NEXUS BETWEEN DEBT AND CORRUPTION IN ZIMBABWE'S PUBLIC FINANCE MANAGEMENT

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Nexus between Debt and Corruption in Zimbabwe's Public Finance Management

This publication was produced by the Zimbabwe Coalition on Debt and Development in collaboration with the Economic Governance Initiative Consortium in Zimbabwe comprised of the Transparency International Zimbabwe, Udugu Institute, Youth Empowerment and Transformation Trust (YETT) and the Vendors Initiative for Social and Economic Transformation (VISET)

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Executive Summary

The paper was prepared to assess the link between debt and corruption in Zimbabwe's Public Finance Management. Voluminous literature has shown that there is a relationship between corruption and public debt. Corruption increases public debt and a larger shadow economy reduces tax revenues and thus increases public debt. Similarly, higher government expenditure enhances the effects of corruption on government debt. In Zimbabwe corruption and unsustainable public debt are twin governance challenges confronting the public finance management system. Zimbabwe is currently in debt distress with public and publicly guaranteed debt at unsustainable levels of 97% of GDP against the statutory provision of 70%. Zimbabwe's total public debt according to the 2019 Budget Statement, as at the end of September 2018, stood at US$17.69 billion. Of the total debt amount, external debt was valued at US$7.7 billion and domestic debt was US$9.6 billion and more than 70% of the external debt consist of arrears and penalties for non-payment. The country is ranked with a very low average score on Transparency International's Corruption Perception Index signifying high levels of perceived corruption in its public sector. Malaba (2019) argues that while the government says the public and publicly guaranteed debt stood at US$17,69 billion as at November 2018, a more realistic tally is around US$35 billion. Public debt just as corruption is a contentious policy in Zimbabwe. The study is informed by a review of secondary data in the form of research reports, policy statements, media articles legal instruments and constitutional provisions and data generated through key informant interviews.

Public Debt: According to Kimberly (2020) public debt refers to how much a country owes to lenders outside of itself. Public debt in Zimbabwe represents financial obligations that are owed by the government, mostly from loans and public guarantees. The government borrows from various sources, both domestically and internationally, that is, individuals, businesses, banks, other governments and multilateral institutions. In Zimbabwe, public debt is legislated by the Constitution of Zimbabwe, the Public Debt Management Act and the Reserve Bank of Zimbabwe Act. The institutional arrangement for debt management includes but is not limited to the Ministry of Finance and Economic Development; Debt Management Office (DMO); External and Domestic Debt Management Committee, Reserve Bank of Zimbabwe (RBZ); Zimbabwe Asset Management Company (ZAMCO) and Parliament of Zimbabwe.

Corruption: Transparency International defines corruption as abuse of entrusted power for private gain. The World Bank defines corruption as the abuse of public office for private gain. In exploring the link between corruption and public debt in Zimbabwe, the paper used the definition by Bayerle (2014) who defines corruption as abuse of entrusted power for private, collective, or political gain- often involving a complex intertwined set of relationships, some obvious, other hidden with established vested interests. This helps us to understand the complex relationship between public debt and corruption through analysis of relationships and interests of parties involved and also profiling those who gain from corruption. Zimbabwe is confronted by both grand corruption and petty level corruption. Other than the CPI, Zimbabwe also performs well below the regional average in the 2015 Heritage Foundation Index of Economic Freedom, especially in terms of freedom from corruption (21 out of 100) and is placed at the bottom of the regional rankings (Chene, 2015).

Key Findings

Grand political Corruption and the increase in public debt: Corruption in Zimbabwe has resulted in a marked increase in levels of fiscal deficit and domestic indebtedness as central government has bailed out and taken over the debts of a number of parastatals including the central bank through the Debt Assumption. A huge chunk of the debt in Zimbabwe is a result of high- level corruption and bad governance, that is, the offloading of elitist debts onto the shoulders of taxpayers through the Reserve Bank Debt Assumption Bill and Zimbabwe Asset Management Company (ZAMCO). ZAMCO was established by the Reserve Bank of Zimbabwe and its mandate is to buy non-performing loans (NPLs) from the banking sector. Through policy capture the political elites have taken advantage of this establishment to borrow and spend and then transfer the burden to citizens. The government assumed the Reserve Bank of Zimbabwe debt of US$1,35 billion in August 2015. The money was owed and was supposed to be paid back by beneficiaries of the Farm Mechanization Programme, most of whom, who are political and business elites.[1] Command Agriculture is yet another agricultural subsidy programme that has been marred with a lot of corruption and leakages that threaten fiscal stability in Zimbabwe. It emerged that about USD3 billion that was injected into Command Agriculture outside parliament and out of the PFM system could not be accounted for.

Impact of the conflation of state and political party business on public debt: Public debt in Zimbabwe has also increased as a result of the conflation of the state and party business. Over the years the public funds have been abused by ZANU PF as a party as taxpayers' monies have been used to bankroll party initiatives. In 2014 at the height of faction fights in Zimbabwe, it emerged that ZESA funds had been used to bank roll campaign activities by Joyce Mujuru the former Vice President. According to a report by Global witness, the National Reconstruction Group (NRG), a front for ZANU PF linked to the Central Intelligence Department and Kusena Diamond Mining Company bought cotton seed for rural communities in the run up to the 2013 Presidential elections. The Herald of 9 December 2014, reported that the then Minister of Energy and Power Development and his deputy Munacho Mutezo had coerced ZESA holding to deposit USD40 000 into the ZANU PF Women's League Account.[2] There are numerous cases where taxpayers' monies have been used to bank roll party activities. Debts incurred through this are always transferred to the citizens and resultantly public debt has been increasing.

Colluding interest and Opaque Public Debt: There is growing evidence that the rising debt to China by Zimbabwe has elements of colluding interest between the Chinese government and the ruling elites in Zimbabwe. The Chinese share of external debt stock has been rising and as of 2018 was estimated around 34 percent. A recent report by the Natural Resource Governance Index reveals what they call Resource backed Loans meaning all loans provided to a government or a state-owned company, where repayment is either made directly in natural resources (in kind) such as oil or minerals, or from a resource-related future income stream; or where a natural resource asset serves as collateral. As the NRGI report shows, Zimbabwe is one of the countries in Africa with large known resource backed loans. There is lack of transparency and accountability in these and debts authorized by the President (mega deals) which undermine public administration in Zimbabwe and the functioning of a modern state together with transparency and accountability.

[1] https://www.bigsr.co.uk/single-post/2020/07/18/BSR-EXCLUSIVE-Beneficiaries-of-the-RBZ-Farm-Mechanisation-Scheme
[2] https://www.herald.co.zw/mutezo-siphons-100-000/

Illicit financial flows and Public Debt in Zimbabwe: Zimbabwe is confronted with the problem of Illicit Finance Flows (IFFs). Through IFFs some of the revenue that could be channeled towards public social spending is lost. The Global Financial Integrity Report (2013) notes that the country has lost a cumulative US$12 billion in the last three decades through illegal financial outflows ranging from secret financial deals to tax avoidance and illegal commercial activities. A 2013 study by AFRODAD estimated that between the period 2009 - 2013, Zimbabwe lost US$2.83 billion, through illicit flows, translating to an annual average of US$570.75 million. Of the cumulative outflows, 97.88% (US$2. 793 billion) were in the mining sector. According to the same study, IFFs in wildlife accounted for 0,53% of the total, at US$15.07 million, whilst fisheries and timber accounted for 0.98% and 0.61% at US$28.04 million and US$17.30 million, respectively. It is important to note that IFFs starve the national purse of potential revenue that could help in repaying back loans and stimulating economic growth. This therefore means that IFFs are fueling public debt in Zimbabwe.

