



## **AN ANALYSIS OF THE 2022 NATIONAL BUDGET PRESENTED ON 25 NOVEMBER 2021: THE IMPORTANCE OF TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC EXPENDITURE TRACKING.**

### **INTRODUCTION**

This paper presents the views of Transparency International Zimbabwe (TI Z) on the national budget presented in Parliament on 25 November 2021 by the Ministry of Finance and Economic Development (MoFED). TI Z is a grassroots-led organisation which is part of the global movement against corruption.

The budget, which was launched with the theme *“Reinforcing Sustainable Economic Recovery and Resilience”* is set in a context of scarce resources when allocations are considered against bids. Proposed estimates for 2022 (including Constitutional and Statutory Appropriations) amounted to ZWL\$927.3 billion (18.3% of GDP), versus requests submitted by Line Ministries, Departments and Agencies (MDAs) in excess of ZWL\$2.7 trillion (MoFED, 2021).

The gap between the various MDAs’ needs and available resources presents challenges in delivering on citizen’s needs in one of the world’s poorest countries which was impacted by economic effects of the Covid 19 pandemic, in addition to existing challenges of rising public debt and climate change. Notwithstanding this sobering context, the national budget remains a strong macroeconomic instrument to deliver on citizens’ social and economic rights, so long as the available resources are allocated in a just and equitable manner, which promotes productivity and sustainable development.

This document responds to substantive issues in the text of the budget proposal itself, then raises vital contextual issues linked to the importance of transparency and accountability in public expenditure tracking.

## **SAFEGUARDING THE BUDGET; THE CASE OF SOCIAL PROTECTION**

The budget will finance the Productive Social Protection Scheme (also known as the Presidential Inputs Scheme or Pfumvudza/Intwasa) for crop and livestock by support towards vulnerable households. Social protection which is included in the Bill of Rights is a cross-cutting issue for implementation throughout the National Development Strategy (NDS 1), which aims to “reduce extreme poverty and improve access to basic social services in all its forms and dimensions, including narrowing inequalities” (Government of Zimbabwe, 2020, p.21). Notably, the social protection goals in NDS 1 will help the country to realise Sustainable Development Goals (SDGs) # 1, 2, 10 and 11 (NDS 1, 2021). Indeed, social protection schemes for vulnerable groups are good provided they are inclusive.

However, Media reports, parliamentary debates, and statements by the Zimbabwe Anti-Corruption Commission (ZACC) reveal that that Pfumvudza/Intwasa is affected by spiralling costs, political interference in the distribution process and partisan allocation of agricultural inputs (The Independent, 2017; The Herald, 2021; Chibamu, 2021; Ndoro, 2021). It was also linked to a controversial loan contraction process for the procurement of agricultural inputs (Haywood, 2021). Indeed, NDS 1 (GoZ, 2020, p.197) acknowledges “weak coordination of the country’s humanitarian response, and furthering corruption in access to support and exclusion of disenfranchised groups” as a challenge bedevilling the country’s social protection system.

TI Z therefore urges government to safeguard the budget from corruption. It’s one thing allocating money to social sectors but if the resources are lost through systemic corruption (e.g., public procurement scams) it is the poor, and vulnerable groups targeted through social protection who ultimately suffer.

## **PLUGGING THE HOLES TO LEVERAGE MINERAL RESOURCES**

The budget also proposes several measures to leverage resources towards realising the desired US\$12 billion mining industry by 2023.

Firstly, TI Z notes that the MoFED has allocated ZWL\$3 billion to the Ministry of Mines and Mining Development (MoMMD) for implementation of various programmes and activities. Notable is the decentralisation of the MoMMD to establish provincial offices around the country, as well as hiring and capacitating mining extension officers.

Secondly, the finance ministry has previously introduced tax rebates and VAT deferment to enhance mining productivity. However, serious issues of concern observed in some beneficiary mining companies includes but is not limited to:

- False declaration of minerals produced;
- Export of unpolished granite;
- Non submission of monthly returns to the MoMMD
- False declaration of physical addresses; and
- Transfer of capital equipment to a new site without ZIMRA approval (MoFED, 2021).

