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LOCAL GOVERNMENT REVENUE LEAKAGES THROUGH CORRUPTION DURING THE COVID-19 PANDEMIC IN AFRICA: THE CASE OF ZIMBABWE

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ABSTRACT

Zimbabwe has over the years experienced rampant corruption in all sectors of the economy. At local government level, there have been several allegations of corruption in areas such as revenue collection, procurement and land acquisitions among others. The magnitude of corruption is extreme especially in revenue collection. Most funds collected by local government revenue officials hardly reach municipalities' coffers and are not accounted for. The advent of the COVID-19 pandemic has further created a breeding ground for corruption in revenue collection at local government level due to economic doldrums. Measures imposed by governments to contain the COVID-19 pandemic such as closure of all non-essential business activities, closure of borders and travel restrictions among others have reduced trade and economic activities. This has negatively affected income of businesses and governments leading to retrenchments and salary cuts. Individuals and companies are willing to pay a bribe so as to, either avoid total payment or underpay for services provided by municipalities. Local government officials have not been spared from financial stresses during the pandemic and they are also willing to accept a bribe or embezzle funds to supplement their salaries because, like other government employees, they are paid in local currency Zimbabwe Dollar (ZWL) which has been losing value since 2019 when it was re-introduced. This study examines revenue leakage through corruption at local government level. The study uses the public choice theory to illuminate on the manifestation of corruption. The study also looks at the legislative arrangement of anti-corruption laws in Zimbabwe. Study findings

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indicate that, corruption was there before COVID-19 and financial stresses brought about by the pandemic have exacerbated corruption. The study recommends strengthening internal control and accountability mechanism to reduce corruption.

1. INTRODUCTION

Zimbabwe has over the years experienced rampant corruption in all sectors of the economy and at both national and local government level. Corruption in Zimbabwe is fast becoming a way of life. The vice has become so deep-rooted and institutionalised that some people now accept it as their sole means of survival due to a total collapse of systems that offer checks and balances.¹ Yet efforts to fight corruption have been done at the international level through international standards such as United Nations (UN) Convention against Corruption, Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, World Economic Forum's Partnering Against Corruption Initiative, International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery, Transparency International's Business Principles for Countering Bribery and the UN Global Compact's 10th Principle, among others.

In Zimbabwe, various anti-corruption institutions exist and these include the Zimbabwe Anti-Corruption Commission (ZACC), Zimbabwe Human Rights Commission (ZHRC), National Prosecuting Authority (NPA), Special Anti-Corruption Unit (SACU) in the Office of the President and Cabinet, the Attorney General's Office and the Auditor-General's Office. Legislation that deals with corruption also exist in Zimbabwe and these include the Constitution of Zimbabwe Amendment Act, 2013; the Criminal Law (Codification and Reform) Act (Chapter 9:23); the Anti-Corruption Commission Act (ACCA) (Chapter 9:23); and the Public Finance Management Act (PFMA) (Chapter 22:19). Local governments are also governed by the Urban Councils Act (UCA) (Chapter 29:15) and the Rural District Councils Act (RDCA) (Chapter 29:13). With institutional and legislative arrangements in place, it is disturbing to notice how corruption has exacerbated over the years and how these frameworks have been incapable of combatting corruption in Zimbabwe.

The advent of the COVID-19 pandemic has further created a breeding ground for corruption in revenue collection at local government level in Zimbabwe due to economic turmoil. Measures imposed by the government to contain the COVID-19 pandemic such as closure of all non-essential business activities, closure of borders, travel restrictions and social distancing among others have reduced trade and economic activities. This has negatively affected income of businesses and governments leading to retrenchments and salary cuts.²

1 Transparency International (2007) "Country Study Report, Final Report: Zimbabwe" National Integrity Systems, available at http://www.transparency.org/policy_research/nis/nis_reports_by_country (visited 3 March 2022).

2 Steel I & Phillips D (2020) *How Tax Officials in Lower-Income Countries Can Respond to the Coronavirus Pandemic* London: Overseas Development Institute at 2.

Individuals and companies are willing to pay a bribe so as to, either avoid total payment or underpay for services provided by municipalities. Local government officials have not been spared from financial stresses during the pandemic. These officials are also willing to accept a bribe or embezzle funds to supplement their salaries because, like other government employees, they are paid in local currency ZWL which has been losing value since 2019 when the currency was re-introduced.

Despite what appears to be an impressive body of literature and research on corruption, not much work has been done on revenue leakage through corruption and ways to ameliorate these leakages. The objectives of this study are to examine the legislative framework guarding against corruption in Zimbabwe, to identify revenue leakage through corruption during the COVID-19 pandemic and to proffer recommendations. This study is structured into five sections and these include methodological approach, theoretical and conceptual framework, anti-corruption legislation in Zimbabwe, research findings and analysis: local government revenue leakage during COVID-19, and conclusion and recommendations.

