

PUNCHING HOLES INTO A FRAGILE ECONOMY?

The Possible Economic Impact of the
Private Voluntary Organisations
Amendment Bill gazetted on 5
November 2021

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Any disruptions in NGO activities and
financing will likely worsen the
poverty situation and threaten the
development gains that have been
made to date. Importantly, in
Zimbabwe there has been no
instance of terrorist financing
in the NGOs sector.



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LIST OF ACRONYMS

AIDS	Acquired immunodeficiency syndrome
AU	African Union
CAP TB	Catalysing Paediatric TB Innovation
CIO	Central Intelligence Organisation
COVID-19	Coronavirus Disease 2019
CSO	Civil Society Organisation
DOD	Disbursed Outstanding Debt
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICTs	Information and Communication Technologies
LFSP	Livelihoods and Food Security Programme
LICs	Low-Income Countries
NANGO	National Association of Non-Governmental Organizations
NGOs	Non-Governmental Organisations
NPO	Non-Profit Organizations
PDL	Poverty Datum Line
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PVO	Private Voluntary Organisation
QES	Quarterly Employment Statistics
RBZ	Reserve Bank of Zimbabwe
RISDP	Regional Indicative Strategic Development Plan
SDGs	Sustainable Development Goals
SIP	Smallholder Irrigation Programme
TIZ	Transparency International Zimbabwe
UNAIDS	The Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
WASH	Water, Sanitation and Hygiene
ZAGP	Zimbabwe Agricultural Growth Programme
ZANU-PF	Zimbabwe African National Union – Patriotic Front
ZIMSTAT	Zimbabwe National Statistics Agency

EXECUTIVE SUMMARY



Non-Governmental Organisations (NGOs) are playing an increasingly important role as agents of development. The growth and expansion of NGOs across the globe is testament to their growing role in the development process. Effective partnerships between governments and NGOs are recognised as being crucial in accelerating sustainable development. The role of NGOs is even more important in Low-Income Countries (LICs) where the fiscal space is limited. NGOs offer a broad range of services that include: health, education, social protection, humanitarian assistance, livelihood interventions, emergency response, conflict resolution, democracy building, environmental management, and policy analysis and advocacy. NGOs across the world help to amplify the voice as well enable inclusion of marginalized groups, including women, persons with disabilities and minority ethnic groups so that 'no one is left behind.' Creating an enabling environment for NGOs to operate is recognised as being critical for the attainment of the Agenda 2030 on Sustainable Development Goals (SDGs) and the African Union (AU) Agenda 2063: The Africa We Want.

In Zimbabwe, NGOs have been important drivers of sustainable development through a number of channels which include: employment creation, contribution to tax revenues, foreign currency receipts, provision of social protection and humanitarian assistance, growth in the local tourism sector and overall economic growth and development. Owing to the huge financing gap in productivity-enhancing and poverty reducing

sectors of the economy such as health, education, social protection, water and sanitation, the country has had to rely on donor financing from international NGOs and development partners. Sustained and strong partnerships with NGOs and other not-for-profit organisations such as trade unions will strengthen the implementation of the National Development Strategy 1 (NDS 1) as well as the attainment of the country's Vision 2030: Towards a Prosperous & Empowered Upper Middle-Income Society by 2030.

However, Government gazetted the Private Voluntary Organisations Amendment Bill on the 5th of November 2021. The Private Voluntary Organisations Amendment Bill seeks: to comply with recommendations made by the Financial Action Task Force (FATF); to streamline administrative procedures and allow for the efficient regulation and administration of PVOs; and to prevent PVOs from undertaking political lobbying. The Bill also prohibits trusts that are registered with the High Court, but are not registered PVOs, from collecting contributions from the public or from outside Zimbabwe for any of the purposes specified in the definition of 'private voluntary organisation' (i.e., charitable purposes, social welfare assistance, legal aid and animal welfare).

According to the 2022 Monetary Policy Statement, NGOs are the third biggest earners of foreign currency in the country after export proceeds and diaspora remittances. Total foreign currency receipts (US\$ million) from NGOs rose by 50.5% from US\$647.78 million in 2020 to US\$975.16 million in 2021. This foreign currency is critical in sustaining the foreign currency auction system. Any disruptions in the activities of NGOs through legal and/or non-legal means could result in the country losing out massively.

According to the 2019 Labour Force and Child Labour Survey (LFCLS) from the Zimbabwe National Statistics Agency (ZIMSTAT), the NGOs sector employ 1.2% of the total employed which translates to an aggregate figure of 17,643 formal jobs. This translates to thousands of livelihoods that are being sustained through these jobs. To put into context, according to the 2019 Labour Force and Child Labour Survey, the share of informal employment to total employment is estimated at 75.6% in 2019.

Moreover, according to the African Sun Limited 2020 Integrated Annual Report, conferencing business from NGOs have consistently anchored their city and country hotels segment. This segment was their cash cow in 2020 as the impact of the COVID-19 on the Hotels and Tourism sector saw other segments, particularly the Resort Hotels and Leisure Division, plummeting in sales. International room nights declined by 78%, while local room nights decreased by only 28% from 2019 as NGOs, Government and Quasi-governmental organisations continued to operate albeit under restricted conditions.

A survey we carried out with a number of NGOs revealed that the contribution by NGOs to tax revenues ranged from US\$4,000 to US\$35,000 per month depending on the size of the NGO. This is quite significant and has provided the Government with requisite resources to finance development.

NGOs have also played a critical role in bridging the huge financing gap in the critical sectors of the economy such as social protection, education, health, water and sanitation among others. For instance, according to the 2022 National Budget statement, during the period January to September 2021, the country received development assistance amounting to US\$647.8 million, of which US\$401.9 million was from bilateral partners and US\$245.9 million from multilateral partners. A further US\$202.4 million in development assistance is projected during the fourth quarter of 2021, giving cumulative receipts of US\$850.2 million for the year. In 2022, support from the Development Partners is projected at US\$761.5 million, broken down as, US\$274.3 million and US\$487.2 million from multilateral and bilateral partners, respectively. Importantly, a lot of the gains that have been registered key health and social indicators have been on account of the partnership between the Government and NGOs.

In general, coverage of social assistance programs in Zimbabwe has been low and inadequate, and in fact declined since the start of the COVID-19 pandemic. According to the 2022 National Budget, Zimbabwe received an estimated US\$130 million in humanitarian assistance in 2021. NGOs have also been playing a critical role in terms of the provision of Water, Sanitation and Hygiene (WASH) services across the country which could be threatened if the activities of NGOs are disrupted. According to the 2022 National Budget Statement, Zimbabwe received an estimated US\$13 million towards water and sanitation in 2021.

Importantly, a lot of development indicators have been on account of the partnership between the Government and NGOs. For instance, the country has made some progress in terms of reducing mortality. According to the 2019 Multiple Indicator Cluster Survey (MICS), the maternal mortality ratio declined from 651 in 2015 to 525 in 2017 and then 462 in 2019. According to the 2020 Zimbabwe Progress Report on SDGs, progress has been made with regards to HIV infection, with the number of new HIV infections reducing from 3.9 per 1,000 uninfected population in 2015 to 2.8 per 1,000 in 2019. The malaria incidence per 1,000 population has progressively declined from 29 in 2014; to 14 in 2016; 10 in 2017; and only 5 in 2018. TB incidence has climbed down to 210 per 100,000 population in 2018, from 278 per 100,000 population in 2014.

However, some might argue that government is merely targeting NGOs that deal with deal with political and civil rights. International experience from 134 countries, show that bilateral (official) aid flows dropped by 32% in the years after aid-recipient governments introduced new restrictions on NGOs, largely because donors could no longer fund preferred activities. As many NGOs implement social protection and other anti-poverty interventions, reductions in foreign aid have implied cuts to critical productivity-enhancing services for the indigent and vulnerable. In other studies there is even a greater impact on aid flows, with 45% less foreign aid channelled towards countries that restrict CSOs' ability to engage in advocacy. Zimbabwe is not likely to be an exception. Moreover, by restricting the civic space, the Bill will result in an increase in the country risk premium which will adversely affect capital and investment inflows into the country. The country's re-engagement efforts with the international community will also be negatively affected.

In addition, no NGOs in Zimbabwe have been implicated in money laundering and terrorist financing. The main offences used to generate money laundering proceeds include:

1. Fraud;
2. Contravention of the Customs & Exercise Act;
3. Contravention of the Gold Trade Act;
4. Corruption; and
5. Contravention of the Income Tax Act.

