



THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

ZIMBABWE SHOULD LIFT ITSELF OUT OF POVERTY WITH GOOD ECONOMIC GOVERNANCE

The case that Zimbabwe has adequate resources to finance its own development has persisted with various arguments presented. One side of the argument which this edition of the weekend reader is considering is that Corruption and Illicit financial outflows are the key factors that are disenabling effective Domestic Resource Mobilisation in the country.

Earlier on this week on the 9th of May 2021, social media was awash of the news of a man who was suspected to be coming from Zimbabwe who was arrested at OR Tambo airport with 23 pieces of gold worth R 11 000 000. Using the 1 ZAR = 0.0711255 USD or the 1 US\$ = 14.0597 exchange rate, the value of the gold is US\$ 782, 380.37. This points to excessive revenue leakages and poor public resource management especially following another incident where Henrietta Rushwaya in October 2020 was caught at the Robert Gabriel Mugabe International Airport whilst trying to smuggle 6kg of gold to Dubai¹. The Rushwaya's case involved an estimate of US\$333 000 worth of gold.

Illicit financial flows in Africa and Zimbabwe continue to erode potential revenue that can lift the continent and the country out of the economic situation that it finds itself in. Economic Development in Africa Report of 2020 notes that Africa losses approximately US\$ 89 billion to illicit financial flows per year which is equivalent to 3.7 per cent of the continent's gross domestic product. This figure has steeply gone up from at least \$50 billion annually which was reported in the High-Level Panel on illicit financial flows from Africa Report led by the Mbeki Commission in 2011. An adverse irony is that Africa is losing more through illicit financial flows than what it receives annually as Official Development Assistance.

Evidence in the case of Zimbabwe shows that the illicit financial flows are fuelled through State capture and rent-seeking. Zimbabwe has lost approximately US\$ 32.179 billion to illicit financial flows in the last two decades² and approximately US\$ 1.5 billion in gold smuggling in 2020 against US\$ 800 million official Fidelity exports³.

As a Social and Economic Justice institution, ZIMCODD did a snap enquiry with members of the public to understand some of the issues that they think such resources could be used to support social services and the following are some of their responses:

“In my community with that mula [money], we can improve the water challenge at a community school by erecting a solar borehole and JoJo tanks together with a booster pump at roughly US\$8 000, build and equip a computer lab at the same local primary school at a cost of around US\$50 000, fund the school feeding programme where pupils were being fed in the morning at breaktime - this programme was once done but lack of funding derailed the programme and I estimate this at around US\$15 000usd per year” .

“In my community there are perennial water challenges but council is reluctant to address the issue because it’s a medium density area so they say they can’t sponsor us because they believe the residents are better in terms of income unlike those in the western areas but fact is many people in my area are lodgers (they rent) so I believe for a population of almost 30 000 people if we erect 6 solar boreholes strategically positioned it can alleviate the water woes and I estimate US\$65 000 for this task as well as security for the infrastructure”.

“For the youths I believe a vocational training centre can be set up so that they can be equipped with technical skills so that we remove them from the streets where there is rampant abuse of illicit brews and drugs so keeping them busy so that their idle minds don’t become devils’ workshops and I believe US\$50 000 is enough for the programme”.

Furthermore, ZIMCODD made its own tabulation of what these resources would mean if they were channelled to support service delivery in the country and the table below shows the various possible areas such resources could support:

¹ <https://www.herald.co.zw/just-in-henrietta-rushwaya-suspended/>

² Chikono, M. (2020) Zimbabwe loses US\$ 32bn due to illicit financial flows. [Online]. Available at <http://www.thezimbabwenewsline.com/zimbabwe-loses-us32bn-due-to-illicit-financial-flows/#:~:text=ZIMBABWE%20has%20lost%20in%20excess%20of%20US%2432%2C179%20billion,for%20the%20whole%20of%20the%20southern%20African%20region.> [Accessed on 13 May 2021].

³ <https://www.msn.com/en-us/news/world/zimbabwe-losing-dollar-1.5-bln-gold-a-year-to-smuggling-report/ar-BB1bjMA7>

Water & sanitation	Drilling Boreholes at US\$ 1500 each =521 boreholes	= 521 boreholes over 59 districts of Zimbabwe = approximately 8 boreholes per district
Health	Central Hospitals for effective functioning – Parirenyatwa requires US\$ 3 million per month	Should have met 26% of this budget
	At an average salary of USD\$300 per month for doctors each doctor would get \$3 600 per year	= 217 doctors could be paid \$300 monthly salary for 12 months
Education	Average cost of a Primary School Textbook at US\$8	= 97 797 primary school textbooks
	Average cost of a high school textbook at US\$15	= 52 158 secondary school textbooks
	Average primary school fees at US\$45 per year Average secondary school fees US\$90 per term	= 17 386 primary school learners fees paid, or 8 693 secondary school learners fees paid for the whole year
	University Fees - Paying for University Fees at an average fee of US\$260 per semester	=1 504 students fees paid for 2 semesters per year.
Housing	Low-income houses at US\$ 25 000 each	=31 295 houses
COVID-19 vaccines	Sinopharm dose at US 5 \$ =156,476 doses	=156 476 doses inoculating 78 238 citizens
	Sinovac dose at US\$ 30 = 26,079 doses	=26 079 doses

Although this case is just a tip of the iceberg, it is not isolated and it brings critical evidence and illustrates how the country is losing significant resources that can help it to address the economic challenges it has experienced for over two decades now. Domestic resource mobilisation is one of the most sustainable ways of raising revenue to fund public services and finance national development in general. In cases where there is no effective domestic resource mobilisation, countries often resort to unsustainable borrowing and this has plunged countries like Zimbabwe into serious debt distress.

To ensure that the country better addresses these issues of corruption and illicit financial flows for improved domestic resource mobilisation, the following are some of the calls for action and recommendations:

I. Government should urgently sign up to the Extractives Industries Transparency Initiative (EITI) and join other nations in their efforts to curb illicit financial flows and tax evasion and other leakages of natural resources by the country. The promise to Join the EITI by the current and two previous Ministers of Finance is long overdue and should be prioritised if the government wants to arrest the current plunder.

II. A removal of the foreign currency retention threshold in the gold sector should be considered to motivate gold producers to sell their gold through the formal gold market which is crucial in plugging further leakages as well as tight boarder security and controls that ensure that mineral resources cannot pass through the borders.

III. Government should bolster the fight against corruption through strong leadership with the President in front (as recently demonstrated in Malawi) and all those mandated to administer public resources following suit. The “catch and release” system should come to an immediate end.

IV. The legislators and legal system should stem challenge and stem out Political interference in the operations of the anticorruption institutions which continues to undermine the effectiveness of institutions and legislation responsible for combating illicit financial flows. There is need for the government to demonstrate political will to arrest and prosecute perpetrators and guarantee the independence of the responsible institutions.

V. The government should invest in information technology to ascertain the quantity and quality of geological deposits to curb under-declarations of quantity and quality of minerals to reduce illicit outflows of money from the country.

VI. Finally, civil society actors and communities should deepen knowledge in natural resources governance and strategies to demand transparency and accountability in the design, feasibility, selection, pricing, tendering and management of natural resources.