



THE Weekend Reader

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

SOCIO-ECONOMIC IMPLICATIONS OF THE SENTRY REPORT

This week ZIMCODD in partnership with ZIMRIGHTS hosted a family dialogue on the implications of the Sentry's 2021 report: *Shadows and Shell Games: Uncovering an Offshore Business Empire in Zimbabwe*. The report outlines the Sentry's investigations which shows how Tagwirei used complex corporate structures to build and hide his wealth, potentially benefiting from preferential government treatment along the way.

With a background where the country envisioning a US\$12 billion mining industry by 2023. The findings in the Sentry report indicates how this vision remains unattainable as mineral resource leakages continually undermine Zimbabwe's efforts to tap into the economic potential presented in the vast mineral resources. A study conducted by AFRODAD estimated that between the period 2009 – 2013 only, Zimbabwe lost US\$2.83 billion, through illicit flows, translating to an annual average of US\$570.75 million and of the cumulative outflows, 97.88% were in the mining sector.

THE DIALOGUE OUTLINED THE FOLLOWING:

Ordinary Zimbabweans are losing from their God-Given Natural Resources

As outlined in the report, Mr Tagwirei's empire includes investments in gold, nickel, platinum, and chrome mines which are behind South African businesspeople and offshore structures in Mauritius and the Cayman Islands and by using lawyers and financiers who are seemingly happy to turn a blind eye to accusations of cronyism and corruption. The country's natural resources should primarily benefit all citizens of the country through good governance of the resources. However, in Zimbabwe, a few elites are mortgaging the country's resources for their own benefit. Speaking during the family dialogue, Janet Zhou, ZIMCODD's director lamented that the case of how natural resources in the country are managed is painful in the same way women bear children who are simply married off by the husband and in-laws without the slightest consideration of the mother.

Potential domestic and foreign investors are crowded out

The government's Mantra of Zimbabwe is open for business is not actualised because of a complicated web of cronyism which makes it difficult for anyone who has no connections with the political elites to invest in the strategic sectors. The report outlines evidence of privileged access and special treatment that ordinary investors both domestic and foreign will not receive thereby creating an unfair advantage which creates an operational environment that does not promote new investments that can benefit most Zimbabweans.

Generations will pay the cost of off-budget financing

With the 2019 Auditor general's report revealing an excess expenditure of \$6 806 340 654 which arose from unallocated Reserve transfers made to line Ministries. Although it is in contravention of Section 305 (5) of the Constitution of Zimbabwe Amendment (No. 20) Act, 2013, there is evidence of off budget spending. The finding in the sentry report that payments of millions of dollars to a Zimbabwean military-owned company so that Landela Mining Ventures, a company Tagwirei controlled, could purchase 50% of Great Dyke Investments (GDI), a platinum mine worth hundreds of millions and run as a joint venture with a Russian firm raises fears about off-budget financing of Zimbabwe's military. What this means for ordinary Zimbabweans is that they will continue to pay taxes to finance government's expenditure which does not translate to financing of public services that can benefit every citizen but rather the business interests of a few.

Unfair Taxations benefiting a few

The family dialogue noted that the report adds to evidence around unfair taxation which is common in Zimbabwe were most of the citizens are the ones that are burdened by Tax whilst a few politically linked individuals benefit from tax holidays and exemptions. The sentry report outlines that on January 27, 2021, over a year after Landela Mining Ventures had bought half of the platinum mine, Zimbabwe granted GDI a five-year corporate income tax holiday and exempted its shareholders resident in Zimbabwe from resident shareholders' taxes on GDI dividends retroactively applied to January 1, 2020. Government should not loose potential revenue to rich mining companies as Zimbabweans need that money to survive a devastating COVID-19 pandemic as well as widespread hunger and mass unemployment. Income and profits from mineral wealth are sovereign wealth belonging to all Zimbabweans and government as custodians of that wealth should make decisions that serve the interests and benefit the citizens. Financial policy and tax decisions should be subject to public consultations and objective scrutiny for transparency and accountability. Section 13 sub section 2 of the Zimbabwean constitution states that "Measures referred to in this section must involve the people in the formulation and implementation of development plans and programmes that affect them." However, the GDI Tax Exemption was done without prior public consultation.

Legal Remedy to such issues, though provided for in the constitution remain impractical

With a panel that included legal experts such as Alex Magaisa and Anti-corruption campaigners such as Hopewell Chin'ono, the family dialogue questioned the practicality of following legal remedies on the allegations of unfair business practices and corruption tabled in the report. Although the Zimbabwe's 2013 Constitution provides for progressive provisions on fighting corruption under Chapter 2 on national objectives, there is no Judicial independence that provides confidence that such issues can be prosecuted especially given the involvement of high-ranking officials and the military in the business operations of the politically exposed person. The sentry report notes that in addition to alleged business dealings with the Zimbabwean military, Tagwirei appears to have the ability to contact senior civilian officials in Zimbabwe at short notice, particularly at the Reserve Bank of Zimbabwe (RBZ).

The dialogue further noted that political interference in the operations of the anticorruption institutions such as the Zimbabwe Anti-Corruption Commission (ZACC) undermines the effectiveness of institutions and legislation responsible for combating corruption. There is need for the government to demonstrate political will to arrest and prosecute perpetrators and guarantee the independence of the responsible institutions. Examples were given of cases that involved Henrietta Rushwaya's attempt to smuggle 6kg of gold to Dubai worth of US\$333 000 which is just one case of many that involve the huge sums of gold and other precious minerals smuggled out of the country by unscrupulous individuals and companies. More recently on the 9th of May 2021, Tashinga Nyasha Masinire was arrested at OR Tambo International Airport on charges of illegally possessing 23 pieces of gold valued at R11 million or US\$700,000. The gold was discovered in Masinire's luggage, and he failed to produce a permit that allows him to transport the gold. Although there is overwhelming evidence in both cases, to date there has been no legal remedy because of how the politically exposed persons have links with the political elites in the country.

The need for Political will and Leadership at the highest level to fight corruption

The family dialogue concluded that the only way that the fight for corruption can be actualised and made practical in Zimbabwe is through political will and leadership of the president, the cabinet and other key institutions mandated with addressing cases of corruption. The discussion noted that although various calls have been made at the highest level to try and fight corruption not enough action has been taken to address the pandemic and as long as there is no action at the highest level there is fear that there is no resolution that will come from the current leadership.