Twelve sectors were assessed and the high threat level sectors were found to be Banking, Real Estate, Motor Vehicle Dealers, Mining and Mobile Money dealers. NGOs were not identified as a risky sector. On the other hand, the overall terrorism and terrorist financing threat in Zimbabwe was rated low.

Within this context, any disruptions in NGO activities and financing will likely worsen the poverty situation and threaten the development gains that have been made to date. Importantly, in Zimbabwe there has been no instance of terrorist financing in the NGOs sector. In line with regional and international best practices, any anti-money laundering and counter-terrorism financing measures and regulations should be designed and implemented on the basis of a national NGO sector risk assessment. No additional regulations should be applied if existing legislation and/or other measures are sufficient to mitigate risks. FAFT's Recommendation 8, which calls for a review of the laws and regulations governing non-profit organizations to ensure that they cannot be used to finance terrorists, is meant to apply solely to those NGOs that are most vulnerable to terrorist financing abuse.

In a number of countries such as Kenya and Ethiopia, they are adopting more liberal laws allowing NGOs more scope for activities¹. Adding more regulations to the NGOs sector will cause a number of NGOs to go underground which will increase the risk of fraud and money laundering that Government is trying to deal with. The country's current regulations and laws are robust enough to deal with any threat of fraud or money laundering by NGOs which threat remains very insignificant. Importantly, creating an enabling environment for NGOs to operate is critical in the attainment of the country's Vision 2030.

1. Kelly, L. (2019). Legislation on Non-Governmental Organisations (NGOs) in Tanzania, Kenya, Uganda, Ethiopia, Rwanda and England and Wales. K4D Helpdesk Report, 21 August 2019

1.0 INTRODUCTION



Over the past few decades there has been a significant increase in the involvement of Non-Governmental Organisations (NGOs) in the development process. The role of NGOs as agents of development, providers of services including humanitarian assistance, and advocates for vulnerable groups has been recognised and heralded. In many countries, NGOs are filling the gaps in public programs and services that states have failed to perform or provide owing to limited fiscal space among others. There is consensus that a successful NGO community is essential for effective and efficient civil society that organizes local participation which is essential for sustainable development².

Creating an enabling environment for NGOs to operate is recognised as being critical for the attainment of the Agenda 2030 on Sustainable Development Goals (SDGs) and the African Union (AU) Agenda 2063: The Africa We Want. Importantly, effective partnerships between governments and NGOs are crucial in accelerating global development. The role of NGOs is even more important in low-income countries where the fiscal space is limited. This report analyses the economic contribution of NGOs and the potential impact of the Private Voluntary Organisations Amendment Bill which was gazetted on 5 November 2021.

In the case of Zimbabwe, NGOs have been important drivers of sustainable development through a number of channels. For instance, NGOs have contributed towards employment creation,

2. Keating, C. Developmental Democracy and Its Inclusions: Globalization and the Transformation of Participation. *Signs: Journal of Women in Culture and Society*. 2004,29(2): 417-437. <http://www.journals.uchicago.edu/doi/abs/10.1086/378117?mobileUi=0&journalCode=signs>

tax revenues, foreign currency generation and stability, provision of social protection, growth in the local tourism sector and overall economic growth. Owing to the huge financing gap in productivity-enhancing and poverty reducing sectors of the economy such as health, education, social protection, and water and sanitation, the country has had to rely on donor financing from international NGOs and development partners. Strong partnerships with NGOs and other not-for-profit organisations such as trade unions will strengthen the implementation of the National Development Strategy 1 (NDS 1) as well as the attainment of the country's Vision 2030: Towards a Prosperous & Empowered Upper Middle-Income Society by 2030.

With respect to contribution by the NGOs to employment creation, according to the 2019 Labour Force and Child Labour Survey (LFCLS) from the Zimbabwe National Statistics Agency (ZIMSTAT), the NGOs sector employed 1.2% of the total employed which translates to an aggregate figure of 17,643 formal jobs. This is quite significant considering the huge employment related challenges the country has been facing for a long time. NGOs have also played an important role in developing the country's human resource base through carrying out a number of capacity building activities and programmes. Any disruptions in the activities of NGOs could threaten these jobs as well as thousands of livelihoods. NGOs also contribute significantly towards foreign currency receipts in the country. According to the 2022 Monetary Policy Statement, NGOs are the third biggest earners of foreign currency in the country after export proceeds and diaspora remittances. Total foreign currency receipts (US\$ million) from NGOs rose by 50.5% from US\$647.78 million in 2020 to US\$975.16 million in 2021. Disruptions in the operations of the NGOs will affect foreign currency inflows into the country which will have an adverse effect on the stability and sustainability economy.

A survey we carried out with a number of NGOs revealed that the contribution by NGOs to tax revenues ranged from US\$4000 to US\$35,000 per month depending on the size of the NGO. Moreover, according to the African Sun Limited 2020 Integrated Annual Report, conferencing business from NGOs have consistently anchored their city and country hotels segment. This segment was their cash cow in 2020 as the impact of the COVID-19 on the Hotels and Tourism sector saw other segments, particularly the Resort Hotels and Leisure Division, plummeting in sales. International room nights declined by 78%, while local room nights decreased by only 28% from 2019 as NGOs, Government and Quasi-governmental organisations continued to operate albeit under restricted conditions.

NGOs have also played a critical role in bridging the huge financing gap in the critical sectors of the economy such as social protection, education, health, water and sanitation among others. For instance, according to the 2022 National Budget statement, during the period January to September 2021, the country received development assistance amounting to US\$647.8 million, of which US\$401.9 million was from bilateral partners and US\$245.9 million from multilateral partners. A further US\$202.4 million in development assistance is projected during the fourth quarter of 2021, giving cumulative receipts of US\$850.2 million for the year. In 2022, support from the Development Partners is projected at US\$761.5 million, broken down as, US\$274.3 million and US\$487.2 million from multilateral and bilateral partners, respectively. Importantly, a lot of the gains that have been registered key health and social indicators have been on account of the partnership between the Government and NGOs.

The Private Voluntary Organisations Amendment Bill which was gazetted by the Government on 5 November 2021, has three purposes namely: to comply with recommendations made by the Financial Action Task Force (FATF); to streamline administrative procedures and allow for the efficient regulation and administration of PVOs; and to prevent PVOs from undertaking political lobbying. The Bill also prohibits trusts that are registered with the High Court, but are not registered PVOs, from collecting contributions from the public or from outside Zimbabwe for any of the purposes specified in the definition of "private voluntary organisation" (i.e., charitable purposes, social welfare assistance, legal aid and animal welfare).

In line with evidence from a number of countries, the enactment of the Private Voluntary Organisations Amendment Bill will likely also result in a decline in foreign funding for NGOs which will affect the capacity of the country to achieve sustainable development. A lot of NGOs will go underground, and the country will lose out in terms of loss of employment, tax revenues, foreign currency receipts, and investments in critical sectors of the economy. By restricting the activities of NGOs, the Amendment Bill will limit/restrict economic and political freedom in the country. The country already faces challenges in terms of its performance on the major economic and political freedom indices. Importantly, economic and political freedom are the foundations for economic prosperity, investment, competitiveness and sustainable development. Any disruptions in the activities of NGOs will affect confidence in the economy which will adversely affect capital and investment inflows into the country.

Any disruptions in the activities and financing of NGOs through legal and/or non-legal means will likely worsen the poverty situation and threaten/undo the development gains that have already been registered. Importantly, in Zimbabwe there has been no instance of terrorist financing in the NGO sector. In line with regional and international best practices, any anti-money laundering and counter-terrorism financing measures should be designed and implemented on the basis of a national NGO sector risk assessment. No additional regulations should be applied if existing legislation and/or other measures are sufficient to mitigate risks. In a number of countries such as Kenya and Ethiopia, they are adopting more liberal laws allowing NGOs more scope for activities³.

Adding more regulations to the NGOs sector will cause a number of NGOs to go underground which will increase the risk of fraud and money laundering that Government is trying to deal with. The country's current regulations and laws are robust enough to deal with any threat of fraud or money laundering by NGOs which threat remains very insignificant.

3. Kelly, L. (2019). Legislation on Non-Governmental Organisations (NGOs) in Tanzania, Kenya, Uganda, Ethiopia, Rwanda and England and Wales. K4D Helpdesk Report, 21 August 2019.

