



**THE EFFECTS OF ILLICIT FINANCIAL FLOWS ON THE REALISATION OF HUMAN
RIGHTS IN ZIMBABWE**

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By

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Dedication.

I dedicate this work to my daughter Karen. I hope to inspire you to become a better version of what I am.

Acknowledgement.

Firstly, I acknowledge the God Almighty, who gave me strength and made everything possible.

I want to thank a special friend, Albert Ayi Ashiagbor. I highly appreciate your encouragement, support, and input. The late nights in the library and your efforts in proofreading and critiquing my work did not go unnoticed.

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Abbreviations and acronyms

ACHPR	African Commission on Human and People's Rights
ATAF	African Tax Administration Forum
AU	African Union
DRC	Democratic Republic of Congo
ESAAMLG	Eastern and Southern African Anti-Money Laundering Group
ETTIM	Economic Development, Trade, Tourism and Minerals
ESAP	Economic Structural Adjustment Program
EU	European Union
RPF	Fidelity Printers and Refiners
GFI	Global Financial Integrity
GDP	Gross Domestic Product
IFFs	Illicit financial flows
ICIJ	International Consortium of Investigative Journalists
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MMCZ	Minerals Marketing Corporation of Zimbabwe
PAYE	Pay-as-you-earn
RBZ	Reserve Bank of Zimbabwe
SARS	South African Revenue Services
SDGs	Sustainable Development Goals

TJNA	Tax Justice Network Africa
UN	United Nations
UNCTAD	United Nations Trade and Development
US	United States of America
ZACC	Zimbabwe Anti-Corruption Commission
ZIMRA	Zimbabwe Revenue Authority

Abstract

Illicit financial flows have become a significant obstacle to economic development and the realisation of human rights. In the context of Zimbabwe, a country grappling with severe economic challenges, Illicit Financial flows (IFFs) have significant implications for financial stability and the realisation of human rights. These illicit activities drain essential resources that could be used to improve public services, infrastructure, and social welfare programs. As a result, the population's access to education, healthcare, and housing is adversely affected, perpetuating poverty and inequality. Diversifying funds through IFFs undermines the government's ability to fulfill its human rights obligations, further exacerbating social and economic disparities. This study investigated the relationship between IFFs, economic growth and Zimbabwe's ability to realise human rights. The study explored how IFFs hinder the realisation of human rights in Zimbabwe, examining the macroeconomic impacts and the direct effects on vulnerable populations. Through this analysis, the study highlighted the urgent need for effective policy measures and international cooperation to combat IFFs and promote sustainable development and human rights in Zimbabwe. Using literature review as a qualitative research method, and critical analysis of existing literature and empirical data, this study revealed that IFFs have contributed to the loss of public funds that Zimbabwe is meant to finance her obligations to her people. The study concluded by recommending policies and strategies to combat IFFs and promote human rights in Zimbabwe and demonstrate the urgent need for policymakers and stakeholders to address IFFs in Zimbabwe to enable her to realise human rights.

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CHAPTER 1 INTRODUCTION

1.1 Background

There has yet to be a single definition of Illicit financial flows (IFFs), as they are considered difficult to ascertain. It is due to their given nature, typified by illegality and secrecy. Illicit means illegal and illegitimate.¹ The transactions are undertaken and flow illegally, often contravening national laws and regulations. The World Bank's definition lists various aspects scholars use to define IFFs.² Firstly, the acts are illegal; funds result from unlawful acts used for illicit purposes. Secondly, they have a common background of illegal transfers across borders. Thirdly, they include illicit trade and smuggling of money, minerals, drugs, protected wildlife, and people. Fourthly, they also include funds for organised crime, tax avoidance, corruption, and illegal exploitation of natural resources.³ Regardless of different definitions, IFFs are a threat to a country's development.

IFFs create significant challenges in Africa and other developing countries worldwide.⁴ IFFs impact a country's economic growth and ability to generate and mobilise resources to finance Sustainable Development. When a government can sustain its development, it can, among others, render services to its citizens (such as providing health comprising of suitably qualified staff, medical facilities, and medication or an effective and independent judiciary, qualified court staff, resources, and facilities), and in the process realise the human rights of its citizens. Estimates are that 70% of drugs in public health institutions in Zimbabwe are donor funded.⁵ In 2021, Aljazeera , reported that a lady with albinism and skin cancer had to travel 400km from her district hospital in Chipinge to a referral hospital in Bulawayo only to find that all the largest public hospitals in the country had closed down their chemotherapy and radiology departments due to lack of resources.⁶ By

¹ J Kurebwa 'Implications of illicit financial flows on Zimbabwe's development' (2020) *International Journal of World Policy and Development Studies* at 28.

² *The World Bank* 'Understanding Poverty Financial Sector, Illicit financial flows' (IFFs) 07 July 2019.

³ World Bank Group <https://www.worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs> accessed 10 November 2024.

⁴ World Bank Group [Illicit Financial Flows \(IFFs\) \(worldbank.org\)](https://www.worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs) accessed 27 August 2024.

⁵ Zimbabwe Environmental Law Association (ZELA), *Amnesty on illegally externalised funds and assets: An assessment of Zimbabwe's administrative and legal efforts to combat IFFs*, Harare 2018.

⁶ D Mutsengarwodzi 'Rich or poor, in Zimbabwe crumbling healthcare is deadly for all' *Aljazeera* (Harare) 28 April 2021.

implication, if Zimbabwe struggles to provide the most basic services due to the shortage of funds, she will have a significant challenge in realising the human rights of its people.

Zimbabwe has had a severe impact of IFFs on its economic development. It is also public knowledge that Zimbabwe is struggling economically to the extent that it cannot afford to pay civil servants well or provide essential services to its people. Meanwhile, she is endowed with vast natural resources like minerals. Zimbabwe, too, suffers from IFFs, which have been costly to her.⁷

Historically, IFFs helped conceal illegal activities and evade taxes, including moving money and precious resources from one country to another. Their roots are traced back to colonisation when colonisers used IFFs to move money from Africa to their countries.⁸ Since the 19th century, Britain, Zimbabwe's former coloniser, has been sending money from Africa to abroad in massive quantities.⁹ The first aim of colonisation was the scramble for resources. Africa has vast reserves of raw minerals that the colonisers were scrambling for. British capitalists preferred to extract minerals from Africa and store them with their funds in white settlement areas like the United States, Canada, and Australia rather than in Africa.¹⁰ These are the early signs of the start of the illegal movement of funds and resources out of Africa.

IFFs are not new but a common occurrence that multinational corporations have continuously perpetuated. They include the recent rise in corruption, tax evasion, tax avoidance, and smuggling by senior state officials, businesses, and individuals taking advantage of poorly managed state parastatals. In 2020, the Mail & Guardian reported a case between ABB, a Swiss company, over an alleged US\$13.4 million tax dodge and allegedly owing unpaid taxes to the revenue authority.¹¹ The details of the alleged tax dodge, including court records, contracts, and bank statements, were provided to the

⁷ ZIMCODD *Community voices on illicit financial flows* (2020) at 4

⁸ LH Gahn, P Duignan *Burden of Empire: An Appraisal of Western Colonisation in Africa South of the Sahara* (1967) 362.

⁹ Gahn (n 2) 362.

¹⁰ Gahn (n 3) 362.

¹¹ T Chitagu & W Fitzgibbon 'Swiss company accused of tax dodging in Zimbabwe' *Mail & Guardian* (Harare) 3 September 2020.

International Consortium of Investigative Journalists, and tax experts gave confidential advice to ABB.

Many of the multinational companies committed acts to avoid taxation through mispricing, which misrepresented prices for goods and services sold between countries¹². African countries lose billions of dollars in tax revenue that could finance sustainable development and fight poverty.

Zimbabwe could have lost over US\$32 billion in IFFs between 2000 and 2020. From 2009 to 2013, estimated losses were \$2.83 billion in 2019 alone.¹³ Africa loses about US\$88 billion, 3.7% of its Gross Domestic Product (GDP) annually from IFFs.¹⁴ In Zimbabwe, IFFs take various forms, including under-pricing exports and overpricing imports to evade capital taxes and avoid taxes and duties, trade invoicing in the mining sector, and multinational companies repaying their shareholders and lenders.¹⁵

Zimbabwe finances its national budget through tax and mining revenue. Tax abuse influences revenue collection, which mobilises resources to fund the budget. However, ZIMRA has reported that as of 2018, the private sector owed US\$3.36 billion in unpaid taxes, which resulted from tax dodging, and out of the 300,000 registered taxpayers, only 25% were compliant with their tax obligations.¹⁶ Loss of tax revenue diminishes the state's ability to fund its national obligations. In its 2022 annual report, ZIMRA reported that collections from corporate income tax were 5.09% below the target and contributed 15% of total revenue, down from 20.4% in 2021. Despite intense revenue collection activities, noncompliance with tax obligations continues to rise.¹⁷

The World Bank estimates that the extractive mining sector in Zimbabwe contributed 6.2% of the GDP from 2009 to 2019, increasing to 8.4% in 2018 and 2019. Total mining exports were estimated to be 55.2% of total exports.¹⁸ The country has enormous

¹² AA Alu, D V Hehetror & J Y Abor, 'Curbing IFFs Through Trade Mis-invoicing and Transfer Mispricing in Africa' (2024) In *The Palgrave Handbook of International Trade and Development in Africa* Springer International Publishing at 491-512.

¹³Economic Governance Watch 10 (2022), *illicit financial flows* 16 December 2022.

¹⁴ M Moyo, 'Tackling illicit financial flows, a matter of survival for Africa's development' *Africa Renewal* (Harare) 15 June 2021.

¹⁵ Economic Governance Watch 10 (2022).

¹⁶ Zimbabwe Coalition on Debt and Development (ZIMCODD), *Tax evasion, a gender and economic sabotage*, 2018.

¹⁷ Zimbabwe Revenue Authority Annual Report 2022.

¹⁸ Tax Justice Network Africa, *Mining Sector and illicit financial flows in Zimbabwe*, 19 November 2020.

potential revenue from the mining sector; however, there are reports of increased IFFs within the industry, with the state estimating that it lost an estimated US\$100 million monthly worth of gold through smuggling.

Due to its high revenue-earning nature, the mining sector is prone to corruption. Zimbabwe has the second largest gold reserves in the world, with an estimated thirteen million tonnes of accounted reserves and only 580 tonnes exploited since 1980.¹⁹ It can earn over US\$4 billion annually if fully exploited. The mining sector in Zimbabwe has the potential to advance sustainable development. The 2019 Transparency International report noted that illegal mining and corruption at various stages of the mining process, from bidding, contractual agreements, and payment of taxes, lead to the loss of revenue in the mining sector. Payment enables tax evasion and underreporting production, including selling minerals to intermediaries who smuggle them out of Zimbabwe; it creates room for IFFs to manifest.²⁰

Zimbabwe has faced a rise in chronic poverty in recent years, characterised by poor service delivery in terms of essential services. The Daily Maverick reported that 60% of people cannot access electricity, 33% cannot access proper sanitation, and 20% cannot access clean drinking water.²¹ If the country can fully generate its revenue without losing to IFFs, it can fully meet its budgetary obligations and provide citizens with basic essential services.

IFFs also include markets and regulatory abuse, which involves trade mis-invoicing,²² That is deliberately falsifying the value of goods to move money from one country to another. It involves under-pricing exports and overpricing imports to evade taxes. It exploits loopholes and administrative gaps in the tax administration system and capital controls.

Related to trade misinvoicing is tax abuse, which involves intentional tax evasion and avoidance by misrepresenting taxes.²³ Tax evasion and tax avoidance lead to lesser

¹⁹ African Mining Market 'Zimbabwe boasts of 13 million tonnes chest gold' (Harare) 9 August 2018.

²⁰ Tax Justice Network Africa <https://taxjusticeafrica.net/resources/blog/mining-sector-and-illicit-financial-flows-iffs-zimbabwe> accessed 10 November 2024.

²¹ Maverick Citizen 'How cartels operate – and their impact on the people of Zimbabwe' *Daily Maverick* 2021

²² Pact Zimbabwe, 'Infamous by design, 'Illicit finance in Zimbabwe' (Harare) 12 October 2022 at 9.

²³ Pact Zimbabwe (n 2) at 9.

taxes paid to the government, which needs more resources for public expenses. Tax avoidance aims to reduce an individual's tax burden by deliberately omitting income tax returns, filing them, and not paying them. The sole purpose of reducing tax liabilities, evasions, and practices is to make individuals escape paying taxes. Taxable income, profits, and sources of income may be concealed or misrepresented, and this is common in the informal economy, where businesses evade taxes by not being registered at all.²⁴

Trade invoicing, tax evasion, and tax avoidance are due to corruption and abuse of public offices for financial gain. These are the main drivers of IFFs in Zimbabwe.²⁵ When corruption is rampant in an economy, and public offices are used for private gain, public officials intentionally ignore tax administration, public procurement, and tender awarding rules and regulations. Corruption creates an environment where individuals manipulate state resources for their benefit.

The occurrence and damage by IFFs to the Zimbabwean economy and fiscus are far more profound and broader than what is officially known. We need to explore and analyse the effects of their occurrence and damage to the economy. We also need to examine how IFFs affect the state's ability to meet its obligations of rendering services to the people and, in the process, realise its human rights.

1.2. Research problem.

Zimbabwe is also affected by IFFs. Estimates are that between 2000 and 2020, it lost between US\$23 billion and US\$32 billion through IFFs alone.²⁶ The nature of IFFs affects a country's public financing. IFFs have socioeconomic implications, such as contributing to a lack of funding for education, health, water and sanitation, and other socioeconomic developments.²⁷ They result in a loss of government revenue. In 2023, Aljazeera an international news agency released a four-document series that revealed high-ranked officials in Zimbabwe involved in illicit trade. It exposed high ranking diplomats involved in illegal gold and money trade and exposed how huge amounts of money and minerals

²⁴ T Nyoni et al. 'Tax evasion and tax avoidance in Harare, Zimbabwe: Empirical evidence from a logit model' (2020) 6 *Research Gate* at 2.

²⁵ Pact Zimbabwe (n 3) at 9.

²⁶ M Nyoni 'Zimbabwe loses more than US\$ 23 billion to IFFs' *The Standard Harare* 06 August 2023 at 1.

²⁷ OECD, 'Illicit financial flows from developing countries, Measuring OECD responses' (2014) OECD Publishing at 20.

are moved out of the country undetected.²⁸ The reports revealed that staff from Sasfin, Standard, and Absa banks in South Africa were on the payroll of Mohamed Khan, a money launderer and gold smuggler who facilitated the movements of money from Zimbabwe to South Africa en route to Dubai. If vast sums of money are transferred illegally from Zimbabwe, they strip her of the resources needed to finance essential public services. Socioeconomic impacts are on national and local authority budgets. IFFs impede the government's ability to mobilise adequate domestic capital for investment to sustain economic growth.²⁹ They divert resources from public spending and further encourage criminal activity, which undermines the rule of law, erodes trust in public institutions, and threatens the country's political stability.