Impact of Bribery on Domestic Resource Mobilization: Public taxes are an essential element of domestic resource mobilization. According to the 2019 Mid-term Fiscal Review taxes constituted 97,8 % of Government revenue. Public taxes play a crucial role therefore in aborting a huge dependence on public debt. The paper established that Zimbabwe suffers from a low tax compliance rate linked to perverse bribery. Citizen and businesses opt to pay bribes primarily because the cost of compliance is high monetarily and in terms ease of doing business or obtaining a service. It is believed that the Zimbabwe Revenue Authority (ZIMRA) has potential to raise over $8 billion if it could achieve 100% tax compliance. ZIMRA tax compliance is around 30%. It is important to note that with bribes and low tax compliance potential fiscal revenue is diverted and instead of going into the fiscus, it benefits private individuals. Thus, with tax evasion, avoidance and bribery state coffers are deprived of potential revenue, thus forcing the state to borrow.

Non accountability by the Executive in debt contraction: Due to abuse of power, limits for Government's borrowing are not fixed by the National Assembly resolution nor by means of a provision in a Finance Bill in line with section 11(2) of the Public Debt Management Act. Government's overdraft facility with the RBZ stood at US$2.93 billion as at December 2018 (DMO, 2019), representing 75.7 percent of the 2017 revenues which far exceed the requisite borrowing limit. Willful non-compliance with the law is enshrined in the interaction and misbehavior of the ruling elites. Zimbabwe’s debt crisis is partly a product of illegalities by the executive arm of government, for example the violation of the RBZ Act (overdraft), lack of recourse to Parliament, and violation of the Public Debt Management Act.

Conclusion and Recommendations

- To deal with the unsustainable debt in Zimbabwe there is an urgent need for the prioritization of public finance management in the National Anti-Corruption Strategy. To prevent the continuous increase as a result of corruption, there is need to prevent corruption in public finance management. Some of the key preventative approaches worth considering in the Strategy include:

  - Government adopting e-procurement (embrace online contracting initiative)
  - Declaration of assets by Senior Public officials
  - Introducing lifestyles audit (for every Jack and Gill?) or specific public office holders
  - Fast tracking on the beneficial ownership disclosure? And allow the public to access the full information.
  - Publish information on public sector procurement projects including the cost and the phase of the project.
  - To promote tax compliance, the tax regime needs to be improved. Government through ZIMRA should consider lowering duty on certain subsidies as well introducing digital payment systems so as to close room for human to human negotiation.
  - Fast track anti-corruption cases before the anti-corruption courts
  - Capacitate Zimbabwe Anti-corruption Commission in the areas of forensic analysis and public procurement.

- There is need to harmonize the Public Finance Management Act to the Constitution and other legislation impacting on it.

- Civil society to provide capacity to Procurement Management Units so that their comply with provisions of the Public Procurement and Disposal of Public Assets Act.

- The Government through the National Prosecuting Authority (NPA) and the Zimbabwe Anti-Corruption Commission (ZACC) needs to prioritize asset recovery. The process of asset recovery depends on Government's ability to enforce declaration of assets, verification of these assets and lifestyle auditing.

- There is an urgent need for the digitization of mining rights in Zimbabwe.

- Civil society in Zimbabwe should continue to engage and lobby Government to either join the Extractive Industries Transparency Initiative or domesticate this standard.

1.0 Introduction

Over the years there has been a growing interest on the relationship between public debt and corruption globally. Voluminous studies have looked at this relationship and out of these studies the main finding has been that corruption increases public debt[3] and also that a larger shadow economy reduces tax revenues and thus increases public debt, similarly, higher government expenditure enhances the effects of corruption on government debt[4]. This paper examines the relationship between corruption and public debt within the context of Zimbabwe's public finance management system. Corruption and unsustainable public debt are twin governance challenges confronting Zimbabwe's public finance management system. The country has consistently been ranked with a very low average score on Transparency International's Corruption Perception Index. That low score is indicative of high levels of perceived corruption in its public sector. A number of scandals that have rocked the public sector have exposed the extent to which corruption is entrenched in the country's public and private sector and how through this potential fiscal revenue has been lost. As this paper will demonstrate, as a result of such financial loses, the country has become highly dependent on domestic and foreign debt to finance public social initiatives. Zimbabwe is currently in debt distress with public and publicly guaranteed debt at unsustainable levels of 97% of GDP against the statutory provision of 70%[5]. Malaba (2019) argues that while the government says the public and publicly guaranteed debt stood at US$17,69 billion as at November 2018, a more realistic tally is around US$35 billion, should one factor in the billions of dollars owed to thousands of commercial farmers whose land was expropriated during the Fast Track Land Reform Programme. Public debt just as corruption is a contentious policy in Zimbabwe. The objective of this research paper is therefore to provide an account on the relationship between corruption and public debt in Zimbabwe.

The study is informed by a review of secondary data in the form of research reports, policy statements, media articles legal instruments and constitutional provisions. The paper is also informed by data generated through key informant interviews. The key findings from this study is that the endemic corruption in Zimbabwe has contributed to high levels of public debt, as huge fiscal revenue continue to be lost, impeding the ability of Government to invest in public social spending using domestic revenue. Resultantly Government has been forced to contract debt to finance public social spending. As the paper also demonstrates, debt has also been incurred in ways marred with lack of transparency and accountability as it seems to favor the interest of the few at the expense of the majority, thus to say the process of debt contraction is also linked to corruption. The paper proposes recommendation on how to deal with the twin challenge of endemic corruption which is a drive to the unsustainable public debt.

[3] Cooray and Scheneider (2013) Kim et al, (2017) Benfratello et al, (2017) Apergis and Apergis (2019)
[4] https://ideas.repec.org/a/eee/wdevel/v90y2017icp115-127.html- last accessed 7 April 2020
[5] ZIMCODD (2019), Sustainable and Inclusive Debt Management Framework for Zimbabwe (SIDMaF)

2.0 Public Debt

Public debt in Zimbabwe represents financial obligations that are owed by the government, mostly from loans and public guarantees[6]. The government borrows from banks, other governments and multilateral institutions such as the IMF, World Bank, the African Development Bank and Afrexim Bank. Although government draws on revenue from taxes and other sources to finance its activities, this revenue is never enough to cater for all its needs at any given time hence to cover the gap, the government borrows from various sources, both domestically and internationally. According to Kimberly (2020) public debt refers to how much a country owes to lenders outside of itself. These can be including individuals, businesses, and even other governments. Money borrowed from the domestic market is referred to as domestic debt while money from international market is classified as external debt. A nation's deficit affects its debt and vice-versa[7].

2.1 LEGAL FRAMEWORK LEGISLATING PUBLIC DEBT IN ZIMBABWE

Public debt in Zimbabwe is legislated by the Constitution of Zimbabwe, the Public Debt Management Act and the Reserve Bank of Zimbabwe Act. Section 298 (1) of the Constitution of Zimbabwe lays out the core principles of public finance management and the 6th principle states that public borrowing and all transactions involving the national debt must be carried out transparently and in the best interest of Zimbabwe. Section 300 (1) of the Constitution states that an Act of Parliament must set limits on Public debt in Zimbabwe. In addition, Section 300(2) requires an Act of Parliament to prescribe terms and conditions under which the government may guarantee loans. Furthermore, section 300 (3) of the Constitution requires the Minister responsible for Finance, to gazette the terms of a loan agreement or guarantee concluded by the Government within sixty days. Section 300 (5) also requires the Minister of Finance to present a comprehensive statement of the public debt of Zimbabwe biannually before Parliament[8].