2.0 STATE OF THE ECONOMY



The economy is estimated to have grown by 7.8% in 2021, following 2 years of successive economic decline in 2019 and 2020 (see Table 1). This improvement in 2021 is largely on account of a good 2020/21 agricultural season and increasing international commodity prices among others. Notwithstanding the significant improvement in economic growth, the economy continues to face structural challenges that include: high levels of informality; a huge competitiveness gap; a big financing gap; weak institutions; high levels of public indebtedness; high inequalities; and high levels of poverty. The COVID-19 pandemic has exacerbated these structural challenges.

Table 1: Selected Macroeconomic Indicators

	2009	2010	2013	2016	2017	2018	2019	2020	2021
Real GDP (% change)	7.4	16.7	2	0.7	4.7	3.5	-7.4	-8	7.8
Average Inflation (%)	6.2	3	1.6	-1.6	0.9	10.6	255.3	557.2	86
Gross Savings (% of GDP)	-9.9	-4.5	-4.9	-1.2	13.5	-	-	-	-
Investment (% of GDP)	9.9	17	9.2	9.8	8.9	5.7	-	-	-
Budget Balance (% of GDP)	-2.2	0.2	-1.3	-6.5	-8.3	-4.7	-1.4	0.4	-0.5
Current Account Balance (% of GDP)	-9.7	-12	-13.2	-3.58	-1.66	-8.3	4.4	4.7	-

Source: International Monetary Fund, World Economic Outlook Database, April 2021; World Development Indicators, Last Updated Date: 15/09/2021; 2022 National Budget Statement.

While inflation has been on a slow-down, prices and the cost of living continue to increase. Annual inflation rate as at December 2021 was 60.74% up from 58.4% in November 2021, but down from 348.59% in December 2020. Zimbabwe has the second highest annual inflation rate in Africa after Sudan⁴. The chronic high inflationary environment continues to erode real incomes and has thrown many citizens into absolute poverty. According to the World Bank Zimbabwe Economic Update of June 2021, the number of extremely poor Zimbabweans reached 7.9 million – almost 49% of the population in 2020, up from 42% in 2019. The high levels of poverty have necessitated the need for greater social protection support, which has made the role of NGOs even more significant given the limited fiscal space in government.

Zimbabwe is in debt distress with total Public Debt estimated at US\$13.7 billion as at the end of September 2021 up by 28% from 10.7 billion as at end of December 2020, according to the 2022 National Budget Statement. This increase is on account of the assumption of the blocked funds (historical foreign currency obligations) estimated at US\$2.9 billion and other non-guaranteed facilities. The December 2020 figure represents 72.6% of Gross Domestic Product (GDP). This is higher than the 70% threshold provided for in the Public Debt Management Act (Chapter 22:21) and the SADC Regional Indicative Strategic Development Plan (RISDP) Public Debt-to-GDP Macroeconomic Convergence Target of 60%. The high public debt represents an impediment to sustainable economic growth and employment creation in the economy.

According to the 2022 National Budget Statement, capacity utilization in industry improved from 34% in 2020 to an estimated 60% in 2021, on account of a number of factors including improved foreign currency availability. NGOs have been playing a critical role in terms of foreign currency receipts with foreign currency receipts from NGOs rising by 51% from US\$647.75 million in 2020 to US\$975.16 million according to the 2022 Monetary Policy Statement. Corruption remains one of the biggest challenges facing the country and the Government on its own cannot resolve this challenge. Corruption affects development through lowering the level of both public and private investments, discourages foreign investment and capital inflows, disincentives new business activities and innovation, diminishes public revenues through tax evasion and embezzlement, increases the cost of production and doing business, and it also results in a misallocation of resources in the economy. NGOs represent an important independent and influential corruption watchdog and holding the Government accountable. Any disruptions in NGO activities and financing will likely worsen the situation.

4. https://africa.businessinsider.com/local/markets/7-most-expensive-african-countries-based-on-inflation-rates/brenryj?utm_medium=social&utm_source=twitter&utm_campaign=share-button

In general, coverage of social assistance programs in Zimbabwe has been low and inadequate, and in fact declined since the start of the COVID-19 pandemic. Food aid had the highest coverage with 15% of all households indicating they benefited from emergency food relief. This proportion was lower than before the outbreak of the pandemic when 19% of households indicated they had benefited from the program. COVID-19 cash transfers only reached two percent of households (rural and urban combined) (Monitoring COVID-19 Impact on Households in Zimbabwe Report No. 1 of 19 November 2020 by ZIMSTAT and the World Bank). NGOs have complemented government efforts in the provision of social protection to mitigate the high levels of poverty in the country. According to the 2022 National Budget, Zimbabwe received an estimated US\$130 million in humanitarian assistance in 2021.

Many people in the country especially in informal urban settlements and rural areas lack access to safe drinking water, not to mention clean water for regular handwashing. This has made basic COVID-19 mitigation protocols and guidelines almost impossible to follow to contain COVID-19 transmission. The increased demand for water during the COVID-19 pandemic times has exacerbated the already dire water and sanitation situation in the country. The impacts are particularly dire for women and girls, in terms of their specific needs of hygiene during menstruation and their heightened risk of suffering sexual violence, despite the fact that it is often women who are the caretaker of the families and girls who collect water for the family. In fact, women and girls are at the highest risk of becoming victims of gender-based violence, including rape, in and around toilets and water and hygiene facilities, especially in public and shared spaces. NGOs have been playing a critical role in terms of the provision of Water, Sanitation and Hygiene (WASH) services across the country which could be threatened if the activities of NGOs are disrupted. According to the 2022 National Budget Statement, Zimbabwe received an estimated US\$13 million towards water and sanitation in 2021.

Zimbabwe continues to face huge labour market challenges related to poor job quality and high levels of working poverty. This state of affairs is directly related to the high prevalence of informal and vulnerable employment. The country faces a scarcity of regular wage employment for all who would like wage jobs and are capable of performing them. Would-be wage employees cannot afford to remain unemployed and continue to search, so they find it better to create their own self-employment opportunities in the informal economy. According to the 2019 Labour Force and Child Labour Survey, the share of informal employment to total employment is estimated at 75.6% in 2019. Informal employment is characterised by low productivity, low incomes, high poverty, no social protection, and lack of workers' representation among others. High levels of informality implies that the country has abundant resources that are not being fully and productively utilised. Disruptions in the activities of NGOs could result in loss of employment as well as an increase in informal employment in the event that the affected NGOs decide to operate informally.

3.0 THE PRIVATE VOLUNTARY ORGANISATIONS AMENDMENT BILL



Political tensions between the Government and civic organizations, especially trade unions, NGOs, the independent media, and churches, escalated before and after the 2000 general election. The government accused NGOs of launching opposition political activity and threatened to clamp down on those which did not comply with the Private Voluntary Organizations (PVO) Act⁵. After the 2002 Presidential election, the United States and the European Union imposed targeted sanctions against the Government of Zimbabwe and all major Western bilateral donors stopped government-to-government assistance, opting instead to channel their aid directly through NGOs⁶.

On August 20 2004, the Government of Zimbabwe gazetted the NGO Bill. The NGO Bill sought 'to provide for an enabling environment for the operations, monitoring, and regulation of all non-governmental organizations.' The main difference between the NGO Bill and the PVO Act was that the NGO Bill tightened the surveillance and control mechanisms of the Government on NGOs over and above the already substantial Government powers of control in the PVO Act. The definition of NGOs was broadened than in the PVO Act, and the NGO Bill eliminated exemptions from registration in the PVO Act. There were new prohibitions against the registration of foreign NGOs and access to foreign funding of local NGOs engaged in 'issues of governance'. The Bill increased the imbalance in the composition of the NGO Council in favour of Government versus NGO representatives, augmented the Council's and the

5. Country Reports on Human Rights Practices for 2000, Zimbabwe. U.S. Department of State, February 2001

Minister's powers to regulate the internal affairs of associations, and imposed new requirements on NGOs. Following widespread and sustained criticism of the NGO Bill, the then President never assented to it and therefore it was not enacted.