*TI Z urges government to safeguard the budget from corruption. If resources for social protection are lost through systemic corruption, it is the poor who suffer.*

To enhance transparency in administration of rebate facilities, rebate applicants will now provide the following additional information of interest to TI Z:

- ▶ ZIMRA certified tax payment for the period prior to application;
- ▶ For exporting companies, CD1 Form discharged for the period prior to application;
- ▶ Corporate social responsibility executed;
- ▶ In the case of mining, submission of monthly returns to the Ministry responsible for Mines and Mining Development (MoFED, 2021).

A third noteworthy step to complement these measures is the implementation of the Computerised Cadastre System, which will be allocated ZWL\$146 million (MoFED, 2021). Government intends to use Cadastre for mining title administration following its successful piloting in Manicaland province (MoFED, 2021). Briefly, a Cadastre is an up-to-date information system with data on interests on land which includes ownership or control (International Federation of Surveyors, 1995).

The minister’s introduction of new transparency measures for mining companies is a step in the right direction. Supporting the hiring and capacitation of ‘foot soldiers’ in the form of mining extension officers to monitor mining activities on the ground as well as the additional information required when applying for rebates enables closer scrutiny of some companies which may be looting natural resources. Hopefully these decentralised departments will be adequately resourced in terms of working conditions, training, and salaries so that they do not succumb to bribery by these companies.

TI Z asserts that a taxation regime that favours

investors at the expense of the poor through tax concessions not only robs the country through revenue forgone, but is unjust, especially noting the gradual reduction in the tax-free threshold over time to include the poorest in the net. Serious investors in mining and other sectors must shoulder the fiscal burden together with other taxpayers especially noting that some of them rob the country through illicit flows in addition to benefiting from generous tax incentives. The Cadastre will also certainly enhance transparency and accountability by illuminating the true ownership of mining claims and title.

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## **DIGITISATION AND THE FIGHT AGAINST CORRUPTION**

As part of new revenue enhancing measures, the finance minister introduced a refundable US\$50 levy on new imported cellular telephone handsets to curb evasion of 25% customs duty. Mobile network operators will therefore be required to collect the US\$50 levy on each smartphone “prior to registration” (MoFED, 2021).

Given the prevailing economic challenges, it is plausible to assert that the levy increases the cost of owning a cellular phone beyond the reach of most Zimbabweans, whose incomes were severely depleted in a Covid ravaged economy. Coupled with this is the challenge of accessing foreign currency with the prevailing shortages of cash; in a context where forex is

more easily acquired on the parallel market albeit at usurious rates. In this scenario, the budget inadvertently limits access to mobile cellular handsets, giving more power to those entities or individuals who hoard cash creating more incentives for corrupt activities. Furthermore, previous studies by TI Z highlight the relationship between the structure of a country's tax policy and levels of tax morale in the citizenry (Doerrenberg and Peichl, in Chakanya, 2020). The same studies have also shown that excessive taxes and complex processes lead to increased tax evasion and avoidance mechanisms by citizens (Chakanya, 2020). The incidences of smuggling are therefore likely to intensify at ports of entry with this new measure.

TI Z is particularly concerned with the potential of the levy to negatively impact the usage of Information and Communication Technologies (ICTs) in the fight against corruption. Technology and anti-corruption measures have a mutually reinforcing relationship (Busetto & Timilsina, 2020). In different parts of the world, mobile applications such as 'I paid a bribe' and the World Bank's *'Integrity App'* have been used to empower citizens in remote areas by enhancing access to information and helping them to report concerns over fraud and corruption (Silveira, 2016). "In public procurement, data mining is being used for auditing in order to monitor when governments are issuing bids and to identify red flags, patterns of collusion and false information" (Silveira, 2016). In Malawi, digital payment platforms have been used to "reduce the risk of fraud and corruption and authenticate COVID-19 cash transfers" (Busetto & Timilsina, 2020). Closer to home, social media platforms such as Twitter, WhatsApp and SMS were used by people to report irregularities in the distribution of inputs to the ZACC (Newsdzezimbabwe, 2021). While on this topic, it's worth reflecting that Zimbabwe's National ICT Policy (GoZ, 2016) excludes the idea of using ICTs as enablers for fighting corruption

in its key objectives.

