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WHY BENEFICIAL OWNERSHIP AND CORPORATE ACCOUNTABILITY MATTERS ON THE ISSUE OF TAX INCENTIVES

BACKGROUND

This paper presents the perspectives of Transparency International Zimbabwe (TI Z) on the topic of beneficial ownership and corporate accountability. It will identify and categorise reasons why stakeholders in Zimbabwe should be concerned about issues of beneficial ownership (hereafter, BO) and corporate accountability (hereafter, CA) where tax incentives (or tax breaks) for investors are concerned.

To answer the question why BO and CA matters, it is necessary to critically discuss the political, economic, and social impacts experienced when corporates enjoy disproportionately higher levels of bargaining power in their dealings with the state on the issue of tax incentives. Over and above the case of Zimbabwe, it is also possible to illustrate the impacts with reference to similar issues in other Sub Saharan African (SSA) countries. This is justifiable when one considers that African governments generally deal with the *same* actors and practices in terms of transnational capital. Indeed, the issue of tax incentives given by Zimbabwe to its investors has an important area of intersection with BO, and CA, where citizens are able to ascertain *how much* revenue is forgone in the process of attracting investors, who this forgone revenue is given to, and *why*.

UNDERSTANDING BENEFICIAL OWNERSHIP AND CORPORATE ACCOUNTABILITY

"A beneficial owner is the *real person* who ultimately owns, controls or benefits from a company or trust fund and the income it generates." (Transparency International, 2014). In the context of this discussion, the main concern with BO for anti-corruption stakeholders is the process by which complex and opaque corporate structures are set up across different jurisdictions, to hide the beneficial owners of an asset, that is those that earn income from it (Transparency International, 2014). For clarity, BO must be contrasted to situations where company owners or trustees are merely registered as legal owners without enjoying the income generated, called nominees (Transparency International, 2014).

CA on the other hand refers to a company's performance in *non-financial areas* (e.g., social responsibility and sustainability) to include its responsibilities to a wide stakeholder group beyond its shareholders, such as employees and community members. (Chen, 2020; Investopedia 2022). The concept of CA is the result of a historical evolution in the rules to control corporate power at domestic and multilateral levels over 400 years, as well as the efforts of the global movement to resist globalization in the 1990s (Bendell, 2004).

Proponents of CA treat it as an *advancement* on corporate social responsibility (CSR), because the former implies *force of obligation* (i.e., through regulation), as opposed to responsibility in the latter, which has voluntary connotations (Friends of the Earth, in EJOLT, 2022). Hence an alternative definition of CA puts it as, "the ability of those affected by a corporation to hold corporations to account for their operations. This concept demands fundamental changes to the legal framework in which companies operate." (Friends of the Earth, on EJOLT, 2022). Indeed, the two concepts of BO and CA are distinct in their meaning. However, in the discussion on tax incentives and BO they must be viewed as mutually reinforcing because disclosure of BO is one way in which a company can demonstrate accountability to a range of stakeholders beyond its shareholders.

UNDERSTANDING TAX INCENTIVES

The Southern Africa Development Community (SADC) MOU on Taxation (2002) defines "tax incentives" as "fiscal measures that are used to attract local or foreign investment capital to certain economic activities or particular areas in a country... This definition excludes general tax incentives that apply to all investments" (Nathan-MSI Group, 2004). Furthermore, they are seen as conferring an advantage on the beneficiary while at the same time imposing a cost on the government (ZIMRA, 2022). The fundamental premise for applying tax incentives is that (1) additional investment is needed to foster more rapid economic growth, and (2) tax breaks can be effective in stimulating investment (Nathan-MSI Group, 2004).

Arguments in favour of tax incentive are there, with examples of countries that have successfully employed them including case studies of Malaysia, Ireland, Costa Rica and Mauritius (Nathan-MSI Group, 2004). Briefly, these arguments include but are not limited to the enhancement of returns on investment, ease of targeting and fine tuning, utility in responding to tax competition from other jurisdictions and enhancing revenue by stimulating investments that generate other taxable income e.g., through employment and linkage effects (Nathan-MSI Group, 2004). At the same time, there are also arguments *against* them which are less understood (Nathan-MSI Group, 2004), with some examples given in greater detail below.