2. METHODOLOGICAL APPROACH

Empirical research on corruption faces major setbacks for researchers. Some of the obstacles for gathering reliable and accurate data include destruction of documents and other forms of incriminating evidence by the perpetrators, fear of victimisation of interviewees and the secrecy around the practice of corruption.³ Most researchers resort to government reports, audit reports and newspaper articles as alternative sources of information. This study is not exempt in this regard. Extant secondary qualitative literature is the research method used to gather information. Findings, conclusions and recommendations are drawn from documentary search of books, journal articles, working papers, government reports, audit reports and newspaper articles.

3. THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1 Corruption

The concept of corruption contains too many connotations to be analytically functional without a closer definition. More so, the difficulty in defining corruption is rooted in the fact that it can be analysed on different levels and its variants are interpreted differently by various schools of thought. The concept is complex and diverse as it involves illuminating the actors, initiators and profiteers, how it is done and to what extent it is practised as well as its consequences. Corruption is mostly defined in the context of the public sector and definitions purposively ignore corruption in the private sector and informal sector. Corruption is defined

3 Zinyama T (2021) "Systemic Corruption in Zimbabwe: Is the Human Factor the Missing Link?" 12(1) *African Journal of Public Affairs* 132 – 152 at 133.

as the abuse of public office for private gains.⁴ Corruption is also defined as involving the behaviour of officials in the public sector, whether politicians or civil servants, who improperly and unlawfully enrich themselves or those close to them, by misuse of public power entrusted to them.⁵

Corruption takes different forms and these include bribery, fraud, embezzlement, extortion, abuse of power and nepotism.⁶ Bribery is a payment in the form of money or in kind, either to speed up matters or make them more favourable. Fraud involves manipulation, distortion of information, facts and expertise by public officials who seek to draw private profit. Embezzlement involves the taking or conversion of money and other valuable items such as property by those who are not entitled to them but who have access to it by virtue of their position. Extortion is an act of utilising one's access to a position of power and knowledge, either directly or indirectly, to demand unmerited cooperation or compensation as a result of coercive threats. Abuse of power is the improper use of authority by someone who has that authority because s/he holds public office. Lastly, nepotism involves the granting of positions and or benefits to relatives and friends regardless of their abilities.⁷

Corruption is caused by a variety of factors. Some of the major causes of corruption include greed, poverty, inadequate civil servants' remuneration, income disparities and lack of accountability and transparency.⁸ In addition, when potential benefits of corruption are high, it follows then that public officials will engage in corrupt activities. Other factors include policies, programmes and activities that are poorly conceived and managed, failing institutions, lack of political commitment and resources as well as lack of or inadequate anti-corruption measures.⁹ At local government level, Members of Parliament, councillors and local government officials think that they should make the most out of the present political arrangement through corruption because there is no guarantee they will retain their positions when a new government is elected into office in the next elections.¹⁰

With corruption taking new shape and visible in all sectors of the economy especially during the COVID-19 pandemic, this study sees corruption as misuse of office, power and authority

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- 4 World Bank (1997) *Helping Countries Combat Corruption: The Role of the World Bank* Washington DC: World Bank.
- 5 Transparency International (2018) "How to Win the Fight Against Corruption", available at https://www.transparency.org/news/feature/how_to_win_the_fight_against_corruption_in_africa. (visited 9 March 2022).
- 6 OECD (2016) *Preventing Corruption in Public Procurement* Paris: OECD Publishing at 6.
- 7 Nyoni T (2017) "The Curse of Corruption in Zimbabwe" 1(5) *International Journal of Advanced Research and Publications* 285 – 291 at 286.
- 8 Zinyama (2021) at 136.
- 9 Sithole A (2013) "Corruption in Zimbabwean Urban Local Authorities: A Case of Gweru City Council" 2(3) *Asian Journal of Social Sciences and Humanities* 26 – 33 at 27.
- 10 Mushamba S (2010) "The Powers and Functions of Local Government Authorities" in De Visser J, Steytler N & Machingauta N (eds) *Local Government Reform in Zimbabwe; A Policy Dialogue* Cape Town, Community Law Centre.

in the public, private or informal sector for private gain (money or assets) through various means such as bribery, nepotism, extortion, fraud or embezzlement. It is also necessary to conceptualise local government at this point.

3.2 Local government

What makes local government an intricate concept is that, the term is interpreted in different ways in both unitary and federal states. What may be considered as a local government in one country may not be in another. More so, the term has changed over the years as local governments have taken new shape due to changes in legislation in different countries and new responsibilities taken by local authorities. However there is a general consensus among scholars that local government is an administrative body with responsibilities to render services in their areas of jurisdiction. Local government is defined as government bodies elected by the people that have legislative, administrative and executive functions on the territories under their jurisdiction. The entity decides or determines certain measures within a given territory.¹¹ Local government is also an institution which deals with matters concerning the citizens living in a particular locality. It represents the microscopic interests of the locality leading to the broader concept of welfare of its people.¹²

The reasons for the creation of local governments are based on the presumption that it is impossible for a single government to cater for all diverse needs of citizens in different regions considering the amount and variety of work to be done country-wide. Local governments are the nearest governments to the people at the grassroots and play a significant role in spurring sustainable economic growth and development.¹³ The ultimate goal of local government is to improve the welfare of its local citizens through provision of services which include educational, water and sanitation, housing, road rehabilitation, public lighting and healthcare services among others with the revenue generated from various sources of income.¹⁴ These services are critical in the promotion of economic development and social well-being of citizens. It is also necessary to conceptualise the term revenue.

