax revenues, and the efficiency of its financial system as well as the attitude of its public leadership to development. Accordingly, inclusive and sustained economic growth is a prerequisite for generating financial resources from the domestic economy as it creates the wealth from which revenues can be mobilised. Regrettably, Zimbabwe's economic engine is currently dislocated, disarticulated, and largely dysfunctional.

Today, Zimbabwe is grappling with fiscal and monetary misalignments; chronic shortages of cash, fuel, power, and water; high unemployment; low investment and savings; industrial stagnation; reduced agricultural output; and high domestic and foreign debt among the other many economic and social ills (AfDB, 2018:1). This menu is not conducive for greater domestic resource mobilisation. It is therefore critical for government, business, labour, civil society, intellectual community, Presidential Advisory Council, Political Actors Dialogue, and all other key stakeholders to attend to these structural and political issues that are depressing the growth of the economy in the country. Essentially however, this discussion does not propose a linear approach where greater domestic capital mobilisation has to wait for the improvements in economic activity. Rather, it advances a pluritopical approach where all efforts in all fronts should be marshalled concurrently.

That aside, it is incontestable that ***taxation*** is the central nervous system of domestic resource mobilisation. Effective tax administration provides a reliable and sustainable source of revenues that are needed to promote growth and offer an antidote to aid dependence in the countries of the global South including Zimbabwe. Notwithstanding the economic challenges outlined above, Zimbabwe has the potential to scale its domestic resources from efficient tax administration. However, while some countries such as Botswana (39 percent) and Congo Brazzaville (31percent) have high tax- to- GDP ratios (UN, 2009:10), Zimbabwe only collects approximately 17 percent of GDP as reflected on Table 3 below.

Table 3: Public Finance as a percentage of GDP

Public Finance as % of GDP	2019
Total Revenue and Grants	19.2
Tax Revenue	17.6
Grant	00
Total Expenditure and Net Lending	29.3
Current Expenditure	24.9
Excluding Interest	23.8
Wages and Salaries	14.2
Interest	1.1
Capital Expenditure	4.4
Primary Balance	-9
Overall Balance	-10.1

Source: Odero (2018)

The average tax-to-GDP ratio for the Organisation for Economic Cooperation and Development (OECD) countries is 34.3 percent. Zimbabwe will have to do more in raising more financial resources through tax collections. In doing this, however, the country should not rely on increasing tax rates, instead, it should focus on expanding the tax base, improving tax administration, and tapping relatively underutilised sources and innovative financing instruments as will be explained anon.

Besides ***taxes, pension funds, insurance and capital markets*** have also become major drivers of domestic resource mobilisation in recent years. There is evidence from countries such as South Africa, Botswana, and Namibia which proves that these funds can positively promote businesses, infrastructure projects, and services that are desperately needed for most countries' economic growth and transformation (Achadinha, 2020). For example, Namibia's Pension Assets to GDP stood at 80 percent, South Africa at 57.44 percent and Botswana at 41.44 percent as at end of July 2019. Zimbabwe's pension industry had a total asset base of US$9.45 billion as at 30 September 2019[5].However, some of these funds are underutilised while others such as the National Social Security Authority (NSSA) have been characterised by mismanagement and corruption.

Policy makers will therefore need to nudge the institutional funds to invest in the productive sectors of the economy such as infrastructures, agriculture, telecommunications, and manufacturing. This will help bridge the financing gap that exists in these critical sectors of the economy thereby reducing the insatiable urge for borrowing by Zimbabwe government. Table 4 below presents some of the barriers to the efficient and effective deployment of capital markets, insurance, and pension industry in pursuit of domestic resource mobilisation in Zimbabwe.

Table: 4 Major barriers in the Capital Markets and Insurance and Pension Industry

Capital Markets	Insurance &Pension Industry
• Low disposable income • Illiquidity of the local markets • Inadequate of diversification of capital markets to the meet the needs of the low income earners • Under developed secondary market • Lack of awareness • Low confidence in the capital markets • Lack of investor protection	• Low disposable incomes • Lack of innovation by service providers • Low confidence in suppliers of insurance and pension services • Low levels of financial literacy • An inadequate legal and regulatory framework • High product and service distribution costs • Lack of accessibility of products and services

RBZ (2016)

The other important driver of domestic capital mobilisation is **domestic savings**. Sadly, domestic savings in Zimbabwe a recovery low partly because the citizens have lost confidence in the banking sector. A study carried out by the New Partnership for Africa's Development (NEPAD) and the United Nations Economic Commission for Africa (UNECA) in 2014 revealed that low savings in Africa are largely a result of low incomes due to high levels of poverty, inadequate incentives for low income earners to use formal banking services, high minimum deposits which discourage bank deposits, and high balance requirements and cost of maintaining an account in many African countries including Ghana, Kenya, Malawi, Mozambique, and Zambia (see also NEPAD and UNECA, 2014).

With respect to Zimbabwe, shortage of cash from the banks has meant that potential depositors feel more comfortable with keeping their cash at home rather than depositing it in banks where they will not be able to withdraw it. In the same vein, high fees and bank charges, unresolved Zimbabwe dollar accounts, and fear of loss of deposits continue to affect domestic savings as a driver of domestic resource mobilisation. This has been compounded by the fact that over the past two decades, depositors lost their savings which were raided by government and have not been compensated to this day (see also Odero, 2018).