The principal Act of Parliament with regards to public debt management in Zimbabwe is the Public Debt Management Act. The Public Debt Management Act [Chapter 22:21] which is provided for under Chapter 17 of the Constitution, among other issues, stipulates major guidelines on borrowing, maintenance, extinction of debt; definition of contingent liabilities; exposure of government; borrowing powers of the Minister; the Minister's powers to give guarantees; borrowing by local authorities and public entities functions[9]. The Public Debt Management Act [Chapter 22:21] is enforced by the Debt Management Office which is not a stand-alone board, but under the Ministry of Finance and Economic Development[10].

Among these principles, the sixth principle speaks to public debt in Zimbabwe and it states that "public borrowing and all transactions involving the national debt must be carried out transparently and in the best interests of Zimbabwe"[11]. The Constitution under Section 300 regulates public debt as a component of Public Finance Management. The section deals with the limits of State borrowings, public debt and State guarantees. It states inter-alia that an Act of Parliament must set limits on borrowings by the State, the public debt, debts and obligations whose payment or repayments is guaranteed by the State and those limits must not be exceeded without the authority of the National Assembly[12]. Public Finance

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6 Magaisa, A.T (2019). Big Saturday Read: Mugabe & Zimbabwe's Public Debt. Available at https://www.bigsr.co.uk/single-post/2019/09/14/Big-Saturday-Read-Mugabe-Zimbabwes-Public-Debt (Accessed 4/4/2020).
7 IMF (2015). Defining the Government's Debt and Deficit. Available at https://www.imf.org/external/pubs/ft/wp/2015/wp15238.pdf (Accessed 4/4/2020).
8 AFRODADD (2019). Annual Debt Management Report for Zimbabwe
9 Ibid
10 Ibid
11 Ibid
12 AFRODAD (2019). Alignment of Legislation Impacting Public Finance Management (PFM) in Zimbabwe. Policy Brief.

Management Act [Chapter 22:19] provides for the control and management of public resources. Its objective is to secure the transparency, accountability and sound management of public revenues, expenditures and assets. The Reserve Bank Act [Chapter 22:15] sets the ceiling on Central Bank lending to the State. Under this act, Section 11(1) states that Government borrowing will not exceed 20 percent of the previous year's revenues[13].

2.2 INSTITUTIONAL FRAMEWORK REGULATING PUBLIC DEBT

The institutional arrangement for debt management includes but not limited to the Ministry of Finance and Economic Development; Debt Management Office (DMO); External and Domestic Debt Management Committee, Reserve Bank of Zimbabwe (RBZ); Zimbabwe Asset Management Company (ZAMCO) and Parliament of Zimbabwe. Section 299(1) of the Constitution empowers the Parliament of Zimbabwe (PoZ) to monitor and oversee expenditure by the State and all Commissions and institutions and agencies of government at every level, including statutory bodies, government-controlled entities, provincial and metropolitan councils and local authorities[14]. Parliament's role is enunciated in section 119 of the Constitution, giving it power to ensure that provisions of the Constitution are "upheld and that the State and all institutions and agencies of government at every level act constitutionally and in the national interest[15]. Such oversight aims at ensuring that all revenue is accounted for; all expenditure has been properly incurred; and any limits and conditions on appropriations have been observed.

2.3 ZIMBABWE'S DEBT STOCK

Zimbabwe's total public debt according to the 2019 Budget Statement, as at the end of September 2018, stood at US$17.69 billion. According to the 2019 Budget Statement, of the total debt amount, external debt was valued at US$7.7 billion and domestic debt was US$9.6 billion[16]. More than 70% of the external debt consist of arrears and penalties for non-payment[17]. Zimbabwean law on debt management prescribes that Public and Publicly Guaranteed Debt as a ratio of GDP should not exceed 70 percent at the end of any fiscal year. However, government's overdraft facility with the RBZ stood at US$2.93 billion as at December 2018, representing 75.7 percent of the 2017 revenues which far exceed the requisite borrowing limit[18]. Table 1 below presents data on Zimbabwe's Debt Stock over the past 10 years (2010-2019)

[13] AFRODADD (2019). Annual Debt Management Report for Zimbabwe
[14] AFRODADD (2019). Annual Debt Management Report for Zimbabwe
[15] First report of the public accounts committee on compliance issues for the Ministry of Finance and Economic Development first session – Ninth Parliament. Presented to Parliament in July, 2019
[16] Magaisa, A.T (2019). Big Saturday Read: Mugabe & Zimbabwe's Public Debt. Available at https://www.bigsr.co.uk/single-post/2019/09/14/Big-Saturday-Read-Mugabe-Zimbabwes-Public-Debt (Accessed 4/4/2020).
[17] Magaisa, A.T (2019). Big Saturday Read: Mugabe & Zimbabwe's Public Debt. Available at https://www.bigsr.co.uk/single-post/2019/09/14/Big-Saturday-Read-Mugabe-Zimbabwes-Public-Debt (Accessed 4/4/2020).
[18] Zimbabwe Debt Management Office, 2019

Table 1: Zimbabwe's Debt Stock 2010-2019

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total External Debt	5320	5613	5847	6160.5	6704.3	7030.0	7186.5	7508.1	8164.0	US$8100 000
Paris Club	2621	2735	2828	2960.8	2828.3	2811.2	3010.5	3095.1	3468.0	3500 000
Non-Paris Club	331	443	534	659.7	801.7	1004.6	1148.3	1337.5	1691.0	1600 000
Multilateral Creditors	2368	2435	2485	2540.0	2508.4	2666.7	2497.7	2568.3	2562.0	2500 000
Private	0	0	0	0	565.9	547.6	530.1	507.2	0	0
Domestic Debt	-	-	276	375	1,676	2,239	4,033	7,134	9,624	(US$1,329
Total Debt	**5,969**	**5,837**	**6,366**	**7,360**	**7,854**	**8,346**	**11,269**	**14,505**	**US$17,69 billion**	**US$23,53 billion** [19]

Source: AFRODADD & ZIMCODD (2019). Annual Debt Management Report for Zimbabwe

[19] Reserve Bank of Zimbabwe (RBZ)

3.0 Political Economy to Corruption in Zimbabwe

Transparency International (TI) defines corruption as abuse of entrusted power for private gain. The World Bank defines corruption as the abuse of public office for private gain. In exploring the link between corruption and public debt in Zimbabwe, in this paper we will use the definition by Bayerle (2014) who defines corruption as abuse of entrusted power for private, collective, or political gain- often involving a complex intertwined set of relationships, some obvious, other hidden with established vested interests. This definition by Bayerle helps us to understand the complex relationship between public debt and corruption through analysis of relationships and interests of parties involved and also profiling those who gain from corruption. As shown by Table 1 below, Zimbabwe has consistently been ranked with a low score on TI's Corruption Perception Index.