11 Ndreu A (2016) "The Definition and Importance of Local Governance" 10(1) *Social and Natural Sciences Journal* 5 – 8 at 6.

12 Sikander T (2015) "A Theoretical Framework of Local Government" 6(1) *International Journal of Humanities and Social Science* 171 – 176 at 171.

13 Government of Zimbabwe and World Bank (2017) *Zimbabwe Public Expenditure Review 2017 Volume 2: Local Government Service Delivery* Harare: World Bank at 6.

14 Abdulkarim H & Adeiza MO (2019) "Sources and Uses of Local Government Funds in Nigeria: Evidence from Lere Local Government Area of Kaduna State" 6(12) *International Journal of Research and Scientific Innovation* 121 – 127 at 121.

3.3 Revenue

Public revenue is defined as government income generated from sources such as taxation, dividends from public companies, tariffs, fees, import duties and income from provision of public goods and services among others.¹⁵ Revenue is also defined as all forms of monetary receipts from both taxes and non-tax sources. A tax revenue is a compulsory payment on income, profit and property while non-tax revenue are collectables that are subject to usage or activities and these include fines, rates, tolls, licences, permits and other miscellaneous revenues.¹⁶ Non-tax revenue also include fees charged on goods and services provided by governments such as education and health, dividends from state owned enterprises and rentals collected from leased government properties such as buildings and land.¹⁷

In general, there are two main sources of revenue for local government authorities and these include own revenue and transfers from central and regional levels of government. Own revenue includes taxes, user fees and various licences among others.¹⁸ Intergovernmental transfers come in the form of grants and subsidies and these are transfers to subnational governments from the central government, higher levels of government (state or regional governments) and from international organisations.¹⁹ In some countries municipalities are allowed to borrow in order to finance investments in local capital infrastructure not any other expenditure.²⁰

Local governments collect revenue in order to bridge the funding gaps between central government transfers and the actual amount of funds budgeted by the local government.²¹ The principle that finance follows function implies that local governments should have access to the finances commensurate to their responsibilities.²² The situation on the ground however tells another story. Revenue generation in local governments has been characterised by

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- 15 Zhou G & Madhikeni A (2013) "Systems, Processes and Challenges of Public Revenue Collection in Zimbabwe" 3(2) *American International Journal of Contemporary Research* 49 – 60 at 49.
- 16 Adekoya AA, Agbetunde LA & Akinrinola OO (2021) "Covid-19 Pandemic and Internally Generated Revenues in Local Governments: Nigeria Experience" 9(2) *International Journal of Applied Economics, Finance and Accounting* 63 – 75 at 63.
- 17 Mourre G & Reut A (2017) *Non-Tax Revenue in the European Union: A Source of Fiscal Risk?* Discussion Paper 044 at 6.
- 18 Fjeldstad O & Heggstad K (2012) *Local Government Revenue Mobilisation in Anglophone Africa* International Centre for Tax Development Working Paper 7 at 6.
- 19 OECD (2019) *2019 Report of the World Observatory on Subnational Government Finance and Investment* Paris: OECD Publishing at 68.
- 20 Fjeldstad and Heggstad (2012) at 6.
- 21 Mpaata KA, Lubogoyi B & Okiria JC (2017) "The Influence of District Local Government Revenue Collection on Delivery of Basic Community Services in Uganda" 6(4) *International Journal of Science and Research* 447 – 451 at 447.
- 22 Chigwata TC & De Visser J (2018) "Local Government in the 2013 Constitution of Zimbabwe: Defining the Boundaries of Local Autonomy" 10(1) *Hague Journal on the Rule of Law* 154 – 185 at 5.

several challenges and some of the major challenges include corruption and dishonesty on the part of revenue officers.²³ It is important at this point to theorise corruption under the lens of the public choice theory. The public choice theory is demanding and only aspects relevant to this study were selected for discussion.

3.4 Public choice theory

The public choice theory emerged half a century ago as a discerning area of specialisation due to the writings of founders of the concept such as Kenneth Arrow, Duncan Black, James Buchanan, Anthony Downs, Gordon Tullock, William Niskanen, Mancur Olson and William Riker.²⁴ The foundations of public choice was however laid 200 years ago, by the joint research of two French mathematicians, Jean-Charles de Borda (1781) and Marquis de Condorcet (1785) on the characteristics of the voting rules. In 1873, Dodgson Lewis Carroll's work, strongly influenced by John Stuart Mill's (1861) book *Considerations on Representative Government*, on the voting procedures, has occupied a very important place in the emergence of public choice.