In Zimbabwe, IFFs have hurt poverty reduction strategies such as improved national budget financing and provision of essential social services. They also affect investment and economic growth. Failure to provide crucial services violates citizens' human rights, such as the right to health, education, and housing, as guaranteed in the Constitution. The impact of IFFs on human rights has been condemned for the creation of poverty, corruption, misrule, and misgovernance.³⁰

It is problematic when Zimbabwe cannot meet its socioeconomic obligations and does not protect and realise its citizens' human rights. To curb IFFs and promote economic growth, the effects of IFFs on the realisation of human rights in Zimbabwe, particularly socioeconomic rights, need to be explored and analysed.

1.3. Research questions.

1.3.1 Main research question.

This study aims to answer the following question:

What are the effects of IFFs on the realisation of human rights in Zimbabwe?

²⁸ Aljazeera <https://www.aljazeera.com/news/2023/4/5/zimbabwe-to-investigate-gold-smuggling-after-al-jazeera-expose> accessed 10 November 2024.

²⁹ Zimbabwe Environmental Law Association (ZELA) n (2).

³⁰ J Kurebwa 'Implications of illicit financial flows on Zimbabwe's development' (2020) *International Journal of World Policy and Development Studies* at 29.

1.3.2 Sub-questions.

In the process, the study will further address the following sub questions:

1.3.2.1. What are IFFs?

1.3.2.2. What are the drivers of IFFs in Zimbabwe?

1.3.2.3. What are the implications of IFFS on Zimbabwe's economic growth?

1.3.2.4. In what ways do IFFs contribute to Zimbabwe's failure to realise human rights?

1.3.2.5. How can Zimbabwean authorities address IFFs to protect and realise human rights and promote economic growth?

1.4. Research aims and objectives.

The study aims to establish the effects of IFFs on the realisation of human rights in Zimbabwe.

1.4.1. Sub Objectives.

To realise the aim of the study and to answer the research questions, the following objectives will be addressed:

1.4.1.1. To define IFFs.

1.4.1.2. To explore the drivers of IFFs in Zimbabwe

1.4.1.3. To investigate the impact of IFFs on economic growth and development.

1.4.1.4. To analyse how IFFs contribute to Zimbabwe's failure to realise human rights.

1.4.1.5. To propose recommendations to Zimbabwean authorities to curb IFFs, protect human rights, and promote economic growth.

1.5. Significance of the study.

The study looks to establish the effects of IFFs on the realisation of human rights in Zimbabwe. Politically connected individuals, the economic elite, and private local and international corporations have taken part in these flows, which impact the state's ability to raise funds to finance its obligations to its people. There has been a growing interest in investigating their impact on the economy and, in turn, their effect on the realisation of

human rights in Zimbabwe. This study is significant in that the detrimental effects of IFFs must be analysed to curb their impact. It is also essential to contribute to the gaps left by existing literature on the impact of IFFs in Zimbabwe and further research in this field. IFFs pose a problem to Zimbabwe's ability to mobilise financial resources to meet its socioeconomic obligations, violating people's rights if not curbed.

1.6. Methodology.

The study uses a qualitative research design. It will employ a desktop research method through a literature review to explore IFFs and their effects on the realisation of human rights in Zimbabwe. It will use primary sources such as legislation, case laws, government documents and records, and secondary sources, which include scholarly articles on IFFs, books, journals, newspaper reports, and other online sources on IFFs in Zimbabwe. The desktop research method, often employed through a comprehensive literature review, systematically collects and analyses existing information and data from secondary sources. This approach analyses published research, articles, reports, and other academic and professional materials to gather insights relevant to the study.

When investigating the effects of IFFs on the realisation of human rights in Zimbabwe, desktop research would involve examining prior studies on IFFs, their economic and social impacts, and specific cases within Zimbabwe. The study will analyse government reports, international organisation publications, and scholarly articles. This literature review provides a critical overview of what is known, highlighting key issues and informing the research methodology.

The study uses descriptive and exploratory research methodologies. An exploratory study, also known as an analytical study, is used in research where there is high uncertainty about the subject or the subject needs to be better understood.³¹ The exact scale and effect of IFFs still need to be discovered, and quantifying the activities has posed challenges and is fraught with complications.³² Estimates of IFFs vary, creating the need to research their occurrences further.

³¹ B Van Wyk 'Research design and methods Part 1' *University of Western Cape* (2012) at 8.

³² *African Forum and Network on Debt and Development* (AFRODAD) 'Illicit financial flows: Towards a more integrated approach for curbing illicit flows from Zimbabwe' (2021) at 1.

Descriptive research methodology is more structured and aims to accurately and validly represent variables or factors relevant to the research question.³³

1.7. Literature Review

There is a broad literature that discusses IFFs. Scholars have defined, categorised, and assessed IFFs differently, depending on the context. The literature review aims to provide a comprehensive evaluation of the existing literature to create a solid foundation for this study, which will analyse the effects of IFFs on the realisation of human rights in Zimbabwe.

1.7.1. Definition of IFFs.

Different scholars have defined IFFs. There has yet to be a universal and agreed definition. The meaning stems from the contexts in which they occur. In Zimbabwe, Epstein³⁴ defined IFFs as capital taken abroad in a hidden form, in an illegal manner, which goes against social norms and is a political and economic threat. Baker et al.³⁵ defined IFFs as money that flows illegally and violates the laws of their countries of origin during their movement or use. Thus, they are called illicit. Kurebwa defined illicit as both illegal and entirely illegitimate, and therefore, his definition emphasises the illegalities of these flows.³⁶ Illicit may not be illegal, but these flows go against the country's laws, avoiding legal obligations like paying taxes.

Global Financial Integrity (GFI) defines IFFs as illegal money movements from one country to another. They are illicit as they are illegally earned and transferred across borders.³⁷ The high-level panel on IFFs in Africa adopted a similar definition. They defined IFFs as illegally earned, transferred, and used money.³⁸ Ncube and Uzodike derive their definition from GFI and emphasise the illegality of these flows, and they break the laws in their countries of origin.³⁹ The different definitions emphasise the illegality of these flows.

³³ Van Wyk (n 2) 9.

³⁴ Kurebwa (n 3) 28.

³⁵ Kurebwa (n 4) 28.

³⁶ Kurebwa (n 5) 28.

³⁷ Global Financial Integrity [Illicit Financial Flows \(gfintegrity.org\)](https://www.gfintegrity.org) accessed 12 February 2024.

³⁸ Track it, stop it, Get it, Report on the high-level panel of IFFs in Africa 2011.

³⁹ C Ncube & U Okeke-Uzodike 'Understanding IFFs in post-2000 Zimbabwe' (2015) 2 Journal of African Foreign Affairs at 93-112.

The different definitions emphasise the illegality of the nature of IFFs in that they are in contravention of national rules and laws. There still needs to be a universal definition of IFFs in the literature. The literature's definitions also do not consider that these flows occur not only as monetary flows but also include illegitimate activities that contribute to the rise of IFFs. Smuggling of goods and services that are liable to pay import tax, drug and human trafficking, non-remittance of export proceeds, and use and storage of these funds in foreign lands also contribute to different forms of IFFs. After years of weak institutional controls and corruption, Zimbabwe discovered that individuals and companies across borders moved an estimated US\$ 1.4 billion. Therefore, they have been termed externalised funds instead of illicit flows in Zimbabwe, as they occur in different forms.⁴⁰ This study seeks to define IFFs, considering different movements of illegal flows, financial and non financial, whose proceeds contribute to externalised financial resources. Using existing literature will fill in the gap by trying to produce a universal definition of IFFs.

1.7.2. Drivers of IFFs in Zimbabwe

For IFFs to occur, there must be an environment that enables them. In Zimbabwe, there are economic, political, and social drivers influenced by acts of criminality. This study analyses different literature on how these IFFs occur and what drives their occurrence. Zimbabwe has experienced an economic downturn in the last decades. Scholars need to review further how this environment has bred the occurrence of IFFs.

The Transparency International Report on professional enablers of IFFs discussed the significant drivers of IFFs in most developing countries.⁴¹ The report discussed how non financial actors such as lawyers, accountants, and public servants enable money laundering schemes by acting as gatekeepers, protecting the process, and using their expertise to facilitate IFFs. These actors make it harder for law enforcement agents to detect the transactions. They aid individual companies by not following national regulations regarding the movement of finance and trade policies.

⁴⁰ MG Chamisa 'Curbing IFFs and trade mispricing in Zimbabwe: The role of the legislature, judiciary and tax administration' (2019) 2 *African Tax Customs review* at 9.

⁴¹ G France 'Professional enablers of IFFs and high-risk services and jurisdictions' *Transparency International* 15 August 2021 at 1.

Acts of criminality by criminals and public officials drive the flow of IFFs in Zimbabwe. Media reports have also contributed to literature through their investigations. In 2023, the media reported gold smuggling in Zimbabwe. The reports revealed that staff from Sasfin, Standard, and Absa banks in South Africa were on the payroll of Mohamed Khan, a money launderer and gold smuggler. They created documentation and enabled money movement from Zimbabwe to South Africa and the Middle East.⁴² They allegedly facilitated the transactions to become legitimate to ensure their movement.

Other scholars attribute the post-2000 socioeconomic crises in Zimbabwe to the increase in IFFs. Poor governance encourages the flow of IFFs, making the political environment a significant driver. The period saw acute political ideologies that resulted in an acute socioeconomic crisis.⁴³ Hyperinflation and shortages of essential food commodities and money characterised this period.⁴⁴ Scholars allege that the crises bred opportunities for corrupt activities, influenced by lawlessness that manifested into a parallel economy and involved illegal foreign currency dealings by ruling party elites, the central bank, and individuals. There was alleged smuggling of essential commodities and fuel sold into the parallel market and illegal foreign currency movements in and out of the country.⁴⁵ Opportunities for corruption encouraged the breeding of IFFs.

In Zimbabwe, IFFs drive the desire to hide wealth and evade taxes. Signe, Sow, and Madden allege that higher taxes and inflation rates lead to higher outflows of IFFs as firms and individuals seek stable and favourable fiscal environments for their funds.⁴⁶ In Zimbabwe, the primary culprits are multinational companies involved in the extractive industry, such as mining.⁴⁷ There has been a recent growth in exports to growing economies like China, and significant exports provide opportunities for trade misinvoicing to evade taxes. Secondly, senior government officials own or have interests in these firms; thus, corruption becomes rampant in easing those exports.

⁴² Al Jazeera Investigative Unit 'Gold smugglers use South African banks, bribes to launder money' *Al Jazeera* 30 March 2023 at 1.

⁴³ Ncube & Okeke-Uzodike (n 2) at 100

⁴⁴ Ncube & Okeke-Uzodike (n 3) at 100.

⁴⁵ Ncube & Okeke-Uzodike (n 4) at 100.

⁴⁶ M Sow, L Signe & P Madden 'Illicit financial flows in Africa, drivers, destinations, and policy options' (2020) *Africa Growth Initiative* at 1-2.

⁴⁷ Sow, L Signe & Madden (n 2) at 1-2.

The critical concept in IFFs is that they evade detection by legal authorities. Literature must further investigate how the characteristics of these flows continuously drive them. This study will use existing literature to explore the drivers and enablers of IFFs.

1.7.3. The implications of IFFs on Zimbabwe's economic growth.

Economic growth is the increase of national income per capita. It involves an increase in a country's GDP, which measures the total revenue generated by the total number of goods and services produced by a government.⁴⁸ It further incorporates increased national wealth and the country's production ability. This study seeks to analyse the implications IFFs have on economic growth in Zimbabwe, which in turn affect the realisation of human rights. The most critical areas of concern are their effects on the state's ability to generate income for budgetary allocations and the ability of the state to finance its socioeconomic activities and fulfil human rights.

Economic growth includes the effective use of natural resources, physical or capital infrastructure, population and labour, technology, and law. Economic growth effectively manages these components to fight poverty, increase development, and improve livelihoods. When economic growth increases, the country is productive and able to generate income to finance its socioeconomic activities and improve living standards.⁴⁹

Scholars have investigated the implications of IFFs on Zimbabwe's economic growth. When IFFs occur, they have a direct impact on the economy. What needs improvement in the literature is empirical evidence of how these IFFs affect the economy. This study aims to analyse the existing literature on how IFFs affect economic growth in Zimbabwe and lead to failure to realise human rights.

IFFs contribute to Africa's low levels of human development. Money that should advance socioeconomic well being and development is lost instead of financing socioeconomic development.⁵⁰ According to Gumede, the resultant factor is that poverty and inequality remain high in Southern Africa. In Zimbabwe, IFFs in mining occur through smuggling,

⁴⁸ AP Haller 'Concepts of economic growth and development. Challenges of crises and knowledge (2012) 15 *Economy transdisciplinarity cognition* at 66.

⁴⁹ P Howitt <https://www.researchgate.net/publication/323187942> accessed 10 March 2024.

⁵⁰ V Gumede & D Fadiram 'Illicit Financial Flows in Southern Africa: Exploring implications for socioeconomic development' (2018) 4 *Council for the Development of Social Science Research in Africa* at 129.

trade misinvoicing, and tax evasion. In 2020, an estimated US\$100 million of gold was lost monthly through smuggling, translating to US\$1.2 billion annually.⁵¹ Between 2009 and 2015, mining contributed 6.2% of the gross domestic product (GDP), increased to 8.4% between 2016 and 2018, and generated an estimated US\$3.5 trillion in annual gross revenue.⁵² Suppose the estimated revenues are tempered by smuggling, facilitated by corruption and other IFFs. In that case, the mining sector will earn relatively low earnings, which will go into the public treasury for public use.

Other scholars argue that IFFs contribute to weak public institutions and inadequate regulatory environments. Weak public institutions constitute a governance problem in that corruption compromises the state's capacity to manage economic growth and, if left unchecked, becomes institutionalised by state officials and relevant institutions.⁵³ When state institutions are compromised and fail to finance development, they tend to rely on donor funds from the international community and international finance institutions for funds to finance socioeconomic development. The result is that donor funds have conditionalities, and the state loses its independence in deciding its development and huge international debts that it struggles to pay.⁵⁴

Transparency International Zimbabwe, in 2021, explored the impact of IFFs in the health sector in Zimbabwe. In its Report, it examined the effects of IFFs on Zimbabwe's economic development in that they affect low income countries like Zimbabwe in mobilising resources for development. Zimbabwe is estimated to be losing US\$3 billion in IFFs annually, which strains the national fiscus and compromises the provision of public goods and services.⁵⁵ The implication is that millions of vulnerable citizens cannot afford private provision of goods and services and rely on public services, which the state fails to provide due to a lack of financing.

IFFs affect competition in the free market. Survival of companies that honour their responsibility by paying taxes fails to survive as they compete with those that evade tax,

⁵¹ M G Chamisa 'Mining Sector and IFFs in Zimbabwe' *Network Africa* 19 November 2020 at 1.

⁵² Chamisa (n 2) at 1.

⁵³ Kurebwa (n 6) at 29.

⁵⁴ Kurebwa (n 7) at 29.

⁵⁵ Transparency International Zimbabwe 'Illicit financing in the public health sector in Zimbabwe' 2021 at ii.

smuggle imports, and profit from IFFs.⁵⁶ More prominent multinational companies can afford to hire experts like lawyers and accountants who can assist them in evading tax and thus maintain their survival in the market. Therefore, IFFs become a threat to smaller and growing companies that honour their tax obligations to the state as they compete with tax evaders. The market becomes an unequal level playing field, with smaller companies struggling for survival while established companies continue to thrive, further widening the inequality gap.