[5] Zimbabwean pension funds are unable to meet the pensioner's reasonable expectations and there has been a public outcry. This is because pension fund administrators are living large yet contributors are wallowing in abject poverty. At the same time the invested funds suffer from Zimbabwe's unstable currency. Chivandire, Lukemore. 2019. Challenges facing pension funds in Zimbabwe, Conference Paper, July 2019. www.researchgate.net

Therefore, the large volumes of money outside the banking sector is indicative of the lack of public confidence in the banking sector and contributes to financial instability which is detrimental to their performance (Phiri and Muponda, 2016). In order to reposition the banking sector to contribute towards greater resource mobilisation, government should take urgent measures to increase domestic savings by improving monetary policy frameworks, addressing the problem of liquidity crisis, and supporting the development of long-term savings instruments among the other confidence building measures (Kapoor, 2019).

Closely related to domestic savings is the notion of **financial inclusion**. Until fairly recently, the formerly financially excluded such as the poor, the women, and the peripheral communities were not considered, at least in literature, as integral in domestic resource mobilisation efforts. More recent studies, however note that financial inclusion enables the formerly marginalisation and subalternised communities to accumulate savings and borrow to invest in income enhancing assets and start microenterprises, which ultimately generate employment, increase incomes, and reduces poverty and foster social and political cohesion, all of which should contribute to achieving sustainable economic growth, and by extension, contribute towards greater domestic capital mobilisation (Otchere, 2016; Ikhide, 2015). Countries such as Rwanda and Uganda have made huge strides towards financial inclusion.

In Zimbabwe financial inclusion has been fortuitously facilitated by mobile technologies which serve as the major tools for financial transactions in the context of cash crisis in the country. Mobile money has helped broaden access to financial services, especially payment products. In the process the country has seen substantial progress in electronic payments, and the creation of new delivery channels including mobile branches or banking services through third party agents that are playing an important role in providing greater financial access across the country. According to the Post and Telecommunications Regulatory Authority, about 6 million people in Zimbabwe have access to the internet and many more have access to mobile phones. As will be discussed later, this fact has motivated government to introduce a controversial 2 percent Intermediated Money Transfer Tax (IMTT) in 2018. More will be said about this later.

Finally, a country's **governance and institutional setting** provides the key elements of the enabling environment for domestic capital mobilisation. While, Zimbabwe has no shortage of institutional and legal frameworks as shown by a slew of pieces of legislation including the Public Finance Management Act (Chapter 22:19) of 2009; the Reserve Bank of Zimbabwe Act (Chapter 22:15) of 2010 as amended; the International Bank Loans Assumptions Act (Chapter 22:08); the Audit and Exchequer Act of 1996 (Chapter 22:02); the State Loans and Guarantees Act (Chapter 22:13); and the Public Debt Management Act (Chapter 22:21) of 2015 as well as the Constitution of Zimbabwe Amendment (No.20) Act of 2013, it would appear that all these have not yet proved to be the springboard of greater domestic resource mobilisation largely because of lack of political will. Coupled with the more systemic and structural factors, political will has been a major albatross to greater domestic resources mobilisation in Zimbabwe.

5.0 CONSTRAINTS AND LEAKAGES IN DOMESTIC RESOURCE MOBILISATION

Many reasons are often adduced for suboptimal domestic resource mobilisation in Zimbabwe. The preponderant one is narrow tax base. As intimated earlier, domestic resource mobilization in Zimbabwe is challenged by shallow domestic revenue base. The country's vast informal economy, estimated at over 80 percent, characterised by vendors, street traders, hawkers, and micro-small- and medium enterprises (MSMEs)operating outside the reach of public administration explains the country's narrow tax base. The FinScope Medium and Small Scale –Enterprise Survey 2012 Report noted that 65 percent of the informal sector in Zimbabwe was estimated to have a turnover of around US$7.4 billion[6].

Nevertheless, as already indicated, the problem with the informal sector is that its transactions do not pass through the formal banking system thereby depriving the economy of the much-needed bank deposits. As explained, many potential depositors shun the formal financial systems and intermediaries because of their stringent banking requirements. Instructively, some financial institutions such as the Steward Bank of Zimbabwe and the National Merchant Bank (NMB) have widened their customer base by introducing banking products that are user friendly to low income earners. The classic examples are the 'iSave account' (which requires national I.D and $ZW5) and the 'Kwenga swipe machine' adopted by Steward Bank[7]. These compare very well with the M-Pesa which offers the mobile banking services namely; M-Kesho and M-Shwari, to provide access to savings accounts and microcredit products in Kenya and Tanzania (IMF, 2018). Other examples are Zoona and Easy Equities in South Africa. All these digital technologies have become a vital cog in financial services sector and by extension to resource mobilisation.

On a different note, it is worth noting that Zimbabwe's tax system has been peppered by various tax incentives and exemptions leading to the further erosion of the tax base. These incentives include tax holidays, tax deferments, tax credits, reduced income tax rates, accelerated depreciation allowances, concessions in export processing zones, and import duty waivers. Added to that, the big corporations have a tendency to use their bargaining power to pay less tax than they ordinarily could afford. It was in this context, that the Finance Minister, Mthuli Ncube, shocked the tax justice campaigners when he reviewed the royalty on diamond from 15% to 10% of gross revenue, with effective from 1 January, 2020 during his 2020 budget speech (Government of Zimbabwe, 2019b).This has a negative effect on the quantum of financial resources collected by government from the private sector. In another shocking move, the same Finance Minister extended income tax exemption for the transnational giant Huawei Technologies Co. Ltd (S.I 25/2020)[8].