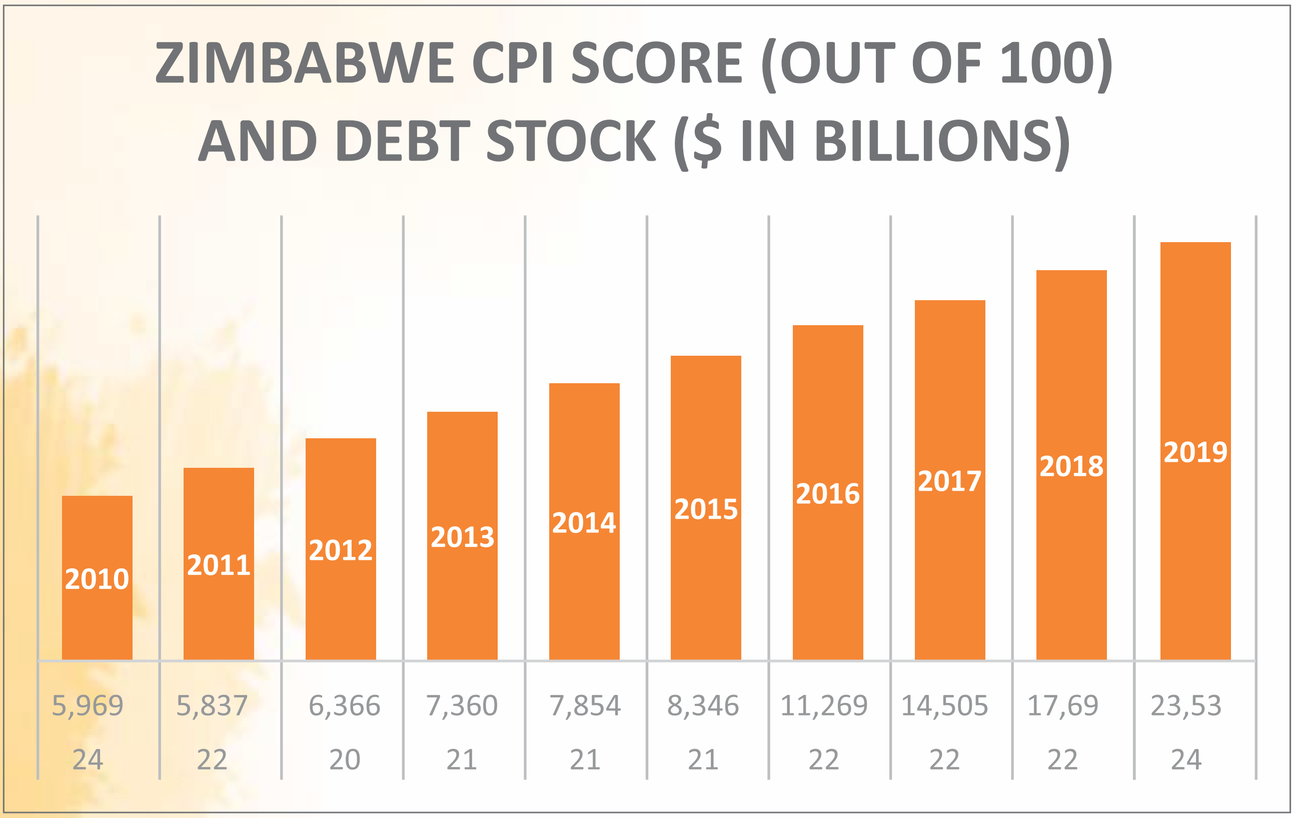
Table 2: Zimbabwe's ranking on the Corruption Perception Index (2010-2019)

Yearly CPI scores	Zimbabwe	South Africa	Botswana	Zambia	Mozambique
2010	24	44	63	38	32
2011	22	44	64	37	31
2012	20	43	65	37	31
2013	21	42	64	38	30
2014	21	44	63	38	31
2015	21	44	63	38	31
2016	22	45	60	38	27
2017	22	43	61	37	25
2018	22	43	61	35	23
2019	24	44	61	34	26

Other than the CPI, Zimbabwe also performs well below the regional average in the 2015 Heritage Foundation Index of Economic Freedom, especially in terms of freedom from corruption (21 out of 100) and is placed at the bottom of the regional rankings (Chene 2015). The 2012 KPMG Africa Fraud Barometer indicated that Zimbabwe, Nigeria, Kenya, and South Africa account for 74 percent of all fraud type cases reported in the continent[20]. In 2012 ZIMRA reported that Zimbabwe lost approximately $2 billion to corruption in the previous year. The Minerals Marketing Corporation of Zimbabwe (MMCZ) estimates that US$50 million worth of gold is smuggled out of the country every month. Given that Zimbabwe Revenue Authority (ZIMRA) is supposed to collect a royalty of 7% on gold production, Zimbabwe is losing out on US$42 million in potential royalties annually[21]. The Global Financial Integrity Report (2013) notes that the country has lost a cumulative US$12 billion in the last three decades through illegal financial outflows ranging from secret financial deals to tax avoidance and illegal commercial activities. Figure 1 below shows the correlation between debt and corruption using the CPI ranking for last 10 years and debt stock for last 10 years.

[20] http://www.technomag.co.zw/2013/02/07/zimbabwe-involved-in-74-of-fraud-cases/#sthash.HDKDlxRa.dpuf
[21] Mukwakwami N, 2013, Illicit Financial Flows in Zimbabwe's Artisanal Mining Sector. Centre for Natural Resource Governance

Figure 1: The correlation between debt and corruption using CPI ranking and debt stock for last 10 years



3.1 UNDERSTANDING GRAND POLITICAL CORRUPTION IN ZIMBABWE

Sachikonye (2015) argues that corruption in Zimbabwe is the product of structural forces manifesting through firstly the dependence of accumulation and class formation on state power and public resources in the post-colonial development context. Mutondoro and Ncube (2014) argue that a deeper understanding of corruption in Zimbabwe should seek to correlate dominant corruption typologies in Zimbabwe with actors involved in order to understand their interest. Zimbabwe is confronted by both grand corruption and petty level corruption; the two dominant forms of corruption operate in a mutually re-enforcing way. According to Transparency International (TI), grand corruption consists of acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good[22]. Petty corruption on the other hand refers to everyday abuse of entrusted power by low and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services (ibid). As shown by Table 2 on the scandals that has rocked Zimbabwe since the 80's, grand corruption in Zimbabwe has a political face, as the scandals implicates political actors wielding political authority.