The Private Voluntary Organisations Amendment Bill was published in the Government Gazette on the 5th of November 2021. The Bill seeks to amend the Private Voluntary Organisations Act (Chapter 17:05) motivated by the following reasons:

- To comply with the Financial Action Task Force (FATF)⁷ recommendations, in particular Recommendation 8. FATF Recommendation 8 requires that the laws and regulations that govern non-profit organisations be reviewed so that these organisations cannot be abused for the financing of terrorism. The FATF has established best practices, aimed at preventing misuse of NPOs for the financing of terrorism while, at the same time, respecting legitimate actions of NPOs;
- To streamline administrative procedures for Private Voluntary Organisations to ensure efficient regulation and registration. The Bill provides for the Registrar of Private Voluntary Organisations to collect fees for the registration of Private Voluntary Organisations;
- To ensure that Private Voluntary Organisations do not undertake political lobbying. The Bill makes it an offence for a Private Voluntary Organisation is involved in supporting or opposing a political party or candidate in relation to the offence created in the Political Party (Financing) Act.
- The Bill also prohibits trusts that are registered with the High Court, but are not registered PVOs, from collecting contributions from the public or from outside Zimbabwe for any of the purposes specified in the definition of "private voluntary organisation" (i.e., charitable purposes, social welfare assistance, legal aid and animal welfare).

If the Bill is enacted, it will stifle not only democracy but also economic development because it has provisions that prohibit fund raising by Trusts, ban political lobbying by PVOs and imposes heavy civil penalties for certain contraventions of the PVO Act. No appeal is allowed against a civil penalty order, except to the person who imposed it and the officers of a defaulting PVO can be rendered liable to pay a civil penalty, regardless of their individual fault. Clause 5 has a provision that permits the PVO Board to cancel the registration of a PVO if it engages in political activities. However, it is almost impossible to determine what political activities will trigger cancellation. The Clause can therefore deter PVOs from expressing any form of support for any political party, supporting particular policies put forward by a political party and engaging in civic education, election observation or similar activities.

7. The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF has developed the FATF Recommendations, or FATF Standards, which ensure a co-ordinated global response to prevent organised crime, corruption and terrorism.

4.0 THE ECONOMIC CONTRIBUTION OF NON-GOVERNMENTAL ORGANISATIONS (NGOs)



While there is some contestation on the definition of a Non-Governmental Organisation (NGO), it is generally accepted that these are organizations that undertake activities to ameliorate the suffering, promote interests of the poor, protect the environment, provide basic social services, and undertake community development (Cleary, 1997). NGOs are a sub-set of the non-profit sector, and they generally undertake activities related to development assistance, international disaster relief and human rights in developing countries.

While the role of NGOs remains controversial, there is growing consensus that they are more efficient, flexible, and innovative in reaching out to the indigent when compared with public organisations (Scott and Hopkins, 1999). There has been a significant growth and development of NGOs since the 1980s. In many countries, citizens look to NGOs to supplement and in some cases to provide services that the States are failing to provide owing to a number of factors.

Non-Governmental Organisations (NGOs) have been playing an increasingly important role as agents of development and creating an enabling environment for NGOs to operate is recognised as being critical for the attainment of the Agenda 2030 on Sustainable Development Goals (SDGs) (HLPE, 2013; OECD, 2018; PartnersGlobal, 2017). The rapid growth and expansion of NGOs across the globe, points to their increasing importance in supporting and promoting sustainable development. NGOs are an important part of an open and democratic

civil society and they make significant contributions towards the development and realisation of democracy, the rule of law and human rights.

NGOs have critical roles as providers of services which include credit/finance, health and education, livelihood interventions, humanitarian assistance, strengthening democracy, protecting and promoting human rights and the rule of law, policy analysis and advocacy. In many African countries, NGOs provide quality health services owing to both State and market failure. For instance, in Ghana NGOs provide 40% of clinical care needs, 27% of hospital beds and 35% of outpatient services. In Tanzania, NGOs provide half of all hospitals and beds and receive half of all curative visits. In Zimbabwe, NGOs supply 35% of all hospital beds and 96% of NGO facilities are located in disadvantaged rural areas (Leonard, 2002).

NGOs across the world help to amplify the voice as well enable inclusion of marginalized groups, including women, persons with disabilities and minority ethnic groups so that 'no one is left behind.' In their accountability or 'watchdog role', NGOs push governments to be accountable, transparent and answerable for their policies and the impact of those policies. NGOs help prevent corruption and abuse; and monitor gaps and other failures in policies and their implementation (Peruzzotti and Smulovitz, 2006; World Bank, 2017). Civic activism with respect to accountability for public services is part of the whole governance apparatus that is critical to ensure that services 'work for poor people in development' (World Bank, 2003). NGOs research and publish information on a wide variety of issues, documenting abuses of rights, corruption and policy failures, and helping people to seek justice through the courts where their rights have been abused. Effective partnerships between governments and NGOs are crucial in accelerating global development. The role of NGOs is even more important in low-income countries where the fiscal space is limited.

Clearly, NGOs have become increasingly important to the promotion of sustainable development in Zimbabwe. They play a major role in Zimbabwe's political, economic and social development and help to address a number of challenges including threats to growth, democracy, health and the environment. NGOs have contributed towards employment creation, tax revenues mobilisation, foreign currency generation, provision of social protection and humanitarian assistance, growth in the local tourism sector and overall economic growth and development. As shown in tables 2 and 3, the NGOs sector employs 1.2% of the total formally employed which translates to an aggregate figure of 17,643 formal jobs as at 2019. Any disruptions in NGOs activities and financing will threaten these jobs as well as the livelihoods of thousands.

Table 2: Percentage Distribution of Currently Employed Persons by Institutions Sector, Zimbabwe 2019 LFCLS

Institutional Sector	Male	Female	Total
Central Government	11.3	20.7	14.9
Local Authorities/Government	3.8	7.7	5.3
Parastatal-Financial	1	0.2	0.7
Parastatal-Non financial	4.3	2.8	3.8
Households	22.9	28.3	24.9
Private Enterprises-Financial	1.2	1.6	1.4
Private Enterprises-Non-Financial	50.9	34.5	44.6
Co-operatives	0.7	0.4	0.6
NGOs	0.8	1.9	1.2
Other	3.2	1.9	2.7
Total Per cent	100	100	100
Total Number	878,306	543,847	1,422,153

Source: 2019

Table 3: Percentage Distribution of Currently Employed Persons by Institutions Sector, Zimbabwe 2019 LFCLS

Institutional Sector	Male	Female	%	Total
Central Government	46.9	53.1	100	211,928
Local Authorities/Government	44.2	55.8	100	74,835
Parastatal-Financial	89.1	10.9	100	9,588
Parastatal-Non financial	71.2	28.8	100	53,498
Households	56.6	43.4	100	354,572
Private Enterprises-Financial	55	45	100	19,439
Private Enterprises-Non Financial	70.4	29.6	100	634,494
Co-operatives	70.5	29.5	100	8,232
NGOs	42	58	100	17,643
Other	73	27	100	37,924
Total	61.8	38.2	100	1,422,153

Source: 2019 LFCLS

As presented in Table 4, NGOs are the third biggest earners of foreign currency in the country after export proceeds and diaspora remittances. Total foreign currency receipts (US\$ million) from NGOs rose by 50.5% from US\$647.78 million in 2020 to US\$975.16 million in 2021. Foreign currency receipts from the NGOs constituted about 10% of total foreign currency receipts and more than 10 times what came in through foreign investment. Foreign currency receipts from NGOs have gone a long way in improving foreign currency supply in the economy. Capacity utilisation in industry

has improved significantly from 34% in 2020 to an estimated 60% in 2021 (2022 National Budget Statement), on account of improved foreign currency availability among others. Any disruptions in NGOs' activities and financing is likely to destabilise the foreign exchange markets.

Table 4: Percentage Distribution of Currently Employed Persons by Institutions Sector, Zimbabwe 2019 LFCLS

Type of Receipt		2021	2020	%Change
Export Proceeds		6,194.70	3,718.80	66.6%
International Remittances	Diaspora Remittances	1,430.14	1,002.10	42.7%
	NGOs	975.16	647.75	50.5%
Loan Proceeds		876.06	845.21	3.6%
Income receipts		118.93	56.85	109.2%
Foreign Investment		91.14	40.06	127.5%
Total		9,686.13	6,310.76	53.5%

Source: RBZ Monetary Policy Statement, February 2022

A survey we carried out with a number of NGOs revealed that the contribution by NGOs to tax revenues ranged from US\$4000 to US\$35,000 per month depending on the size of the NGO. Moreover, according to the African Sun Limited 2020 Integrated Annual Report, conferencing business from NGOs have consistently anchored their city and country hotels segment. This segment was their cash cow in 2020 as the impact of the COVID-19 on the Hotels and Tourism sector saw other segments, particularly the Resort Hotels and Leisure Division, plummeting in sales. International room nights declined by 78%, while local room nights decreased by only 28% from 2019 as NGOs, Government and Quasi-Governmental organisations continued to operate albeit under restricted conditions.