Linked to this, previous TI Z studies have also demonstrated the link between the unequal access by citizens to basic public goods and services (some which should be free and guaranteed by right); and the incentive created by this uneven access for public officials to ask for bribes. This marginalises already vulnerable women living in poverty, people living with disabilities (PLWDs) and other marginalised groups by putting public services out of their reach, and "leaving them lagging behind in the economic, social and political development of their country." (TI Z, 2019).

[To mitigate against this] "Digitalization and digital transformations have advanced and transformed the public sector tremendously, with the enormous potential and wide-ranging benefits of improving the efficiency and effectiveness in public administration and service delivery, as well as enhancing transparency, accountability, accessibility and citizen participation" (Busetto & Timilsina, 2020). The budget statement echoes this by acknowledging the role of ICT in "improving coverage and access to broadband infrastructure, deployment and installation of smart e-Government systems, as well as expansion of network to marginalised communities." It also recognises the increased demand and use of ICTs in the Covid-19 era, as citizens grappled with social and economic shocks of the pandemic (MoFED, 2021). Lastly, it's important to recognise that smartphones and digital platforms have enabled many marginalised groups to participate in the mainstream economy, whilst enabling the state to collect significant revenue from the informal sector.

With these considerations in mind, TI Z asserts that anti-digitisation measures in the national budget are irreconcilable with inclusive growth and the anti-corruption drive.

## RESOURCING THE NATIONAL ANTI-CORRUPTION POLICY

The 2022 Budget has set aside resources to capacitate independent commissions to enable them to undertake their constitutional mandates. Notably ZWL\$931.7 million has been allocated to the ZACC, up from ZWL 317,000,000 in the previous budget representing a threefold increase (MoFED, 2020; MoFED, 2021). While it's difficult for TI Z to assert authoritatively that the allocation to ZACC is adequate/inadequate (since the NACS excludes an implementation budget), the 2022 increase is an important signal of government's commitment towards NACS objectives. In this view, it's important for documents like NACS to include budget projections, so that development partners and other like-minded stakeholders are able to contribute towards implementation of their programmes in various ways such as finance, technical support and training to name a few.

Closely linked to the issue of resources for implementing the NACS, the Finance Minister proposed the withdrawal of the 10% monetary reward for whistle-blowers disclosing information on tax evasion and corruption with effect from 1 January 2022 due to undermining by unethical informants who targeted the funds for self-enrichment, as well as the administrative burden and pressure placed on the Zimbabwe Revenue Authority (ZIMRA) for payment of the monetary reward (MoFED, 2021).

The withdrawal of the facility weakens the anti-corruption strategy by paving way for individuals to continue corrupt practices without fear. The move also comes at a time where TI Z is lobbying for the enactment of the Whistle-blowers Protection Act, which will be a clear enforcement mechanism that allows whistle-blowers to enjoy their rights and protection under the law. TI Z contends that whistle-blowers as critical and active stakeholders in the fight against corruption.

## THE CURRENT CITIZEN PARTICIPATION LANDSCAPE

Over and above substantive issues raised above, it's crucial for stakeholders to acknowledge that a national budget is not crafted in a vacuum. Our institutional perspective influences us to assess the prevailing citizen participation landscape, as it directly impacts on prospects for citizens tracking public expenditure. In theory there is an implied social contract which exists between the governor and the governed, particularly noting that citizens *fund* the government through the taxes and levies they pay. In that sense the budget is supposed to be *owned* by citizens by delivering on their development aspirations, whilst government remains accountable to its citizens.