[22] http://www.transparency.org/whoweare/organisation/faqs_on_corruption (last accessed on the 1st of April 2016)

Table 3: Grand Political corruption in Zimbabwe

Scandal	**Name of Official**	**Political Profile**
Airport Expansion Scandal	Leo Mugabe	ZANU PF MP for Makonde. Former president Robert Mugabe's nephew
Willowvale Scandal	Maurice Nyagumbo	Was a ZANU PF and was appointed Minister of Mines before he was moved to the Ministry of Political Affairs until 1988.
Willowvale Scandal	Enos Chikowore	Enos Chikowore was a ZANU-PF Politburo member, and former Cabinet Minister
Willowvale Scandal	Enos Nkala	A top brass ZANU PF member who served in ministries including: Finance, Home Affairs and the Ministry of Defence.
Willowvale Scandal	Callistas Ndlovu	Ndlovu is a former ZANU PF Bulawayo Provincial Chairman.
Zisco Steel scandal	Samuel Mumbengegwi,	Mumbengegwi is a ZANU-PF member. He is a former Minister of Higher Education.
Zisco Steel scandal	Dr. Joyce Mujuru	Dr. Joyce Mujuru is the former Vice President of Zimbabwe. She led various government portfolios since 1980.
Zisco Steel scandal	Olivia Muchena	She is a ZANU-PF former politician who served as an MP and a Minister in various ministries
Zisco Steel scandal	Sithembiso Nyoni	Sithembiso Nyoni is a ZANU PF member. She is the current Minister of Women and Youth Affairs.
Zisco Steel scandal	Stan Mudenge	The late Mudenge was a ZANU-PF member who served as a government Minister in various ministries such as Foreign Affairs and Higher Education.
Zisco Steel scandal Diamonds Looting Scandal	Dr. Obert Mpofu	Dr. Obert Mpofu is a ZANU-PF member and MP. Dr. Mpofu is the current Zanu pf Secretary for administration.
Zisco Steel scandal	Patrick Chinamasa	A leading member of the ruling ZANU PF party, current ZANU PF acting secretary for Information and Publicity and former Minister of Finance
NOCZIM Fuel Scandal	Mike Nyambuya,	Michael Rueben Nyambuya, a ZANU PF member and a former army general, former Governor of Manicaland and former Minister of Energy and Power Development.
NOCZIM Fuel Scandal	Oppah Muchinguri	Muchinguri is a ZANU-PF active member and the Minister of Defence
ZINARA Snow Graders scandal	Super Mandiwanzira	Supa Collins Mandiwanzira is a ZANU-PF member, MP for Nyanga South

(Source: adapted from Mutondoro, F, Ncube J et al, 2015 Annual State of Corruption Report: Focus on State Owned Enterprises, Transparency International Zimbabwe)

Mutondoro and Ncube (2015) argue that grand corruption involving the political elites signals the decay in national politics and governance system and it also set a precedence and motivation for petty corruption involving low level bureaucrats in places like hospitals, schools, police departments and other agencies23. One would then ideally argue that the Zimbabwean state has for long been captured by the

[23] ibid

primitive accumulative interest of the political class. Mandaza (1986: 57) argues that the long years of colonial domination and deprivation, not to mention imprisonment and the hard days of the struggle, became almost the license- albeit for only a few among the many who might claim such a license – to accumulate quickly; and the state appeared the most viable agency for such accumulation". The state is the most precious prize in Zimbabwe because its power can be used to generate opportunities for private gain. The private sector employment opportunities are limited; therefore, the occupation of the public office remains the most dependable means of accumulating wealth (ibid). As this paper will demonstrate in the findings section, the grand political corruption in Zimbabwe has huge implications on public debt in Zimbabwe. The grand corruption has provided a moral justification for petty level corruption (Mutondoro and Tshabangu, 2017).

3.2 UNDERSTANDING BRIBERY IN ZIMBABWE

A 2017 study by TI Zimbabwe on Corruption and Culture revealed that corruption at the petty level manifests primarily through bribes. The Global Competitiveness Report (2016-2017 Edition) identified corruption as the 3rd most problematic factor for doing business in Zimbabwe. The Afro Barometer (2016) indicates that 81.1% of Zimbabweans pay bribes to the police to avoid problems. Mutondoro and Ncube (2015) argue that while bribery is committed by individual actors, it is more important to go beyond the individualistic act and see the network of power relations endorsed by institutions from which such actors derive their power bases. Bribery in Zimbabwe reflects that the costs of legal compliance are higher than the cost of bribing both in terms of monetary value, time and ease of doing business and obtaining a service (ibid). Corruption in Zimbabwe is therefore interwoven in all facets of daily life in Zimbabwe (Chiweshe, 2015). Mutondoro et al (forthcoming) argues that corruption in Zimbabwe has different meanings to different social classes. For the political elites it's about primitive accumulation while for the very poor it about survival. The poor engage in corruption either to supplement their low salaries especially for those in the public sector or to safeguard and defend livelihood options. The poor choose not to comply by paying duties and taxes because compliance is costly in Zimbabwe. Zimbabwe has a low tax compliance rate of not more than 30%. The paper will demonstrate how this tax compliance rate and the endemic bribery has huge implications on public debt in Zimbabwe.

4.0 Empirical Evidence on the Nexus Between Corruption and Public Debt

A large number of economic studies outside Zimbabwe have focused on the relationship between corruption and public debt using different models. Cooray and Scheneider (2013) examined the relationship between corruption and public debt in 106 countries and their results suggest that corruption leads to an increase in public debt. They also investigated if the effect of corruption on public debt is increased by government expenditure, the shadow economy and military expenditure and they found out that the effect of corruption on public debt is compounded by increased government expenditure and increased size of the shadow economy. In other related study Cooray, Dzhumashev and Schneider (2017) investigated the relationship between corruption, the shadow economy, and public debt. They also examined whether the shadow economy increases the adverse effects of corruption on public debt using a model that was empirically tested for 126 countries over 1996–2012. Their results confirm that increased corruption and a larger shadow economy lead to an increase in public debt. More so they did find that a larger shadow economy reduces tax revenues and thus increases public debt, similarly, higher government expenditure enhances the effects of corruption on government debt. Apergis and Apergis (2019) explored the link between corruption and government debt through a regime-based approach and they found that pubic debt appears to respond faster to a high corruption regime compared to a low corruption regime. They also observed that an increase in the size of the shadow economy, government expenses, the inflation rate, interest payments on debt and military expenditure all increased the debt to GDP ratio. Ivanyna and Moumouras (2015) also conclude that more corrupt governments will be associated with higher public debt that lowers output and welfare[24]. Henri (2018.) investigated the impact of corruption on public debt on a panel of 29 Sub Saharan African countries for the period 2000 – 2015 using the system generalized method-of-moment (GMM) estimator. Results showed that corruption has a positive effect on public debt in the sample countries and Henri recommended that African countries must intensify the fight against corruption in order to make their public spending more efficient and specially to reduce the sovereign debt. Below are some of the case studies on the relationship between corruption and public debt.

[24] https://msu.edu/~ivanynam/research/corr_debt/Ivanyna_Mourmouras_Rangazas_Corruption_Public_Debt_2015.pdf

4.1 CASE STUDY OF MOZAMBIQUE TUNA BOND SCANDAL

In 2014, the Mozambican government, with a couple of investment banks and an Abu Dhabi-based shipbuilder, was working on a tuna fisheries and maritime security scheme that has saddled the country with a crushing $2bn debt. This became known as the 'tuna bond' scandal and International investigators have concluded that the deals were overpriced by at least $800m and that $1.2bn has not been properly accounted for. Loans for the deal were not declared to parliament. Mozambique and the contractor, Privinvest, owned by Franco-Lebanese billionaire Iskandar Safa, said little about the deal. The first $ 850 million loan only came to light in September 2013, when the syndicated loan was sold on the international bond market. Also contracted from Credit Suisse and VTB in 2013, was a loan to maintain the Ematum and Proindicus vessels, and build ships amounting to $622m. This was the third loan, contracted in April 2014 from VTB alone. Another $535 million was borrowed in secrecy, for a military shipbuilding project that would never come to fruition. It was the third in a series of state-guaranteed security loans that that the government had attempted to keep hidden, distorting the country's real level of debt with IMF reporting it to be the most serious case of misreporting it had come across in Africa. The tuna bond scheme has triggered the country's worst financial crisis since independence in 1975 and the breakdown of public health and education services. To date, no politician or state official has been held accountable, let alone prosecuted for what amounts to a gargantuan heist from the povo.