Zimbabwe has a huge financing gap which has been partly filled through development assistance. Table 6 shows that public investments in productivity-enhancing and poverty-reducing sectors of the economy remain grossly inadequate to sustainable development. As shown in Table 6 there is a huge financing gap in public financing of critical sectors of the economy. While there has been improved spending and allocation towards critical sectors of the economy such as health care and infrastructure, these improvements are still below regional and international benchmarks.

Table 5 presents the sectoral spending performance of Zimbabwe based on the 2019, 2020, 2021, and 2022 National Budgets. In terms of vote allocations, Primary and Secondary Education was allocated the highest share at 14.9% up from 13.1% in 2021, closely followed by Agriculture. The allocations on Health and Basic Education are below the Abuja Declaration (2001) and the Education for All Initiative (2000) targets/benchmarks of 15% and 20% respectively. The per capita health allocation is ZWL\$7,761.47 which is about US\$74 up from about US\$40 in 2021. According to the WHO, global spending on health averages US\$1,080 per capita. Countries that invest a lot on health do better economically than countries that invest little. Public investments in health help to enhance the productivity and welfare of the citizens. The country continues to overly rely on external funding to finance our healthcare. According to the Budget statement, during the period January to September 2021, the country received development assistance amounting to

US\$647.6 million, of which US\$401.7 million was from bilateral partners and US\$245.9 million from multilateral partners. A further US\$202.4 million in development assistance is projected during the fourth quarter of 2021.

Social protection coverage in the country remains very low. Social protection was allocated about ZWL\$20.5 billion (2.8% of GDP) in 2022 up from 0.8% in 2021. This is a huge improvement but it is still below the Social Policy for Africa (2008) benchmark of at least 4.5% of GDP. Water and sanitation on the other hand, received an allocation which constitutes about 1.2% of GDP, up from 0.2% of GDP in 2021. Providing water and sanitation in schools is key to keeping girls and children in school. Poor and inadequate water and sanitation is a leading cause of poverty, morbidity and mortality. As shown in Figure 1, donors contributed quite significantly towards social protection, health, education, and food security.

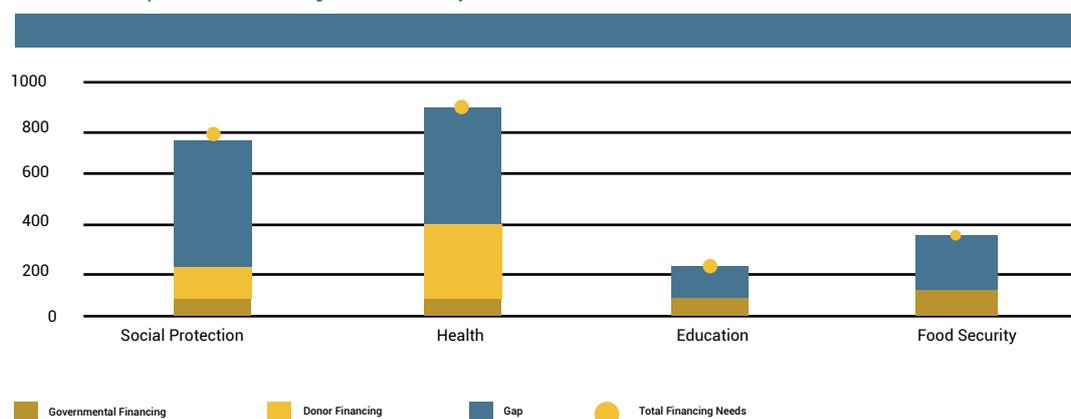
Table 5: Sectoral spending targets and performance for Zimbabwe

SECTOR	AGREEMENT	TARGET	2019	2020	2021	JAN-SEP 2021	2022
Social protection	Social Policy for Africa (2008)	4.5% GDP	0.3%	0.7%	0.8%	1.7%	2.8%
Health	Abuja Declaration (2001)	15% government expenditure	7%	10.1%	13.0%	7.2%	14.2%
Education	Education for All Initiative (2000)	20% government expenditure	14.6%	13.3%	13.1%	10.5%	14.9%
Water & Sanitation	eThekweni Declaration (2008) Sharm El-Sheik Commitment (2008)	1.5% GDP	0.7%	0.7%	0.2%	1.4%	1.2%
Agriculture	Maputo Agreement (2003)	10% government expenditure	12.7%	17.5%	11.0%	25%	14.9%
Infrastructure	African Union Declaration (2009)	9.6% GDP	8%	7.2%	5.5%	5.0%	5.2%

Source: Calculations based on the National Budget statements.

Figure 1 shows that the country has huge needs and gaps in terms of the financing of critical sectors of the economy. NGOs have contributed significantly towards addressing the financing needs/gaps. Donor financing far outstrips government financing in all the 4 sectors

Health and social protection needs are significant and mostly unmet



Source: World Bank staff estimates based on data from National Authorities and Development Partners

Owing to the huge financing gap in most sectors of the economy, the country has had to rely on donor financing from international NGOs and development partners. For instance, according to the 2022 National Budget statement, during the period January to September 2021, the country received development assistance amounting to US\$647.8 million, of which US\$401.9 million was from bilateral partners and US\$245.9 million from multilateral partners. A further US\$202.4 million in development assistance is projected during the fourth quarter of 2021, giving cumulative receipts of US\$850.2 million for the year. In 2022, support from the Development Partners is projected at US\$761.5 million, broken down as, US\$274.3 million and US\$487.2 million from multilateral and bilateral partners, respectively. Table 6 shows the actual disbursements for the period January–September 2021 and 2022 projections by Development Partner.

Table 6: Development Partner Disbursements by Donor (US\$)

Development Partner	2021			
	Jan to Sept Actuals	Q4 Projection	Total Estimates	2022 Projection
Bilaterals				
USA	273,794,777	69,973,563	343,768,340	364,500,000
UK	44,082,000	25,669,900	69,751,900	63,082,800
European Union*	27,120,068	–	27,120,068	31,128,729
Sweden	27,425,331	10,907,482	38,332,813	–
Japan	14,507,649	698,750	15,206,399	2,899,000
South Korea*	454,300 –	454,300	864,000	
Switzerland	6,894,743	3,204,000	10,098,743	8,218,704
Germany	3,440,351	2,301,277	5,741,628	8,603,769
France	1,156,421	34,693	1,191,113	3,376,748
Netherlands*	3,000,711	–	3,000,711	4,593,426
Sub – total	401,876,349	112,789,665	514,666,014	487,267,176
Multilaterals				
Global Fund	177,205,601	54,950,870	232,156,471	196,967,102
World Bank	17,470,502	19,502,306	36,972,808	20,486,593
AfDB*	14,996,146	13,062,669	28,058,814	35,635,435
UNICEF*	5,376,787	–	5,376,787	6,676,000
UNDP*	8,246,861	–	8,246,861	1,379,044

Source: The 2022 National Budget Statement.

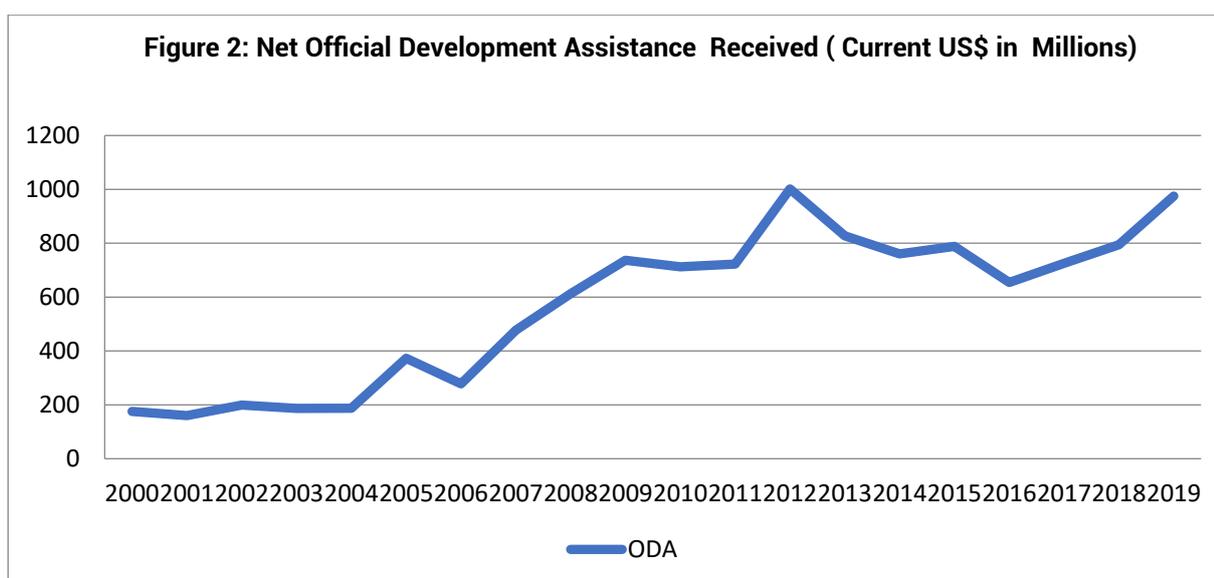
Table 7 shows the actual disbursements for January–September 2021 and projections for fourth quarter 2021 and 2022 by sector

