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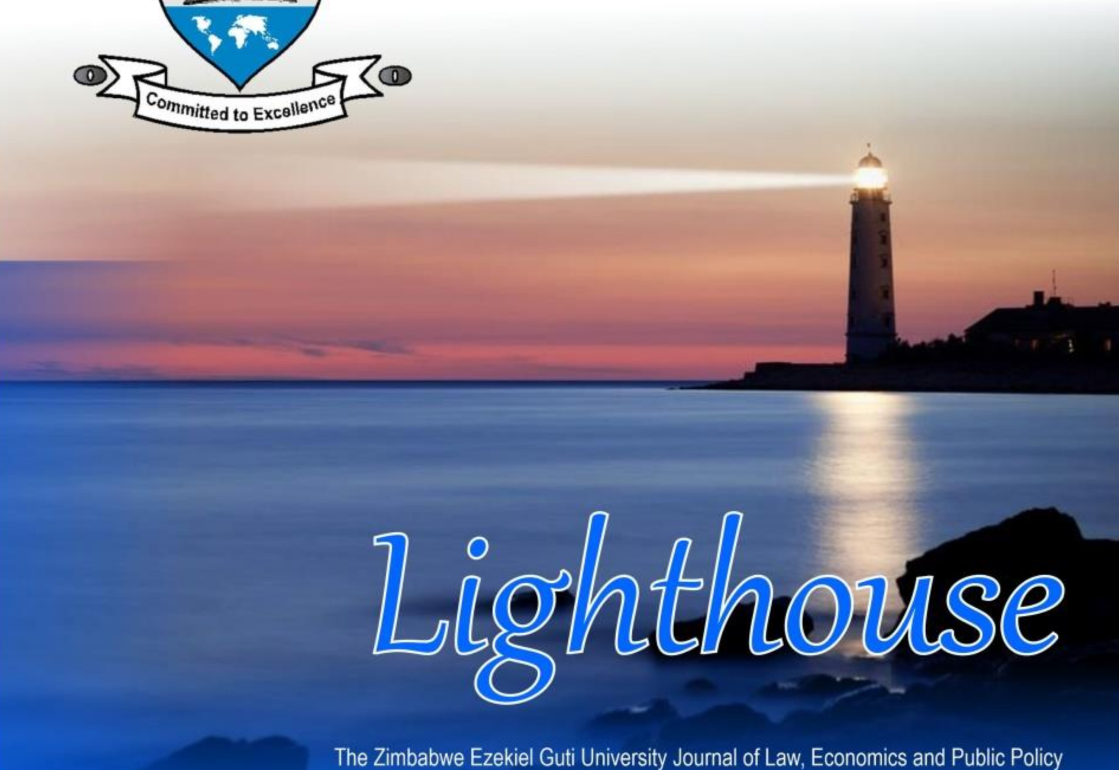

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Devolution in Zimbabwe: Exploring Factors Underpinning Fiscal Equalisation

OLIVER KUWA AND TAWANDA ZINYAMA[1]

Abstract

Overlooking fiscal devolution often renders other dimensions of decentralisation ineffective, as sub-national governments require adequate financial resources to fulfil their delegated mandates. Without a balance between financial resources and responsibilities, it becomes nearly impossible for sub-national governments to execute their assigned functions. The golden rule of decentralisation states that funding should follow the devolved functions and responsibilities. Beyond the mere transfer of resources and responsibilities, devolution is supported by the allocation of fiscal resources to drive people-centred local development. A budgetary procedure aligned with the devolution framework must accompany devolution process. The central argument in the article is that fiscal imbalances in Zimbabwe demand a robust and sustainable intergovernmental fiscal model as the central government retains control over the most lucrative sources of revenue, despite implementing various decentralisation reforms. To address these imbalances, locally generated revenue must be supplemented through revenue-sharing or intergovernmental fiscal transfers, as provided for in the Zimbabwe 2013 Constitution. A well-structured fiscal equalisation model framework can enhance the financial sustainability of sub-national governments by considering key variables such as the poverty index, the population of the area, the

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size of the local economy and the estimated value of the natural resource endowments.

Keywords: fiscal imbalance, intergovernmental fiscal transfers.