While it can be argued a priori that tax exemptions are an innovative means to attract investment to the country, this paper argues that the granting of excessive incentives particularly to multinational corporations especially in the extractive sectors of the economy, effectively excludes the most profitable activities of the economy from the tax net at an appropriate rate (see also UNECA, 2017; 2014; Verhoeven, Shukla, Haven, and Awasthi, 2017).There are too many of these financial incentives to the corporate. For example, the government of Zimbabwe has offered foreign investors tax and administrative benefits and incentives through the Special Economic Zones (SEZs) regulations and the SEZs Act (Chapter 14:34) promulgated in 2016. Most of these are Chinese nationals, entrepreneurs, and state-owned corporations.

As outlined by the ministry of Macroeconomic Planning and Investment Promotion in 2017, the following are some of the proposed fiscal and non-fiscal incentives for SEZs; exemptions from corporate income tax (CIT) for the first five years of operation, thereafter a corporate tax rate of 15 percent; special initial allowance on capital equipment to be allowed at the rate of 50 percent of cost from year one and 25 percent in subsequent

[6] FinScope Medium and Small Scale –Enterprise Survey 2012 Report
[7] See www.stewardbank.co.zw
[8] Statutory Instrument 25 of 2020.Income Tax (Exemption from Income Tax) (Huawei Technologies Co. Ltd.) (Amendment) Notice, 2020 (No. 1)

two years; specialised expatriate staff will be taxed at a flat rate of 15 percent; exemption from local government taxes and levies on underdeveloped land; and investors will be allowed to borrow offshore without the Reserve Bank of Zimbabwe approval(African Development Bank, 2018:63). So far, Bulawayo, Victoria Falls, Sunway City in Harare and Mutare have been designated as SEZs (Government of Zimbabwe, 2018). Apparently, exemptions tend to contract revenue bases thereby furthering public debt pressures in the country.

On the other hand, corruption and illicit financial flows have proved to be the bane to the domestic capital mobilisation effort in Zimbabwe. There are growing concerns with respect to the colossal amounts of financial resources which illicitly flow out of Zimbabwe every year. It is obvious that such illicit financial flows reduce the levels of resources available to the country to finance its development objectives and service its debt obligations. The Minister of Finance and Economic Development, Mthuli Ncube was correct when he noted in his 2020 budgetary statement that 'corruption causes economic malaise, wastage of public resources, jeopardises the environment for domestic and foreign investment and general morale in the public service, reinforces political instability and propagates social and economic disparities even in the presence of economic and social policies' (Government of Zimbabwe, 2019a).

Today, social media and traditional press are awash with stories of tax havens, aggressive tax avoidance, and externalisation of funds in Zimbabwe. For example, the Global Financial Integrity (2015) estimates that Zimbabwe lost about US$12 billion over the past three decades through illicit financial flows. However, other sources such as Choruma (2018) put the figure at US$15 billion in a period of 10 years, that is, 2005-2015.Additionally, the Reserve Bank of Zimbabwe (RBZ), in its monetary policy statement for January 2016 reported that in excess of US$1.2 billion dollars exports receipts were externalised by firms in 2016 (Dlamini and Mbira, 2017). Evidently, the mining sector constituted the main avenue for illicit financial flows in Zimbabwe, with $2.7 billion lost in the mining sector as against other sectors such as wildlife, fisheries and timber sectors (where $15 million, $28 million, and $17.5 million were lost respectively) (Gumede, not dated).

The examples above illustrate that corruption and illicit financial flows have been stripping out resources from the country leaving it heavily indebted and public services and basic social services such as health and education underfunded. A key informant from the Ministry of Finance claimed that Zimbabwe would be free of external debt overhang if government could recover just 50 percent of the capital lost through capital flight over the past 5 years.

Interestingly, the Mnangagwa administration has made a number of notable arrests for corruption or its alternate charge of abuse of office. For example, the former Finance Minister Ignatius Chombo was arrested on charges of criminal abuse of office over the way he handled the Garikai/HlalaniKuhle programme in Whitecliff farm in Harare, former Mines and Mining Development Minister Walter Chidhakwa and his former Permanent Secretary Professor Francis Gudyanga were arrested on charges of abuse of office, former Energy and Power Development Minister Samuel Undenge was accused of prejudicing the Zimbabwe Power Company (ZPC) of $12 650, former Information and Communication Technology Minister Supa Mandiwanzira was arrested on allegations of criminal abuse of office, former Zimbabwe Revenue Authority (ZIMRA) Commissioner-General Gershem Pasi, National Social Security Authority (NSSA) General Manager Elizabeth Chitiga and former City of Harare Town Clerk Tendai Mahachi were all accused of criminal abuse of office (see Chingarande, 2019;Munyoro, 2018; Share, 2017).

In addition, two Cabinet Ministers appointed by President Mnangagwa that is, Jorum Gumbo the Minister of State in the President's Office and Prisca Mupfumira the Minister of Tourism and Hospitality Industries were both arrested and jailed for corruption (Business Times, July 2019). However, despite this impressive list of arrest, corruption has continued to fester in state institutions and some of the arrested ministers and officials have been released without returning their loot to the state. Hence, some observers have dismissed the arrest as tokenistic if not facades that are meant to serve as public relations stunt for the Mnangagwa administration. Until the culprits are forced to repatriate their loot to the Consolidated Revenue Fund, very few Zimbabweans are likely to believe the government's ant-corruption rhetoric.