Current trends however reveal the existence of a 'distance' between the government and citizens in the social contract, as demonstrated by a survey of 2,445 citizens by the Sivio Institute across the country's ten provinces in July 2021. Briefly, it was revealed that less than a third (28% or 685) of respondents had been a part of government-led consultations in the policy formulation process (Murisa & Mususa, 2021). Furthermore, there is a strong perception that local level policy processes (ward, rural district, and municipality level) are relatively more open compared to national level processes, which are perceived to be more closed and restricted to decisions made by officials.

According to Sivio Institute (2021) most citizens surveyed at national level (66%) think that the decision-making process is closed, and only officeholders make decisions. Most worrying in a discussion of public expenditure tracking is the finding that there is very limited national discussion and consultation on economic policy. "Out of the 685 respondents who had been a part of government-led policy consultations, only 116 (17%) have been part of budget consultations and only 61 (9%) had been part of discussions over broader economic policy,"

(Murisa & Mususa, 2021). At the same time, the input of civic society is acknowledged in the national budget speech, which touts the proposed policy document as ‘a peoples’ budget’ that responds or heeds to various issues raised by citizens through the consultative process.

The low participation by citizens in government-led consultations in the survey should be juxtaposed with rapidly shrinking space for CSO operations. Observers assert that attacks against CSOs in recent years, as well as pending legislation governing their operations will have a chilling effect on their activities (Zimbabwe Situation, 2021; Southern Defenders, 2021).

TI Z contends that CSOs have a role to play in fostering transparency and accountability in the national budget by leading sector-specific efforts in expenditure tracking. Furthermore, government must acknowledge the social accountability aspect of economic governance; and in this regard positively engage with citizens. This is well supported by the right to information (RTI) in the national constitution which establishes the *right to know* public information (i.e. information useful for expenditure tracking).

## **FACILITATING EXPENDITURE TRACKING THROUGH DEVOLUTION**

As a recap, the Sivio Institute’s survey found that citizens feel much closer to government at local levels as opposed to the national. This sentiment brings the issue of devolution to the centre of the debate on expenditure tracking by citizens. Briefly, the 2013 constitution introduced devolution,

presenting unprecedented opportunities for citizens at local levels to demand accountability from the central government. In addition to the constitution, a policy was crafted to guide implementation. The National Devolution and Decentralisation Policy (NDDP) was launched by government in August 2020, “seeks to bring Government closer to communities and make it more accessible as a way of enhancing responsiveness, accountability and participatory governance over local development agendas” (GoZ, 2020, p.3). Government has also launched a process of aligning local government laws to the constitution (CHRA on Kubatana, 2021). In line with the topic, there is a lot to draw on from the devolution process around prospects for active public expenditure tracking. Whilst these cannot be exhausted herein, a few can be discussed for illustration.

One tenet of the NDDP is the idea of government developing a fiscal distribution formula, whereby no less than 5% of collected revenues are given to eligible sub-national tiers of government to create equitable, and balanced economic growth across regions (GoZ, 2020). The policy states that “such a formulae will create an evidence-based methodology for skewing distribution of devolution funds in favour of less developed regions” (GoZ, 2020, p.7). No doubt this heightens expectations amongst citizens that the national budget will finally begin to address the needs of regions perceived to be lagging in development terms. In this view, TI Z contends that the 5% stipulation creates a threshold against which citizens can track allocations and expenditure for devolved entities.

*The prevailing low participation by citizens in government-led consultations, as well as rapidly shrinking space for CSO operations is an obstacle to meaningful participation of citizens in expenditure tracking.*

Furthermore, the initial funding for devolved entities is envisaged to be a blend of disbursements from central treasury, as well as their own mobilised resources in line with section 301 of the national constitution (GoZ, 2020). Again, this is an opportunity for citizens to know the true value of natural resource endowments in their own localities, as well as track how financial resources generated from these are used for their benefit.