(source: Cate Reid (2019). Mozambique: the anatomy of corruption. https://www.theafricareport.com/607/mozambique-the-anatomy-of-corruption/)

4.2 ZAMBIA'S OPAQUE DEBTS

Between 2000 and 2016, Zambia accumulated about $6.37 billion in Chinese loans, according to data compiled by the China-Africa Research Institute (CARI) at Johns Hopkins University. Most loans have gone to transport, power and government projects and were contracted without following due procedure. As of August 2019, Zambia's debt statistics stood at USD10.23 billion external debt and K60.3 billion. Over the year's debt accumulation has led to Zambia's economy contracting $19.55 billion. Through the Constitution of Zambia (Amendment) Bill No. 10 of 2019 on Public Financial Management and Debt Management, the government seeks to remove National Assembly's ability to approve public debt before it is contracted and approved; and international agreements and treaties before these are acceded to or ratified is removed. This proposed provision weakens the system of checks and balances and restricts transparency in the contraction of debt. At present, in addition to providing oversight, the process of submitting agreements to National Assembly allows public scrutiny through National Assembly's consultative meetings with stakeholders. The proposed amendments would therefore mean agreements are secret and confidential and therefore not available for public scrutiny. A study by Africa Resource Center (CUTS) in July 2019 found out that 63% of the respondents were of the view that the government is not transparent about details of its borrowing.

(Source: African Resource Centre. Impact of the Constitutional Amendment bill on Debt and Public Financial Management. https://cuts-lusaka.org/impact-of-the-constitutional-amendment-bill-on-debt-and-public-financial-management/)

4.3 NIGERIA SHELL ENI DEBT SCANDAL

In 2011, Shell and Eni paid 1.1 billion USD for oil block "OPL 245", one of West Africa's largest oil fields. The payment was equivalent to 80% of Nigeria's proposed 2015 health budget, but this money did not benefit the Nigerian people. Instead, it went to Malabu Oil and Gas, a "front" company owned by former Nigerian oil minister Dan Etete, who in 1998 had awarded his company the block when serving under the former dictator Sani Abacha. The deal was exposed in 2013, the EU passed new transparency legislation requiring large oil, gas, mining and logging companies listed and registered in the EU to disclose their revenue payments to the governments of the countries they are active in. According to Global Witness, despite denying the corruption allegations for six years, Shell executives knew who the money was actually going to and that they were participating in a massive bribery scheme.

(Source: Transparency International (2017). Shell scandal shows why transparency for oil, gas & mining is vital. https://transparency.eu/shell-knew/)

4.4 ANGOLA'S RUSSIAN DEBT CORRUPTION SCANDAL

Angola's $5-billion debt to Russia is marred with grand level corruption which led to the diversion of hundreds of millions of dollars of public funds to middlemen and senior government officials. The debt came to be as a result of support provided by the Soviet Union during Angola's 1975-1990 civil war. Millions of dollars were transferred through banks based in Switzerland, Luxembourg, Cyprus, the Netherlands, the British Virgin Islands and the Isle of Man to the benefit of powerful Angolan and Russian figures. The biggest alleged beneficiary is José Eduardo dos Santos, who has been the Angolan president since 1979. Documents show that Dos Santos received $36.25 million from the diverted funds and four other Angolan officials took between $3.35 million and $13.25 million. A middleman company was set up for the occasion, Abalone Investments, with no assets and registered on the Isle of Man. Abalone is owned by two businessmen with a history of making money in shady deals with Angola: Arcadi Gaydamak and Pierre Falcone. They opened an escrow account at the Swiss bank SBS, which later became UBS, Switzerland's largest bank. In the first phase of the operation, between October 1997 and July 2000, Angola transferred $774 million to Abalone's UBS accounts. Of that money, Gaydamak received $138 million and Falcone $124 million. UBS used this account to pay Angolan official José Leitão da Costa $3.35 million. Angolan officials transferred $618 million to the Sberinvest Cyprus account, believing they were paying the Russians. Together with the earlier transfers of funds to the Abalone UBS account, these amounts should have erased Angola's debts. Today 44% of government revenue is spent on repaying external debt and only 6% is spent on public health. Public health in Angola is in crisis and in 2015, the country had the highest rate of child mortality in the world.

Sources: Gorge Getev (2013). Corrupt Angola debt deal exposes EU tax havens. https://www.euractiv.com/section/development-policy/news/corrupt-angola-debt-deal-exposes-eu-tax-havens/ and Sunit Bagree (2018) The New Debt Crisis in Southern Africa: Angola, Zambia and Zimbabwe.

5.0 Findings

5.1 GRAND POLITICAL CORRUPTION AND THE INCREASE IN PUBLIC DEBT

A book chapter by Chitambara (2015) in a TI Z's research report reveals that corruption in Zimbabwe has resulted in a marked increase in levels of fiscal deficit and domestic indebtedness as central government has bailed out and taken over the debts of a number of parastatals including the central bank through the Debt Assumption. Malaba (2018) agrees with Chitambara and goes on to argue that a huge chunk of the debt is a result of high- level corruption and bad governance, i.e. the offloading of elitist debts onto the shoulders of taxpayers. The government assumed the Reserve Bank of Zimbabwe debt of US$1,35 billion in August 2015 through the Reserve Bank Debt Assumption Act. This worsened the debt burden on the taxpayer. According to the IMF (2016), total public domestic debt increased from US$1,124 million in 2013 to US$1,960 million in 2015. The USD 1.35 billion was owed and was supposed to be paid back by beneficiaries of the Farm Mechanization Programme, most of whom, who are senior ZANU PF officials. Instead through policy capture the cost of paying was transferred on to citizens through the Reserve Bank Debt Assumption Act. The same members of Parliament that benefited from the Debt Assumption, also presided over the enactment of the Debt assumption. How oversight institutions are incapacitated through corruption. ZISCO Steel Debt assumption to clean the company's balance sheet after the parastatal was milked by political elites in a trail of corruption scandals highlighted earlier. Debt assumption without debt audit is a crime against taxpayers.

It is important to note that the political elite who have incurred and transferred debt on to the state have taken advantage of the existence of Zimbabwe Asset Management Company (ZAMCO). ZAMCO was established by the Reserve Bank of Zimbabwe and its mandate is to buy non-performing loans (NPLs) from the banking sector. In simple terms these are loans in which the borrower is not repaying in terms of the agreement[25]. ZAMCO then uses financial instruments called Treasury Bills (TB) to pay for the NPLs. ZAMCO has created a moral hazard whereby debtors know that if they don't pay back their bank loans, they will become NPLs and that one day, the government, through ZAMCO, will take over. The political elites have taken advantage of this establishment to borrow and spend and then transfer the burden to citizens. This speaks to how public debt and corruption have become intricate.

Command Agriculture is yet another agricultural subsidy programme meant to boost maize production that has been marred with a lot of corruption and leakages that threaten fiscal stability in Zimbabwe. There have been allegations that resettled farmers were smuggled into the beneficiaries' list while some agricultural extension officers were nabbed after selling inputs meant for the scheme[26]. Over and above that, it emerged that about USD3 billion that was injected into Command Agriculture outside parliament and out of the PFM system could not be accounted for. There are allegations that Sakunda Holdings which is the financier of the Command Agriculture has captured the state. Evidently, Sakunda Holdings has received a lot of Treasury bills as guarantee to finance Command Agriculture. The issuance of these Treasury Bills has destabilized the economy.