This study will examine the implications of IFFs on Zimbabwe's economic growth using existing literature. By comparison and contrast, it will further analyse IFFs' impact on Zimbabwe's economy, relying on empirical evidence to assess the effect. The study will further enrich the existing literature on the implications of IFFs on economic growth in Zimbabwe.

1.7.4. The effects of IFFs on realising human rights in Zimbabwe.

Due to resource constraints, Zimbabwe needs to fulfill her human rights obligations, particularly obligations relating to the provision of essential services and ensuring that the socioeconomic needs of her people are well met. This study will discuss how the state's income loss through IFFs hampers its ability to invest in providing socioeconomic services and other developmental projects to its people. Lack of provision of these services violates people's rights.

According to the African Commission on Human and People's Rights (ACHPR), IFFs are an economic and developmental issue that influences the realisation of people's rights.⁵⁷ IFFs affect the amount of revenue the state receives, thereby affecting socioeconomic expenditure. Literature has explored how IFFs have affected Zimbabwe's ability to realise its human rights. This study aims to explore the literature on the effect of IFFs on the realisation of human rights in Zimbabwe. Exploring the literature will then document how IFFs affect Zimbabwe's ability to realise its human rights and fill in the gap in the literature where the effects have yet to be thoroughly analysed and reported.

⁵⁶ K Froberg & A Warris 'Bringing the billions back, How Africa and Europe can end illicit capital flight' (2011) 37 *Global Studies* at 13.

⁵⁷ A Ramgobin 'A human rights-based approach to addressing IFFs from Africa' *A draft study of the African Commission on Human and People's rights (ACHPR)*.

Other scholars link the adverse effects of IFFs on economic growth to Zimbabwe's failure to realise its human rights. When IFFs affect the domestic economy by increasing uncertainty and risk and reducing investment in socioeconomic activities, they violate human rights.⁵⁸ A lack of financing thwarts efforts to reduce poverty. Access to essential services like education, healthcare, water, and sanitation, which comprise socioeconomic rights, has yet to be realised. IFFs tend to widen the inequality gap when the elite hide resources in foreign markets and access services like private healthcare and international education while people experiencing poverty are left to fend for themselves.

IFFs affect the realisation of human rights and sustainable development, including the right to development. These flows prevent developing countries like Zimbabwe from mobilising and spending public financial resources for sustainable development, which includes social and economic development. IFFs constrain the achievement of Sustainable Development Goal (SDG) Goal 17.1, which calls for strengthening domestic resource mobilisation.⁵⁹ Target 17.1 aims to strengthen domestic resource mobilisation through international support for developing countries and improve domestic tax and revenue collection capacity.⁶⁰

Resources moving from Zimbabwe to more developed countries further widen the inequality gap and increase poverty. When Zimbabwe, whose primary revenue collection is tax and proceeds from mineral resources, has its revenue collection base narrowed through IFFs, it reduces the state's ability to invest in its socioeconomic sectors. It fails to meet its people's socioeconomic needs.

1.7.5. How can Zimbabwe curb IFFs?

The effects of IFFs on the realisation of human rights in Zimbabwe is a new field that scholars must analyse to understand the linkage between human rights and IFFs. This study will fill in the gap in the literature by contributing further analysis of how Zimbabwe can curb the impact of IFFs on the realisation of human rights.

⁵⁸ J D Nkurunziza 'Illicit financial flows: A constraint on poverty reduction in Africa' (2012) 87 *Association of Concerned African scholars* at 15.

⁵⁹ B Muchhala 'The right to development and illicit financial flows: Realising the Sustainable Development Goals and financing for development' Human Rights Council, Working Group on the right to development, 19th session 23-27 April 2018.

⁶⁰ United Nations [Global Partnerships - United Nations Sustainable Development](#) accessed 23 February 2024.

In its analysis of IFFs, the World Bank has proposed that solutions to curb IFFs must be country specific, depending on the country's context and the nature of underlying activities that occur. The actions taken must also prevent criminal activity.⁶¹ Firstly, strategies to reduce corruption; secondly, disclosure of all tax holidays that may contribute to IFFs; and thirdly, working with developed countries to prevent inflows of illicit money.

The government can curb IFFs in Zimbabwe by taking initiatives to reduce the flows. In 2017, President Mnangagwa offered a three month amnesty to companies and individuals to return funds externalised and allegedly moved away from the country illegally.⁶² The government projected that between 2009 and 2017, US\$1.8 billion was externalised illegally by companies and individuals, and an estimated \$ 856 million was paid back in cash and kind during the Amnesty.

The alleged perpetrators must be held accountable. In a 2017 parliamentary inquiry, the Minerals Marketing Corporation of Zimbabwe (MMCZ) made recommendations to parliament, including forensic lifestyle audits of Ministry of Mines officials and the adoption of whistleblowing policies, ownership transparency, and project reporting on revenue collection.⁶³ As the sole regulator of all natural resources, the government is responsible for taking charge of the fight against IFFs through its regulatory authorities.

Under the ACHPR, Article 1, Zimbabwe must recognise the rights and freedoms enshrined in the Charter and adopt legislative measures to protect them.⁶⁴ Such measures include realising social, cultural, and economic rights through constitutional rights.⁶⁵ Realising socioeconomic rights includes ensuring appropriate and judicial remedies for violations of these rights. Zimbabwe also must achieve the United Nations (UN) SDGs. Goal 16, which aims to promote peace, justice, and strong institutions by 2030, is supported by target 16.4, which aims to reduce illicit financial and arms flow by

⁶¹ World Bank [Illicit Financial Flows \(IFFs\) \(worldbank.org\)](https://www.worldbank.org) accessed 13 February 2024.

⁶² BBC, 'Zimbabwe's Mnangagwa offers amnesty for funds stashed abroad', [BBC News](https://www.bbc.com/news/health-56888888), accessed 10 February 2024.

⁶³ Second Report of the Portfolio Committee on Mines and Energy on the diamond sector in Zimbabwe for the period 2009–2016 (S.C. 15, 2018), <http://www.openparly.co.zw/wp-content/uploads/2018/06/Report-on-the-Missing-15-Billion-Diamond-Revenues-revised> accessed 10 February 2024.

⁶⁴ C Heyns & M Killander *Compendium of Key human rights documents of the African Union* (2016) Pretoria University Law Press at 30.

⁶⁵ ACHPR, Principles, and guidelines on implementing Economic, Social and Cultural Rights in the African Charter on Human and Peoples Rights at 12.

2030, strengthen the recovery and return of stolen assets, and combat all forms of organised crime.⁶⁶ The SDGs contain specific commitments to reduce the flows.

The state must realise human rights by protecting people's rights.⁶⁷ Strengthening institutions involves training experts in tax revenue, training and capacitating law enforcement and judicial officers, and enacting stiffer penalties for IFF-related crimes against corporations and individuals.

1.7.6. Conclusion.

Literature provides a comprehensive background of the diverse types of IFFs and their contribution to Zimbabwe's economic growth. It includes an analysis of what there are. The various definitions give underlying characteristics of their occurrence. The growing interest among scholars in assessing the effects of IFFs on economic growth and the realisation of human rights in Zimbabwe further shows a gap in knowledge in the study of IFFs. However, there is inadequate literature that studies the impact of IFFs on human rights, explores how IFFs undermine human rights and assess the current laws and policies in addressing IFFs. The literature discussed in this review discusses the drivers, determinants, and effects of IFFs on the economy. The study looks to contribute to the literature by analysing the impact of IFFs on the realisation of human rights in Zimbabwe.

1.8. The structure of study.

The layout of the chapters will be as follows:

Chapter 1 – Introduction

This chapter will introduce the study and the concept of IFFs, what they are, and their effects on the realisation of human rights in Zimbabwe. It will assess the need to study IFFs and identify them as a problem to realising human rights in Zimbabwe.

Chapter 2 – Definition of IFFs and their drivers in Zimbabwe.

This chapter seeks to analyse the various definitions of IFFs in Zimbabwe and other developing countries, as defined by different scholars and organisations involved in the

⁶⁶ United Nations [Peace, Justice, and Strong Institutions - United Nations Sustainable Development](#) accessed 23 February 2024.

⁶⁷ F Viljoen *International Human Rights Law in Africa* (2007) Oxford University Press at 6-7.

study of IFFs. It will answer the question of the drivers of IFFs in Zimbabwe and what fuels their occurrence.

Chapter 3 - Implications of IFFs on Zimbabwe's economic growth.

The chapter will assess how IFFs affect economic growth and development in Zimbabwe.

Chapter 4 - Contributions of IFFs to Zimbabwe's failure to realise human rights.

This chapter will analyse how IFFs contributed to Zimbabwe's failure to realise human rights.

Chapter 5 – Assessment of how Zimbabwe can curb IFFs.

This chapter will assess the efforts made by Zimbabwean authorities to address IFFs, promote economic growth, and protect and realise human rights.

Chapter 6 – Conclusion.

The chapter will conclude the study based on the findings.

CHAPTER 2

DEFINITION AND DRIVERS OF IFFS IN ZIMBABWE

2.1. Introduction.

Scholars and International monetary institutions have defined IFFs to understand them. However, a universal definition has yet to be developed, as IFFs occur differently globally but share similar characteristics. Scholars emphasise the need for a precise definition, as the term illicit can mean different things depending on context.⁶⁸ This chapter analyses different definitions of IFFs to develop a more universal definition and to understand IFFs in the Zimbabwean context.

There are different drivers and enablers of IFFs in Zimbabwe. They perform various roles, some as perpetrators, i.e. those who commit the actual acts, others as facilitators of the transactions like corrupt public officials, and others as gatekeepers who protect the flow of transactions like lawyers and accountants.⁶⁹ To understand the concept of IFFs in Zimbabwe, one needs to know how these flows occur, who facilitates them, and the different types of flows in Zimbabwe.

2.2. Definition of IFFs.

International finance institutions have defined IFFs. The International Monetary Fund (IMF) refers to IFFs as the movement of money across borders, sourced illegally and transferred illegally.⁷⁰ It is sourced unlawfully, moved, and used. Definitions describe IFFs according to the nature of their occurrence. The definition is like that of the World Bank, which defined IFFs in the 1990s and initially associated with capital flight. The World Bank refers to IFFs as the cross border movement of capital associated with illegal activities. It involves money that is illegally earned, transferred, and used across borders.⁷¹ In its definition, the bank classifies IFFs into three main categories: first, the acts are illegal, e.g., corruption or tax evasion; second, the funds are sourced illegally through smuggling or trafficking; and third, the funds are used for unlawful purposes.

⁶⁸J Kurebwa 'Implications of IFFs on Zimbabwe's development' (2021) 7(2) *International Journal of World Policy and Development Studies* at 28.

⁶⁹ Transparency International [Professional-enablers-of-illicit-financial-flows-and-high-risk-services-and-jurisdictions_U4-Reviewed_PR\(1\).pdf](#) accessed 02 May 2024.

⁷⁰ International Monetary Fund (IMF) [The IMF and the Fight Against Illicit Financial Flows](#) accessed 14 March 2024.

⁷¹ The World Bank [Illicit Financial Flows \(IFFs\) \(worldbank.org\)](#) accessed 14 March 2024.

The Human Rights Council's 31st session defined IFFs as unrecorded financial flows illegally earned, transferred, or utilised. The funds may originate from legitimate sources, but their transfer violates the domestic country's laws.⁷² Their definition premises on the fact that IFFs refer to funds that permeate legal loopholes, and their movement contravenes the country's laws. The high level panel report on IFFs anchored the definition: money that is illegally earned, transferred, or utilised and originates from three sources. Commercial includes tax evasion and avoidance, trade misinvoicing, and abusive transfer pricing. Secondly, they originate from criminal activities, which include the drug trade, human trafficking, and illegal arms dealing. Thirdly, they originate from bribery, theft, and corruption.⁷³

In his study, Kurebwa emphasised the issue of the illegality of these flows across countries. He further emphasised how these flows differ from capital flights, defined as the movement of funds across borders to secure better returns. The flows are usually in response to unfavourable business environments in the countries of origin.⁷⁴ Capital flights are further defined as outflows from developing countries by their citizens, motivated by risk and uncertainties in their countries of origin.⁷⁵ These flows may be legal or illegal. This definition presents a newer and narrower one that departs from capital flights and focuses on unrecorded flows that proceed from criminal, corrupt, and commercial activities, which constitute IFFs.⁷⁶

IFFs are also defined using their components and main actors involved in the flows.⁷⁷ The main components include, firstly, conduct that is illegal or disguised as legal and concealed within a legal framework; secondly, the cross border movement of money that is illegally earned, transferred, or used; thirdly, flows that arise from tax avoidance and tax evasion; and lastly, untaxed and unregulated earnings derived from IFFs.⁷⁸ Definitions of IFFs relate to the nature of the transactions. Transactions are criminal, including tax

⁷² United Nations 'General Assembly, Human Rights Council 34th session' *Promotion and protection of all human rights, civil, political, economic, social, and cultural rights* 15 January 2016 at 4.

⁷³ Track it, stop it, and get it. 'Illicit financial flows' is a *Report on the high-level pane on IFFs from Africa* 2015 at 9.

⁷⁴ Kurebwa (n 2) at 28.

⁷⁵ C Kant 'What is capital flight' (2002) 22 *The World Economy* at 341-358.

⁷⁶ Kurebwa (n 3) at 28.

⁷⁷ A Ramgobin 'A human rights-based approach to addressing IFFs from Africa' (2018) *A (draft) study of the ACHPR* at 14.

⁷⁸ Ramgobin (n 2) at 14.

evasion, bribery, money laundering, and corruption.⁷⁹ If the transactions are illegal in their countries of origin or during their movement or use, they are called illicit. Pact World further emphasises that despite a universal definition, the conceptualisation of IFFs must include illegal domestic financial flows contrary to local economic and market norms and against the public interest.⁸⁰ This definition further defines IFFs using their distinct characteristics.

The definition of IFFs also depends on their effects as flows that harm the economy.⁸¹ The effect may be direct and immediate, affecting a country's economic growth performance, tax revenue, and domestic investments. It may also be indirect, involving a country's socioeconomics and politics. The flow may not directly affect economic growth but influence the country's political landscape, affecting how it realises its human rights. If a government fails to raise revenue, it affects its socioeconomic obligations.⁸² The direct effects have a causal impact on the indirect effects. The resultant effect is on the country's developmental aspect, which results from an interplay of economic and political factors. In defining IFFs, it is essential to assess their damaging effects, as they constitute the core characteristics of IFFs. The impact of the loss of developmental resources is a significant characteristic in defining IFFs.⁸³

These definitions imply that IFFs result from criminal and unethical activities that violate societal values and norms. Scholars have debated the meaning of the term illicit in their attempts to define IFFs.

2.3. Use of the term illicit.

Scholars still debate the definition of illicit IFFs. Although illicit is common, there needs to be concise agreement on its meaning. The World Bank, however, recommends focusing on illegal activities and flows when defining IFFs.⁸⁴ Several definitions of IFFs include international and illicit money transfers generated through bribery, tax evasion, illegal

⁷⁹ G E K Kamga 'Linkages between IFFs and the non-realisation of the right to development in Africa' (2019) 52(2) *The Comparative and International Law Journal of Southern Africa* at 172.