Table 7: Development Partner Disbursements by Sector

SECTOR	2021 ESTIMATES			2022 PROJECTION
	JAN TO SEPT 2021 ACTUAL	2021 Q4 PROJECTION	TOTAL 2021 ESTIMATES	
Agriculture	18,717,202	4,718,108	23,435,310	35,418,268
Transport	2,058,000	0	2,058,000	670,894
Power and Energy	7,125,000	4,137,130	11,262,290	29,992,390
Water and Sanitation	5,252,823	8,090,379	13,343,202	4,091,902
Health	390,652,661	120,506,320	511,158,981	482,059,110
Education	15,816,660	10,356,750	26,173,410	20,996,350
Governance	27,923,786	11,978,714	39,902,500	23,260,642
Multi-sector	39,720,713	9,140,497	48,861,210	37,407,130
Humanitarian	114,846,020	14,910,195	129,756,215	103,450,375
Capacity Building	4,072,204	1,509,129	5,581,333	10,713,167
Basic Social Services	6,729,350	178,370	6,907,720	1,216,444
Cyclone Idai Recovery	14,886,620	16,834,608	31,721,228	12,265,188
Total	647,801,200	202,360,199	850,161,399	761,541,860

Source: The 2022 National Budget Statement

Figure 2 and Table 8 show the trends in net official development assistance into the country over the period 2000 to 2019.



Source: World Development Indicators database, World Bank.

Table 8: Net official development assistance received (current US\$ in millions)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ODA	175.64	160.21	199.13	186.92	187.3	372.94	278.24	477.46	612.75	736.55
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ODA	712.53	722.58	1001.59	827.54	760.57	788.29	654.25	725.84	794.51	974.89

Source: World Development Indicators (WDI) database, World Bank.

Importantly, a lot of the gains that have been registered on the key development indicators have been on account of the partnership between the Government and NGOs. For instance, the country has made some progress in terms of reducing mortality. According to the 2019 Multiple Indicator Cluster Survey (MICS), the maternal mortality ratio declined from 651 in 2015 to 525 in 2017 and then 462 in 2019. The under-5 mortality rate on the other hand decreased from 72.4 per 1,000 live births in 2017 to 65 per 1,000 live births in 2019. The proportion of women of reproductive age who have their need for family planning satisfied with modern methods has increased from 86% in 2016 to 89% in 2019. There has been an improvement in childhood vaccinations from 76% in 2015 to 84.5% in 2019.

According to the 2020 Zimbabwe Progress Report on SDGs, progress has been made with regards to HIV infection, with the number of new HIV infections reducing from 3.9 per 1,000 uninfected population in 2015 to 2.8 per 1,000 in 2019. The malaria incidence per 1,000 population has progressively declined from 29 in 2014; to 14 in 2016; 10 in 2017; and only 5 in 2018. The country in partnership with development partners has come up with policy frameworks to deal with malaria including: the National Malaria Control Programme (2001); the National Malaria Prevention and Control Policy (2010); National Malaria Strategic Plan (2016-2020); the Malaria Communication Strategy (2016-2020); and the Insecticide Resistance Monitoring and Management Plan for Malaria Vectors in Zimbabwe (2016-2020).

The estimated TB treatment coverage now stands at 83%, up from 70% in 2014. TB incidence has climbed down to 210 per 100,000 population in 2018, from 278 per 100,000 population in 2014. The incidence and mortality rate among TB patients declined by 25% and 49% respectively in 2018 from the 2014 baseline. HIV prevalence among TB patients declined from 68% in 2014 to 62% in 2018. Zimbabwe benefitted from the 5 year US\$25 million-Challenge Tuberculosis (TB) grant which came to an end at the end of 2019. The Challenge TB (CTB) was funded under USAID's TB strategy. The country registered commendable strides in the fight against TB. The Challenge TB supported 46 one-stop-shop high volume facilities across the country, to offer integrated TB-HIV services.

According to the UNAIDS 2019 Annual Report, Zimbabwe recorded a decrease in new HIV infections from 45,000 in 2015 to 38,000 in 2018, a development that should lead to a decline in prevalence. The incidence of HIV has reduced from 3.9 per thousand uninfected population in 2015 to 2.8 per thousand in 2019. Zimbabwe has also managed to halve the number of Aids-related deaths from 54,000 in 2010 to 22,000 in 2018. The Global Fund has allocated US\$ 500 million to Zimbabwe for HIV and AIDS, TB as well as Malaria programmes that will run between 2020 and 2023. The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) has approved US\$ 230 million to Zimbabwe

for HIV and AIDS for the one-year period beginning on October 1, 2020 and ending on September 30, 2021.

NGOs have also played a critical developmental role in enhancing food security and promoting the right to food. According to the United Nations Common Country Analysis Zimbabwe 2021 report, the country is a beneficiary of several strategic cooperation and partnership with a number of bilateral and multilateral agricultural development programmes, including among others: the Zimbabwe Agricultural Growth Programme (ZAGP), the Zimbabwe Livelihoods and Food Security Programme (LFSP), the Feed the Future, Smallholder Irrigation Programme (SIP) and the Zimbabwe Resilience Building Fund. These efforts have gone a long way in improving resilience and productivity in the target communities.

5.0 THE POTENTIAL IMPACT OF THE PRIVATE VOLUNTARY ORGANISATIONS AMENDMENT BILL



The Private Voluntary Organisations Amendment Bill tightens the regulatory framework of NGOs over and above the significant control already contained in the PVO Act. The Bill violates the freedom of association enshrined in the Constitution and a number of regional and international agreements the Government is a signatory to including the International Covenant on Civil and Political Rights. The Bill makes it an offence for a PVO to be involved in supporting or opposing a political party or candidate.

Freedom of association under section 58 of the Constitution extends to associating for political purposes, and this is reinforced by section 67 which states that every Zimbabwean citizen has the right to form, join and participate in the activities of political organisations. The penalty for failing to register as a PVO also appears to be excessive.

By restricting the activities of NGOs, the Amendment Bill will likely limit/restrict economic and political freedom in the country. The country already performs badly on the major economic and political freedom indices. According to the Freedom House 2021 Freedom in the World report, Zimbabwe has a score of 28/100 (down from 29/100 in the 2020 report) and is considered not free.

According to the Heritage Foundation 2021 Index of Economic Freedom, Zimbabwe is ranked 174 out of 178 countries with a score of 39.5 representing 3.6 points decline from 2020. Zimbabwe is ranked

46th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages. Economic and political freedom are the foundations for economic prosperity, competitiveness and sustainable development. By restricting the civic space, the Bill will also increase the country risk premium which will adversely affect capital and investment inflows into the country. The country's re-engagement efforts with the international community will also be negatively affected.

The Amendment Bill will also result in a decline in foreign funding for NGOs which will affect the capacity of the country to address poverty and hunger as well as achieve sustainable development. Across the world, the restrictions on civic space and the increase in legal constraints on foreign funding of NGOs have negatively impacted on donor funds to NGOs civil society. This has weakened the capacity of NGOs to provide services to people facing the threat of poverty and hunger. In a study of 134 countries, Dupuy and Prakash (2017) found that that bilateral (official) aid flows dropped by 32% in the years after aid-recipient governments introduced new restrictions on NGOs, largely because donors could no longer fund preferred activities. As many NGOs implement social protection and other anti-poverty interventions, reductions in foreign aid have implied cuts to critical productivity-enhancing services for the indigent and vulnerable (Van der Borgh and Terwindt, 2014). In an unpublished manuscript, Chaudhry and Heiss (2018) find an even greater impact on aid flows, with 45% less foreign aid channelled towards countries that restrict CSOs' ability to engage in advocacy. Interestingly, these authors also find that donors channel their funds in countries with such legislation away from politically sensitive issues and more often through domestic rather than international CSOs.