Public choice is the economic analysis of non-market decision making or in more simple words is the application of economic methods to political science. The methodology of public choice is the methodology of economics. There is no distinction between individuals in the market and political arena.²⁵ Public choice economics is the intersection of economics and politics. It uses the tools of economics to examine collective decisions.²⁶

The basic behavioural postulate of the public choice theory is that, collective political decision making is based on self-interested utility maximisation on the part of all affected individuals (politicians, bureaucrats, interest groups or the public generally). Public officials, like private individuals, make choices that maximise their private self-interest.²⁷ A public official is portrayed as a rational utility maximiser who could engage in corrupt behaviour when the potential benefits exceed the potential costs. Public officials have a choice to either be honest or engage in corruption. If they choose to be honest, their utility is determined by their salaries. If they choose to be corrupt, they receive an additional payment beyond their salaries through rent-seeking exchange.²⁸ This explains why some local government officials in Zimbabwe are willing to engage in corrupt activities in order to supplement their salaries.

23 Adekoya, Agbetunde and Akinrinola (2021) at 64.

24 Eryilmaz F (2015) "An Economic View of Politics: Public Choice theory" in Efe R, Ayışığı M, Düzbakar O & Arslan M (eds) *Turkey at the Beginning of 21st Century: Past and Present* Bulgaria: Sofia University St Kilment Ohridski Publishing at 369.

25 Mueller DC (1989) *Public Choice* London: Cambridge University Press.

26 Calcagno PT (2010) "Public Choice" in Rhona C (eds) *21st Century Economics: A Reference Handbook* Los Angeles, CA: Sage at 1.

27 Gow J (1994) *An Empirical Investigation of Public Choice Theory: The Case of the Rural Adjustment Scheme* UNE Working Papers in Economics at 7.

28 Chen C & Neshkova MI (2019) "The Effect of Fiscal Transparency on Corruption: A panel Cross-Country

The public choice theory proposes several measures to reduce the rent-seeking behaviour of public officials. Some of measures proposed by the theory include stricter controls on bureaucrats either through the executive, or more effectively through the legislature, especially by means of checks and balance.²⁹ Such reforms have been adopted by the Philippine government in tackling the issue of government corruption as part of its effort to improve the quality of governance. Reforms introduced include People's Budget, Transparency Seal, Grassroots Participatory Budgeting, Budget Partnership Agreement, Seal of Good Local Governance, and Citizen Participatory Audit.³⁰ Mostly importantly, the direct engagement and empowerment of citizens to improve checks and balances is a central component of the effort to improve the quality of governance and reduce corruption.

In addition, maximising the costs of corruption and minimising its potential benefits should deter or at least reduce unethical behaviour. Fiscal transparency may alter the decision of a bureaucratic agent to engage in a corrupt transaction as it raises the chance of being caught, and therefore has a direct effect on deterring corruption.³¹ Empirical studies have been conducted to prove that countries that are more transparent have relatively low cases of corruption. For instance, South Africa ranks above average, in compliance with OECD Best Practices on fiscal transparency. In particular, South Africa has a high ranking in respect of integrity, control and accountability and a reasonable result on budget reports and disclosures and corruption is relatively low. On the other hand, corruption in Nigeria is very high and fiscal transparency and accountability is very low.³²

In Zimbabwe efforts have been made to reduce corruption at local government level through the devolution and decentralisation agenda which enhances accountability and checks and balances at local level. Through decentralisation, local communities can easily monitor resources and any form of abuse of resources can easily be traced and exposed.³³ Despite these efforts however, corruption and financial mismanagement are still common in local governments in Zimbabwe.³⁴ In this regards, the public choice theory offers insightful perspectives on how some public officials are willing to maximise their utilities through

Analysis" *Public Administration* 1 – 19 at 3.

29 Niskanen WA (1971) *Bureaucracy and Representative Government* New York: Adline Atherton.

30 Magno FA (2015) *Public Participation and Fiscal Transparency in the Philippines*. Philippines: Global Initiative for Fiscal Transparency.

31 Chen & Neshkova (2019) at 3.

32 Philipps L & Stewart M (2008) *Defining Fiscal Transparency: Transnational Norms, Domestic Laws and the Politics of Budget Accountability* CLPE Research Paper 38.

33 Nhede NT (2013) "Devolution of Power and Effective Governance: The Zimbabwean Constitutional Debate" 6(4) *African Journal of Public Affairs* 32 – 42.

34 Mapuva J & Takabika T (2020) "Urban Local Authorities in Zimbabwe and the New Constitution" 11(1) *International Journal of Peace and Development Studies* 1 – 8 at 3.

corruption. It is important at this point to look at the legislative framework in Zimbabwe guarding against corruption.

4. ANTI-CORRUPTION LEGISLATION IN ZIMBABWE

Efforts have been made in Zimbabwe through the legislative framework to combat corruption in all sectors of the economy and at both the national and local government level. Several Acts of parliament exist relating to combating corruption. These include the Constitution of Zimbabwe, Criminal Law (Codification and Reform) Act; ACCA; National Prosecuting Authority Act (NPAA) (Chapter 7:20); Audit Office Act (AOA) (Chapter 22:18) and PFMA. Urban and rural local authorities in Zimbabwe are further regulated by the UCA and RDCA. Below is a summary table of the regulatory framework.