⁸⁰ Pact World [Infamous by design: Illicit finance in Zimbabwe | Pact \(pactworld.org\)](https://pactworld.org), accessed 23 March 2024.

⁸¹ P Reuter *Draining Development? Controlling Flows of Illicit Funds from Developing Countries* (2012) The World Bank at 23.

⁸² Reuter (n2) at 23.

⁸³ Jenkins M 'Illicit financial flows fragility and conflict' (2024) U4Helpdesk answer Transparency International at 7.

⁸⁴ The World Bank (n 2).

markets, smuggling, and other illegal activities. However, the term illicit revolves around whether it means unlawful. It, however, includes ambiguous transfers such as a tax revenue shifted to a lower tax jurisdiction through transfer pricing abuse. In this case, there may be no violation of the law if the developing country does not have rules and regulations governing transfer pricing but becomes an IFF as the transfer is not normatively acceptable and influences the country's revenue generation.⁸⁵

The term illicit means something not legally permitted, unlicensed, unlawful, or disapproved for moral and ethical reasons.⁸⁶ It is an adjective used to describe a particular unwarranted behaviour. Kurebwa asserts that the term may be understood to mean both legal and illegal, which is morally contentious and illegitimate.⁸⁷ Scholars continue to debate whether flows may be illicit or legal, and they need a concise definition of illicit flows. The term illicit may not mean strictly illegal but may describe activities against established societal rules and norms.

In defining IFFs, scholars note that the flows are not limited to illegal conduct but conduct that goes against the spirit of morality and the rule of law.⁸⁸

2.4. Types and categories of IFFs in Zimbabwe.

The classification of IFFs in Zimbabwe is into four categories. These include market and regulatory Abuse, tax abuse, Abuse of public office, and proceeds of crime.

2.4.1. Market and Regulatory Abuse.

Market and regulatory Abuse is one of Zimbabwe's many forms of IFFs. It involves unlawful behaviour in financial markets, and the main types are trade mis-invoicing, under-pricing of exports, and overpricing of imports.⁸⁹

2.4.1.1. Trade misinvoicing.

⁸⁵ P Reuter 'Illicit Financial Flows and Governance: The Importance of Disaggregation' (2017) *Background Paper for World Bank Development Report* at 4.

⁸⁶ Merriam-Webster [Illicit Definition & Meaning - Merriam-Webster](#) accessed 14 March 2024.

⁸⁷ Kurebwa (n 4) at 27.

⁸⁸ Ramgobin (n 3) at 14.

⁸⁹ Pact world [Infamous by design: Illicit finance in Zimbabwe | Pact \(pactworld.org\)](#) accessed 23 March 2024 at 9.

Trade mis invoicing refers to falsifying the value of traded goods to move them illicitly from one country to another.⁹⁰ In Zimbabwe, falsifying invoices involves under-pricing exports and overpricing imports. It is most prevalent in the extractive industries to evade capital controls and avoid paying taxes. It includes tax evasion, quota avoidance, smuggling, money laundering, and other unknown reasons.⁹¹ The mining sector is Zimbabwe's most significant contributor to economic growth. In 2021, IFFs contributed US\$5.2 billion, more than 85% of the national export value.⁹²

2.4.2. Tax abuse.

States require efficient tax systems for them to be effective. Unjust tax systems characterised by tax evasion and tax avoidance result in misgovernance. Tax abuse is a form of IFF that involves tax evasion, which is the intentional nonpayment of taxes, and tax avoidance, which is minimising payment of taxes or avoiding taxes by exploiting loopholes in the tax law.⁹³ Perpetrators of these flows use loopholes in financial disclosure requirements and administration systems to misrepresent their finances. The illegality of these flows is in concealing them for tax purposes. Perpetrators of these activities may be individuals or privately owned companies.

2.4.3. Abuse of public office.

The political environment fuels different types of abuse of public offices in Zimbabwe, including lack of transparency, lax ethical standards, and low salaries of public officers. These include bribery, the exchange of money with a person in a position of power or influence to influence a decision or conduct.⁹⁴ This action is typical with government officials in positions of power. It leads to corruption in public procurement and abuse of state subsidies as actors use them for purposes other than their intended purpose with the assistance of public officials. It includes collusion when public and private organisations manipulate the market for their benefit. These types of public office abuses lead to public officers enriching themselves at the expense of state resources by earning

⁹⁰ Veritas Zimbabwe 'IFFs emptying Zimbabwe of its Wealth' (2022) 10 *Economic governance watch* at 1.

⁹¹ Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) 'Capital flight and trade misinvoicing in Zimbabwe' Harare 01 February 2017 at 1.

⁹² M Tome 'Zimbabwe: Mining sector in stellar quarterly performance' *The Herald* (Harare) 03 June 2022 at 1.

⁹³ Veritas Zimbabwe (n 2) at 1

⁹⁴ Pact World (n 2) at 9.

bribes through charging for rights that should be freely available or subsidised, awarding improper tenders, and extortion.⁹⁵

2.4.4. Proceeds of crime.

Criminal activities contribute to IFFs through the theft of financial and non financial public resources and the smuggling of resources across borders. Smuggling involves the illegal movement of goods across borders, which violates import and export regulations.⁹⁶ Proceeds of crime include those smuggled outside the country. Smuggling includes drug trafficking, human smuggling, and other illegal money movements across borders that are proceeds of crime.⁹⁷

2.5. Drivers of IFFs in Zimbabwe.

Several factors facilitate the flow of IFFs in Zimbabwe, including political, economic, and criminal factors.

2.5.1. Political reasons.

Poor governance encourages the flow of IFFs. Zimbabwe has no clear boundaries between the government and the ruling party.⁹⁸ Politicians use state resources to patronise and reward individuals and groups for their support. Frequent cabinet reshuffles, lack of accountability, and demotions have created factionalism within the party, resulting in party members looking to source finances from elsewhere to fund their activities, resulting in IFFs. Poor governance in Zimbabwe has been accused of emanating from corruption from the senior public officials and lack of accountability of public institutions. Corruption is accused of funnelling government funds away from their main purpose of financing socioeconomic development and negatively affecting economic growth.⁹⁹

⁹⁵ Reuter (n 2) at 7.

⁹⁶ Pact World (n 3) at 10.

⁹⁷ Reuter (n 3) at 7.

⁹⁸ Veritas Zimbabwe (n 3) at 2.

⁹⁹ M Chifamba 'Zimbabwe's economic woes – sanctions or poor governance' *The Africa Report* (Harare) 21 October 2021.

2.5.2. Economic reasons.

Zimbabwe has been reeling under economic sanctions since 2001. The United States of America (US) imposed financial sanctions on Zimbabwe in 2001 during the reign of former President Robert Mugabe. In 2002, the European Union (EU) followed suit.¹⁰⁰ The targeted sanctions were meant to encourage Zimbabwe to implement economic and political reforms, but instead, they have been blamed for the economy's poor performance.

The sanctions and the era in Zimbabwe post 2000 presented a breeding ground for IFFs. A political and socioeconomic crisis emerged during the period, which affected the Zimbabwean economy. The collapse is estimated to have started in the late 1990s in response to the unbudgeted war veterans' gratuities, the government's intervention in the Democratic Republic of Congo (DRC) war, violent land invasions, constitutional amendments, and many more socioeconomic changes that worsened the situation.¹⁰¹

The need to avoid the effects of sanctions in Zimbabwe has led individuals and businesses to find informal means of accessing finance and moving funds through informal networks rather than formal finance institutions. Coupled with the government's monetary policies, tight foreign exchange control, and high inflation rates, this has encouraged businesses and individuals to keep foreign currency outside the country, resulting in shortages of foreign currency in the local market.

Shortages of foreign currency in the market have led to a black market that runs parallel with the official market. Differences between formal and informal exchange rates have encouraged politically connected elites to buy foreign currency from the Reserve Bank of Zimbabwe (RBZ), sell it on the informal market, and use the profits to keep the cycle going. The black market perpetuates a never-ending cycle of IFFs in Zimbabwe.¹⁰²

¹⁰⁰ Fair Planet [Zimbabweans reel under unintended effects of Western sanctions | Fair Planet](#) accessed 14 April 2024.

¹⁰¹ C Ncube, U Okeke-Uzodike 'Understanding IFFs in post-2000 Zimbabwe' (2015) 2 *Journal of Foreign Affairs* at 100.

¹⁰² Veritas Zimbabwe (n 5) at 2.

2.6. Tax Havens.

Deteriorating macroeconomic conditions and the need to keep illegally earned money offshore have led those moving money out of the country to use tax havens. Tax havens are countries with low or no corporate taxes and allow accessible business and investment establishments.¹⁰³ There is a limit to the public disclosure of companies and their details. These jurisdictions are secrecy jurisdictions, as tax havens deny being tax havens.

Secrecy jurisdictions are cities or states that allow or whose laws allow banking and financial to be kept private. The monetary systems in those countries create a separate legal structure for non-residents. Perpetrators of IFFs who seek privacy and low taxes use these secret jurisdictions to keep illegally sourced funds.¹⁰⁴ Switzerland and Luxembourg offer secret banking, corporate tax abuse, and other offshore services.¹⁰⁵

The International Consortium of Investigative Journalists (ICIJ) has identified the most common tax havens. These are found all over the world, with some being independent countries. Panama, the Netherlands, Mauritius, the Cayman Islands, and Dubai are upcoming tax havens.¹⁰⁶ Tax havens benefit from being tax havens through the fees paid by these investments and the use of their lawyers, accountants, and other professionals. If Mauritius stops being a tax haven, the country may lose almost 5,000 jobs.¹⁰⁷

2.7. Conclusion.

Despite the different definitions from different scholars, the debate continues what constitutes IFFs. There may be no universal definition or standard agreement on what IFFs are, but the definitions have common characteristics. The flows are illegal and contravene the laws of the land where they occur. The perpetrators and facilitators of the flows and the flows' illegal nature need to be considered. To achieve a universal definition, the illegality of these flows must be considered.

¹⁰³ International Consortium of Investigative Journalists (ICIJ): [What is a tax haven? Offshore finance explained - ICIJ](#) accessed 21 April 2024.

¹⁰⁴ A Ramgobin 'A human rights-based approach to addressing IFFs in Africa' A draft study of the African Commission of Human and People's Rights (2018) at 12.

¹⁰⁵ Tax Justice Network [Tax havens and secrecy jurisdictions - Tax Justice Network](#) accessed 22 April 2024.

¹⁰⁶ ICIJ (n 2) accessed 21 April 2024.

¹⁰⁷ ICIJ (n 3) accessed 21 April 2024.

CHAPTER 3

IMPLICATIONS OF IFFS ON ECONOMIC GROWTH IN ZIMBABWE.

3.1. Introduction

Illicit financial flows (IFFs) have become a significant global concern due to their adverse economic development and impact on stability. In Zimbabwe, as in many other economies, IFFs present multifaceted challenges that undermine sustainable growth and development efforts.

The study's main aim is to analyse the effect of IFFs on the realisation of human rights in Zimbabwe. From the government's perspective, human rights are realised based on a country's economic growth and development. IFFs can have severe economic and social consequences if left undetected and unchecked.

This chapter highlights economic growth in Zimbabwe, the related factors of IFFs that negatively affect its economic development, the effect of IFFS on the financial system, and the decline of foreign investment: IFFs and their effect on international trade. The chapter also examines how IFFs may contribute to economic inefficiency, increased poverty levels, and misallocation of resources in Zimbabwe.

3.2. Economic growth.

Economic growth is the increase in the production of economic goods and services within a particular period compared with earlier periods for a specific country. Increases contributing to economic growth include technological progress, investment in human and physical capital, institutional factors like a stable government that sees the rule of law, participation in global trade, and investments in local innovation and entrepreneurship.¹⁰⁸

An increase in the GDP measures economic growth. GDP is the total monetary or market value of all finished goods and services within a specific period. GDP measures the total value of goods and services produced within a country's borders over a particular period, typically a year. It is a widely used indicator of a nation's economic performance and growth.¹⁰⁹

¹⁰⁸ Investopedia: [What Is Economic Growth and How Is It Measured? \(investopedia.com\)](https://www.investopedia.com/what-is-economic-growth-and-how-is-it-measured/) accessed 06 May 2024.

¹⁰⁹ Investopedia [Gross Domestic Product \(GDP\) Formula and How to Use It \(investopedia.com\)](https://www.investopedia.com/gross-domestic-product-gdp-formula-and-how-to-use-it/) accessed 06 May 2024.

Different methods measure GDP. Firstly, nominal GDP measures the total value of goods and services using current prices. It helps compare the total size of various economies but can only be accurate if adjusted for inflation. Secondly, measuring GDP per capita divides the total GDP by the country's population, giving the average standard of living. GDP per capita is a helpful indicator of the standard of living, but it derives from Real GDP. Thirdly, Real GDP is the total value of goods and services produced within a country's borders, adjusted for inflation. It provides a more accurate picture of a country's economic growth and standard of living than Nominal GDP; Nominal GDP is unadjusted for inflation.¹¹⁰ Therefore, while all three types of GDP measurements are essential, Real GDP is the most used and provides the most accurate picture of a country's economic performance.¹¹¹ GDP can be calculated using three approaches. The most used is the expenditure approach.

The expenditure approach is the most widely used method for calculating GDP, as it is considered the most accurate and comprehensive.¹¹² It calculates GDP by adding all the expenditures made by households, businesses, government, and foreigners on goods and services within a country's borders. The formula represents the Expenditure Approach:¹¹³

$$\text{GDP} = C + I + G + (X - M)$$

Where:

C = Consumer spending (household expenditures)

I = Investment (business expenditures)

G = Government spending (government expenditures)

X = Exports (foreign expenditures)

¹¹⁰ A Britton & D Savage 'The three measures of GDP' (1984) 107 *National Institute Economic Review* at 54-59.

¹¹¹ Britton & Savage (n 2) at 54-59.

¹¹² A Uwimana et al. 'Modelling and forecasting Africa's GDP with time series models' (2018) 8 (4) *International Journal of Scientific and Research Publications* at 41-46.

¹¹³ Corporate Finance Institute <https://corporatefinanceinstitute.com/resources/economics/gdp-formula/> accessed 07 August 2024.

M = Imports (foreign expenditures)

The Production and Income approaches are also used to calculate GDP, but they are less commonly used and considered less comprehensive than the Expenditure Approach. The Production Approach calculates GDP by adding the value of all goods and services produced within a country.¹¹⁴

The Income approach calculates GDP by adding all the income households and businesses earn within a country. All three approaches should arrive at the exact figure for GDP, but the Expenditure approach is generally considered the most accurate and reliable.¹¹⁵ Despite some limitations, like being unable to account for income inequality, GDP remains a widely used and essential indicator of economic activity.

3.3. Economic growth in Zimbabwe

Zimbabwe has experienced fluctuating economic growth rates over the decades, influenced by internal and external factors. The presence of IFFs complicates this trajectory, affecting various sectors of the economy.

Zimbabwe's economic growth began with the transition from independence from colonial rule into an independent state. Thus, economic growth in Zimbabwe since its independence in 1980 has been marked by checkered events, as represented in Figure 1.