The Mnangagwa administration has also failed to recover some huge amounts of money looted by the chief executive officers of state enterprises and parastatals. For instance, in 2015 Zimbabweans were shocked by the salaries and perks of the chief executive officers of state enterprises and parastatals. These chief executive officers awarded themselves ridiculous perks and salaries, for example, the chief executive officers of the Public Service Medical Aid Society (PSMAS) receivedUS$535,499.00 per month, NETONE, US$43,693.00; Zimbabwe Broadcasting Corporation (ZBC), US$37,050.00; Zimbabwe Power Company (ZPC), US$36,359,00; Indigenous Development Bank of Zimbabwe (IDBZ), US$35,446.00; Reserve Bank of Zimbabwe (RBZ), US$32,943.00; Zimbabwe Mining Development Corporation (ZMDC), US$31,722.00; National Social Security Association (NSSA), US$29,062.00; Zimbabwe Electricity Regulatory Authority (ZERA), US$28,403.00; and Agribank, US$27, 275.00 (see Moyo, 2016). A whoopingUS$837,452 a month for only 13 individual CEOs in 13 state-controlled entities!

These salaries and perks were paid despite the fact that all the affected entities were sinking under the heavy weight of external debt and were all under-performing. When the scum became public, none of the culprits suffered any serious consequences for their criminal activities. In a large sense, however, these amounts are indicative of the money which could have been utilized domestically. Such losses are better seen within the context of other macroeconomic variables such as external debt.

At another level, it should be noted that Zimbabwe has 107 state enterprises and parastatals (SEPs), 43 of which are commercial enterprises operating in transportation, energy, mining, communications, and agriculture. They currently contribute about 14 percent to GDP against 40 percent potential contribution. Thus, corruption and poor financial and operational performance have limited their impact. To be sure, most SEPs have lost equity, accumulated short-term debt, and made significant losses (totalling about US$280 million in 2015); they have become a source of fiscal risk (Odero, 2018:6). Ironically, the risk of an individual being caught and punished for corruption is low, not because oversight agencies and civil society groups do not exist, but because the networks of powerful actors are able to block any individual challenges to their power (De Paepe, Hart, and Long, 2017).

In net, illicit financial flows are the biggest challenge to domestic resource mobilisation in Zimbabwe. To be sure, illicit financial outflows take the form of proceeds of theft, bribery and other forms of corruption by government officials, proceeds of criminal activities including illegal wildlife trading, externalisation, and proceeds of tax evasion and laundered commercial transactions. In addition, tax evasion, false invoicing in commercial operations, fraud, non-declaration or under declaration of accounts and financial information in order to avoid custom duties and tax in general are all aspects of illicit financial flows (see also Sene, 2018).

These worrisome practices as well as the problems of narrow tax base and tax exemptions have contributed to the continued problems of fiscal deficits and debt vulnerability in Zimbabwe. However, notwithstanding the problems and leakages cited above, the thesis of this paper is that there is room to plug these leakages in order to raise more domestic resources for capital investment and social spending as well as debt servicing.

6.0 INITIATIVES TO ENHANCE DOMESTIC RESOURCES

Given the reduction in official development assistance, foreign direct investments, and foreign currency earnings, policy makers have limited options in raising resources to attend to the development objectives as well as inaugurate a new era of debt sustainability in Zimbabwe. As reiterated before, greater domestic resource mobilisation remains the key source of development financing despite the challenges presented above. It is therefore argued here that policy makers and policy shapers should devote considerable attention to the project of scaling internal resource mobilisation so as to ensure that government's capacity for repayment of debts and arrears is adequately created. Time and space does not allow the treatment of all the various ways of enhancing domestic resource mobilisation here except for a few critical ones.

6.1 Curbing Illicit Financial Flows and Recovery of Stolen Assets

The first point to be made here is that Zimbabwe's domestic resource mobilisation efforts will get a significant boost if illicit financial flows and corruption are curtailed. Thus, government should act swiftly to get back the money stolen through corrupt activities and use it to build essential infrastructure as well as deploy it as part of its debt management strategy. The recovery and return of stolen assets is not a new idea, it has been referenced by the three succeeding International Conferences on Financing for Development namely; Monterrey Consensus (2002), Doha Declaration (2008) and the Addis Ababa Action Agenda (2015). It is also provided for under the UN Convention Against Corruption as a fundamental principle under international law. The UN Resolution 55/188 on illegal transfer of assets and the World Bank Stolen Asset Recovery (StAR) Initiative provides for the repatriation of stolen assets. All that is needed is commitment by all actors involved including global geo-economic interlocutors.

At national level, the fight against corruption and illicit financial flows should include the strengthening of the capacities of internal regulatory bodies including the Office of the Auditor General, the Zimbabwe Anti-Corruption Commission, Public Accounts Committee, Budget- Finance and Investment Portfolio Committee, and other relevant parliamentary portfolio committees and law enforcement agencies among others. However, to achieve meaningful results, these institutions should be totally independent and devoid of executive interference or manipulation and should be given the necessary investigative powers to ensure their optimum performance. Just like the Rwandan President Paul Kagame who is the champion of the anti-corruption drive in his country, it will be useful for Zimbabwe's President to be on the forefront of uprooting state corruption and illicit financial outflows that have further deepened the problem of debt distress in the country. Unsurprisingly, Rwanda is now one of the few countries in Africa where corruption levels have drastically come down and where the efforts of domestically raising resources for development have taken root. In fact, Rwanda has in recent times become a template for Africa's development notwithstanding some of the human rights violations that continue in that country.