According to the NDDP, devolved entities are expected under the constitution, to directly submit to Treasury their estimates of expenditures as approved by their Councils, marking a shift from the present where the Ministry of Local Government and Public Works (MoLGPW) submits consolidated bids to Treasury on behalf of local authorities (GoZ, 2020). It goes without saying that funds used by the devolved entities will be audited by the “Auditor-General, over and above accountability requirements of the Accountant-General in the Ministry of Finance and Economy Development, as well as the Parliamentary Portfolio Committee on Public Accounts.” (GoZ, p14). Lastly the NDDP envisages capacity building initiatives targeted at citizens to hold local officials accountable over implementation of approved regional development plans (GoZ, 2020). TI Z views such provisions in the devolution process as clear opportunities for citizens to engage in expenditure tracking particularly noting their stronger awareness of, and engagement with their local level authorities in Sivio Institute (Murisa & Mususa. 2021).

At face value, the provisions in the NDDP establish on paper the potential of devolution as a mechanism to facilitate citizen participation on governance matters. However, the state of play with implementation of devolution is not encouraging. As testimony of this, provincial councils which are part of the architecture necessary for devolution are not yet constituted (ZESN on Kubatana, 2020). Pressure groups have

also had to approach the courts in “seeking an order to compel [key ministries, inclusive of MoFED] ... to enact laws that are necessary to actualise provisions of... the constitution which provides (sic.) for enactment of devolution laws” (CHRA, 2020; ZLHR on Kubatana, 2020). More important is the realisation that the budget statement focuses on funding rolling programmes and capital expenditure of local authorities in the name of devolution, without giving a clear political commitment and fiscal support to the enactment of the necessary laws, and establishment of related devolved structures.

*Devolution has clear opportunities for citizens to engage in economic governance for transparency and accountability, however the enactment of devolution laws and establishment of related structures is not progressing.*

## RECOMMENDATIONS

In view of the foregoing, TI Z recommends the following:

- GoZ should strengthen anti-corruption institutions such as ZACC through adequate funding for skills development so that they can effectively respond to corruption. In addition to this,
- GoZ must implement its resolution to re-establish the National Social Protection Steering Committee (NSPSC) envisaged in NDS 1 to improve consultation, coordination, and oversight. Furthermore,
- CSOs should collaborate with communities deprived of social protection benefits to

raise awareness of and promote whistle blowing on shameful acts of theft or misuse of social protection benefits;

- ▶ MoFED and MoMMD must ensure that the newly decentralised mining departments are adequately resourced in terms of working conditions, training, and salaries so that they can plug loopholes in theft of natural resources by errant investors;
- ▶ MoFED should reverse the US\$50 mobile handset tax completely with a view to widening citizens' access to public goods and services via appropriate e-government platforms, and facilitate the usage of ICTs in the fight against corruption;
- ▶ MoFED should urgently review the process of administering the Whistle-blower facility to safeguard it from abuse, with a view to reintroducing for full implementation of

the NACS. Linked to this,

- ▶ The Cabinet must introduce legislation to Parliament to protect whistle-blowers from retribution;
- ▶ The Cabinet and the Legislature should urgently establish legal framework for implementing devolution as guaranteed by the constitution to enable citizens to participate in economic policymaking and expenditure tracking at local levels;
- ▶ Cabinet must review the constitution to restore Parliament's role in external loan contraction and debt management;
- ▶ CSOs should develop the capacity internally or collectively, to continuously track and review the PFM legal framework for weaknesses and loopholes, in order to foster genuine transparency and accountability in the handling of public resources.



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## ABOUT TRANSPARENCY INTERNATIONAL ZIMBABWE (TI Z)

Transparency International Zimbabwe (TI Z) is a non-profit, non-partisan, systems-oriented local chapter of the international movement against corruption. Its broad mandate is to fight corruption and related vices through networks of integrity in line with the Global Strategy. TI Z believes corruption can only be sufficiently tackled by all citizens including people at grass root level.

### VISION

A Zimbabwean society free from all forms of corruption and malpractices.

### MISSION

We exist to be a knowledge-driven and evidence-based anti-corruption civil society organization that practices and promotes transparency, accountability, and integrity in all sectors to achieve good governance.



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