More important is to note the caveats where effectiveness of tax incentives is concerned. For instance, it is noted that tax incentives *can* have a negative impact on growth if they reduce productivity or cause fiscal problems that worsen other elements of the investment climate (Nathan-MSI Group, 2004).

The concept of corporate accountability implies force of obligation, as opposed to CSR which has voluntary connotations.

Furthermore, other non-tax factors are *equally* important in attracting investors to a country, even where the experiences of these success stories are considered. Examples of these non-tax factors include "a commitment to economic and political stability, a well-educated labour force, reasonably efficient infrastructure, effective rule of law and respect for property rights" (Nathan-MSI, 2004). More concerning however is also the observation that there is *no empirical evidence* proving that tax incentives attract meaningful mining investment in developing countries (Chikova, 2021), meaning that 'the jury is still out' on their efficacy.

Zimbabwe currently offers a range of corporate tax credits and incentives in a number of investment areas, such as all taxpayers in build, own, operate, and transfer (BOOT) or build, operate, and transfer (BOT) arrangements; exporting taxpayers; all manufacturing taxpayers exporting (by volume); mining companies holding a special mining lease; operators of tourist facilities in a tourist development zone, and industrial park developers to name a few (PWC, 2021; ZIMRA, 2022). These incentives are quite specific, and it is important to note that they are rated differently depending on the category of investor, and only apply when *specific conditions* are met in order to utilise them (PWC, 2021). The institutional framework for administering these incentives includes the Zimbabwe Revenue Authority - ZIMRA (administering the tax incentives); whilst the Ministry of Industry and International Trade (Sic), the Industrial Development Corporation (IDC Zimbabwe) and the Zimbabwe Investment Authority (ZIA) administer the non-tax ones (ZIMRA, 2022).

POLITICAL IMPACTS: CUTTING A DEAL WITH GOLIATH

As regards political impacts, it is important to understand *'who'* we are dealing with on questions of BO and CA. Political power has been redistributed among states, markets, and civil society, ending the traditional concentration of power in states (Mathews in Kegley and Raymond, 2010). Therefore the term 'world society' is considered more accurate to describe today, what was previously described as *international relations* (IR) (Burton in Viotti and Kauppi, 2012). Due to the multiplicity of actors on the global stage this world society now justifiably includes non-state actors in global politics, such as Multinational Corporations (MNCs), also called Transnational Corporations (TNCs) or Multinational Enterprises and even Transnational Banks (TNBs).

In line with the topic, one of the criticisms made of MNCs is that that they make it difficult for states to trace or identify them for control purposes by using a system of joint production and strategic corporate alliances within the same group of companies across borders. In this regard they should be called 'globally integrated companies' rather than MNCs (Palmisano in Kegley and Raymond, 2010). TNBs on the other hand are seen as advancing the Global North's interests at the expense of the South by transferring capital from the former to the latter's economies. "Like MNCs, TNBs spread the rewards of globalisation unequally, increasing wealth for a select group of countries and marginalising the others," (Kegley and Raymond, 2010).

In addition, the financial strength of MNCs and TNBs rivals or even surpasses most countries annual budgets which is a potential threat to state

Over and above tax-based measures, a range of non-tax factors are just as important in attaining the goal of attracting investors to a country.

sovereignty as illustrated by Figure 1 below. For example, in 2009, Exxon Mobil's revenues were US$372.8 Bn, whilst Turkey's GNI was $593 Bn (Kegley and Raymond, 2010). To contextualise this to our situation, albeit with a different metric (GNI PPP) for expediency, in the same year South Africa, Mozambique and Zimbabwe's GNI was US$563 Bn, 20.45 Bn and US$16.69 Bn respectively (the World Bank 2009 World Development Report, on www.datacommons.org, 2022).