Table: 1 Legislation Relating to Corruption in Local Authorities in Zimbabwe

Selected Legislative Framework: Zimbabwe
Constitution of Zimbabwe Amendment (No. 20) Act, 2013.
Criminal Law (Codification and Reform) Act (Chapter 9:23).
Anti-Corruption Commission Act (Chapter 9:23).
Public Finance Management Act (Chapter 22:19).
National Prosecuting Authority Act (Chapter 7:20).
Audit Office Act (Chapter 22:18).
Urban Councils Act (Chapter 29:15).
Rural District Councils Act (Chapter 29:13).

Source: Author's configuration

Table 1, broadly outlines the selected legislative framework relating to corruption in Zimbabwe. The legislation provides a framework for combating corruption and guarding of public funds and assets from abuse and misappropriation. At the apex driving the agenda of combating corruption is the Constitution of Zimbabwe. The Constitution established several institutions mandated to combat corruption. These institutions include the ZACC, NPA and

the office of the Auditor General (AG) which carries out annual audits of all government departments, institutions and entities and local governments.

The Constitution establishes the ZACC.³⁵ The main functions of ZACC include investigating and exposing cases of corruption in the public and private sectors. Powers, duties and other functions are outlined in the ACCA.³⁶ ZACC has over the years managed to deal with corruption cases at both the national and local government level. For instance, ZACC in 2021 conducted compliance assessments, spot checks, systems and process review assessment at several institutions including eight local governments and discovered that the majority were non-compliant. The ZACC chairperson said that the spot checks conducted depicted an ugly pattern of corruption within rural district councils.³⁷ Despite efforts made by ZACC to combat corruption, the institution faces some challenges. Its lack of independence emanate from the appointment of its members by the president. This limits its abilities to investigate corruption orchestrated by high-ranking members of the ruling party.³⁸ ZACC also suffers from financial constraints and the ACCA does not provide details of how the ZACC should be funded.³⁹

The Constitution of Zimbabwe also establishes the NPA as an institution to combat corruption and crime. The NPA is responsible for instituting and undertaking criminal prosecutions on behalf of the state and discharging any functions that are necessary or incidental to such prosecutions.⁴⁰ However, the NPA stands accused of weak prosecution due to political interference on its activities which frustrate anti-corruption efforts since accused persons either end up being acquitted or the prosecution process takes longer to be finalized. Other challenges faced by NPA include limited legal, financial and human resources capacity.⁴¹

The Constitution of Zimbabwe also establishes the office of the AG. The functions of the AG are to audit the accounts, financial systems and financial management of all departments, institutions and agencies of government, all provincial and metropolitan councils and all local authorities.⁴² Powers, duties and other functions of the AG are outlined in the AOC. The office of the AG plays a crucial role in combating corruption through its annual audits of all government institutions including local governments. The office of the AG has over the years

35 Sec 254 of the Constitution of Zimbabwe Amendment (No 20) Act 2013.

36 Sec 255 of the Constitution of Zimbabwe.

37 Mangwaya M (19 November 2021) "ZACC Red-Flags Non-Compliant Councils" *Newsday*, available at <http://www.newsday.co.zw/2021/11/zacc-red-flags-non-compliant-councils/> (visited 6 March 2022).

38 Matebwe AT (2019) *A Critical Evaluation of the Zimbabwe Anti-Corruption Commission* Bellville: Faculty of Law, University of the Western Cape.

39 Langa V (22 April 2017) "Underfunding Stifles ZACC Operations" *Newsday*, available at <https://www.newsday.co.zw/2017/04/underfunding-stifles-zacc-operations/> (visited 9 March 2022).

40 Sec 258 of the Constitution of Zimbabwe.

41 Anti-Corruption Trust of Southern Africa (2021) *Civil Society Report on the Implementation of Chapter II (Prevention) and Chapter V (Asset Recovery) of the United Nations Convention Against Corruption in Zimbabwe*, available at <https://uncacoalition.org/wp-content/uploads/COSP9-submission-UNCAC-COalition-ACT-SA-Civil-society-parallel-report-Executive-summary-Zimbabwe> (visited 9 March 2022).

42 Sec 309 of the Constitution of Zimbabwe.

unearthed corruption activities within local governments which are published in reports of the AG for local authorities annually. However, several challenges affect the functioning of the AG and these include inadequate manpower and qualified personnel, lack of enforcement of the AG's recommendations and inadequacy of financial resources.⁴³

In addition to the Constitution of Zimbabwe, the PFMA is an important piece of legislation that provides for the control and management of public resources and the protection against corruption and abuse. The main objective of the Act is to secure transparency, accountability and sound management of the revenues, expenditure, assets and liabilities of any government entity and any constitutional entity such as local governments.⁴⁴ Relating to guarding public funds and assets against corruption, the PFMA compels public bodies including local authorities to submit their accounts for audit annually. The Act clearly stipulates that the annual report and audited financial statements of public entities and local governments shall include particulars relating to losses arising through criminal activities, instances of unauthorised, irregular, fruitless and wasteful expenditure and criminal and disciplinary action taken in connection with any of the foregoing.⁴⁵ The PFMA further emphasises that, accounting authorities and employees of public entities commit financial misconduct if they fail to comply with preparing and reporting financial statements.⁴⁶