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[25] https://www.bigsr.co.uk/single-post/2020/01/22/BSR-The-Great-ZAMCO-scam
[26] https://www.theindependent.co.zw/2019/07/26/missing-us3bn-an-indictment-on-mnangagwas-government/

5.2 IMPACT OF THE CONFLATION OF STATE AND POLITICAL PARTY BUSINESS ON PUBLIC DEBT

Public debt in Zimbabwe has also increased as a result of the conflation of the state and party business. Over the years the public funds have been abused by ZANU PF as a party as taxpayers' monies have been used to bankroll party initiatives. In 2014 at the height of faction fights in Zimbabwe, it emerged that ZESA funds had been used to bank roll campaign activities by Joyce Mujuru the former Vice President. The Herald of reported that the then Minister of Energy and Power Development Samuel Udenge and his deputy Munacho Mutezo had coerced ZESA holding to deposit USD40 000 into the ZANU PF Women's League Account[27] According to a report by Global witness, the National Reconstruction Group (NRG), a front for ZANU PF linked to the Central Intelligence Department and Kusena diamond mining company bought cotton seed for rural communities in the run up to the 2013 Presidential elections. For that deal, NRG owed an alleged $13 million to Quton, a subsidiary of Seed Co specializing in cotton seed. In 2014 the debt was repaid from Zimbabwean public funds when Zimbabwean government paid about $24 million to Seedco and Quton through a Treasury Bills meaning the debt incurred by ZANU PF was transferred on to citizens[28]. There are numerous cases where taxpayers' monies have been used to bank roll party activities. Debts incurred by the party are always transferred to the citizens and resultantly public debt has been increasing.

5.3 COLLUDING INTEREST AND OPAQUE PUBLIC DEBT

There is growing evidence that the rising debt to China by Zimbabwe has elements of colluding interest between the Chinese government and the ruling elites in Zimbabwe. Chinese has become the single largest source of foreign direct investment for Zimbabwe. The Chinese share of external debt stock has been rising and as of 2018 was estimated around 34%[29]. According to Malaba the total value of Chinese Debt stands at USD2.49 billion and some of the loans include the following:

Table 4: Chinese Loans contracted by Government of Zimbabwe 2006-2017

Loan	Year
US$520 million for Kariba South Power Station extension	2017
US$1,2 billion for Hwange Power Station upgrading	2016
US$250 million owed to Huawei for TelOne's fibre optic	2015
US$200 million for NetOne's mobile network base stations	2014
US$72 million for City of Harare water project	2014
US$100 million for building the Defence College	2011
US$100 million for health sector	2015
US$200 million for agriculture	2016
US$55 million tractors for Farmer's World	2006
US$ 2,697 billion - Total	

[27] https://www.herald.co.zw/zesa-funds-used-to-bankroll-mujuru-•ceo-confirms-transaction-•millions-involved-•mavhaire-mutezo-implicated/
[28] https://www.globalwitness.org/en/campaigns/conflict-minerals/stones-seed-and-suffrage/
[29] AFRODAD The China -Zimbabwe relations: Impact on Debt and Development

There are concerns that these debts were incurred through secret arrangements. Malaba cites remarks from Tendai Biti the former Minister of Finance who argues that:

> *"Some Chinese loans were contracted illegally because parliamentary approval was never sought, he argues. He recalls an incident involving a US$55 million debt owed to China. The money was for the purchase of tractors, which were handed over to a private company, Farmer's World, for distribution to "new farmers". The Reserve Bank of Zimbabwe provided the guarantee. Biti says he refused to service the loan, arguing that it was contracted illegally."*

As noted in the PAC report, examples of unauthorized loans obtained under bilateral relations include from China Nanchang Engineering, China Interl Water and Electricity and RBZ-/ZISCO/DUTCH, Mota Engil & HCCL Creditors and PTA Bank. According to the law, all these loans obtained/debts incurred should have been presented to Parliament for approval. It is perhaps important to understand Chinese interest in Zimbabwe. There are allegations that China played a role in the November military coup. A report by Banerjee and Rich provides an account which shows that China through Anjin primarily and the Zimbabwean military were joint partners behind diamond mining in Chiadzwa. As a result of the factional fight Chinese companies and the Zimbabwean military lost control over Marange diamonds after the former President Robert Mugabe revoked all licenses of diamond mining companies in Marange. Banerjee and Rich therefore believe that China supported the military takeover of Government as it guaranteed them of access to mining rights. Post the November coup, Chinese mining companies are back in Marange mining diamonds. There is reasonable ground thus to suspect that there is collusion between China and the ruling elites in Zimbabwe. There is generally a lack of transparency on the conditions of Chinese loans in Zimbabwe. At the same time, there is an increase in Chinese investments in the areas of mining and energy as well as agriculture. A recent report by the Natural Resource Governance Index reveals what they call Resource backed Loans meaning all loans provided to a government or a state-owned company, where repayment is either made directly in natural resources (in kind) such as oil or minerals, or from a resource-related future income stream; or repayment is guaranteed by a resource-related income stream, or where a natural resource asset serves as collateral. As the NRGI report shows, Zimbabwe is one of the countries in Africa with large known resource backed loans. Between 2004 and2016, the total RBL as percent of GDP stood at 2%.

Other than the issue of China, we found that with some of the "mega deals" announced so far, the Minister of Finance and Economic Development has not presented to Parliament some of the agreements concluded by the President or under the President's authority as mandated by the law. By March 2019, the president had been on at least 30 foreign visits, including trips to the United States of America, Russia, China, the Middle East and the World Economic Forum in Davos. Together with the state media, President Mnangagwa and his officials announced more than $27bn of planned investment ranging from new platinum mines to steel mills and hydropower dams[30]. What is certain is that government borrowing is publicly guaranteed using the country's resources, but the only details revealed to the general public are headlines in various media platforms and a few statements from media briefings. While it is clear that when a debt is not approved it is null and void, there is lack of transparency and accountability in debts authorized by the President. The Minister of Finance failed to list and present to the National Assembly, monthly, quarterly and annual reports on loans and guarantees as required by Section 30 of the Public Debt Management Act[31]. Non-compliance by the Ministry undermines public administration in Zimbabwe and the functioning of a modern state together with transparency and accountability.

[30] https://www.theindependent.co.zw/2019/02/22/govts-mega-projects-stall/

[31] First report of the public accounts committee on compliance issues for the Ministry of Finance and Economic Development first session – Ninth Parliament. Presented to Parliament in July, 2019

5.4 ILLICIT FINANCIAL FLOWS AND PUBLIC DEBT IN ZIMBABWE

Zimbabwe just like many African countries is confronted with the problem of Illicit Finance Flows. Through IFFs some of the revenue that could be channeled towards public social spending is lost. The Global Financial Integrity Report (2013) notes that the country has lost a cumulative US$12 billion in the last three decades through illegal financial outflows ranging from secret financial deals to tax avoidance and illegal commercial activities. A 2013 study by AFRODAD estimated that between the period 2009 - 2013, Zimbabwe lost US$2.83 billion, through illicit flows, translating to an annual average of US$570.75 million. Of the cumulative outflows, 97.88% (US$2.793 billion) were in the mining sector. According to the same study, IFFs in wildlife accounted for 0,53% of the total, at US$15.07 million, whilst fisheries and timber accounted for 0.98% and 0.61% at US$28.04 million and US$17.30 million, respectively . Some of the potential revenue has been lost through smuggling. During a breakfast meeting, the Minister of Finance indicated that Zimbabwe lost 30-34 tons of gold due to smuggling to South Africa in 2019. According to AFRODAD, the most immediate impact of IFFs is a loss of revenue, hence, a loss of opportunities for domestic consumption and investment, both public and private. These revenue outflows could have been used for productive economic and social investments, in support of the economic growth objectives of the government (ibid). It is important to note that IFFs starve the national purse of potential revenue that could help in repaying back loans and stimulating economic growth. This paper therefore argues that IFFs are fueling public debt in Zimbabwe.