FIGURE 1: COUNTRIES AND CORPORATES: A RANKING BY SIZE OF ECONOMY AND REVENUES

RANK	COUNTRY/ CORPORATION	GNI/REVENUE (BILLIONS OF DOLLARS)
1	United States	13,886.4
2	Japan	4,828.9
3	Germany	3,207.3
4	China	3,126.0
5	United Kingdom	2,464.3
6	France	2,466.6
7	Italy	1,988.2
8	Spain	1,314.5
9	Canada	1,307.5
10	Brazil	1,122.1
11	India	1,071.0
12	Russia	1,069.8
13	Mexico	989.5
14	South Korea	955.8
15	Australia	751.5
16	Netherlands	747.8
17	Turkey	593.0
18	Switzerland	459.2
19	Sweden	437.9
20	Beligium	436.9
21	WAL-MART STORES	378.8
22	Poland	375.3
23	Saudi Arabia	373.7
24	EXXON MOBIL	372.8
25	Indonesia	372.6
26	Norway	364.3

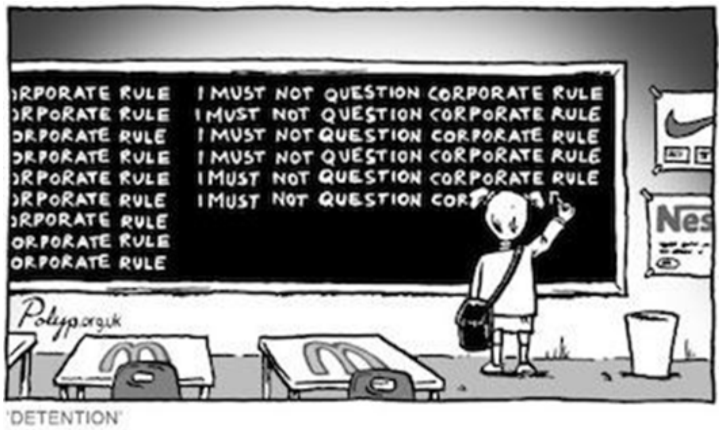
(Source: Kegley, Shannon and Blanton, 2011 p. 178)

The proverbial 'elephant in the room' where MNCs and TNBs are concerned is the World Trade Organisation (WTO) which expanded its reach into areas previously dealt with within states (Narlikar 2005). This is all in line with the liberalisation agenda that underpins the process of unfettered economic globalisation. The WTO's enhanced dispute resolution powers made resolutions binding on the domestic laws of participating states, in addition to controlling the domestic regulations applied by signatory countries to foreign investors. At the same time, MNCs stimulate a bidding war between governments by imposing a *systemic restraint* on their measures which delimit rates of return on such issues as labour protections, *corporate taxation,* environmental regulation and other limits to 'market access," (Goodman in Kegley and Raymond, 2010).

To further demonstrate the leverage that corporate power has over states, in 2015, the IMF raised concern over supervision gaps, governance issues and cross border resolution of Pan African Banks (PABs) because African countries are at different levels of implementing international standards (IMF, 2015). Curtis and Lissu (2008) also observed that the Tanzanian government feared that making 'too many' reforms in its tax regime would upset foreign companies, donors and international institutions. "[African countries] also often lack the capacity to negotiate better deals which consequently lead to [them] reaping sub optimal benefits from mineral resource extraction. This lack of capacity in contract negotiations can be attributed to a number of factors like inexperience, asymmetrical information and external influences," (Chikova, 2021, p.p. 2-3).

The situation described above generally means that African states experience power asymmetry, characterised by limitations to the extent to which they can exert control or influence over

FIGURE 2: THE POWER ASYMMETRY OF AFRICAN STATES AGAINST MNCS LEADING TO LIMITED INFLUENCE



(Source: http://axisoflogic.com/artman/publish/Article_75876.shtml)

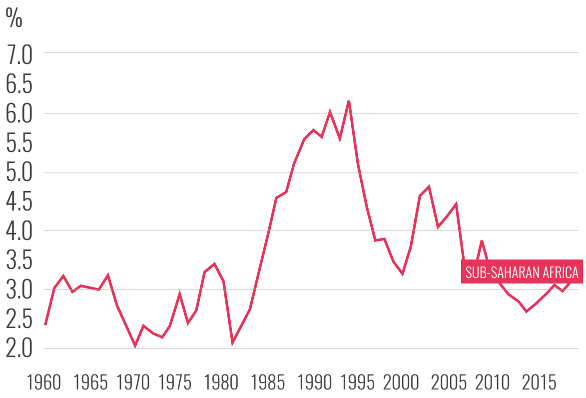
MNCs and TNBs (illustrated in figure 2 above). These entities have the ability to make decisions over areas where state leaders have little control thereby eroding state sovereignty, which used to be the international system's organising principle (Kegley and Raymond, 2010). As Uribe and Montes (2019) observed, "the power to control taxes is a cornerstone in the exercise of full sovereignty of states." In contemporary global society therefore, sovereign states seem unable to 'insulate' their populations from external influences driven by globalisation (Kegley and Raymond, 2010). To make it worse, this external influence, characterised by vast concentrated economic and political power is *'faceless'* since it hides the *true identity* of its beneficiaries.