¹¹⁴ Corporate Finance Institute (n 2) accessed 07 August 2024.

¹¹⁵ Corporate Finance Institute (n 3) accessed 07 August 2024.

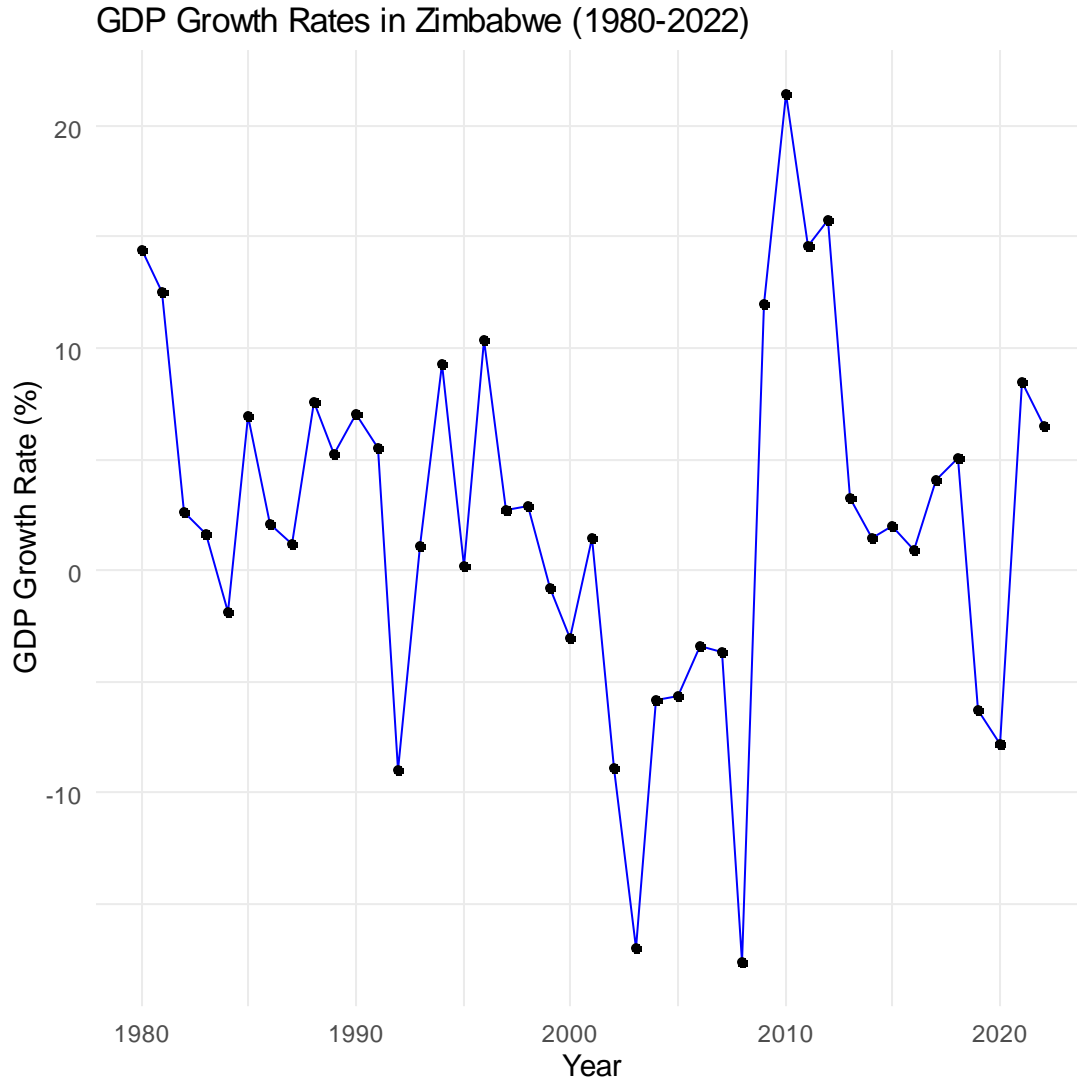


Figure 1: The GDP growth rates for Zimbabwe 1980-2022 (Source: World Bank Group)¹¹⁶

The new government kept the macroeconomic policies it inherited from the Rhodesian government. Thus, the new government inherited one of Africa's most structurally developed and effective states.¹¹⁷ The new government had introduced goals that enabled sizeable public sector spending on health, education, and other social services.¹¹⁸ The downside was unsustainable substantial budget deficits, whose effects

¹¹⁶ World Bank 'GDP Growth (Annual %) – Zimbabwe' [Glossary | Databank \(worldbank.org\)](https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ZW) accessed 06 May 2024. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ZW> accessed 05 July 2024.

¹¹⁷ S Power 'How to kill a country: Turning a breadbasket into a basket case in ten easy steps – the Robert Mugabe way' (December 2003) retrieved 09 December 2020 *The Atlantic* at 1.

¹¹⁸ S Power (n 2) at 1.

on the economy became the basis of Zimbabwe's economic challenges in the following decades. Zimbabwe's average growth in the 1980s was 4.3%.¹¹⁹ However, this was characterised by employment rates, which marginally grew by 1%, leading economists to discern problems with the growth trend.¹²⁰

Other factors contributed to economic growth in Zimbabwe into the 1980s and the 2000s. However, strong growth cannot be sustained due to several factors. In the 1990s, some policies fuelled economic imbalances. Realising that the inherited policies were not working, in 1990, Zimbabwe adopted the Economic Structural Adjustment Program (ESAP) to stir its economic development.¹²¹ Led by the IMF and inspired by Asian countries that had experienced rapid industrialisation using similar economic adjustment policies, Zimbabwe sought to privatise and deregularise all public institutions, lower public service costs, and lower the national deficit.¹²²

However, unlike in Asia, the Economic Structural Adjustment Program (ESAP) did not work for Zimbabwe. The policies, coupled with climatic change and health shocks, could not sustain economic growth.¹²³ It resulted in soaring inflation fuelled by two droughts in 1992 and 1995. The market performance dropped by more than 40%, resulting in a loss of formal employment. The local currency was devalued compared to its trading partners, leading to high inflation.¹²⁴ By 1995, more than 60% of the population could not afford essential commodities for survival. Eventually, the government of Zimbabwe abandoned ESAP despite the damage.¹²⁵

¹¹⁹ C L Mngagwa 'The economic decline of Zimbabwe' (2009) 3(9) *The Gettysburg Economic Review* at 112.

¹²⁰ D Makina 'Historical perspective on Zimbabwe's economic performance – A Tale of 5 lost decades' (2010) 26 *Journal of Developing Societies* at 103.

¹²¹ D Mhlanga & E Ndlovu 'Socioeconomic and political changes in Zimbabwe and the development implications for Southern Africa' (2021) 8 *Journal of Foreign African Affairs* at 81.

¹²² Mhlanga & Ndlovu (n 2) at 82.

¹²³ International Monetary Fund (IMF) '2022 Article IV Consultation - Press Release; Staff Report; and Statement by the Executive Director for Zimbabwe' IMF Country Report No. 22/112, April 2022.

¹²⁴ S M Kawewe & R Dibe 'The impact of Economic Structural Adjustments Programs (ESAPS) on women and children: Implications for Social Welfare in Zimbabwe' (2000) 27 *The Journal of Sociology and Social Welfare* at 98.

¹²⁵ Mhlanga & Ndlovu (n 3) at 82.

In 1998, the country sent soldiers to Kinshasa as part of its involvement in the DRC Second War. This involvement was estimated to have cost the government over USD 200 billion in the first two years, which was not beneficial to the economy.¹²⁶

Since 1995, Zimbabwe has experienced a volatile macroeconomic environment. In recent years, GDP has grown by 6.5% in 2022 and 5.5% in 2023. The environment was affected by increased expansion in agriculture and mining, which contributed more to Zimbabwe's fiscal space. However, according to the World Bank, monetary instability and substantial exchange rate distortions have kept Zimbabwe's economic performance below its potential.¹²⁷ Inflation remained high in 2024, with the local currency depreciating at official and parallel market exchange rates. Annual inflation increased from 26.5% in December 2023 to 47.6% in December 2024. The official exchange rate depreciated by 788% in 2023, with the parallel market premium estimated at 30% as of February 2024.¹²⁸ In 2023, some of the revenue proposals in 2024 were reversed, with the treasury taking over servicing a US\$1.8 billion debt from the RBZ—inflation coupled with increased public servants' salaries in local and foreign currencies. Implemented taxes like the sugar tax have also increased the prices of essential commodities.

For Zimbabwe to accelerate its current and future economic growth and improve living standards, it must tackle components that affect its economic development, including IFFS. Curbing IFFs and finding ways for the private and public sectors to drive economic growth using the country's resources. IFFs manifest in a volatile economic environment where corruption is rife, characterised by weak governance, poor tax revenue administration, and trade misinvoicing in major industries like agriculture and mining, contributing the most to Zimbabwe's export revenue.¹²⁹

The Zimbabwean economy still faces significant economic challenges, including high inflation, a large fiscal deficit, dollarisation of the economy, and a severe foreign exchange crisis. Nevertheless, given its natural resources, human capital, and strategic location,

¹²⁶ Mhlanga & Ndlovu (n 4) at 82.

¹²⁷ World Bank [Zimbabwe Overview: Development news, research, data | World Bank](#) accessed 14 May 2024.

¹²⁸ World Bank (n 2) accessed 14 May 2024.

¹²⁹ The World Bank in Zimbabwe <https://www.worldbank.org/en/country/zimbabwe/overview> accessed 05 August 2024.

the Zimbabwean economy has the potential to achieve strong economic growth, which may lead to the actualisation of human rights.

3.4. Effects of IFFs on economic growth in Zimbabwe.

IFFs refer to the illegal movement of money across borders, often involving tax evasion, corruption, and other criminal activities. There are many detrimental effects of IFFs on economic growth. Extensive literature establishes the impact of IFFs on economic growth.¹³⁰ IFFs divert resources from productive activities, reducing investment in legitimate businesses and industries and hindering economic growth.¹³¹ IFFs are estimated to reduce Zimbabwe's economic growth by up to 3% annually. Also, \$1.8 billion leaves Zimbabwe annually through IFFs, depriving the economy of crucial investment capital.¹³²

IFFs also have the potential to reduce tax revenue. For instance, Zimbabwe loses significant tax revenue, worsening fiscal deficits and limiting the government's ability to fund public goods and services.¹³³ Thus, IFFs detrimentally affect economic growth by draining financial resources that could otherwise be used for productive investments and public infrastructure projects. Domestic tax revenue is one of the most common forms of public financing in most developing countries, including Zimbabwe. When IFFs reduce the tax base through tax evasion, tax avoidance, and other tax related IFFs, the result is potential revenue losses for public financing.¹³⁴

IFFs in Zimbabwe occur in the extractive and agricultural sectors and through tax evasion and avoidance, including the legal trade and smuggling of money. IFFs then lower the rate of revenue accumulation by reducing the tax base, which affects public expenditure

¹³⁰ O Omosuyi & J A Afolabi 'Assessing the growth effect of illicit financial flows in an emerging economy: the case of Nigeria' (2024) 16(2) *International Journal of Business and Emerging Markets* at 155-169.

¹³¹ B Ortega-Aguaza & JC Sanjuán-Solís 'Relationships between foreign direct investment and official development assistance with trade-related illicit financial flows. Evidence from low middle-income countries (2023) 26(7) *Journal of Money Laundering Control* at 198.

¹³² M Chamisa 'Estimating IFFs through Trade Mispricing and in Zimbabwe: A Gross excluding reversals approach' (2020) 1(3) *African Tax Customs Review* at 18.

¹³³ T Machinguri 'Effects of intermediate money transfer tax policy on the Zimbabwe fiscal space' PhD thesis, Africa University 2023 at 2.

¹³⁴ JL Combes et al. 'Do IFFs hurt tax revenues? Evidence from the Developing World (2021) *World Bank Group: Policy Research working paper 9781* at 2.

and revenue collection. The economy does not benefit from illicit transfers of money in Zimbabwe.¹³⁵

Development needs to be higher in Zimbabwe and other developing countries. IFFs contribute to low growth in that money and resources used to advance socioeconomic development are lost through IFFs instead of used on developmental projects.¹³⁶ Low development levels result in poverty and widening inequalities. An increase in poverty levels shows downward economic growth. In Sub Saharan Africa, it is estimated that between 1999 and 2014, economic development on the continent averaged 5%. Parallel with this rate, poverty reduction strategies have weakened, and the poverty line is projected to have increased on the continent, reflecting poor levels of economic growth.¹³⁷

IFFs contribute to financial instability, weaken regulatory frameworks, and undermine investor confidence. For instance, money laundering can destabilise the economic system, leading to a loss of confidence in banks and financial institutions and potentially causing financial crises.¹³⁸ IFFs compromise Zimbabwe's financial systems, eroding trust in the country's banks and other financial institutions.

IFFs also discourage foreign investment. They create an environment of uncertainty that deters foreign investors from committing capital to Zimbabwe, limiting economic growth potential. As IFFs discourage foreign investment, investors may view a country with high IFF levels as risky and unstable.¹³⁹ Thus, IFFs can damage international trade, as countries may impose sanctions or restrictions on trade with countries with high IFFs.

IFFs reduce economic efficiency. Resources siphoned off through IFFs lessen the efficiency of financial activities, leading to suboptimal allocation and use of resources. IFFs in the form can also lead to reduced economic efficiency, with resources distributed

¹³⁵ J Kurebwa 'Implications of IFFs on Zimbabwe's development' (2020) 7 *International Journal of World Policy and Development Studies* at 29.

¹³⁶ V Gumede and D Fadiran, 'IFFs in Southern Africa: Exploring implications for socioeconomic development' (2018), 4 *Africa development*, at 129.

¹³⁷ World Bank Blogs 'Economic growth and poverty reduction: Is Africa any different?' 13 March 2024 [Economic growth and poverty reduction: Is Africa any different? \(worldbank.org\)](https://www.worldbank.org/en/blog/2024/03/13/economic-growth-and-poverty-reduction-is-africa-any-different) accessed 10 July 2024.

¹³⁸ J Kurebwa 'Implications of IFFs on Zimbabwe's development' (2021) 7(2) *International Journal of World Policy and Development Studies* at 29.

¹³⁹ F Adeleke 'IFFs and Inequality in Africa: How to reverse the tide in Zimbabwe' (2019) 26(3) *South African Journal of International Affairs* at 371.

to their most productive uses.¹⁴⁰ Thus, IFFs lead to inefficiencies in the economy, prioritising unproductive or illegal activities over productive sectors.