6.2 Rebranding and revamping financial services sector

Another point is that government should do everything economically and humanly possible to rebrand and revamp the financial services sector. As already noted, the public has lost confidence in the banking sector. Policies that could restore confidence and integrity of the financial services in Zimbabwe may include among others; improving access to financial services, both for potential savers and potential borrowers; address the liquidity and cash crisis, expanding the portfolio of savings and investment products available; improving information systems which can help reduce the risk and uncertainty of lending and investing; flashing out the bank managers who are fuelling the parallel market; and help make better informed decisions about what the most productive use for financial resources might be(Kapoor, 2019; AfDB, 2018; Phiri and Muponda, 2016). In other words, government together with the monetary authorities should put premium on the efforts towards rehabilitating this sector. It is the argument of this discussion that a well-functioning financial services sector will help the economy to grow as well as enable government to scale up its domestic capital resources.

6.3 Informal Sector Inclusion Framework

In the same vein, government should find ways of registering the informal sector. Empirical evidence indicates that facilitating the registration of firms and providing useful services such as training, improved access to credit, participation in business forums or assistance with import and export procedures as well as enabling them to have access to markets can help to induce some of the informal actors to enter or re-enter the formal sector voluntarily (UN, 2009:38). This is a politically sensitive exercise as politicians are generally averse to confronting the problems of informality. This is because the majority of the informal traders tend to resist any reforms that appear to interfere with their businesses. Thus, confronting the informal sector may result in political consequences for the political elite. In this respect, consultation and engagements with the sector is imperative (Otchere, 2016; Ikhide, 2015).

Government must learn from the experiences of introducing the Intermediated Money Transfer Tax which largely affects informal traders and individual private citizens. This tax received public disapproval when it was introduced in 2018 mainly because there were no consultations hence its negative impact on pricing. To unlock the value of the MSMEs, government must therefore consult the informal players for any policy measures to be taken and this will encourage them to bank their money thereby contributing through voluntary taxation. In addition, government must extend technical support to the informal sector as merely taxing them without the necessary support will result in the suffocation and subsequent extermination of the sector.[9]

6.4 Implement Progressive Tax Regime (including an urgent audit of all tax incentives)

As implied earlier, although tax concessions can be justified in some cases, Zimbabwe could benefit from a thorough review of the concessions it has granted and the costs and benefits that these generate. According to a key informant drawn from the academia, required reforms in Zimbabwe are those that eliminate exemptions, concessions and tax holidays which should be replaced with more transparent and time framed incentives. This simply means that the excessive granting of tax exemptions, particularly for multinational corporations engaged in extractive activities, must be revisited both to increase available tax revenues and to improve perceptions of fairness of tax systems. The process should start with an urgent audit of all tax exemptions in the country.

It is common cause that, most of the tax incentives have been given to Chinese investors and entrepreneurs who came to the country at the height of Zimbabwe's tenuous relationship with the Euro-American countries. Re-negotiations with these investors should not be interpreted as targeting a particular group of investors but as a policy of raising domestic resources for the country to attain fiscal sustainability and debt sustainability. However, as New Partnership for Africa's Development (NEPAD) and the United Nations Economic Commission for Africa (UNECA) (2014:18) have advised, exemptions should be maintained for those firms that are re-investing in local production, employment and skills and technology transfer.

6.5 Sound Public Finance Management System

Lastly, there is ample evidence in literature which indicates that sound public finance management is integral to the process of improving domestic resource mobilisation and ensuring that domestic resources are used to boost inclusive growth, create jobs, and improve social welfare. In this regard, the alignment of the Public Finance Management Act (PFMA) to the national constitution is long overdue especially on strengthening financial transparency and social accountability (ZIMCODD, 2019b).In the meanwhile, while traditional sources of domestic resources remain the axle of development finance, it is argued here that Zimbabwe can do even more by extending its resource mobilisation frontiers to the realm of innovative finance in order to tap from the huge potential that is currently underutilised as discussed below.

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[9] Zimcodd cited by The Herald, 08 June 2016. www.herald.co.zw

7.0 UNLOCKING INNOVATIVE FINANCING MECHANISMS

Arguably, Zimbabwe can generate substantially more domestic resources through innovative financing mechanisms that are likely to crowd in more private sector investment and thus help preserve the solvency of the public sector balance sheets. It is not the objective of this paper to fully develop all the innovative financing mechanisms. The reason is simply that doing so would require a much bigger document and this would go against its aims of practicality and simplicity. This section therefore provides starting points and directions from which policymakers can carry out further investigations. It re-centers blended finance/Public Private Partnerships (PPPs), Diaspora Remittances, Sovereign Wealth Funds (SWFs), Intermediated Money Transfer Tax, and digital tools for enhancing tax administration as key examples.