INTRODUCTION

Vertical and horizontal fiscal imbalances are common in most devolved systems of government. Intergovernmental fiscal transfers play a key role in addressing these imbalances by structuring central-local fiscal arrangements through financial transfers and the shared revenue bases. However, many central governments, particularly in transitional and developing political contexts, devolve functions and responsibilities without the requisite financial resources (Chakunda *et al.*, 2021). Fiscal equalisation serves as a foundation decentralised fiscal policy, ensuring that citizens across different regions have access to minimum standard of public services (Nikolov *et. al.*, 2018). This article argues that intergovernmental fiscal transfers and fiscal equalisation are essential in addressing fiscal imbalances. It explores the key variables necessary for developing a sustainable intergovernmental fiscal model. A well-structured framework promotes equitable resource distribution, mitigating regional and fiscal capacity disparities. The main objective of devolution is to promote an efficient sub-national government system in delivering services to a heterogeneous citizenry. However, disparities in revenue-generation capacities among sub-national governments undermine horizontal equity (Chakunda *et al.*, 2021), leading to uneven regional development, forced migration and potential conflicts.

To address fiscal conflicts among different tiers of government, the study identifies key variables that inform an objective and transparent fiscal equalisation model:

- Total allocation as declared in the national budget,
- Poverty index (Poverty Prevalence Rate),
- Population size,

- Local economic capacity as a proportion of the national GDP and
- Estimated value of the natural resource endowments.

By implementing a structured intergovernmental transfer system bolstered by a clear fiscal equalisation model, governments can enhance horizontal equity, enabling regions with different fiscal capacities to provide comparable levels of public services at fair taxation rates.

This article is organised into nine sections. The first section presents a brief introduction and the second section provides the study background. The third section highlights the study research methodology which is qualitative. The fourth section analyses key concepts and links them to the study. The fifth section is a comprehensive literature review covering factors informing contemporary intergovernmental fiscal transfer practice. The sixth section highlights the study's theoretical framework, the Fiscal Federalism Theory. Section seven discusses the main findings and recommendations to guide future research on the design of sustainable intergovernmental fiscal governance models for Zimbabwe. Section nine concludes the article.

BACKGROUND CONTEXT

Sub-national governments rely heavily on intergovernmental grants, loans and revenue-sharing schemes, rather than taxes and fees. In Zimbabwe, provincial councils and local authorities face financial constraints due to weak and local economies rising public demands (Chakunda *et al.*, 2021). This necessitates equitable division of nationally raised revenue among national, provincial and local governments, ideally based on their fiscal capacity and functional competencies.

Fiscal equalisation involves financial transfers from the central government to sub-central governments to ensure they provide comparable public services at similar taxation levels. It serves as a corrective mechanism within fiscal decentralisation, addressing resource disparities and revenue imbalances (Nikolov *et al.*, 2018). Differences in resource endowment, revenue mobilisation capacity and expenditure needs, create fiscal imbalances (Holm-Hadulla, 2018).

Zimbabwe adopted devolution in 2013, marking a shift from discretionary, constitutional obligation. Before this, intergovernmental grants were treated as political favours rather than systematic obligation (Chakunda *et al.*, 2021). Section 301 of the new Constitution mandates equitable revenue allocation across government tiers, yet devolution funds were disbursed only in 2019, under the leadership of President Mnangagwa's administration. These, designated for infrastructure development in water, health, education and roads, remain controversial due to ambiguities in their allocation.

The 2024 national budget highlights that the government currently considers only three variables: poverty prevalence, population and the physical infrastructure gaps (GoZ, 2023). However, concerns persist regarding the exclusion of other critical variables, raising questions about the transparency and fairness of the process. From the preceding view, Zimbabwe provides a relevant case study in the intergovernmental fiscal equalisation discourse, as the criteria guiding resource distribution remain opaque, unexplored and at times politically manipulated.

CONCEPTUAL FRAMEWORK

This section examines fiscal equalisation, vertical and horizontal fiscal imbalances and devolution key concepts essential to understanding intergovernmental fiscal relations. The framework contextualises these elements within Zimbabwe's decentralisation landscape to highlight how fiscal transfers address disparities in public service provision.

FISCAL EQUALISATION

Fiscal equalisation refers to the redistribution of financial resources across sub-national governments to reduce regional disparities in fiscal capacity and service provision (Blöchliger and Charbit, 2008). It operates through vertical transfers (funding from central to sub-national governments) and horizontal transfers (redistribution between local governments). Equalisation is crucial in ensuring equity, efficiency and stability in public finance, mitigating economic shocks and guaranteeing fair access to services. However, fiscal equalisation is shaped by institutional contexts, including the size and distribution of sub-national governments, revenue allocation mechanisms and power-sharing structures (Chakunda *et al.*, 2021). A well-designed equalisation framework should balance fiscal autonomy with financial support, ensuring that weaker sub-national governments receive adequate funding while maintaining incentives for efficient local revenue generation (Musamadya, 2017).