THE OPPORTUNITY COST OF REVENUE FORGONE: THE ECONOMIC IMPACTS OF TAX INCENTIVES

As highlighted above, there are as many reasons against implementing tax incentives as those advanced in their favour, and a few can be highlighted here briefly.

In the face of dwindling Official Development Assistance (ODA), and foreign investment (FDI) into SSA, many countries in the region now look to domestic resource mobilisation (DRM) as a sustainable and predictable way to finance development (See Figure 3 below for ODA flows). No doubt, taxation is a critical pillar of DRM for any country among various options, hence the application of a system of tax incentives using the justifications outlined above.

FIGURE 3: NET ODA RECEIVED (% OF GNI) SSA



(Source: https://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=ZG)

Where SSA is concerned, it has been estimated that low-income countries globally face an estimated annual financing gap of half a trillion dollars, or 0.5 percent of global Gross Domestic Product (GDP) to achieve the Sustainable Development Goals (SDGs). In this regard, the

IMF estimates that extra tax revenues could finance one-third of this gap." (World Bank, 2022). However, the World Bank (2022) asserts that SSA, "remains the region with the largest number of economies below the minimum desirable tax-to-GDP ratio of 15%." In addition, "relatively low tax collections in the region reflect weaknesses in revenue management, including *widespread tax exemptions,* corruption, and shortfalls in the capacity of tax and customs administrations" (World Bank, 2022).

On the home front, the Government of Zimbabwe (GoZ) is currently seized with implementation of the National Development Strategy (NDS1) which has an overall funding requirement of over US$40 Bn (GoZ, 2021). The NDS1 acknowledges the absence of multilateral long term concessional financing windows and private capital, as well as the need to deepen reforms to foster sustainable growth since a growing economy provides scope for increased fiscal revenues for sustainably financing its programmes and projects (GoZ, 2021). Faced with this priority, it is therefore concerning that tax revenue forgone in 2020 amounted to ZWL$111.55 billion against an actual revenue collection of ZWL$171.9 billion, accounting for 65% of total government revenue (ZIMRA, 2020 Annual Report, in ZELA, 2022). Further to this, whilst the 2019/2020 budget summed up what we lost; it did not disclose *to whom* we lost this revenue.

The Southern African Development Community (SADC) Tax Subcommittee has previously commissioned a study on the effectiveness and impact of tax incentive programmes on the region published in 2004. A number of arguments against implementing tax incentives can be summarised verbatim as follows:

1. "The actual revenue cost can be high if the investments would have been viable anyway; The incentives are offset by source-country tax laws; or tax-favoured investors take business away from taxable producers."

2. "Abusive tax avoidance schemes, made possible by tax preferences, further erode the revenue base."

3. "Tax incentives also divert administrative resources from revenue collection."

4. "Such revenue losses require painful fiscal adjustments in the form of higher taxes on other entities, cuts in expenditure, or greater dependence on other costly forms of financing."

5. "Tax differentials can introduce serious economic distortions that reduce efficiency and productivity."

6. "Tax preferences create inequities by favouring some taxpayers over others. This can undermine general compliance."

7. "As a development tool, tax incentives score poorly in terms of transparency and accountability."

8. "The cash value of tax incentives stimulates political manipulation and corrupt practices."

9. "Alternative instruments for promoting investment can have much more favourable and lasting effects on productivity, growth, and development."

10. "International experience shows that tax incentives most often do not deliver favourable results!"

- *(Nathan-MSI Group, 2004)*

Over and above the SADC study's arguments, civil society organisations (CSOs) have raised several economic related concerns on hidden BO and administration of tax incentives, with a few highlighted here. Firstly, beneficial owners have been known to profit from generous tax holidays, only to declare non-viability when the term of the conditions expire. To make matters worse, these investors leave a country's jurisdiction using the excuse of non-viability only to re-register under a different identity to benefit from another generous tax holiday.