One of the widely known innovative financing mechanisms is a public-private partnership. By definition a public –private partnership is a contractual arrangement between a public agency and a private sector entity to share skills and assets in order to finance, construct, renovate, manage, operate or maintain infrastructure facilities or services for use by the general public(see NEPAD Planning and Coordinating Agency and UNECA, 2014). Countries such as Tanzania, Lesotho, Malawi, Uganda and Kenya have all been experimenting with public private partnerships to varying levels of success (for a more nuanced analysis see ZEPARU, 2016).The adoption of the African Continental Free Trade Area (AfCFTA) on 22 March 2018 in Kigali, means that public private partnerships are likely to become even more important as the African countries position themselves to benefit from the promises of the 'infrastructural revolution' associated with increased intra-Africa trade (see IMF, 2018).

It is the argument of this contribution that instead of borrowing externally for infrastructure development, Zimbabwe can and should adopt public private partnerships as a development and financing model especially for the state enterprises and parastatals that have continued to be a drain to the fiscus. Apparently, Zimbabwe has a number of public private partnerships particularly in the road construction sector. Regrettably, some of them are plagued with a number of challenges. For example, Zimbabwe National Road Authority (ZINARA) is a state organisation that administers some roads which were constructed in partnership with private companies. Some key informants interviewed for this study claimed that some of the resources that are realised from the tollgate collections have been abused and the maintenance of some of the toll-roads has not been satisfactorily.

The other informant noted that public private partnerships in Zimbabwe are unlikely to reach their potential because of the military factor. It is common cause that the military has expanded its footprint to a wide array of sectors of the economy including mining, infrastructure, agriculture, manufacturing, and construction. Many investors may not be persuaded to go into business partnership with the Zimbabwe military given its history of abuse of human rights and violence (Moyo, 2018; 2016). It is perhaps the Chinese and the other global South businesses and investors who do not feel obliged to respect the canons of democratic governance, human rights, and democracy that can readily partner with the militricians in Zimbabwe.

Nonetheless, the government should increase the uptake of public private partnerships in order to tap into the benefits that the contribution of the private sector brings to the economy which will eventually help bring down the level of external debt financing in the country (also see CPAK, 2018). To this extent, the announcement made by the Finance Minister in his 2020 budget speech that government was inviting the private sector to invest in new technologies such as fibre networks, solar biogas, as well as building infrastructure through public private partnerships is most welcome (Government of Zimbabwe, 2019b).

Similarly, there is rich literature which illuminates diaspora remittances as an innovative financing source for the countries of the global South. While in balance-of-payment terms remittances are considered to be external flows, United Nations Conference on Trade and Development (UNCTAD) and the World Bank have posited that remittance mobilization is part of domestic resource mobilisation as home-country allegiances and family ties are important motivating factors in their mobilisation. At continental level, estimates indicate that in the next decade the amount remitted by Africa's diaspora could grow to about USD$200 billion annually (Hamdok, 2015).

Apparently, Zimbabwe has a huge diaspora population of approximately 3 million across the globe. This should be seen as a potential source for development finance. The key policy issue with respect to remittances is not only how to increase them but also how to encourage the use of formal channels and increase allocation to investment rather than consumption (Moyo, 2019).A key informant from the Reserve Bank of Zimbabwe (RBZ) noted that the Bank has over the years provided various incentives to attract remittances but these have been ephemeral at best. Other African countries such as Egypt, Ghana, Nigeria, and Zambia have introduced diaspora bonds in addition to remittances with varying levels of success. It is the argument of this discussion that Zimbabwe should learn from these experiences including those of Ethiopia which constructed the Grand Renaissance Dam project largely from the internally generated resources. More importantly, to tape from this potential resource, policy makers must engage the diaspora and also respect their rights as Zimbabwe citizens by enabling them to exercise their right to elect and to be elected into public offices.

The other innovative instrument is a sovereign wealth fund (SWF). To be clear, a sovereign wealth fund is a state-owned fund that is established from balance of payments surpluses, official foreign currency operations, governmental transfer payments, fiscal surpluses and/or receipts resulting from resource exports. Experiences of countries such as Norway show that these funds can eliminate inefficiency in resource wealth management, however, they should be free from political interference.

So far, over twenty sovereign wealth funds have been established in the African continent including in countries such as Algeria, Angola, Botswana, Egypt, Gabon, Ghana, Libya, Mozambique, Nigeria, Sierra Leone, Tanzania, and Uganda among others. Crucially, sovereign wealth funds can play the role of the local economy saviour in cases of major crisis outbreak, as the state can, by such funds, pump large investments to develop the infrastructure, provide jobs for the citizens, and construct factories and roads in order to ensure the viability of the economy.

For example, if today Zimbabwe had sovereign wealth funds, it would be using the funds for fighting the scourge of Corona Virus Disease 2019-Covid 19 as well as the impacts of climate change including the consequences of Cyclone Idai which caused significant loss of lives and left about 270,000 people in urgent need of humanitarian assistance, besides causing widespread property and infrastructure destruction in 2019 (Government of Zimbabwe, 2019b).As such, Zimbabwe can learn from the experiences of Botswana which created its sovereign wealth fund-the Pula Fund in an effort to manage potential risk of a sudden collapse in diamond prices. Sadly, Zimbabwe missed an opportunity to establish its sovereign wealth fund using diamond revenues and other minerals a few years ago. Apparently, the framework of sovereign wealth fund was adopted by the Government of National Unity-2009-2013 but it was never operationalised.