Hossain and Oosterom (2021), examine how anti-CSO restrictions and the closure of civic space more broadly are likely to shape the achievement of key development outcomes (specifically, poverty alleviation and hunger) in Brazil, Ethiopia, Pakistan and Zimbabwe. They find that such restrictions will limit the involvement of civil society organizations in policy processes, hamper organizations' ability to monitor and critique policies, and reduce civil society's role in service delivery. This will likely retard progress in achieving poverty alleviation and reducing hunger, particularly for marginalized groups in society.

NGO restrictions can also reduce citizens' political participation in CSO-restricting countries (Dupuy and Prakash, 2020) and enable government human rights abuses by reducing the ability of CSOs to monitor and expose of such behaviour (Smidt et al., 2020). NGOs restrictions in a number of countries have also led to the NGOs adopting different strategies including: disbanding, continuing to operate informally, circumventing regulations by registering as a different type of organization, litigation, and giving up policy advocacy among others. In the case of Zimbabwe, one of the key reasons for the high levels of informality is the excessive regulations in the economy. Any additional regulations to the NGOs sector, will cause many NGOs to go underground, open off shore bank accounts, and could even increase the risk of fraud and money laundering. All these factors will adversely affect macroeconomic stability, sustainability, and economic development.

6.0 MONEY LAUNDERING RISK ANALYSIS FOR NGOs



Interviews with a number of NGOs and human rights defenders revealed that they are just as concerned about terrorism and money laundering as the Government or any other sector of society. In a number of countries, Governments have portrayed NGOs as security threats or adversaries. They are arrested, arbitrary detained, prosecuted, sentenced to long prison terms, attacked, threatened, and harassed in the name of counter-terrorism and security because they document human rights violations and call on the governments to fulfil its legal obligation to respect the fundamental rights of all citizens. These tendencies are most prominent in countries with a bad human rights record and repressive tactics, but they have also been seen in countries that pride themselves on maintaining democratic and human rights norms. The importance of combating money laundering and terrorism financing is undeniable; however, this should not be used as a pretext to further shrink the civic space. Importantly, in Zimbabwe there has been no instance of terrorist financing in the NGO sector.

Zimbabwe has a legal obligation to adopt national legislation to combat money laundering and the financing of terrorism⁸. The main international policy and regulatory body on the financing of terrorism, the Financial Action Task Force ('FATF'), which was established in 1989, has over the years developed a myriad of soft laws: 40 recommendations to be implemented at the national level, complemented by Interpretative Notes, Best Practices, and a

8. International Convention for the Suppression of the Financing of Terrorism Adopted by the General Assembly of the United Nations in resolution 54/109 of 9 December 1999, entered into force on 10 April 2002; Security Council resolution 1373 (2001).

Handbook for Countries and Assessors⁹. Although FATF's recommendations are technically non-binding, they have been endorsed by 180 countries, are universally recognised as the international standard for the countering of terrorism financing, have been incorporated into UN Security Council resolutions and the Global Counter-Terrorism Strategy, translated into obligations at the regional level, and implemented at national level. If not taken into consideration, they can lead to severe adverse consequences for the states in question, notably isolation from financial markets.

According to the FATF's recommendations, measures taken by countries to protect NGOs from terrorist financing should not violate the United Nations Charter and international human rights law, nor should they disrupt or discourage legitimate charitable activities. Rather, such measures should promote accountability and engender greater public confidence that charitable funds and services reach intended legitimate beneficiaries because systems that promote achieving a high level of accountability, integrity, and public confidence in the management and functioning of NGOs are critical to ensuring that they are not abused for terrorist financing (FAFT, 2021).

The government is using FATF's recommendations to come up a Bill that will restrict the activities of NGOs. A similar legislation was enacted in India resulting in the closure of 11,000 NGOs (see Box 1). The government gazetted the Private Voluntary Organisations Amendment Bill on 5 November [GN 3107 of 2021] which might be detrimental to CSOs' democratic and constitutional operations. The Bill is meant to amend the Private Voluntary Organisations Act [Chapter 17:05], which governs non-profit organizations in Zimbabwe with the aim to comply with FATF's recommendations to strengthen the country's legal framework to combat money laundering, financing terrorism and proliferation.

Granted, while NGOs must operate within a transparent framework that outlines their methods of formation, fundraising, and operation, this should not come at the expense of freedom of expression and association, as well as the right to privacy and access to funds. According to the United Nations Declaration on Human Rights Defenders, everyone has the right "at the national and international levels [...] to form, join, and participate in non-governmental organizations, associations, or groups" (Article 5) and "to solicit, receive, and use resources for the express purpose of promoting and protecting human rights and fundamental freedoms through peaceful means" (Article 13). This includes civil society organizations' ability to "obtain funds and other resources from domestic, foreign, and international sources," which is a key component of the right to peaceful assembly and association.

Box 1: Case of India

India became a member of FATF in 2010. Later that year, the Indian government amended the already restrictive Foreign Contributions Act ('FCRA') to allow the government to withdraw the permits of NGOs designated as "organizations of a political nature." As a consequence, thousands of NGOs had their FCRA permits suspended, drastically silencing part of civil society. The same year, amendment to the Unlawful Activities prevention Act (UAPA) was as well specifically made in order to be in line with FATF recommendations.

Resultantly, many CSOs were left in limbo, unable to receive funding impacting a large base of

9. See FAFT's Best Practices Paper on Combating the Abuse of Non-Profit Organisations (2015).

human rights work in the country and affecting many human right defenders. Statistics from the Ministry of Home affairs ('MHA') indicates that by August 2017 more than 11,000 organisations' FCRA licenses were cancelled. Some of the prominent organisations whose FCRA licenses were either not renewed or cancelled are Indian Social Action Forum, Centre for Promotion of Social Concerns, Lawyers Collective, Sabrang Trust, Centre for Justice and Peace, Greenpeace India, Church's Auxiliary for Social Action.

However, in 2013, a FATF evaluation found India's level of compliance still lagging behind just like what it was before implementing the aforementioned measures, a clear indication that it did not and does not work.

Source: Working Group Torture and Terrorism (2019). FATF's recommendation 8 on non-profit organizations: A new tool to unfairly and dangerously shrink civil society space, OMCT SOS-Torture Network, July 10th 2019.

The second money laundering and terrorist financing national risk assessment key findings report for Zimbabwe (2020) states that the national money laundering threat for Zimbabwe was assessed to be medium low with a score of 0.52, using a scale of 0 to 1 (see Figure 3). The main offences used to generate money laundering proceeds that were identified include:

- Fraud;
- Contravention of the Customs & Exercise Act;
- Contravention of the Gold Trade Act;
- Corruption; and
- Contravention of the Income Tax Act.

Twelve sectors were assessed and the high threat level sectors were found to be Banking, Real Estate, Motor Vehicle Dealers, Mining and Mobile Money dealers. NGOs were not identified as a risky sector. On the other hand, the overall terrorism and terrorist financing threat in Zimbabwe was rated low.

Figure 2 and Table 8 show the trends in net official development assistance into the country over the period 2000 to 2019.

Threat		Yellow	Red	Red	Red	Red	Red
	High	Light Green	Yellow	Yellow	Red	Red	Red
	Medium High	Light Green	Yellow	Yellow	Red	Red	Red
	Medium	Green	Yellow	Yellow	XXXX	Red	Red
	Medium Low	Green	Green	Yellow	Yellow	Yellow	Red
	Low	Green	Green	Green	Light Green	Light Green	Yellow
			Low	Medium Low	Medium	Medium High	High
Vulnerability							

Source: World Development Indicators database, World Bank.

The general rule is that the depth of risk assessment and the actions which need to be taken to mitigate the risks identified increase according to need. FAFT's Recommendation 8, which calls for a review of the laws and regulations governing non-profit organizations to ensure that they cannot be used to finance terrorists, is meant to apply solely to those NGOs that are most vulnerable to terrorist financing abuse.

FAFT's report on best practices for combating abuse of non-profit organizations advised countries to consider the objectives of Recommendation 8 when implementing measures to mitigate the risks identified in their domestic NGO sector, which are to prevent terrorists from: (i) posing as legitimate entities; (ii) exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; or (iii) concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but diverted for terrorist purposes. Measures used in this regard should not stifle or hinder legitimate charitable activities. Rather, such measures should increase openness and build trust in the sector, among donors and the broader public, by ensuring that charitable funds and services reach their intended legitimate beneficiaries. Where NGOs suspected of, or implicated in, terrorist financing or other forms of terrorist support are identified, the first priority of countries must be to investigate and halt such terrorist financing or support. Actions taken for this purpose should, to the extent reasonably possible, avoid negative impact on innocent and legitimate beneficiaries of charitable activity.