Secondly, when a few individuals own many companies, they can benefit disproportionately from generous tax incentives using different investment vehicles. Indeed, it is possible for a person to exercise control over a corporate entity without holding shares or a position within management of the company using nominee shareholders and shareholder agreements, through kinship with directors or persons in the company (Global Witness, in Martini, (2015). It is also plausible to assert that some of these companies gain from such generous tax incentives beyond what exists in the legal framework based on *who* owns them, because of their political linkages.

Thirdly, optimal taxing of profits is made impossible due to stabilization clauses built into investment agreements. Briefly, stabilisation clauses involve a government promising not to amend its laws in a way that adversely affects the economic rights contained in a particular concession agreement with an investor (Garcia-Amador 1993, in Ng'ambi, 2011). This means that African governments cannot change the tax regimes for specific investors without the consent of the investor, even if economic imperatives require them to raise more resources for development. A case in point is Zambia, which introduced a windfall tax on copper companies in 2007 to benefit from the global increase in copper prices between 2003 and 2008. Unfortunately, most of the development agreements signed between the government and foreign mining companies after privatisation of its mines contained specific taxation stabilisation clauses of up to 15 years (Ng'ambi, 2011). Zimbabwe is also warned of the position revealed in Ng'ambi (2011) that arbitration of disputes emerging from such agreements have generally held the position that sovereignty is not an excuse for governments failing to uphold their end of the bargain.

Fourth, the extractives sector is one area where the debates on hidden BO and tax incentives have been raging. As ZELA (2022) observed, "Tax evasion, illicit financial flows and undeserved tax exemptions are some of the challenges in the mining sector." One of the main reasons is that the investment contracts signed by many African governments with investors in extractives are not available for scrutiny by the general public or even citizens' elected representatives (Curtis and Lissu, 2008; ZELA, 2020). Where Zimbabwe is concerned specifically, "The Mines and Minerals Act gives too much power to the Minister of Mines to offer tax exemptions to mining companies without public or parliamentary scrutiny for appropriateness" (ZELA, 2022).

THE HUMAN COSTS OF TAX INCENTIVES

In the context of the topic, low revenues constrain a country's ability to deliver on citizens' social and economic rights, and this can be demonstrated here using health and education. To sum it up aptly "where the issue of tax incentives is concerned, in a context where the country has been exposed for its fragile public health and education services by the Covid-19 pandemic, the act of surrendering the tax rights by government confirms that government [of Zimbabwe] is not pro poor." (Chikova, 2021, p1).

In the middle of this health crisis, GoZ has been facing a great challenge in retaining nurses and doctors demanding more pay and adequate protective gear to help cope with the coronavirus pandemic. At the time of writing (February 2022), doctors, radiographers, nurses, and other specialists had boycotted on-call and night duties citing incapacitation, with government struggling to end teachers' class boycott which started when schools opened for the first term in February (Chikandiwa, 2022). It also goes without saying that the impacts of crises are never gender-neutral, and there has been unequal effects across gender and age groups of Covid 19 (UN Women, 2020; IMF, 2020). COVID also widens inequality between and within societies, including along geographical (rural-urban) socioeconomic, gender and generational lines. In a Covid ravaged economy, patients and parents are also unable to afford user fees for essential health services.

When the ZWL$111.55 billion revenue forgone in 2020 is juxtaposed against the health and education budgets for the year it can be seen that expenditure on social and economic rights pales in significance as highlighted in Table 1 below. It therefore beggars belief that the same government which gave away 65% of its total revenue in 2020 implemented Covid 19 responses largely dependent on donor countries, some of whom may domicile MNCs with vested interests in GoZ procuring their vaccines in their competition for markets. As history subsequently demonstrated, this situation also spawned conditions for corruption in Covid 19 public procurement worldwide, as "governments needing to respond quickly and efficiently to the emergency often struggled under archaic and ineffective, paper-based systems... with direct procurement creating risk for overpricing, mismanagement and favouritism" (Hayman in Bleetman and Metcalfe, 2020, p4). As a social justice issue therefore, it is important for citizens to understand the true identity of the beneficiaries of companies enjoying the benefits of the revenue forgone, as well as those involved in the public procurement of Covid 19 goods and services.