As mentioned earlier, broadening of the tax base through Intermediated Money Transfer Tax (IMTT) is yet another innovative way of raising domestic capital. The Zimbabwean government introduced a 2 percent Intermediated Money Transfer Tax in 2018. The Reserve Bank of Zimbabwe (RBZ) figures for June 2019 show that electronic transactions done in the country amounted to US$64.7 billion (Mudzengi, 2019). Thus, the introduction of the 2 percent tax has resulted in a massive increase in government revenues. However, this tax is very unpopular with consumers because it has distorted prices and it is not very clear how it is used by government. Not surprisingly, a pro-democracy activist Mfundo Mlilo challenged the tax at the High Court on basis of its legality but lost the case.

While this transactional tax has contributed towards domestic resource mobilisation, it should be noted that the population is feeling the pinch. There is a need for the government to rethink this tax. Greater domestic resource mobilisation should not be at the expense of the generality of the citizens. Instructively, experiences of Kenya show that excessive taxation on mobile phone-based transactions could potentially reverse the gains for financial inclusion and create an incentive for cash transactions that escape taxation. For example, Kenya was moving into a cashless economy, but the incidence of tax on micro-transactions that use mobile phones has the potential to increase the incentive to use cash (Ndung'u, 2019).This example indicates that, if tax policies are not carefully thought of, they can be detrimental to other objectives of government including financial inclusion, tax justice and gender equity among others.

The use of digital technologies to strengthen tax administration is now in vogue across the globe. Studies show that greater utilisation of digital technologies by tax authorities can lower the high transaction costs as well scale up the efficiency of operations and policy implementation (IMF, 2018; UNECA, 2014). In countries such as Rwanda, Senegal, and Uganda electronic devices such as portable and increasingly inexpensive devices that record business transactions in order to improve compliance with sales taxes and the Valued Added Tax (VAT) have been deployed with varying degrees of success (IMF, 2018).

These examples demonstrate that the development of financial technology based on innovations of processes, applications, and products can promote efficiency in domestic resource mobilisation. It is against this backdrop that the government of Zimbabwe must be applauded for introducing VAT Fiscalised Recording of Taxable Transactions; Scanners and Information Communication and Telecommunications (ICT) systems at border posts; Electronic Cargo Tracking System that monitors the movement of transit cargo and Single Window payment platform for fees and charges at Ports of Entry (Government of Zimbabwe, 2018b).Now that the policy is in place, the onus is on the tax and immigration authorities to ensure full implementation of the policy. To further improve its domestic resource mobilisation effort in this age of digital economies, Zimbabwe should fully embrace the idea of the Fourth Industrial Revolution (4IR) with all its attendant aspects such as artificial intelligence (AI), internet of things, robotics, and cloud counting among others in order to be able to deal with financial cybercrimes and other internet based tax-avoidance and money laundering crimes.

At the same time, more needs to be done to embrace financial technologies (fintech) and mobilise financial resources transacting across digital platforms. For example, fintech has changed the way we store, save, borrow, invest, move, and spend money. This results from:

- Transformation of the structure of the financial industry in Africa that is heavily inclined toward the provision of mobile money accounts;
- The creation of apps through which access to credit, cross border transfers, remittances and issuance of digital currency is facilitated; and
- Close to 10% of GDP in Africa in transactions occur through mobile money (IMF 2018).

By the same token, the digitalisation of the economy has resulted in delivering services online through new digital business models, such as subscription based, ad-supported, freemium, and e-commerce (IMF, 2018). As discussed above, it has also helped businesses to reach previously inaccessible rural and other peripheral areas. To be clear, digital interaction has also enabled businesses to reach customers globally resulting in increased revenues from sales and services. Some statistics indicate how innovative governments can quickly tap into fintech resources; for instance, in 2019, Netflix, a subscription-based model accessible in Africa generated a total global revenue of approximately US$5.5 billion. While the ad-supported YouTube company also accessible in Africa earned US$15.1 billion from ad revenue globally (see AFRODAD, 2020). However, while embracing these innovative mechanisms, Zimbabwe should be cognisant of the fact that their proliferation may also increase the risk of money laundering and the effectiveness management of cyber-risks.

In view of the increased digital technologies in Zimbabwe, the country can also experiment with the online gaming industry. The African online gaming industry which is based on the freemium model is estimated to be worth US$174 billion, while earnings from the e-commerce model are projected to generate US$29billion for Africa (AFRODAD, 2020). More specifically, 2019 statistics reveal that the Kenyan online game industry is worth over US$50 million. Egypt holds US$293 million as the lion's share of revenue generated from online games, followed by South Africa's gaming industry estimated at US$216 million. Morocco and Nigeria follow closely behind with estimated earnings at US$129 million and US$122 million respectively (AFRODAD, 2020). The quintessential question is: how is Zimbabwe faring in this industry? It is therefore critical for policy makers, shapers, and thinkers to explore the potential of this industry instead of remaining warped in the conceptual envelope of traditional sources such as mineral based resource revenue while losing out on fintech which is generating huge amounts of resources.

Lastly, it is the contention of this discussion that policy makers should be finely attuned to the merits of the innovative financing mechanisms presented above and many others that have not been discussed here. There is little doubt that the successful implementation of these innovative financing mechanisms would provide strong impetus towards efforts geared at accelerating accumulation of capital, productivity, and economic growth. More importantly, the resources realised from these efforts should help imbue Zimbabwe with fiscal sustainability that will impact positively on its effort towards debt sustainability.