VERTICAL AND HORIZONTAL FISCAL IMBALANCE

Fiscal imbalances occur when revenue and expenditure responsibilities are misaligned across government levels. Vertical fiscal imbalance arises when sub-national governments rely heavily on central government transfers due to inadequate local revenue sources (Holm-Hadulla, 2018). In contrast, horizontal fiscal imbalance results from disparities in sub-national governments' ability to generate revenue, leading to unequal public service provision across regions (Muriu, 2013). Addressing these imbalances requires a structured system of intergovernmental transfers that promotes both financial independence and service equity.

DEVOLUTION

Devolution is the transfer of powers and financial resources from central to sub-national governments, aiming to promote equitable development and local governance autonomy (Onyango, 2018). While devolution in Zimbabwe and Kenya is enshrined in constitutional frameworks, its effectiveness depends on clearly defined fiscal responsibilities, coordination mechanisms and sustainable funding models (Lyall, Wood and Bailey, 2015). Effective devolution ensures not only economic growth, but also broader social outcomes such as improved governance, job creation and environmental sustainability.

A well-functioning fiscal system requires a balance between equalisation, devolution and addressing fiscal imbalances to achieve equitable public service provision. While fiscal equalisation ensures fairness, addressing vertical and horizontal imbalances strengthens financial sustainability. A coherent fiscal framework must integrate these principles to enhance local government capacity, promote economic stability and reduce regional disparities.

THEORETICAL FRAMEWORK

This article is grounded on the Fiscal Federalism Theory. Fiscal federalism is part of the broader public finance discipline, that examines the allocation of fiscal responsibilities and financial relations between different levels of government, especially in a federal system. It explores how revenue sources, expenditure responsibilities and fiscal transfers are distributed among the tiers of government. Several notable authors have contributed to the development of Fiscal Federalism Theory (Musgrave,1959; Tiebout, 1961; Oates, 1972). Musgrave's (1959) work focuses on the role of government in the economy, including issues related to intergovernmental fiscal relations. Musgrave emphasises the importance of equity, efficiency and stabilisation in the allocation of fiscal responsibilities between different levels of government (Bird and Vaillancourt, 2006). Oates (1972) developed the concept of decentralisation that argues that the optimal allocation of public goods and services occurs when decisions are made at the level of government closest to the affected population (Bird and Vaillancourt, 2006).

Tiebout (1961) introduced the concept of "Tiebout sorting", arguing that individuals in a decentralised fiscal system "vote with their feet" by selecting jurisdictions which best align with their preferences (Fischel, 2006). This highlights the efficiency benefits of fiscal competition among local governments. Fiscal federalism seeks to allocate functions and finances to local governments in a way that maximises community welfare. Olson (1969) further distinguishes between state and national public goods and their financing, while Musgrave (1959) argues that local governments should rely on user charges and property taxes, leaving income tax to the central government. Given the mobility of revenue bases, local governments often face expenditure responsibilities exceeding their revenues, necessitating intergovernmental grants to close the fiscal gap.

Although vertical competition exists between government levels for revenue, most focus has been on horizontal tax competition, as local governments typically rely on revenue sources which higher-level governments do not prioritise. Consequently, local governments often depend on intergovernmental transfers to finance their responsibilities, making the level and design of such transfers a key concern in fiscal federalism. Some scholars advocate for unconditional fiscal equalisation grants as essential for an efficient fiscal system (Boadway and Flatters, 1982), while others argue that sub-national governments should receive funds only from central government spillovers or surpluses (Oakland, 1994). Alternatively, conditional grants align with the principal-agent framework, ensuring local fiscal effort, political accountability and compliance with national objectives (Ferris and Winkler, 1991).

Literature Review

This section examines the criteria for designing intergovernmental fiscal arrangements in Zimbabwe, highlighting the absence of a clear framework to guide fiscal equalisation. It explores key principles such as autonomy, revenue adequacy, equity, predictability, efficiency, simplicity, incentives and safeguarding the grantor's objectives. Additionally, it discusses the critical variables that should inform the equalisation model, including total allocation, poverty index, population size, local economic capacity and natural resource endowments.

Criteria for Design of Intergovernmental Fiscal Arrangements

This article is particular about the absence of criteria for designing intergovernmental fiscal arrangements in Zimbabwe. The central government seems to have disregarded and ignored the need to base its equalisation modelling framework on a distinctive criterion. The criterion is critical as it reduces central government bullying as sub-national tiers have the independence to chart the development trajectory of their jurisdiction. According to Blöchliger and Charbit (2008), an equalisation criterion should include autonomy, revenue adequacy, equity, predictability, efficiency, simplicity, incentive and safeguarding of the grantor's objectives shown in Table 1.