Local governments in Zimbabwe are further regulated by local government legislation such as the UCA and the RDCA. Relating to guarding public funds and assets against corruption, the UCA and the RDCA provides for the appointment of auditors on or before the commencement of each financial year who are registered as public auditors or competent to carry out the roles. The UCA compels councils to produce to the auditor all relevant books, papers, writings and minute books in its possession.⁴⁷ The auditors have the power at any time and without notice to make an examination of any records and assets of the council.⁴⁸ The auditors also have the power to call upon any councillor or employee of the council for any explanations and information s/he may require.⁴⁹ The powers vested in the auditors enable them to unearth any corrupt activities within councils and submit the report to the town clerk who then submits it to the council.⁵⁰ The efficacy of the auditor's reports is however questionable if it involves financial misconduct of the town clerk yet the reports are submitted to the town clerk.

43 Machinjike N, Bonga WG & Hundi S (2021) "Effectiveness of the Office of the Auditor General in Enhancing Public Sector Accountability in Zimbabwe" 9(1) *Journal of Economics* 1 – 20.

44 Sec 3 of the PFMA.

45 Sec 80(c) of the PFMA.

46 Sec 86 of the PFMA.

47 Sec 305 of the UCA.

48 Sec 306(1) of the UCA.

49 Sec 306(2a) of the UCA.

50 Sec 306(5) of the UCA.

Furthermore, the RDCA and the UCA empowers the Minister responsible for Local Government to conduct financial inquiries. The Minister is able to appoint any person to examine the accounts and records of a council. The UCA provides that, an authority and every member or employee of an authority shall, when requested to do so, submit to an investigator all information in its or his/her possession and shall produce to him/her and give him/her access to all books, documents, records, accounts and other sources of information of the authority.⁵¹ Such an investigation report is provided to the Minister in writing and on his or her examination a copy of such report is sent to the council and the auditor. The Minister is then empowered by the Act to take steps as in his/her opinion is necessary or desirable to rectify any defect or omission revealed by the report.⁵² Through these powers, appointed Ministers responsible for local government have over the years managed to unearth corruption activities in municipalities. However, allegations of corruption are politically motivated and biased towards opposition controlled councils and opposition party councillors.⁵³

5. RESEARCH FINDINGS AND ANALYSIS: LOCAL GOVERNMENT REVENUE LEAKAGE DURING COVID-19

Local authorities in Zimbabwe have a poor record with respect to revenue collection in general. The average collection capacity for local authorities in Zimbabwe is about 52 per cent.⁵⁴ The percentage has likely dropped during the COVID-19 period contributing to a number of factors, among them corruption. Measures imposed by the government to contain the COVID-19 pandemic have reduced trade and economic activities. This has negatively affected income of businesses and governments leading to retrenchments and salary cuts. Individuals and companies are willing to pay a bribe so as to either avoid total payment or underpay for services provided by municipalities. Local government officials are also willing to accept a bribe or embezzle funds to supplement their salaries.⁵⁵

Against this bedrock, opportunities for corruption have risen affecting almost all sources of revenue for local government during the pandemic. For instance, local authorities in Zimbabwe received central government transfers to fight against COVID-19. However these funds were misreported and not accounted for and tenders for procuring personal protective equipment and medicine did not follow the proper channel.⁵⁶ Transfers from the Zimbabwe National Roads Authority (ZINARA) to local governments supposed to construct, maintain and

51 Sec 311(3) of the UCA.

52 Sec 311(15) of the UCA.

53 Jonga W (2014) "Local Government System in Zimbabwe and Associated Challenges: Synthesis and Antithesis" 2(1) *Archives of Business Research* 75 – 98 at 85.

54 Dube C (2019) *Main Bottlenecks at the Local Authority Level that Could Pose Challenges for Growth and Sustainability* Harare: Zimbabwe Economic Policy Analysis and Research Unit.

55 Steel and Phillips (2020) at 2.

56 Maulani N, Nyadera IN & Wnadekha B (2020) "The Generals and the War against COVID -19: The case of Zimbabwe" *J Glob Health* at 4.

rehabilitate roads have also been susceptible to abuse and misappropriation during the pandemic by local government officials. For example, ZINARA in October 2020 disbursed US\$46 million to Harare City Council for filling potholes. However facts on the ground showed that the money was misappropriated as no major works were undertaken in the city to fill in potholes.⁵⁷

Revenue leakage of central government transfers in Zimbabwe shows that there are poor accountability mechanisms in place. Some scholars have discarded central government transfers to local authorities citing that, these funds in most cases are susceptible to corruption and embezzlement and they reduce the effort of revenue mobilisation of local authorities.⁵⁸ However, central government transfers bridge income gaps between local authorities. Some local authorities have fewer resources at their disposal especially rural councils in comparison to urban councils and this affects service delivery. Transfers also facilitate fiscal decentralisation and they prioritise specific service provision.⁵⁹ The best option is to strengthen the transparency and accountability mechanism between central government and local governments to protect these funds from corruption.⁶⁰

