The Tax Justice and Gender Responsive Public Services Summit communique

September 2021

Introduction

ActionAid Zimbabwe along with civil society actors, researchers, legislators, and representatives from relevant government ministries held a three-day online/virtual Tax Justice and Gender Responsive Public Services (GRPS) Summit from the 30th of August to the 1st of September 2021. Primarily, the summit grappled with the current state of public service provision in the health, education, and water sectors. It sought to dissect the challenges and opportunities along the whole value chain of service delivery. This entailed more public scrutiny on how pro-poor government's policies are concerning how public revenue is mobilised, allocated, disbursed, spent, and accounted for as required by the Constitution of Zimbabwe, Section 298, principle of public financial management. Music, poems, and drama were among the tools that were used to stimulate reflection on the state of public service delivery and how women are disproportionately affected.

Background

The Tax Justice and GRPS was anchored on four main Domestic Resource Mobilisation (DRM) topical issues namely, a rights based approach to tax justice rooted in the Constitutional rights awareness; the unnecessary surrender of government's right to tax corporates through overly generous tax incentives; limited tax transparency ballooning corruption, tax avoidance and tax evasion risks by large scale businesses, wealthy and politically well-connected individuals; and the insidious impact of global taxation architecture that fuels the culture of impunity, the syphoning of resource from Africa mainly by Multi-National Corporations (MNCs).

Prior to COVID-19, the country was experiencing deep seated public service delivery challenges and the pandemic has further added weight to the problem leading to worsening poverty and widening inequality gap. According to World Bank's economic and social update report, June 2021, limited social safety nets amid budget surpluses are forcing the poor to resort to negative coping strategies. The report noted that "poor households are likely to forgo formal health care as they are unable to pay for services, and to keep children out school to avoid education costs, such as for school fees, uniforms and textbooks."

- **The 2021 Tax Justice and GRPS Summit proffers the following recommendations:** The national purse must be nourished to widen opportunities for massive investment in the provision of public services – health, education, and water, for instance. Evidence at hand shows that the current budget allocation for education is insufficient to make significant impact on improving education quality, access, equity, and infrastructure. **To grow the size of the national budget, government must stop giving overly generous tax incentives**. Concern was raised that US$101.55 million was lost alone from one platinum mining company between 2004-2014 because of a 25-year stabilisation agreement on platinum royalty rate pegged at 2.5%. Therefore, **in line with Section 299 of the Constitution, Parliament oversight of all State**

revenue and expenditures must be enhanced through review and approval of tax expenditures as part of the national budget processes. Cost benefit analysis of tax incentives is required to avoid windfall profits for corporates at the expense of much needed government revenue to finance development in line with Treasury's commitment in the 2019 National Budget Statement. **Platinum mining companies, for instance, are currently harvesting bumper revenues because of buoyant commodity prices while royalty rates charged by government remain very low, at 2.5%**. Notably the Treasury negated its commitment to review platinum royalty rates by August 2019 as per the commitment made in the 2019 National Budget Statement.

- Government must **target sustainable finance for health instead of relying on Aid**, an unpredictable source of finance. A red flag was raised on this because from 2016 to 2019 budget revenue contribution to health sector financing has fallen from 44% to 26% respectively. While 72% was donor funding. Government, therefore, must meet its international obligations such as **the Abuja declaration** that calls for 15% allocation of the national budget towards health services and **the Dakar target of 20%** financing for education. However, this must be bolstered by strong measures to raise government revenue.
- **Prioritisation of public expenditure is required**. The Constitutional principle of public revenue compels the State to deploy equitable deploy its resources for the benefit of marginalised groups and areas. For instance, concern was raised It that the **Intermediated Money Transfer Tax (IMTT) that was introduced to bolster investment in the provision of basic services was now dominated by infrastructure development projects like roads** crowding out investment in health, education, and water.
- Parliament and civic society actors must **redouble effort on budget tracking to hold more accountable the Treasury and ministries in charge of service delivery on huge unspent funds related to capital budgets**. Challenges like late disbursement and procurement bottlenecks can be identified in time with efficient budget tracking system to detect the problem before year end.
- **Civil society actors must work together to ensure that tax justice and GRPS issues are robustly raised during public hearings on the upcoming 2021 national budget making process**. In addition to oral submissions from citizens, community-based organisations and civil society organisations through social media, emails and letters carrying tax justice and GRPS must be utilised targeting both Parliament and the Treasury.
- Civil society actors must strengthen solidarity at national, regional, continental, and global levels to call for UN leadership of the global tax reforms for fair and equitable participation of all nations instead of letting exclusive clubs of rich nations, OECD, G7 and G20 to take leadership. **The proposed global tax reforms that fall short of giving the African countries full rights to collect fair taxes from wealth generated on the continent must not be accepted**.