Given the diversity of the NGO sector, the varying degrees to which parts of each sector may be vulnerable to terrorist misuse, the need for legitimate charitable activity to continue to thrive, and the limited resources available to combat terrorist financing in each country, a targeted approach to dealing with the terrorist threat to the NGO sector is essential.

7.0 COMBATING MONEY LAUNDERING: BEST PRACTICES



The relationship between an empowered regulator with a deep understanding of the scope, scale, and workings of the NGO sector and an aware and vigilant civil society that conducts its own risk assessments, acts on considered advice, and deals with issues proportionately has been found to be the best strategy for safeguarding NGOs. Best practices have been identified with the goal of implementing a set of procedures that will allow NGOs to protect themselves from criminal exploitation.

7.1 Sector Review

Conducting a domestic review of the entire NGO sector is a fundamental and necessary starting point for the proper implementation of Recommendation 8. This will enable the government to determine the following: which NGOs should be subject to the country's terrorism financing mitigation measures; a better understanding of the NGO sector, including its size, type, locations, and activities; and to take the results of the domestic review to determine whether the laws, regulations, and other measures already in place are commensurate with the risks identified, in accordance with FAFT¹⁰. Box 2 gives an account of how the NGO sector in Canada was reviewed.

Box 2: NGO Sector Review – Case of Canada

The national regulator of registered charities in Canada, the Canada Revenue Agency (CRA), conducted a domestic review of the entire Non-Profit Organizations (NPO) sector in Canada in order to identify which organizations, by virtue

10. Paragraph 1 of the Interpretive Note to Recommendation 1 (FATF, 2012).

of their activities and characteristics, were at greater risk of being abused for terrorist support. Specifically, Canada aimed to ensure that: It is not taking an overly broad interpretation of the FATF definition of NPO; it focuses on those organizations that are at greatest risk; and it does not burden organizations not at risk with onerous reporting requirements for terrorism financing purposes. The CRA reviewed existing publications and research by governmental, academic, and non-profit organizations related to the non-profit sector, including reports by Statistics Canada on non-profit institutes, consultations on regulations affecting the sector, and studies on trends in charitable giving and volunteering. In addition, the CRA looked at existing laws and reporting requirements affecting non-profit organizations. To determine where there is risk, NPOs were categorized based on shared characteristics such as purpose, activities, size and location of operation.

Source: FAFT's Best Practices Paper on Combating the Abuse of Non-Profit Organisations (2015).

7.2 Mitigating the Risk

There is no 'one-size-fits-all' solution to the terrorist financing risks that NGOs face. FAFT's recommendation 8 specifically states that there are a variety of techniques to detecting, preventing, and combating terrorist misuse of NGOs. According to the Interpretive Note to Recommendation 8, a flexible, multi-faceted four-pronged approach to identifying, preventing, and countering terrorist misuse in the NGO sector is required. If terrorist misuse in the NGO sector is discovered, a variety of remedies, including regulatory, administrative, or targeted financial sanctions, criminal investigation, or other steps, may be taken, depending on the severity of the case.

The government should, however, seek to ensure that its responses to the risk of terrorism financing are proportionate. For those NGOs with little to no terrorism financing risk, FAFT suggests that detailed registration procedures for NGOs, additional reporting requirements, the requirement of appointing a designated staff responsible for counter-terrorism compliance, and an external audit of the organization may not be appropriate for counter-terrorism financing purposes.

7.3 Dialogue

FAFT's recommendations call for countries to reach out to NGOs about terrorist financing issues. Regular communication with the NGO sector leads to and facilitates the development of collaborative relationships with the sector. Using umbrella organizations like the National Association of Non-Governmental Organizations (NANGO), coalitions, associations, and donor organizations to successfully reach out to a large number of NGOs is a smart option. All stakeholders, including governmental and non-governmental actors, law enforcement and NGO regulators can be involved in the development of outreach and education about the specific terrorist risks facing the NGO sector and provide examples of risk mitigation good practices. In some countries, the tax authorities have proven to be an effective focal point for interaction because, as is frequently the case, a large number of NGOs deal with the tax authorities on a regular basis in order to qualify for and preserve favourable tax treatment.

7.4 Increase in the risk of unwanted consequences/self-fulfilling prophecy

A self-fulfilling prophecy is a term used to describe a prediction that causes itself to become true. In this case, it is the process by which the Government's expectations about NGOs can lead to some NGOs behaving in ways which confirm the expectations. Once they get their licenses revoked, some organisations might continue to operate informally which makes them more susceptible to money laundering and terrorism financing risk. Thus, the Government would have caused what it is trying to avoid. Increasing restrictions goes against the spirit of transitioning from informality to formality that the second republic is championing.

8.0 CONCLUSION



Clearly, NGOs are important agents in the country's development process. Strong partnerships with NGOs and other not-for-profit organisations such as trade unions will strengthen the implementation of the National Development Strategy 1 (NDS 1) as well as the attainment of the country's Vision 2030: Towards a Prosperous & Empowered Upper Middle-Income Society by 2030.

The government gazetted the Private Voluntary Organisations Amendment Bill on 5 November [GN 3107 of 2021]. The Bill is meant to amend the Private Voluntary Organisations Act [Chapter 17:05], which governs non-profit organizations in Zimbabwe. The main aim of the Bill is to comply with the Financial Action Task Force (FATF) recommendations to strengthen the country's legal framework to combat money laundering, financing terrorism and proliferation.

The Bill contains provisions that go beyond FAFT recommendations and has potential to disrupt NGO activities and financing with potential adverse impacts on the economic development. It is a fact that NGOs are a low-risk sector with no precedence of financing terrorism and money laundering. FAFT's Recommendation 8, which calls for a review of the laws and regulations governing non-profit organizations to ensure that they cannot be used to finance terrorists, is meant to apply solely to those NGOs that are most vulnerable to terrorist financing abuse.

The Bill can lead to unilateral closure of NGOs by Government, banning of funding from the public or to foreigners to the NGOs, withdrawal of funding by Development Partners, 'voluntary' closure by NGOs, and could force some NGOs to go underground. One of the key reasons for the high levels of informality in the country is the general excessive regulations in the economy. Any additional regulations to the NGOs sector, will cause many NGOs to go underground, open off shore bank accounts, and could even increase the risk of fraud and money laundering. All these factors will adversely affect macroeconomic stability, sustainability, and economic development. By restricting the civic space, the Bill will result in an increase in the country risk premium. This will adversely affect investment and capital inflows into the country thereby weakening development. It will also negatively affect the country's re-engagement efforts with the international community.

By restricting the activities of NGOs, the Amendment Bill will likely limit/restrict economic and political freedom in the country. The country already performs badly on the major economic and political freedom indices. Economic and political freedom are the foundations for economic prosperity, competitiveness and sustainable development. The Amendment Bill will also result in a decline in foreign funding for NGOs which will affect the capacity of the country to address poverty and hunger as well as achieve sustainable development. The Bill also threatens to undo some of the development gains that have been gained through strategic cooperation and partnership with a number of bilateral and multilateral partners.

Any disruptions in NGO activities and financing will likely worsen the economic and development situation. Importantly, in Zimbabwe there has been no instance of terrorist financing in the NGOs sector. In line with regional and international best practices, any anti-money laundering and counter-terrorism financing measures and regulations should be designed and implemented on the basis of a national NGO sector risk assessment. No additional regulations should be applied if existing legislation and/or other measures are sufficient to mitigate risks.

In a number of countries such as Kenya and Ethiopia, they are adopting more liberal laws allowing NGOs more scope for activities. Adding more regulations to the NGOs sector will cause a number of NGOs to go underground which will increase the risk of fraud and money laundering that Government is trying to deal with. The country's current regulations and laws are robust enough to deal with any threat of fraud or money laundering by NGOs which threat remains very insignificant. The money-laundering and counter-terrorism laws in the country include: the Money Laundering and Proceeds of Crime Act; the Bank Use Promotion Act; the Suppression of Foreign and International Terrorism Act; and Criminal Law Code.

Importantly, creating an enabling environment for NGOs to operate is critical in the attainment of the country's Vision 2030.

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