In addition, revenue from property tax has also been susceptible to corruption during the COVID-19 pandemic. Commercial property owners' income from rentals was affected when businesses closed leaving them with vast properties without any liquidity to pay property tax. These business persons who are politically connected can easily make pay-outs to local government officials to evade paying property tax.⁶¹ For example, Bindura Municipality had 153 billed accounts whose total balance amounted to ZWL\$307 565, which could not be identified by actual names and they had digits and characters of the form 'AAAA' and 'xxxxxx' as account names. On enquiry by the AG, council management stated that the said accounts either did not exist or would be a result of test runs that had been conducted. However, the AG indicated that there was no evidence that data testing and verification was conducted. As at 22 June 2020 these accounts had increased to 218 with a total value ZWL\$425 890.⁶² This indicates that existing billed accounts names were changed to characters to perpetuate tax evasion. Corruption of this nature is made easy because local governments lack an efficient and reliable cadastre and land registry. Properties can easily be removed from the system.⁶³

57 Chikova L (17 February 2021) "Bad Corporate Governance Cripples Harare Progress" *Herald*, available at <http://www.herald.co.zw/-coporate-governance-cripples-harare-progress/> (visited 8 March 2022).

58 Fjeldstad O, Chambas G & Brun J (2014) "Local Government Taxation in Sub-Saharan Africa" A Review and an Agenda for Research CMI Working Paper 2 at 15.

59 Government of Zimbabwe & World Bank (2017) at 6.

60 Zhou G & Chilunjika A (2013) "The Challenges of Self-Financing in Local Authorities; The Case of Zimbabwe" 3(11) *International Journal of Humanities and Social Science* 233 – 245 at 237.

61 UNDP (2020) "A Preliminary Assessment of the Socio-economic Impact of Coronavirus (COVID -19) on Zimbabwe" United Nations Development Programme Zimbabwe Policy Brief 001/2020 at 3.

62 AG (2021) *Local Authorities: Annual Report* Harare: Government Printer at 19.

63 OECD (2019) at 80.

Furthermore, most corruption cases which have been reported at local government level over the year's surrounds sale of land. There is no doubt that, conditions brought about by the pandemic such as working from home made people migrate back to Zimbabwe from the diaspora and from urban areas to rural areas and this increased the number of home seekers. Local government officials took advantage of this scenario to perpetuate corruption by selling residential stands and misusing the funds.⁶⁴ For instance, local government officials from Mutoko Rural District Council had sold stands and are alleged to have pocketed the money for personal use.⁶⁵ Corruption surrounding sale of land has become systemic and it involves multiple actors such as estate agents, land barons, councillors, council management, town planners, officials from the central government and politicians conniving in embezzling funds.⁶⁶ The main challenge is that, there are multiple actors involved in the sale of land and it is difficult to establish accountability mechanism in such cases making corruption to prevail.

More so, revenue from user fees has also been prone to leakage during the COVID-19 pandemic. User fees include revenues coming from the sale of public goods and services which are charged to users.⁶⁷ These services include water for domestic, commercial or industrial use, sewerage services and solid waste disposal, among others.⁶⁸ Some local governments in Zimbabwe usually run discount promotions to allow residents to settle their bills. These discount promotions have also been introduced during the COVID-19 pandemic due to financial stresses being experienced by residents. However, some local authorities have been alleged to have taken advantage of the discount promotions to perpetuate corruption through receiving bribes from residents to remedy arrears on their accounts. This type of corruption has always manifested even before the COVID-19 pandemic. For example, Mutare City Council could not account for ZWL\$1 175 793 which was written off as part of a promotion to allow residents to settle their bills and the council failed to avail the breakdown of the total figures to the AG.⁶⁹ It is evidence that, there are poor internal control and accountability mechanisms within the municipality for such corruption to prevail.

In addition, revenue from licence fees has also been susceptible to corruption during the COVID-19 pandemic. Licence fees refer to charges imposed by the local authorities to enable owners of property and businesses to conduct a service.⁷⁰ The relaxing of the lockdown

64 Centre for Innovation and Technology (21 January 2021) "Massive Land Scams Fuel over Population Around Victoria Falls" *Kubatana*, available at <https://kubatana.net/2021/01/28/widespread-corruption-weakening-covid-19-response/> (visited 2 August 2021).

65 Rori R (16 November 2020) "Let's all Expose Corruption: President" *Herald*, available at <https://www.herald.co.zw/lets-all-expose-corruption-president/> (visited 9 March 2022).

66 Harare Residents Trust (11 December 2020) "Housing Demolitions in Budiro not the Solution" *Kubatana*, available at <https://kubatana.net/2021/12/11/housing-demolitions-in-budiro-not-the-solution/> (visited 2 August 2021).