Table 1: Key Criteria for designing intergovernmental fiscal arrangements (Author's Compilations)

Criteria/Variable	Definition	Zimbabwe's Context	Recommendations
Autonomy	Sub-national governments' independence and flexibility in decision-making	Local authorities lack budgetary approval powers and remain subordinate to central government	Grant more fiscal autonomy to provincial and local governments

Revenue Adequacy	Sufficient financial resources to fulfil responsibilities	Zimbabwe allocates only 5% of national revenue to sub-national governments (GoZ, 2013), lower than international benchmarks	Increase allocation to 10-15% as in other countries like iKenya with at least15% (Onyango, 2018).
Equity	Fair distribution of resources based on fiscal capacity and needs	Disparities between regions in terms of wealth and poverty rates (e.g. Harare vs. Matabeleland)	Integrate poverty index and regional economic disparities into the fiscal formula
Predictability	The certainty of fiscal transfers for planning purposes	Frequent delays in fiscal transfers, affecting project implementation	Develop multi-year financial projections and increase transparency
Efficiency	The neutral impact of transfers on local resource allocation decisions	Funds primarily directed towards wages rather than developmental projects	Restructure transfer systems to allow greater flexibility in fund usage
Simplicity	Clarity and transparency in the allocation of funds	Complex allocation processes and lack of public transparency	Simplify the equalisation formula and enhance transparency
Incentives for Sound Fiscal Management	Encouraging responsible management of fiscal resources	Central government's allocations often fill budget deficits, discouraging fiscal discipline	Provide performance-based incentives for efficient financial management at local levels
Safeguarding Grantor's Objectives	Alignment of fiscal transfers with central government's developmental goals	Lack of monitoring mechanisms to ensure funds are used according to central government objectives	Implement stronger monitoring and accountability systems

FISCAL EQUALISATION VARIABLES

The calculation and disbursement of the conditional grants have remained a mirage to stakeholders, so it is the thrust of this article to articulate the importance of the variables that should underpin the equalisation model in Zimbabwe. This section will expound on the variables that underpin the equalisation framework, namely the total amount to be allocated as declared in the national budget, the poverty index, the population of the area, the size of the local economy and the estimated value of the natural resource endowments of the area.

Zimbabwe's government is now in the fourth year of allocating at least 5% of revenue collections as intergovernmental fiscal transfers to lower tiers of government as enshrined in the constitution. In 2022, intergovernmental fiscal transfers amounting to ZWL$16.7 billion were disbursed as conditional grants towards acquiring road construction and firefighting equipment, refuse collection equipment and completion of ongoing infrastructure projects in sectors such as health, education, water and sanitation and roads (GoZ, 2023). In 2023, Zimbabwe presented a ZWL$4,5 trillion budget and reserved ZWL$195.5 billion for intergovernmental fiscal transfer, being 5% of the anticipated revenue resources towards lower tiers of government (*ibid.*).

The major cause of concern is the lack of commitment to the disbursement of these transfers and most of the time, government either delays or sometimes does not disburse the full amount, leading to other tiers of the government suffering from unfunded mandates. Central government should take hid of the objectives of vertical equalisation so that the 5% for every fiscal year is disbursed equally to lower levels of government to promote equitable development. Therefore, the total allocated as intergovernmental fiscal transfers should be known by all stakeholders, including residents, disaggregated per provincial or local authorities, so that they can know the amount to anticipate and hold provincial and local authorities accountable.

Sustainable Development Goal (SDG) 1 aims to end poverty in all its forms gobally. Zimbabwe has a population of 15.1 million inhabitants with a growth rate of 1.5%. More than half (52%) of the population is female and 61.4% live in rural areas (ZIMSTAT, 2022). The poverty datum lines vary by province as prices vary from place to place. Evidence has shown that poverty is now widespread in both rural and urban districts. Levels of inequality in the country varied across districts and wards. Poverty is found to be most prevalent in Matabeleland North (85,7%), while least prevalent in Harare (36,4%) and Bulawayo (37,2%), (*ibid.*).