TABLE 1: ZIMBABWE'S ANNUAL BUDGET ALLOCATIONS TO HEALTH AND EDUCATION 2020 TO 2022

YEAR	HEALTH ALLOCATION (ZWL)	EDUCATION ALLOCATION (ZWL)	TOTAL BUDGET
2020	ZW$6.5 billion	ZW 8.5billion	ZWL$63.6 billion
2021	ZW$54.7 billion	ZWL$55.2 billion	ZWL$509 billion
2022	ZW$117,7 billion	ZWL$5.7 billion	ZWL$927.3 billion

(Source, Ministry of Finance and Economic Development budget statements, 2019, 2020, 2021)

THE LEGAL AND REGULATORY FRAMEWORK FOR BO IN ZIMBABWE

As highlighted above, the concept of CA is more compelling than that of CSR because it gives citizens agency to hold corporations to account for their operations. This implies that the uneven power balance inherent in CSR is shifted positively in citizen's direction. More importantly, CA also has the force of regulation. In this regard, this paper's posture is to insist that any measures to address the damaging effects of hidden BO, and lack of CA can only be realistically found through strong domestic regulatory reforms. In this regard, TI Z has reviewed the existing legislation governing BO at present, and a number of issues can be highlighted.

In Zimbabwe, the Companies and Other Business Entities Act [Chapter 24:31] defines a beneficial owner as a natural (physical) person who ultimately owns or controls the rights to or benefits from property or a person who exercises ultimate effective control over a legal person, and, more specifically, refers to a natural person who:

- directly or indirectly holds more than twenty per centum of the company's shares; or
- directly or indirectly holds more than twenty per centum of the company's voting rights;
- directly or indirectly holds the right to appoint or remove a majority of the company's directors; or
- otherwise exercises or has the right to exercise significant influence or control.

In line with the topic, the Act places an obligation on every company to maintain an accurate and up-to-date BO register (Section 72 (1)). In addition, the company is obliged to file accurate and up-to-date BO information with the Registrar of Companies, and that he/she must be notified of any material changes or updates regarding the same within seven days of the changes taking place, which implies that the BO register remains current. Failure to adhere to these provisions is deemed a criminal offence (section 72 (10)). Company information held by the Registrar, including BO information is deemed public information and therefore available for inspection electronically or physically by members of the public and financial institutions or designated institutions/professions as defined in section 2 and 13 of the Money Laundering and Proceeds of Crime Act [Chapter 9:24] (Section 72(6)).

Whilst the Act at face value makes progressive provisions in the interests of transparency, it includes provisions that limit ordinary persons, including civil society organisations (CSOs) and the media from accessing such information with ease. It's incredible to note that the Act requires that members of the public first gain consent of the nominee of the beneficial owner or upon an order of the court. This means that Zimbabwe's legislation fails the '*voluntary*' versus '*obligation*' test of effectiveness in CA, which has been noted by global civil society above. This may present hurdles for affected communities to surmount as they try to access information guaranteed by the constitution, whilst the potential costs of pursuing the issue in the courts has a chilling effect on citizen action. It also undermines efforts at fighting corruption included in the national anti-corruption strategy (NACS).

EMERGING ISSUES ON BO AND CA AT LOCAL REGIONAL AND GLOBAL LEVELS

Having outlined the current regulatory framework with BO, it is important to highlight emerging issues on BO and CA at local, regional, and global levels.

Firstly, at local level there are some 'green shoots' which can promote the ideal of open BO and CA. One example is the implementation of the Computerised Cadastre System mentioned in the national 2022 budget presented in Parliament by the Ministry of Finance and Economic Development (MoFED). Government intends to use Cadastre for mining title administration (MoFED, 2021). Briefly, a Cadastre is an up-to-date information system with data on interests on land which includes ownership or control (International Federation of Surveyors, 1995). The Cadastre will move mining title from a manual system to a computerised one, thereby providing security on mining title. Furthermore, MoFED allocated resources for implementing various programmes and activities. One of these is the decentralisation of the Ministry of Mines and Mining Development (MoMMD) to establish provincial offices around the country, as well as hiring and capacitating mining extension officers. TI Z contends that the decentralisation of the MoMMD enables closer scrutiny of some companies which may be looting natural resources, which enhances CA. The Cadastre on the other hand will enhance transparency and accountability by facilitate analysis of data on BO of mining claims in the future.