67 OECD (2019) at 68.

68 Government of Zimbabwe & World Bank (2017) at 8.

69 AG (2021) at 13.

70 Dube (2019).

announced on 4 May 2020 in Zimbabwe set out the re-opening procedure for businesses and among the requirements was having a business licence or other operating licence.⁷¹ Of particular concern however is how some shops in Mutare continued to operate without renewed shop licences yet local government officials periodically inspect these shops.⁷² Corruption perpetuated through bribing of council inspectors by shop owners to continue operating without licences is made easy because it involves physical inspections and face to face interactions between council inspectors and shop owners. More so, the Shop Licence Act Chapter (14:17) provides that, any person who fails to renew a licence within one month of the date s/he becomes liable to renew shall be liable to a penalty of one-twelfth of the appropriate licence fee for each month.⁷³ This fine is so low that shop owners can easily bribe inspectors and continue operating without licences.

Furthermore, revenue generated from fees charged has also been prone to corruption during COVID-19. Fees charged include fees on various users of council amenities, such as, schools, flea markets, bus termini, parkades and street parking, caravan parks, cemeteries and crematoria as well as swimming pools among others.⁷⁴ What makes revenue generated from fees charged prone to corruption is that, it is physically collected by council officials especially at flea markets, bus termini and street parking. Council officials can easily accept bribes, under collect fees and divert funds for personal use in such cases. For example, Masvingo City Council had parking fees deposited into a private foreign currency account (South African Rand) amounting to ZAR1 308 instead of the council's bank and the total amount was not accounted for to the AG.⁷⁵ This proves that local governments have poor financial systems in place. Some scholars suggest subcontracting revenue collected from parking fees to private players in order to reduce corruption, however, evidence from other countries such as Tanzania and Uganda suggests that opportunities for corruption at the level of contract tendering are enhanced. Both the firm selected to collect taxes and the amount agreed on as a private premium can be subject to corruption, with collusion between council officials and private firms to capture excessive profit margins.⁷⁶

6. CONCLUSION AND RECOMMENDATIONS

This study has sought to examine local government revenue leakage during the COVID-19 pandemic. It attempted to understand the basis behind the motivational factors behind corruption. As indicated earlier, corruption is a result of greed, poverty, inadequate civil

71 Price RA (2020) *Impacts of COVID-19 Regulatory Measures on Small-Scale and Informal Trade in Zimbabwe* Brighton: Institute of Development Studies at 6.

72 Mutasva F (2 February 2022) "Zimbabwe: Mutare Gives Businesses Ultimatum to Renew Shop Licences" *New Zimbabwe*, available at <https://allafrica.com/stories/202202020136.html> (visited 9 March 2022).

73 Sec 12(4) of the Shop Licence Act Chapter (14:17).

74 Fjeldstad, Chambas & Brun (2014) at 15.

75 AG (2021) at 8.

76 Haas ARN & Manwaring P (2017) *Private vs Public Collection in Enhancing Local Tax Revenues* London: The International Growth Centre at 7.

servants' remuneration, income disparities and lack of accountability and transparency among other factors. The public choice theory was utilised to illuminate on the factors that motivate public officials to engage into corruption. It is true that, public officials, like private individuals, make choices that maximise their private self-interest. This explains why individuals engage in corruption in order to maximise their self-interest.

The study also unpacked anti-corruption legislation in Zimbabwe. At the apex driving the agenda to fight corruption is the Constitution of Zimbabwe which established Constitutional entities to fight corruption and crime such as the ZACC, NPA and the AG. Other legislation includes the Criminal Law (Codification and Reform) Act, ACCA and PFMA among others. Local governments are further regulated by UCA and the RDCA.

The study was qualitative in nature, using extant literature for analysis. Research findings suggest that, local governments have poor financial management systems in place and corruption can easily take place in such a case. There are poor internal control and accountability mechanism in place and funds are rarely accounted for. Several challenges are also faced by Constitutional entities mandated to fight against corruption such as fiscal constraints and political interference which diminishes their independence.

In addressing these challenges, local authorities have to modernise their information processing especially councils with weak revenue administration systems to curb corruption. Local government have to computerise their financial management systems and councils that use revenue collectors or third parties to collect revenues such as fees charged (parking fees, bus terminus fees and market fees) as well as penalties and fines have to ensure that information is captured in real time through the use of ICT instruments and digital issuance of receipts. Special care must be taken to secure information and data on revenue for auditing.

It is also crucial to strengthen the internal control and accountability mechanism in local government. There is an urgent need to restructure the legislative framework in order to strengthen the accountability mechanism. The stipulation in the UCA that, auditors transmit the audited balance sheets and accounts, together with audit reports to the town clerk who then submits the report to the council, diminishes accountability.⁷⁷ The town clerk can easily tamper with the reports if the reports expose him or her as corrupt. The town clerk can also tamper with the audit reports if the reports expose his or her close workmates as corrupt.

It is also imperative to address challenges being faced by constitutional entities that combat corruption and crime. These institutions have to be adequately funded in order to carry their functions efficiently and effectively. More so, fiscal decentralisation is also recommended as it may narrow the scope for corruption, in line with the assumption that politicians and public

77 Sec 306(5) of the UCA.

officials at subnational levels are more transparent and accountable to the citizens they serve. It paves way for whistleblowers, CSO's and the media to fight corruption as compared to centralised systems.