IFFs also redirect, depriving Zimbabwe of vital capital that could otherwise spur innovation, entrepreneurship, and industrial development. Thus, IFFs divert resources from productive activities and reduce investment in legitimate businesses and industries. This is common in the extractive industries in African countries, particularly Zimbabwe.¹⁴¹ IFFs equally divert resources away from essential development projects, hindering progress towards achieving fundamental human rights and Sustainable Development Goals (SDGs).¹⁴²

IFFs impact the economy and society by increasing poverty levels and depriving the economy of resources needed for social welfare programs and poverty alleviation initiatives. The impact has substantial human rights implications for the country.¹⁴³ Illegal activities often exploit vulnerable individuals and communities when those in power and control use their powers to exploit resources meant for socioeconomic development. IFFs have the potential to worsen the level of poverty and perpetuate poverty as resources used to address socioeconomic challenges get siphoned out of Zimbabwe.¹⁴⁴

IFFs contribute to resource misallocation, diverting funds from critical sectors such as education, healthcare, and infrastructure development. Illegal funds are invested in unproductive activities rather than channelled into productive sectors.¹⁴⁵ IFFs can lead to misallocating resources, distorting Zimbabwe's GDP figures and making it challenging to assess economic performance accurately. Equally, IFFs have the potential to contribute to political instability, as those involved in illegal activities may use their wealth and influence to undermine the rule of law and democratic institutions, which would have dire

¹⁴⁰ S Nazar et al. 'The magnitude and consequences of money laundering' (2023) *Journal of Money Laundering Control* at 7.

¹⁴¹ I Chirisa et al. 'Exploitation or Investment of Africa's Land Resources by the Chinese' (eds) in the *Palgrave Encyclopaedia of Sustainable Resources and Ecosystem Resilience* (2024) at 1-14.

¹⁴² S Lamaitre 'IFFs within the extractive industries sector: a glance at how legal requirements can be manipulated and diverted' (2019) 71(1) *Crime, Law & Social Change* at 110.

¹⁴³ M Herkenrath, 'IFFs and their developmental impacts: An overview' (2014) *Open edition Journals* (5), at 5.

¹⁴⁴ F Adeleke 'IFFs and their developmental impacts: An overview' (2014) 26 (3) *South African Journal of International Affairs* at 367-393.

¹⁴⁵ R G Blanton & D Peksen 'Natural resource wealth review and the informal economy' (2023) 44 (3) *International Political Science Review* at 418-433.

consequences for fundamental human rights issues.¹⁴⁶ As Zimbabwe recovers from natural pandemics, it must also deal with criminal elements like corruption, further destabilising the economy.

3.5. Conclusion.

In conclusion, addressing IFFs is imperative for Zimbabwe's sustainable economic growth and development. Effective policies, strengthened regulatory frameworks, and international cooperation are essential to mitigate the adverse effects of IFFs and promote inclusive economic prosperity and improvement in human rights issues in the country.

IFFs have severely constrained Zimbabwe's economic growth, perpetuating poverty, inequality, and political instability. Addressing IFFs is crucial to unlocking Zimbabwe's economic potential and achieving sustainable development. Therefore, Zimbabwe must prevent and combat IFFs to promote a more stable and productive economy that realises human rights.

This chapter identified IFFs in Zimbabwe as hurting economic growth, causing Zimbabwe to fail to realise its human rights by being unable to provide essential services to its people. IFFs erode resources meant to finance the state's obligations towards its people. When Zimbabwe loses money through IFFs, it affects economic growth, which in turn affects Zimbabwe's ability to realise its human rights.

¹⁴⁶ K Mahuni 'Pandemic in a pandemic: Covid 19, Public Procurement corruption and IFFs in Sub-Saharan Africa' (2023) 3(1) *Journal of Academics stand against Poverty* at 2.

CHAPTER 4

THE EFFECTS OF IFFS ON REALISING HUMAN RIGHTS IN ZIMBABWE.

4.1. Introduction.

This chapter discusses how the IFFs contribute to Zimbabwe's failure to realise its human rights. It will define human rights and which rights Zimbabwe needs to realise because of the effects of IFFs on the economy.

IFFs are already defined in earlier chapters as money illegally earned, transferred, or used.¹⁴⁷ When financial flows violate the laws in their countries of origin, they are termed illicit. Between 2005 and 2014, Africa lost between an estimated \$620 billion and \$720 billion through IFFs.¹⁴⁸ In Zimbabwe, total flows during a similar period are estimated to be \$18.3 billion, more significant than the country's GDP.¹⁴⁹ The effects of IFFs manifest in different dimensions. If IFFs affect the economy and Zimbabwe's ability to finance its obligations, they also affect Zimbabwe's ability to fulfil its human rights obligations.

4.2. Human rights.

Human rights are the basic rights and freedoms that belong to everyone from birth to death, regardless of who they are. They are based on shared values like equality, fairness, respect, and independence, and the law protects them.¹⁵⁰ They are also standards used to protect the dignity of all human beings by governing how they live with each other, their relationship with the state, and their obligations towards them.¹⁵¹

They define the relationship between an individual and power structures, tend to delimit the state's power over individuals, and require the state to take measures to ensure that

¹⁴⁷ African Union (EU)/Economic Commission for Africa (ECA) 'Report of the High-Level Panel on Illicit Financial Flows from Africa' *Conference of Ministers of Finance, Planning and Economic Development 2015*, 17 December 2017 at 9.

¹⁴⁸ Global Financial Integrity (GFI) 'Illicit financial flows to and from developing countries (2005-2014)' 2017 Washington at 5.

¹⁴⁹ F Adeleke 'Illicit financial flows and inequality in Africa: How to reverse the tide in Zimbabwe' (2019) 26 *South African Journal of International Affairs* at 367.

¹⁵⁰ Equality Commission and Human Rights Commission <https://www.equalityhumanrights.com/human-rights/what-are-human-rights> accessed 05 August 2024.

¹⁵¹ UNICEF <https://www.unicef.org/child-rights-convention/what-are-human-rights> accessed 05 August 2024.

all people enjoy their human rights.¹⁵² States and other duty-bearers must respect, protect, and fulfil human rights. Human rights differ from moral, ethical, or religious value systems because they are legal entitlements enshrined in most Constitutions, the Universal Declaration of Human Rights, the International Bill of Human Rights, and the Vienna Declaration on Human Rights.¹⁵³ Their claims form the basis for legal entitlements and remedies.¹⁵⁴

Since the Second World War, the UN has played a leading role in defining and advancing human rights by codifying various international and regional treaties that most countries, including Zimbabwe, have ratified. Examples of human rights treaties include, amongst others, the Convention on the Prevention and Punishment of the Crime of Genocide (1948), the International Convention on the Elimination of All Forms of Racial Discrimination (1965), the Convention on the Elimination of All Forms of Discrimination against Women (1979), the Convention on the Rights of the Child (1989) and the Convention on the Rights of Persons with Disabilities (2006).¹⁵⁵ Understanding human rights is crucial in studying IFFs to know how they are affected by IFFs.

Human rights fall into three classes, otherwise known as the three generations of rights.¹⁵⁶ The first generation of rights includes civil and political rights, generally and traditionally included as the fundamental rights in constitutions worldwide. These rights include the basic rights to life, dignity, and equality. They include the fundamental freedoms of democracy, like the right to freedom of expression, association, and movement. These rights need to be protected, and the treaties adopted to protect and enforce these rights include the International Convention on the Elimination of All Forms of Racial Discrimination (CERD), the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW, and Convention on the Rights of the Child

¹⁵² United Nations Human Rights, Office of the High Commissioner (OHCHR) <https://www.ohchr.org/sites/default/files/Documents/Publications/HandbookParliamentarians>. Accessed 19 May 2024 at 19.

¹⁵³ De Facto IAS <https://www.defactolaw.in/post/major-sources-of-human-rights-under-international-law> accessed 09 August 2024.

¹⁵⁴ OHCHR (n 2) accessed 19 May 2024 at 20.

¹⁵⁵ United Nations <https://www.un.org/en/global-issues/human-rights#> accessed 11 August 2024.

¹⁵⁶ Constitutional Court of South Africa <https://www.concourt.org.za/index.php/58-the-bill-of-rights/first-second-and-third-generation-rights> accessed 11 August 2024.

amongst others.¹⁵⁷ However human rights are interlinked whether civil and political or social and economic, the political right to vote and influence government t decisions has an effect on the realisation of socio economic rights, and needs resources to fulfill thus creating a debate amongst scholars that all rights need resources to realise.¹⁵⁸

The second generation of rights are those connected to life's social and economic fulfilment. These include the right to access food, housing, health, education, and social security. They guarantee access to essential, social, and economic goods, services, and opportunities. These rights must be fulfilled and realised. The International Covenant on Economic, Social and Cultural Rights (ICESCR) was the major treaty adopted to fulfil these rights.¹⁵⁹ Zimbabwe is a state party to the ICESCR, and the African Commission on Human and People's Rights (ACHPR).¹⁶⁰ Zimbabwe has the obligation to fulfill its socioeconomic rights as per these treaties.

The third generation of rights is a new field in human rights. It includes the right to a healthy environment, the right to self-determination, and the right to development, among other rights. Language and culture are also collective rights.¹⁶¹

4.3. Realisation of human rights.

States must respect, protect, and fulfil human rights, but they must also progressively realise socioeconomic rights. Through its respective economic capabilities, the progressive realisation of human rights obliges the state to set up systems that enable it to respect, protect, and fulfil human rights.¹⁶²

This study focuses on Zimbabwe's ability to realise second generational rights. As discussed, second generational rights include socioeconomic rights that improve people's livelihoods. The right to health, amongst others, is socioeconomic. For

¹⁵⁷ United Nations <https://www.un.org/en/chronicle/article/international-human-rights-law-short-history> accessed 11 August 2024.

¹⁵⁸ United Nations Human Rights (OHCHR) <https://www.ohchr.org/en/human-rights/economic-social-cultural-rights> accessed 10 November 2024.

¹⁵⁹ Manual Human Rights Education with young people <https://www.coe.int/en/web/compass/the-evolution-of-human-rights#> accessed 11 August 2024.

¹⁶⁰ African Commission on Human and People's Rights (ACHPR) <https://achpr.au.int/en/state-reports/concluding-observations-and-recommendations-zimbabwe-11th-12th-13th-14th> accessed 10 November 2024.

¹⁶¹ United Nations (n 2) accessed 11 August 2024.

¹⁶² OHCHR (n 3) accessed 19 May 2024 at 34.

Zimbabwe to fulfil the right to health, it does not guarantee that everyone will be healthy, but it must set up and maintain a public health system that can guarantee access to essential health services for all.

According to reports, in 2020, Zimbabwe failed to provide continuous access to water across the country. Water was a vital element in the fight against COVID-19. Over two million people in Harare, the country's capital, and surrounding areas had no access to safe drinking water and wastewater disposal services. Lack of access to clean water facilitated the rapid spread of COVID-19 and other water-borne diseases.¹⁶³

Therefore, progressive realisation in the Zimbabwean context means she must set benchmarks and targets to improve access to health services for all. Access to health services may be lower than in developed countries. Still, she has made efforts to improve access to essential health services, like increasing the number of doctors, ensuring the population is adequately vaccinated, and adequate resourcing of health centres. In that case, she progressively realises the right to health. Violation occurs when there are no measures to improve the health system, and Zimbabwe can be said to have failed to realise her human rights.¹⁶⁴

Therefore, due to limited resources, socioeconomic rights cannot be immediately realised, but the state can make efforts through efficient resource allocation. The amount of revenue the government raises decides how it will meet its people's needs.¹⁶⁵ The progressive realisation of human rights can be interpreted as concerning government efforts to fulfil those rights and subject to the availability of resources. IFFs drain money from the state meant for socioeconomic use, and efforts to realise human rights may be affected as Zimbabwe tries to continuously ensure that citizens access the essential services they need and do not violate their rights.¹⁶⁶

¹⁶³ Human Rights Watch World Report 2021: [Zimbabwe | Human Rights Watch \(hrw.org\)](https://www.hrw.org/report/2021/03/08/zimbabwe-human-rights-watch), accessed 15 August 2024.

¹⁶⁴ OHCHR (n 3) accessed 19 May 2024 at 35.

¹⁶⁵ <https://internationalbudget.org/wp-content/uploads/Progressive-Realization-booklet>. Accessed 19 May 2024 at 8.

¹⁶⁶ K G Young 'Waiting for rights, progressive realisation and lost time' (2019) 509 *Boston Law College legal studies research paper* at 1.

4.4. Effects of IFFs on the realisation of human rights in Zimbabwe.

IFFs deprive governments of the much-needed resources to provide services to their people. Socioeconomic rights are fundamental rights and freedoms in the Zimbabwean constitution, and in its preamble, Zimbabwe commits to upholding and defending basic human rights and freedoms.¹⁶⁷

The severe effects of IFFs negatively impact a country's socioeconomic growth efforts and human rights. When public officials, politicians, economic elites, and multinational companies hide their illegally earned money and move it out of the borders illegally, the economies do not receive help from the proceeds.¹⁶⁸ IFFs affect the realisation of human rights in three ways: economic, social, and political.

4.4.1. Economic.

IFFs affect the economy and, in turn, the realisation of human rights. They result in the erosion of growth capital, the erosion of the tax base, and the adverse redistribution of resources.¹⁶⁹ The erosion of growth capital, the tax base, and the creation of adverse redistribution of resources constitute the main economic effects of IFFs in Zimbabwe.

IFFs reduce growth potential because money illegally transferred from Zimbabwe is a potential investment lost to the country. It is money used to import essential equipment and resources needed for the growth of the domestic industry or the economy, as well as money invested in productive activities in the country that could reduce constraints on economic growth.¹⁷⁰ When there are more illegal outflows of money in the country, there is no money for the growth of the domestic industry and the provision of social services—economic growth results in economic development, which improves the political and socioeconomic well-being of the people.¹⁷¹

Tax evasion and avoidance allow for erosion of the tax base. Channelling funds illegally out of Zimbabwe and avoiding tax erodes the tax base, resulting in lower domestic tax

¹⁶⁷ 'The Constitution of the Republic of Zimbabwe, 2013' (as amended up to 30 September 2018) at 17.

¹⁶⁸ Kurebwa (n 3) at 30.

¹⁶⁹ Adeleke (n 2) at 371.

¹⁷⁰ S Ajayi 'Capital flight and economic development in Africa' in S Ajayi & L Ndikumana (eds) *Capital flight from Africa: Causes and policy issues* at 60.

¹⁷¹ Ajayi (n 2) at 60.

compliance and reduced cross border tax compliance.¹⁷² Tax evasion damages the country fiscally. If Zimbabwe's ability to raise finances from taxes decreases, it reduces its ability to raise funds to meet its obligations to its citizens. Therefore, IFFs represent substantial amounts of foregone tax revenue that could be used to structure the economy and finance socioeconomic development.¹⁷³

The analysis of IFFs has shown that IFFs divert scarce resources from the domestic economy, such as minerals, foreign currency, tax revenue, and proceeds from natural resources. They also have a detrimental effect on the redistribution of wealth, undermining economic growth and promoting income inequality. Thirdly, they increase the need for aid as Zimbabwe struggles to finance its socioeconomic obligations.¹⁷⁴

4.4.2. Social.

The social effects of IFFs in Zimbabwe are visible due to widening inequality gaps. IFFs have contributed to widening inequalities within a particular society.¹⁷⁵ The realisation of socioeconomic rights also includes equal access to all essential services. The illegal movement of wealth from lower income to middle and higher-income countries leads to wealth inequalities amongst countries, with the rich benefiting the most. People experiencing poverty stay poor. IFFs restrict the ability of lower income countries to catch up with higher-income countries.¹⁷⁶

Wealth becomes concentrated in the hands of the few, who can enrich themselves from the proceeds of the flows while the general population lives in poverty. The World Bank has reported that poverty rate has increased in Zimbabwe since 2010. They increased from 23% in 2010 to 30% in 2017, further to 38% in 2019, and reached a peak of 49% in 2020 during the COVID-19 pandemic.¹⁷⁷ Similarly, the same scenario occurred in Nigeria.

