



THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

TACKLING DEBT AND CORRUPTION FOR SOCIO-ECONOMIC DEVELOPMENT

Zimbabwe is saddled with a public debt officially recorded at US\$16.78 billion as of June 2022, an amount which is unsustainable as evidenced by ballooning external arrears which are nearly 50% of US\$13.2 billion total external debt. Several factors are fuelling public debt, amongst them grand corruption in public and private sectors, fiscal indiscipline, unsustainable tax incentives and collateralized borrowing. This unsustainable debt should be reduced as this has a bearing on government's social spending and it impacts on public service delivery.

Corruption and public debt are double vices crippling Zimbabwe's economic growth, further widening the inequality gap between the poor and the rich. Rampant corruption in the public sector affects government's optimum revenue collection which is lost through porous and weak public finance management systems such as poor public procurement frameworks. Recently, Parliament nearly awarded a tender for laptops and desktops which were pegged at highly inflated prices - only to be reversed after public outcry and pressure. Over 1 million United States Dollars was going to be lost to the dubious company which had won the tender.

Over the years, the Auditor General has been exposing the rot that is in the public sector through audit reports but what is more worrisome is the level of inaction by responsible authorities after the AG's reports are released. One questions the purpose of AG's reports if the public officials are not held to account for abusing public office. Furthermore, it is discouraging when a Ministry is implicated in misappropriating funds for the disabled without Treasury's approval.

According to Zimbabwe Anti-Corruption Commission (ZACC), the country loses an estimate of 1,8 billion United States dollars per annum. The country has high levels of corruption in public entities. Evidently, corruption is the biggest enemy to economic development. A survey by Transparency International carried out in 2021, Corruption Perceptions Index (CPI) examining perceived levels of corruption in the public sector ranked Zimbabwe 157 out of 180 countries. It (corruption) is not a new phenomenon especially in public entities. In the late 80s, Zimbabwe was shocked with the Willowgate scandal of 1988 and in 2018 ZESA Holdings scam which Samuel Undenge was involved in criminally abusing public office. Centre for Global Development reported that Zimbabwe had lost more than US\$96 billion to corruption between 1980 to 2015, an amount that could have cleared current external debt of US\$13,2 billion.

Effects of corruption

- Rechanneling from public expenditure to private/ individualistic priorities.
- Depleting national revenue thereby forcing the government to accrue debt for social services and other development projects.
- Increased impunity and poor civil service provision.

Corruption must be urgently dealt with to address the ballooning public debt. Delay in meaningfully dealing with corruption hinders Zimbabwe's potential to attract direct foreign investment which is much needed to alleviate the deteriorating economic situation. The resources lost through grand corruption are enough to set Zimbabwe free from debt burden and its economic quagmires and to self-sustain without further accruing debts.

Recommendations:

- Stiff penalties should be enforced to deter culprits holding public offices.
- Increased political will by the Executive to curb corruption.
- Strengthen oversight institutions and mechanisms informing debt and Public Finance Management processes on loan contraction, uses, and repayments.
- A commitment to implement reforms: legal, institutional, structural, and public sector reforms.
- A debt audit to determine where resources are spent and who is liable for it.