Local developments on BO and CA should also be understood on the backdrop of high-level efforts at international level to increase BO information transparency, to tackle challenges such as money laundering at global level. Key platforms driving these efforts include the G20, the Financial Action Task Force (FATF), the World Bank and the European Union (EU) to name a few. In 2014, G20 leaders adopted the High-Level Principles on BO (G20 2014). These built upon the 2012 FATF Recommendations (the global standard for anti-money laundering) and the 2013 G8 action plan principles to prevent the misuse of companies and legal arrangements.

One of the key issues which has gained momentum at this level is that of *BO registers*, particularly in the wake of the Panama and Paradise Papers scandals, and the London Anti-Corruption Summit in 2016 (Van der Merwe, 2020). A BO register collates information about the beneficial owner in a registry for storage and use by enforcement agencies, the private sector and, in some jurisdictions, the public (Van der Merwe, 2020). The establishment of these registers must be viewed as an important step in the right direction for any country serious about benefitting optimally from taxation. Whilst important progress has been made on implementing these registers, of concern is the observation that implementation remains uneven, with secrecy jurisdictions (Tax Havens) particularly slow in this regard (Van der Merwe, 2020). Contentious issues which still need to be ironed out at domestic level include debates over the depth or scope of information which these registers are supposed to contain, as well hesitancy over public access since this may violate the right to privacy (Van der Merwe, 2020). As a result, only 18 of the 44 BO registers existing globally in 2020 were publicly accessible, whilst 26 remained private (Van der Merwe, 2020).

CONCLUSIONS AND RECOMMENDATIONS

The foregoing sections show that tax incentives are part of the liberalisation agenda which underpins the process of unfettered economic globalisation, characterised by limited government control over foreign investment. Many countries apply tax holidays as a strategy to attract foreign investment capital. This includes African countries engaging in harmful competition to adopt the most generous tax holidays to specific categories of foreign investors, with significant revenue forgone. This is in spite of the fact that the effectiveness of tax incentives is debatable since their impact depends greatly on a host of other factors (some non-tax) in successfully attracting investors to a country. The immense financial strength of MNCs surpasses most countries annual budgets giving them leverage in negotiations over investment policy. On top of their stronger negotiating position, MNCs make it difficult for states to trace or identify them for control purposes. This means the beneficial owners remain unknown, so that they remain unaccountable for the social and economic injustices they perpetrate on the citizens of poor countries through tax incentives. These injustices are perpetrated through various mechanisms demonstrated above, which need to be reviewed for their negative impact on economies and societies' wellbeing.

RECOMMENDATIONS

- Policymakers and technocrats should utilize empirical evidence to justify and design their investment incentives (e.g., study on the Effectiveness and Economic Impact of Tax Incentives in the SADC Region, commissioned in 2004);

- Existing legislation needs to be reviewed to guarantee citizens access to information on beneficial ownership of companies;

- GoZ should establish a mandatory, public register that discloses the beneficial ownership of trust funds and companies (a Central BO Registry). An up-to-date and publicly accessible BO register will help to foster transparency and accountability in administration of tax incentives. In principle, if stakeholders know the true identity of the owners, they are able to highlight loopholes for tax evasion/avoidance. Competent authorities will also be able to track and recover ill-gotten gains from tax evasion/avoidance, making it less attractive for people;

- Public registers of BO would also allow ill-gotten gains to be more easily traced and make it more difficult and less attractive for people to benefit from the proceeds of corruption and crime

- GoZ should guarantee access by elected officials, CSOs and other interested stakeholders to the contents of contracts signed with investors, to enable assessment of tax incentives given to them as well as other economic, political, and social impacts of their activities. This is particularly important in the extractives industry in Africa where investment deals are shrouded in mystery;

- GoZ should forge international partnerships with other jurisdictions (called mutual legal assistance treaties) for sharing information for investigations and prosecutions, including information on BO of companies;

- CSOs in the Global South, collaborating with their Northern counterparts should initiate lawsuits in the MNCs' home countries, for human rights and democracy impacts suffered by their societies, as a result of the actions of MNCs and their subsidiaries. These legal suits must surface the true BO of the companies so that nominee shareholders and directors *cease* to be used as a shield insulating the beneficiaries form their responsibilities towards humanity.

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ABOUT TRANSPARENCY INTERNATIONAL ZIMBABWE (TI Z)

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

VISION

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

MISSION

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

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