¹⁷² OECD 'IFFs in the global and South African context' in OECD (eds) *Assessing tax compliance and IFFs in South Africa* (2022) OECD Publishing.

¹⁷³ OECD (n 2)

¹⁷⁴ African Development Bank (ADB) & Global Financial Integrity (GFI) 'IFFs and the problem of net resource transfers in Africa (1980-2009)' *Joint report by ADB & GFI* (2013) at 7.

¹⁷⁵ M Jenkins 'Illicit financial flows and inequality' (2020) *Transparency International Anti-Corruption Helpdesk Answer*, Transparency International at 4.

¹⁷⁶ Jenkins (n 2) at 6.

¹⁷⁷ World Bank 'Reversing the tide: Reversing poverty and boosting resilience in Zimbabwe'

<https://documents1.worldbank.org/curated/en/099925010032212957/pdf/P1767360cd8f1f00c0b0c803c995a669a6c.pdf> accessed 26 May 2024.

Oxfam reported that the richest man in Nigeria earns enough money in a year to lift two million people out of poverty. Inequalities are despite a decade of increasing economic growth in Nigeria, which has continued to increase poverty and further widen the inequality gap.¹⁷⁸

The regressive tax system in Zimbabwe gives tax breaks to potential multinational investors, while the tax burden lies with low income earners.¹⁷⁹ In 2020, the *Mail & Guardian* reported that a Swiss company was accused of tax dodging in Zimbabwe. ZIMRA accused ABB of not paying US\$34 million in taxes.¹⁸⁰ ABB's total tax bill, including the value of taxes avoided and fines, was US\$18.3 billion, more than Zimbabwe receives from international donors for aid in the water and sanitation sector.

Vulnerable groups, women, children, and people with disabilities are also at the receiving end of the effects of IFFs. IFFs weaken the economic system and divert resources meant for public service provision, such as health, which is core to vulnerable groups through providing services such as maternal health, early childhood healthcare, and exceptional healthcare to people with disabilities.¹⁸¹ Vulnerable groups are at high risk of unemployment; at the same time, women are the primary caregivers, and if they receive inadequate social support, it worsens their social situation and pushes them into poverty even further.

4.4.3. Political.

IFFs weaken governments' ability to address urgent developmental challenges, including unemployment, inequality, and poverty, which affect human rights realisation. They are also associated with political corruption.¹⁸² The continuous channeling away of Zimbabwe's resources is subject to be investigated by researchers to explain its underdevelopment and its effects on the political economy.

¹⁷⁸ Oxfam 'Reward work, not wealth' (2018) *Oxfam Briefing Paper Summary*, Oxfam International at 10.

¹⁷⁹ F Adeleke (n 3) at 371.

¹⁸⁰ T Chitagu & W Fitzgibbon 'Swiss company accused of tax dodging in Zimbabwe' *Mail & Guardian* (Harare) 3 September 2020.

¹⁸¹ O Merkle 'The gendered dimensions of illicit financial flow (2019) *Transparency International* at 3.

¹⁸² Nhlapho 'The effectiveness of the current regulatory regime in curbing illicit capital outflows by multinational companies in South Africa' LLM Thesis, University of the Witwatersrand, 2018 at 24.

The 2018 state capture report, headed by Justice Zondo, gave South Africa as an example. It showed how state resources have been looted and channeled away through various means, using state agents and senior public officials.¹⁸³ The looting of state resources plays a crucial role in the country's underdevelopment as the political office bearers become the drivers of IFFs instead of safeguarding the country's economy. In analysing development, we must pay attention to the effects of corruption and IFFs on improving people's livelihoods. During 2011-2013, the Gupta family convinced the South African Revenue Services (SARS) that their yearly income was less than R1 million. However, an independent tax analyst revealed that their declared income could not fund their lifestyle. The Saxon mansion is estimated at over R16 million in value. Due to state capture and SARS being accused of being captured, SARS never did a lifestyle audit for the Guptas.¹⁸⁴

State capture is a form of corruption in which businesses and politicians conspire to influence a country's decision-making process to advance personal interests.¹⁸⁵ It involved weakening laws and neutralising agencies that enforce those laws. The result was that public policy was biased towards specific individuals, corporations, and businesses. What it meant for South Africa's political economy was that a different version of corruption appeared where a few individuals could control the state decision-making process in their favour. Therefore, while others believed the state capture was a new phenomenon, it has been part of the ruling party, government, and influential businesses and individuals for years.¹⁸⁶ Thus, corruption can destabilise governance and the rule of law and threaten national security if it permeates core national institutions and allows corruption and organised crime to occur. It can also weaken trust between citizens and the state by undermining the credibility of public institutions.

4.5. IFFs and SDGs.

IFFs have become detrimental to the achievement of SDGs. SDGs are global goals adopted by the United Nations and member countries in 2015 after failing to meet the

¹⁸³ SD Kamga *Illicit financial flows from South Africa; Decolonial Perspectives on political economy and corruption* (2022) at 3.

¹⁸⁴ S Madonsela 'Critical reflections on state capture in South Africa' (2019) 11 *African Studies* at 119.

¹⁸⁵ N Arun' State capture: Zuma, the Guptas, and the Sale of South Africa' *BBC News* (Johannesburg) 15 July 2019.

¹⁸⁶ S Madonsela (n 2) at 113.

Millennium Development Goals (MDGs) targets. Their main aim is to end poverty, protect the planet, and protect peace and prosperity by 2030.¹⁸⁷ In their implementation, the SDGs consider that development must be balanced and that action in one area affects the outcomes in others. SDG goal 17 aims to partner to create a solid global partnership. Its target number 1 is to "strengthen domestic mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection."¹⁸⁸ IFFs then become an obstacle to achieving the SDGs by preventing developing countries like Zimbabwe from mobilising public resources through tax and revenue collection. These public resources are needed to meet the socioeconomic needs of its citizens.

Goal 16 aims to promote peace, justice, and strong institutions. By 2030, goal 4 aims to reduce IFFs significantly and arm flows, strengthen the recovery of stolen assets, and combat all forms of organised crime.¹⁸⁹ IFFs constitute the transfer of funds from developing countries, funds obtained through crime, corruption, and disregard of domestic laws. IFFs worsen inequalities amongst countries as the recipient countries tend to benefit at the expense of the government of the source of funds. As developing countries lose money meant for public resources through IFFs, they impair the ability of the state to invest in its socioeconomic obligations that are vital to sustainable development and crucial in fulfilling its human rights.¹⁹⁰

4.6. Conclusion.

IFFs significantly impact socioeconomic development, affecting economic growth and revenue collection. The Zimbabwean government loses more through IFFs, and the money lost could have been used to finance socio-economic development.

¹⁸⁷ United Nations Development Programme (UNDP) <https://www.undp.org/sustainable-development-goals> accessed 03 June 2024.

¹⁸⁸ UNDP <https://www.undp.org/sustainable-development-goals/partnerships-for-the-goals> accessed 03 June 2024.

¹⁸⁹ UNDP <https://www.undp.org/sustainable-development-goals/peace-justice-and-strong-institutions> accessed 03 June 2024.

¹⁹⁰ B Muchhala 'The right to development and IFRealising the SDGs and financing for development' (2018) *Human Rights Council: Working group on the right to development 19th session*, Geneva at 13.

IFFs affect realisation of human rights in Zimbabwe as the state loses funds to finance its socio-economic obligations. Socioeconomic rights in Zimbabwe are fundamental rights in the constitution. Failure to realise them violates citizens' rights on the part of the state.

CHAPTER 5

CURBING IFFS IN ZIMBABWE.

5.1. Introduction.

Illicit financial flows (IFFs) have been discussed and found to cause significant damage to the economy and affect the realisation of human rights in Zimbabwe. To curb the effects of IFFs, there is a need to curb and fight IFFs in Zimbabwe. This chapter will discuss how Zimbabwe can fight IFFs, restore economic growth, and, in turn, realise its human rights. The chapter will also discuss measures Zimbabwe has taken so far to fight IFFs and propose improvements to those measures. The chapter will explore investing in digital technologies to combat IFFs as most financial crimes occur and flow in the digital space and how Zimbabwe can effectively use digital technologies to fight IFFs. The chapter will conclude by summarising how the discussed efforts will assist Zimbabwe in the fight against IFFs.

5.2. Curbing IFFs.

Curbing IFFs assists developing countries in mobilising capital to finance their developmental needs. Reducing IFFs allows the government to add more fiscal space to invest in socioeconomic programs that alleviate poverty, promote infrastructural development, and realise human rights.¹⁹¹ Curbing IFFs gives the state the power to finance national priorities such as health, which is crucial for socioeconomic development.

5.2.1. Develop strategies and measures for curbing IFFs.

In the fight against IFFs, Zimbabwe must develop measures domestically and internationally to curb the continuous flow of IFFs. Despite their illegal and secrecy nature, counter efforts must be made to address them and fight their effects on the economy and the realisation of human rights. Tackling IFFs is crucial to protecting public funds from being reduced or misappropriated.¹⁹² Scholars propose measures to strengthen public institutions, improve transparency, enhance tax compliance, strictly monitor cross border

¹⁹¹ United Nations Conference on Trade & Development (UNCTAD) 'Curbing IFFs to finance sustainable development in Africa' *Economic Development in Africa Report Policy Brief No 82* (2020) at 1.

¹⁹² A Fontana 'IFFs and measures to counter them: An Introduction' (2019) *Anti-corruption resource centre U4 Brief* at 1.

transactions, promote awareness, and collaborate with regional and international bodies to fight IFFs.

5.2.2.1. Strengthening public institutions.

Improvement of legal and institutional frameworks related to public finance management and natural resource governance is vital in the fight against IFFs. For Zimbabwe to effectively curb IFFs, its institutional frameworks must be characterised by proper governance and accountability.¹⁹³ Zimbabwe has many resources from the natural environment, especially the extractive industry and other natural resources, including wildlife management. Adequate management of institutions that monitor revenue from these sectors will be crucial for Zimbabwe to recover from IFFs.¹⁹⁴

To curb IFFs, Zimbabwe must set up commissions of inquiry to investigate corruption in primary industries. A prominent example is the mining sector. In 2016, former President Robert Mugabe announced in a press statement that \$15 billion had gone missing from the proceeds of diamond mining from various mining companies in the Manicaland province since the onset of the mining activities in 2008.¹⁹⁵ He publicly admitted to the funds being looted and raised concern about the rampant growth of IFFs in the mining sector. The Commission of Inquiry would hold public officials and multinational companies responsible for the mining industry and multinational companies mining in the province accountable for the resources allegedly lost and the diamond revenue mined in the province. Commissions must cater for different inquiries to hold public officials and the perpetrators of IFFs accountable in other sectors.¹⁹⁶

Zimbabwe can also strengthen its public institutions to improve accountability by reforming its legal and institutional framework, forcing its public officials to be accountable, and preventing leakages from the revenue system. The Minerals Marketing Corporation of Zimbabwe (MMCZ) and the Fidelity Printers and Refiners (RPF) are public

¹⁹³ Zimbabwe Coalition on Debt & Development (ZIMCODD) 'Statement on the looted \$15 billion in the diamond sector' *ZIMCODD* (Harare) 2020 at 3.

¹⁹⁴ ZIMCODD (n 2) at 3.

¹⁹⁵ ZIMCODD (n 3) at 1.

¹⁹⁶ Global Witness <https://www.globalwitness.org/en/press-releases/zimbabwes-vast-diamond-riches-exploited-secretive-political-and-military-elites-report-shows/> accessed 10 November 2024.

institutions that export all minerals.¹⁹⁷ Zimbabwe must hold them accountable for all the proceeds from the sale of mineral resources and revenue generated from the mining sector.

Legal and institutional reforms also include approving, among other things, the Mines and Minerals Bill proposed in 2023 but not approved to date in 2024.¹⁹⁸ Once approved, the bill promises to open the mining sector to small scale farmers who could not meet the requirements of mining licenses in the old Act. This decentralises the mining market from large corporations to small scale miners who, if formalised, can contribute to the economy's growth.¹⁹⁹ It aims to close leakages through IFFs, as the market will be open to every miner at competitive prices, and the mining industry will be monitored more closely.

5.2.2.2. Improve transparency.

Transparency is a way of conducting transactions and activities honestly without secrets. The definition of transparency reveals three metaphors: first, it is a normative value used by society in the fight against corruption; second, there is openness in decision making; and lastly, it is a method of good governance.²⁰⁰ Transparency can curb IFFs if Zimbabwe adopts more effective detective methods for detection, improves its enforcement mechanisms, and restores public trust in the management of its public institutions.

Transparency includes revealing company ownership, and the owners of companies and other legal entities can be a way to fight IFFs. Transparency assists in tracking down when suspicious transactions are detected. 40% of all suspicious transactions pass through corporate shells associated with no economic activity, and the use of companies and trusts are the major international drivers of IFFs.²⁰¹ Strengthening ownership transparency is beneficial in the fight against IFFs in identifying the perpetrators.

¹⁹⁷ International Trade Administration (ITA) <https://www.trade.gov/country-commercial-guides/zimbabwe-mining-and-minerals> accessed 21 June 2024.

¹⁹⁸ International Trade Administration (ITA) (n 2) at 1.

¹⁹⁹ S Musonza & B Matambo 'Zimbabwe Mines and Minerals Amendment Bill: What is the status?' (2021) *Zimbabwe Environmental Law Association* at 1.

²⁰⁰ C Ball 'What is transparency' (2009) *Public Integrity* 11(4) at 1.

²⁰¹ IMF '2023 review of the fund's anti-money laundering and combating the financing of terrorism strategy – background papers' (2023) *IMF Policy Paper* at 18.

Zimbabwe is a member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), a regional group that aims to curb money laundering and other forms of IFFs.²⁰² The body has several recommendations, which include strengthening ownership transparency, which is vital in the fight against IFFs.

Fiscal transparency, which involves the public disclosure of financial information, is another method Zimbabwe can use to fight IFFs.²⁰³ These activities involve private sector payments to the government. This is more applicable in the extractive sector, where companies submit remittances from the sales proceeds to the government. Publishing the payments allows the public to scrutinise them, follow trends, and identify discrepancies and the possibilities of IFFs.

Publishing multinationals' financial reports, including tax reports, country-by-country is another form of transparency used in the fight against IFFs. These reports include government payments, tax payments, declarations of revenue and profits, and other financial transactions.²⁰⁴

5.2.2.3. Enhance tax compliance.

Improving Zimbabwe's tax administration systems, including tax compliance and enforcement, may help in the fight against IFFs.²⁰⁵ Effective tax administration systems play a crucial role in preventing and detecting IFFs due to their extensive ability to access information from taxpayers and their agents. In Zimbabwe and other developing countries, tax administration systems have low capacity levels for managing an effective tax administration system, which is also exacerbated by high corruption, tax evasion, and tax avoidance.²⁰⁶

Tax administrations in most developing countries, including Zimbabwe, face resource and capacity constraints. To run an efficient tax administration system that collects taxes from

²⁰² ESAAMLG <https://www.esaamlg.org/index.php/about> accessed 28 June 2024.