8.0 RECOMMENDATIONS

As reiterated thus far, this contribution seeks to nudge the policy makers to enhance domestic financial resource mobilisation and use it more efficiently to support the economy that is currently suffocating from external debt burden. Precisely, the paper recommends the following:

8.1 Combat Corruption and illicit financial flows

Government should go beyond the rhetoric of zero-tolerance to corruption and adopt drastic measures to curtail illicit financial flows. Every effort must be made to strengthen all institutions that are involved in the management of illicit financial flows including customs, tax departments, Zimbabwe Revenue Authority, Zimbabwe Anti-Corruption Commission, and all the relevant parliamentary portfolio committees. Stemming capital flight and encouraging the repatriation of capital held abroad will have a very significant impact on the level of resources available for productive investment in Zimbabwe thereby directly contributing towards debt sustainability.

8.2 Public Finance Management

Government must revamp and revitalise its public finance management systems and align them with the constitution. This should aim at promoting a real culture of transparency in the public sector in order to ensure that the budgetary resources result in economic growth and development. Improving efficiency, better public finance management, accountability and transparency in the use of public funds is important in enhancing domestic resource mobilization.

8.3 Embrace the African Mining Vision

Government should embrace, customise, and fully implement the principles and values of the African Mining Vision. These include maximisation and management of tax revenues in the mining sector. At the same time fully embrace and implement the principles of the Extractive Industries Transparency International (EITI) in order to promote transparency and accountability. EITI offers the unique opportunity of increasing the transparency of transactions between companies and government entities, and of the use of revenues by governments.

8.4 Adopt Innovative Financing Instruments

Government must reduce its reliance on risky and volatile debt sources as well as stop borrowing from borrowing. Instead, it should urgently adopt innovative financing mechanisms such as public private partnerships, securitization of diaspora remittances, sovereign wealth funds, and digitally-enhanced tax administration practices as well as the online gaming industry. The successful implementation of these innovative financing mechanisms would provide strong impetus to efforts geared at accelerating accumulation of capital, productivity, and economic growth in the country thereby contributing towards debt sustainability.

8.5 Embrace the Fourth Industrial Revolution

Government should fully embrace the principles of the Fourth Industrial Revolution (4IR) and extensive technological savviness in tax administration, and in monitoring and tracing financial crimes. Also simplify the registration process for businesses, leveraging new technologies to modernize the tax collection system, deepening regional integration, and tax coordination in order to broaden the tax base.National tax policies can be developed to include subscription based, ad-supported, freemium, and e-commerce business models within the country's tax base.

8.6 Take Advantage of the African Continental Free Trade Area

Government should capitalise on its membership to the nascent African Continental Free Trade Area (AfCFTA) to increase its intra-Africa trade. Attendant benefits include technology transfer and development of regional value chains in which Zimbabwe businesses can add value as they turn raw materials into finished goods. The net result of this will be greater domestic resource capital for Zimbabwe.

8.7 Craft Zimbabwe-China Policy

Government should adopt a specific policy towards China to ensure that the country maximises on its relations with this re-emerging global geo-economic power. China has become a major creditor to Zimbabwe. Its footprints are all over the country's economic sectors including mining, agriculture, infrastructure, construction, and telecommunications among others. Yet there is lack of transparency over many key terms of its investments including repayment, contracting obligations, project feasibility, and value for money as well as loan security. An important starting point will be for the government to urgently commission and publish a full, independent audit of Zimbabwe's current debt obligations to China.

8.8 Lobby for Debt Cancellation

Given the menace of the Coronavirus which has ravaged the health systems globally, it is reasonable for the international lenders and creditors to cancel all the debts to the vulnerable African countries. The funds earmarked for debt repayments can then be redirected to fighting Coronavirus as well as towards the productive sectors of the economy. It is therefore incumbent upon the Zimbabwean government together with the rest of the African countries to approach the international financial institutions, Paris Club, and China in particular and collectively lobby for the moratorium on all debts on health and humanitarian grounds.

8.9 Allow Civil Society Space

Give space for civil society organisations and researchers working on the anti-corruption agenda, and support the country's effort to build capacity in fighting tax evasion, money laundering and corruption. These organisations must also continue to inform the debate on the dangers of both irresponsible borrowing and irresponsible lending.

8.10 Political Will: Political leaders must have the will to change the current situation in Zimbabwe

The benefits of domestic resource mobilisation will only accrue to the country if the political leadership is prepared to shift its mindset away from aid and debt dependence syndromes. It also depends on whether the government has the political will and capacity to put in place the appropriate policy measures as suggested above.

9.0 CONCLUSION

While one of the most debilitating macroeconomic problems in Zimbabwe today is the astronomical debt peonage which constitutes a major impediment to the recovery of the economy, it was argued in this chapter that the country has a huge potential to raise substantial domestic financial resources to respond to this problem. However, the country's capacity to raise internal resources is currently hampered by structural and systemic factors such as corruption and illicit financial flows, narrow tax base, weak tax administration and elaborate tax exemptions as well as the breakdown of social and fiscal contract. The chapter also cautioned against imprudential borrowing for consumptive purposes which has a tendency of furthering the risk of debt distress. Finally, the chapter sets out to nudge the policy makers to enhance the traditional domestic resource mobilisation mechanisms while at the same time adopting innovative financing instruments such as blended finance/public private partnerships, sovereign wealth funds, diaspora remittances, online gaming industry and other risk mitigation measures in order to crowd in more private sector investment and help preserve the solvency of the public sector balance sheet. It is hoped that these measures will inaugurate a new era of sustainable debt management in Zimbabwe.

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