5.5 IMPACT OF BRIBERY ON DOMESTIC RESOURCE MOBILIZATION

Public taxes are an essential element of domestic resource mobilization. Mukura suggest that for Zimbabwe, taxes are a critical source of government revenue, with contributions of an average of 88.1% of total government revenue between the years 1980 to 1989 and about 89% between 1990 and 1999. According to the 2019 Mid-term Fiscal Review taxes constituted 97,8 % of Government revenue. Public taxes play a crucial role therefore in aborting a huge dependence on public debt. However while tax is a key source of public revenue, Zimbabwe suffers from the challenge of low tax compliance rate and this is linked to the perverse bribery. Citizens and businesses opt to pay bribes primarily because the cost of compliance is high monetarily and it eases the obtaining of services. For the public officials there seem to be a huge affinity for bribes, and this could be blamed on the very low wages. Table 3 below presents findings from the 2016 World Bank Enterprise Survey which also identified corruption and bribery as a problematic factor affecting ease of doing business in Zimbabwe.

[32] AFRODAD (2015) Illicit Financial Flows: Towards a more Integrated Approach for Curbing Illicit Flows from Zimbabwe.

Table 5 Corruption in Zimbabwe's Manufacturing Sector

Corruption	Zimbabwe
Bribery incidence (percent of firms experiencing at least one bribe payment request)	17.5
Bribery depth (% of public transactions where a gift or informal payment was requested)	12.3
Percent of firms expected to give gifts in meetings with tax officials	12.6
Percent of firms expected to give gifts to secure government contract	21.1
Value of gift expected to secure a government contract (% of contract value)	0.2
Percent of firms expected to give gifts to get an operating license	9.0
Percent of firms expected to give gifts to get an import license	7.6
Percent of firms expected to give gifts to get a construction permit	9.2
Percent of firms expected to give gifts to get an electrical connection	32.7
Percent of firms expected to give gifts to get a water connection	0
Percent of firms expected to give gifts to public officials "to get things done"	14.4
Percent of firms identifying corruption as a major constraint	38.3
Percent of firms identifying the courts system as a major constraint	7.3

Source: World Bank Manufacturing Enterprise Survey 2016

Likewise, an analysis by Nyamwanza et al (2014) of Small and Medium Enterprises (SMEs) Attitudes and Practices towards tax compliance in Zimbabwe revealed that while the informal sector has become the major employer in Zimbabwe, the sector is not contributing meaningfully to the treasury due to noncompliance on tax remittances by the operators. The research which was done on 50 businesses in the retail sector in SMEs evade compliance by paying bribes, keeping two sets of records, relocating to new premises without notifying authorities, and temporarily closing businesses during compliance blitz. It is believed that the Zimbabwe Revenue Authority (ZIMRA) has potential to raise over $8 billion if it could achieve 100% tax compliance, ZIMRA is currently at around 30% tax compliance. It is important to note that with bribes and low tax compliance potential fiscal revenue is diverted and instead of going into the fiscus, it benefits private individuals who receive this money in return for such services as provision of water and smuggling items from neighboring countries. Thus, with tax evasion, avoidance and bribery state coffers are deprived of potential revenue, thus forcing the state to borrow.

5.6 NON ACCOUNTABILITY BY THE EXECUTIVE IN DEBT CONTRACTION

Public Debt Management Act [Chapter 22:21] which is provided for under Chapter 17 of the Constitution, among other issues, stipulates major guidelines on borrowing, maintenance, extinction of debt; definition of contingent liabilities; exposure of government and borrowing powers of the Minister. The act also stipulates borrowings by the state as well as maintaining sustainable level of Public Debt to GDP (that total outstanding Public and Publicly Guaranteed Debt as a ratio of GDP should not exceed 70 percent at the end of any fiscal year). The act clearly states that there are certain circumstances under which public debt can only accede the provided limit. Through a review of the PAC report, the research established that due to abuse of power, limits for Government's borrowing are not fixed by the National Assembly resolution nor by means of a provision in a Finance Bill in line with section 11(2) of the Public Debt Management Act. Government's overdraft facility with the RBZ stood at US$2.93 billion as at December 2018 (DMO, 2019), representing 75.7 percent of the 2017 revenues which far exceed the requisite borrowing limit. Willful non-compliance with the law is enshrined in the interaction and misbehavior of the ruling elites. Malaba (2018) remarkably concludes that Zimbabwe's debt crisis is partly a product of illegalities by the executive arm of government, for example the violation of the RBZ Act (overdraft), lack of recourse to Parliament, and violation of the Public Debt Management Act.

6.0 Conclusions and Recommendations

To deal with the unsustainable debt in Zimbabwe

- There is an urgent need for the prioritization of public finance management in the National Anti-corruption Strategy. The National Anti-corruption strategy is a framework with clear cut priority areas and anti-corruption action plans. The Government of Zimbabwe committed to the development of a National Anti-corruption Strategy and at the point of writing the Zimbabwe Anti-Corruption Commission is finalizing the development of this strategy. To prevent the continuous increase as a result of corruption, there is need to prevent corruption in public finance management. Some of the key preventive approaches worth considering in the Strategy includes:

  - Government adopting e-procurement (embrace online contracting initiative)
  - Declaration of assets by Senior Public officials
  - Introducing lifestyles audit (for every jack and jill??) or specific public office holders
  - Fast tracking on the beneficial ownership disclosure? and allow the public to access it
  - Publish information on public sector procurement projects including the cost and the phase of the project
  - To promote tax compliance, the tax regime needs to be improved. Government through ZIMRA could consider lowering duty on certain subsidies as well introducing digital payment systems so as to close room for human to human negotiation.
  - Fast track anti-corruption cases before the anti-corruption courts.
  - Capacitate Zimbabwe Anti-corruption Commission in the areas of forensic analysis, public procurement.

- There is need to harmonize the Public Finance Management Act to the Constitution and other legislation impacting on it.

- Civil society to provide capacity to Procurement Management Units to that their comply with provisions of the Public Procurement and Disposal of Public Assets Act.

- The Government through the National Prosecuting Authority (NPA) and the Zimbabwe Anti-Corruption Commission (ZACC) needs to prioritize asset recovery. The process of asset recovery depends on Government's ability to enforce declaration of assets, verification of these assets and lifestyle auditing.

- There is an urgent need for the Government to introduce the mining cadastre system . The Auditor General has continuously pointed out that the manual paper-based cadastre was a key corruption risk and advocated for the introduction of a digital mining rights systems. Mining cadastre is a recommended best practice in as far as transparent mining awards system is concerned.

- Civil society in Zimbabwe should continue to engage and lobby Government to either join the Extractive Industries Transparency Initiative or domesticate this standard.

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