²⁰³ A Fontana & M Hearson 'Illicit Financial flows and measures to counter them: An Introduction' (2012) *U4Brief Anti-corruption Resource Centre* at 3.

²⁰⁴ A Fontana & M Hearson (n 2) at 4.

²⁰⁵ IMF <https://www.imf.org/en/About/Factsheets/Sheets/2023/Fight-against-illicit-financial-flows> accessed 29 June 2024.

²⁰⁶ MG Chamisa 'Curbing IFFs and trade mispricing in Zimbabwe: The role of Legislature, Judiciary and Tax administration' (2019) 2 *African Tax & Customs Review* at 33.

millions of companies and citizens, the administration, which includes record keeping, a well-trained labour force, and adequate infrastructure, requires a well-resourced tax administration system. Zimbabwe needs a well-resourced tax administration system to deal effectively with tax related IFFs and administer the country's tax systems.

5.2.2.4. Strict monitoring of cross border transactions.

Most IFFs pass international borders. Tightening border controls can control the flow of IFFs across borders. The smuggling of minerals, money, human trafficking, and other goods has been rampant along the borders and ports of entry.²⁰⁷ Monitoring is done by empowering law enforcement agencies, border control officials, customs officials, and other security officers with resources to detect, control, and support transparency in the movement across borders. This includes using specialised personnel from ZIMRA and the Zimbabwe Anti-Corruption Commission (ZACC).²⁰⁸

5.2.2.5. Collaboration with regional and international partners.

IFFs are not country-specific problems; they involve illegally transferring money across borders. In the fight against IFFs, Zimbabwe may collaborate with regional and international bodies to devise measures to counter the rapid flow of IFFs.

Aspiration number one of the African Union's Agenda 2063 is to create a prosperous Africa based on inclusive growth and sustainable development.²⁰⁹ Central to this aspiration is the self-financing of Africa's development and the will to eliminate IFFs. Thus, against this backdrop, the Department of Economic Development, Trade, Tourism and Minerals (ETTMM) of the African Union (AU) has called for collaborative efforts to fight IFFs effectively. These efforts may be made through partnerships with the African Tax Administration Forum (ATAF), Tax Justice Network Africa (TJNA), UN Trade and Development (UNCTAD), and collaboration with the UN Office of the Special Advisor to

²⁰⁷ Economic Governance Watch 'Illicit financial flows emptying Zimbabwe of its wealth' (2022) *Economic Governance Watch* 10/2022 at 4.

²⁰⁸ Economic Governance Watch (n 2) at 5.

²⁰⁹ African Union (AU) 'Commissioner Muchanga calls for action on IFFs' <https://au.int/en/agenda2063/goals> accessed 04 July 2024.

Africa to create policy efforts, that aim to align tax policies, expand tax bases, and strengthen tax administration.²¹⁰

5.3. Curbing IFFs in Zimbabwe using digital technology.

The relationship between IFFs and the use of digital technology is a new area worth exploring. Estimates are that increased digital literacy and access to better communication technologies can assist law enforcement agencies in detecting, tracing, and dealing with IFFs.²¹¹ A digital platform is where buyers and sellers meet electronically to conduct transactions. It also involves transferring money, locally and internationally, through electronic means.²¹²

The nature of IFFs is such that they rely on communication networks. The growth of digital networks has become a new form of illegally transferring money from one country to another and from one area to another. Actors in IFFs are taking advantage of society's growing use of the Internet and information networks, the borderless nature of money transfers, and the growth of the digital economy to facilitate IFFs.²¹³ Digital technologies have become the new enablers of illegal activities and facilitate illegally transferring money. Zimbabwe can use the reverse effect and, in turn, use digital technology to fight and curb IFFs.

The emergence of new digital tools for money transfers, such as online and mobile banking, international electronic payments, cryptocurrencies, e-commerce service providers, and new ways of doing business online, is replacing physical cash exchange transactions, the traditional methods of carrying out illegal transactions. Actors in IFFs have developed with technological developments and created fake e-commerce companies and offshore online businesses where the transfers occur online.²¹⁴ Digital technologies help curb IFFs by detecting and preventing digital crimes. The detections

²¹⁰ African Union (AU) (n 2) accessed 04 July 2024.

²¹¹ NR Padalka 'Unveiling the digital shadows: Exploring the role of technology in IFFs' (2023) *Measuring money in the digital age: 11th IMF statistical forum* (IMF) at 2.

²¹² N Ngunjiri 'Digital taxation in tackling IFFs in developing countries' (2022) 01 *African tax and customs review* at 1.

²¹³ T Tropina 'Do digital Technologies facilitate IFFs?' (2016) *World Development Report 2016* Max Planck Institute of foreign and international criminal law at 2.

²¹⁴ Tropina (n 2) at 1.

can be done by monitoring suspicious transfers, tracing illegal transfers, and identifying illicit sources.²¹⁵

In tackling IFFs and other financial crimes, we must consider that modern financial crimes are evolving. Zimbabwe must be able to detect crimes committed in the digital space using advanced technology.²¹⁶ Using technology regulated by a state institution to enhance regulatory risk can help fight against IFFs committed in the digital space. Advanced technology can also detect suspicious transactions and fraudulent activities.²¹⁷

When state institutions adopt digital technologies to combat IFFs, they can also combat tax evasion by establishing and introducing e-government systems in crucial areas such as tax administration and customs.²¹⁸ Digital technologies facilitate due diligence in the fight against tax evasion and avoidance, invoicing, and under-pricing of exports, which results in the loss of tax revenue. Improved management of e-government systems leads to effective tax administration systems.

5.4. Zimbabwe made strides to curb IFFs.

Though IFFs have damaged the Zimbabwean economy and affected its ability to realise its human rights, Zimbabwe has made strides to fight IFFs, with more still needing to be done. The effort to curb IFFs is crucial in that it enables the closure of leakages of finances meant for economic development through theft, corruption, and other forms of IFFs.

In its 2024 National Budget, Zimbabwe introduces new tax measures that will improve revenue collection and assist in fighting off IFFs. The measures include expanding the Pay-as-you-earn (PAYE) threshold, increasing the tax-free bonus threshold, and introducing a capital gains tax on the disposal of mining interests.²¹⁹

Expanding the PAYE threshold was expected to increase disposable income and revenue income. In turn, higher income brackets cause more taxpayers to fall into lower income

²¹⁵ Tropina (n 2) at 3.

²¹⁶ M Ferreira 'Finding the missing pieces of the puzzle: using regtechs to combat IFFs'

<https://cenfri.org/articles/finding-the-missing-pieces-of-the-puzzle-using-regtech-to-combat-illicit-financial-flows/> 3 July 2020 at 1.

²¹⁷ Ferreira (n 2) at 1.

²¹⁸ Tropina (n 2) at 3.

²¹⁹ DM Dzenga <https://www.linkedin.com/pulse/tracing-hidden-streams-deep-dive-illicit-financial-flows-dzenga-p3tpf> accessed 23 June 2024.

groups, reducing their tax burden, alleviating poverty and cushioning them from the effects of IFFs.²²⁰

Table 1: Proposed income tax table

TAX BAND ZWLS	Tax Rate (%)
0 to 9,000,000	0
9,000,000 - 27,000,000	20
27,000,000- 90,000,000	25
90,000,000-180,000,000	30
180,000,000-270,000,000	35
Above 270,000,000	40

Source: The 2024 Zimbabwe National Budget Statement.²²¹

The benefit of introducing a capital gains tax on the disposal of mining interests by Zimbabwe is that it underscores the government's efforts to recoup benefits from mining activities. This is achieved by collecting mining royalties to improve revenue collection. This tax, which applies to entities with an international element, aims to ensure that a fair share of the profits from high value mining assets benefit the economy.²²² It has the effect of increasing regulatory obligations in the mining sector.

In other efforts to curb IFFs, the RBZ once threatened to name and shame companies and high profile individuals accused of manipulating the exchange rate and violating exchange control rules to their benefit.²²³ These activities fuel the parallel market exchange rate so that they can buy foreign currency from the central bank and sell it to the parallel market at a higher price. These activities destabilise the country's financial systems, and they borrow large amounts of money from the banks to facilitate their illegal process to the detriment of other consumers. The move by the central bank to name and

²²⁰ Y Jordaan & N Schoeman 'The benefit of aligning South Africa's income tax thresholds and brackets with its peers using a microsimulation tax model' (2018) 21(1) *South African Journal of Economic and Management Sciences* at 1.

²²¹ The Republic of Zimbabwe 'Consolidating Economic Transformation' *The 2024 National Budget* Harare 30 November 2023 at 201.

²²² WTS Global 'Zimbabwe: Intensifying Domestic Resource Mobilisation' *WTS Africa Quarterly Newsletter* 01 April 2024 at 12.

²²³ L Marufu 'RBZ threatens industry' *Business Times* Harare 12 May 2022 at 1.

shame is a noble move, but to effectively curb this form of money laundering is to effect criminal charges on the offenders.

In 2017, President Emmerson Mnangagwa gave businesses and individuals who had looted money out of the country an amnesty period to return it without criminalisation. A list of those suspected of having illegally transferred money abroad was published. However, after the three-month amnesty period, the President announced that an estimated \$826 million of the estimated \$1.42 billion stashed outside the country was still not returned.²²⁴ The list of companies with offshore assets included Progene Seeds, which produces corn and bean seeds and provides cattle semen to farmers. The company allegedly sent over \$10,000 outside the country for goods never received. According to the president, they were publicising the names aimed at causing individuals and entities to respond and return the money without prosecution.²²⁵

In its efforts to curb IFFs, Zimbabwe has also enacted regulations to fight and curb different forms of IFFs. These include the Money Laundering and Proceeds of Crime Act [Chapter 9:24] 4 of 2013, the Prevention of Corruption Act [Chapter 9:16] 27 of 2004, and the Bank Use Promotion and Suppression of Money Laundering Act [24:24] 2 of 2004.²²⁶

The Money Laundering and Proceeds of Crime Act 4 of 2013 aimed to reinforce the criminalisation of money laundering and the financing of terrorist offences, including identifying and freezing their assets.²²⁷ The Act requires every financial institution to identify its customers with an identification document when transacting with them. It further obliges the bank to request customer identification when conducting cross border transactions and setting up banking relationships. Lastly, it provides for the use of information technology to curb money laundering and fraud.²²⁸

²²⁴ W Fitzgibbon 'Zimbabwe's list of alleged offshore offenders includes Panama Papers shell companies' *ICIJ* 26 March 2018 at 1.

²²⁵ Fitzgibbon (n 2) at 1.

²²⁶ Chitimira & M Ncube 'Towards Ingenious Technology and the Robust Enforcement of Financial Markets Laws to curb Money Laundering in Zimbabwe' (2021) *Online ISSN* at 11.

²²⁷ Chitimira & M Ncube (n 2) at 14.

²²⁸ Chitimira & M Ncube (n 3) at 14.

5.5. Conclusion.

This chapter discussed Zimbabwe's measures to fight IFFs so far and proposed improvements to those measures. It also introduced investing in digital technologies to fight IFFs, as most financial crimes occur and flow in the digital space, and how Zimbabwe can effectively use digital technologies to fight IFFs.

To curb the occurrence of IFFs in Zimbabwe, the chapter found that the following methods can help fight against IFFs. Firstly, Zimbabwe must implement effective legislation to curb different IFFs like money laundering and corruption. Secondly, Zimbabwe must develop strategies to enhance transparency and accountability in the financial services and extractive industries to increase revenue and realise human rights. Thirdly, Zimbabwe must strengthen crucial institutions like the ZRP, ZIMRA, and the Judiciary, which are vital in the fight against IFFs. Fourthly, Zimbabwe must cooperate with other states and international organisations to exchange information, trace illegally transferred funds and recover them. Lastly, Zimbabwe must equip its digital technologies to help curb IFFs, as most financial flows occur in the digital space.

The next chapter summarizes the findings, conclusion, recommendations, and possible areas of further research.

CHAPTER 6

SUMMARY OF FINDINGS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the summary, findings, and recommendations for the study and further study.

6.2 Summary of Findings

The study aimed to establish the effects of IFFs on the realisation of human rights in Zimbabwe. Results showed that there is an inconclusive definition of IFFs. However, the working definition of IFFs is that they are sums of money illegally earned, transferred, and used. The significant drivers of IFFs in Zimbabwe are corruption, tax evasion and avoidance, trade mis invoicing, smuggling, and money laundering.

The study also revealed that IFFs continue to hurt Zimbabwe's economic growth and development. It found that IFFs significantly impact Zimbabwe's ability to fund public services and realise socio-economic rights as they deprive Zimbabwe of the ability to raise sufficient funds to meet those obligations.

The study further establishes that IFF activities in Zimbabwe are attributable to the failure to realise human rights issues. The increase in IFFs has failed to realise human rights, as seen by increased poverty levels, inequality, and unemployment, which deny citizens an adequate standard of living. Thus, the loss of revenue through IFFs has limited Zimbabwe's ability to finance its socioeconomic obligations, thereby violating human rights.

6.3. Recommendations

Based on the study's analyses and findings, the study recommends the following: There should be a clear, legal, and acceptable definition of what constitutes IFFs in Zimbabwe. All forms of IFFs identified must be classified as criminal acts under the Criminal Procedure and Evidence Act Chapter 9.07.

Zimbabwe needs to enforce the Money Laundering and Proceeds of Crime Act [Chapter 9:24] 4 of 2013, the Prevention of Corruption Act [Chapter 9:16] 27 of 2004, and the Bank Use Promotion and Suppression of Money Laundering Act [24:24] 2 of 2004, and adopt

the working in line with the Criminal Procedure and Evidence Act to criminalise all forms of IFFs, ranging from money laundering, illegal transfers of money in the financial sector, corruption and smuggling.

IFFs have far-reaching implications for Zimbabwe. Addressing them means adopting austerity measures, like strengthening institutions and providing the necessary resources to personnel in the fight against IFFs. It also includes engaging at a global level through regional and international cooperation.

Zimbabwe must take necessary measures to curb the significant drivers of the IFF surge. This will help boost economic growth and development and, hence, the realisation of human rights issues in Zimbabwe. Zimbabwe must take measures to curb the flow of IFFs. They influence its revenue, which is meant to finance its socioeconomic obligations to realise her human rights.

6.5 Further studies

The study recommends that for Zimbabwe to realise her human rights, further research is needed to understand the scope and magnitude of IFFs. In line with this, the following additional study may be appropriate to look at:

From the gender dimensions, there is a need to investigate how illicit financial flows disproportionately affect women and girls in Zimbabwe and their access to human rights.

A sector specific analysis is needed to examine the impact of IFFs on sectors such as mining, agriculture, and manufacturing and their linkages to human rights violations.

IFFs are a cross border issue, so a further study focusing on regional comparisons to compare the effects of IFFs on human rights in Zimbabwe with those of other Southern African countries could be more appropriate.

Further study could also be needed to analyse the effectiveness of existing policies and legislation in Zimbabwe to curb IFFs and promote human rights.

Further study could be carried out on technology to assess its use in facilitating or combating IFFs and its implications for human rights in Zimbabwe.

These further study areas offer potential avenues for deeper exploration and analysis of the complex relationships between IFFs and human rights in Zimbabwe.

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