Marondera District depicted one of the least poverty prevalence (43.4%), followed by Gweru with 45.5%. (*ibid.*). However, the districts with the highest poverty prevalence rates are Nkayi (95,6%), Gokwe South (90,9%) and Mudzi (90%). The number of extremely poor people hovers around 7.9 million, constituting about 72% of the total population (*ibid.*). Evidence depicts an increase in urban poverty where a household is unable to spend at least USD$2.50 per day. In Zimbabwe, urban poverty is relatively high (although significantly lower than rural poverty), with 62.6% of the urban households classified as poor and 8.5% as very poor (*ibid.*). For Manjengwa *et. al.* (2016), poverty is widespread in both Zimbabwe's urban and rural areas, with urban areas fast becoming increasingly worse off.

Urban life is quite different from life in rural areas and the urban poor are faced with more challenges of survival than the rural poor. The central government needs to consider the occurrence, depth and nature of both urban and rural poverty when disbursing transfers. Poverty index, therefore, is a major variable that should inform the calculation of equalisation transfers in Zimbabwe. According to the 2022 Population and Housing Census, the population of Zimbabwe as of 20 April 2022 was 15 178 979, of which 7 289 558 (48%) were male and 7 889 421 (52%) were female, giving a sex ratio of 92 males for every 100 females (*ibid.*). Given the 2012 population size of 13 061

329, this gives an annual population growth rate of 1.5%. The population constituted 3 818 992 households, giving an average of four (4) persons per household. Given a land area of 390 757 square kilometres, the resultant population density stood at 39 persons per square kilometre. The population by province is clearly shown in Figure 1-

		2022	2012
1	Harare	2,427,231	2,123,132
2	Manicaland	2,037,703	1,752,698
3	Mashonaland West	1,893,584	1,501,656
4	Midlands	1,811,905	1,614,941
5	Mashonaland East	1,731,173	1,344,955
6	Masvingo	1,638,528	1,485,090
7	Mashonaland Central	1,384,891	1,152,520
8	Matabeleland North	827,645	749,017
9	Matabeleland South	760,345	683,893
10	Bulawayo	665,952	653,337

Figure 1: Population distribution by province (Census Report Zimbabwe, 2022)

An important parameter in the cost of services is a jurisdiction's size and density of population. Densely populated jurisdictions tend to benefit from economies of scale and agglomeration. Certain services (hospitals, motorways, specialised healthcare, etc.) can be supplied efficiently only above a minimum scale, while their provision in sparsely populated or remote areas tends to be relatively more expensive or insufficient. Geographical patterns in the population affect service costs (OECD, 2011). As for Zimbabwe, Harare remains the most populous province with 16% of the total population residing in the province, followed by Manicaland (13%) and Mashonaland West (12.5%), while the least populous provinces are Bulawayo (4.4 %), Matabeleland South (5 %) and Matabeleland North (5.5%), (ZIMSTAT, 2022). Figure 2 shows the number of households and average size by province.

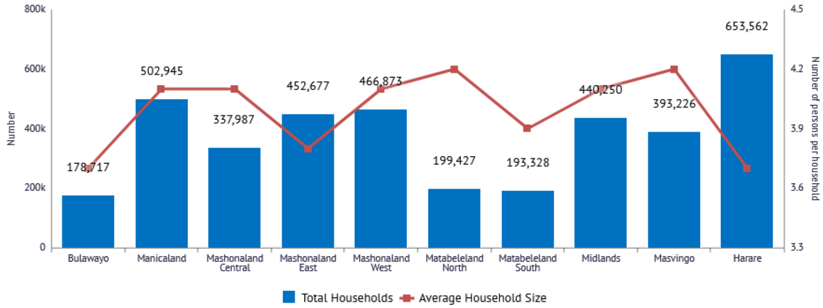

Figure 2: Household size by province (Census Report, 2022)

Evidence has shown that this important variable has not been taken into consideration in Zimbabwe in the calculation of devolution and equalisation transfers as less populous provinces have been credited with huge sums of equalisation transfer despite having low population densities. By contrast, in the developing world such as Zimbabwe, at least 60% of the population lives in predominately rural and dispersed regions, leading to marked cost differences between concentrated and dispersed areas and this has a bearing on the cost of public services.

According to the Constitution of Zimbabwe, provincial and metropolitan governments are responsible for economic development and the coordination and implementation of government programmes (GoZ, 2013). Economic disparities and variations in sub-national gross domestic product (GDP) per capita or household income, constitute the single biggest factor behind unequal access to public services across a country. While the GDP figures provide a rough impression of how economic activity is distributed and has evolved per province, the use of GDP to measure state, regional or local government disparities can be misleading. For instance, GDP per capita values may be distorted when people live and work in different jurisdictions. The geography and size of the sub-national jurisdictions complicate the picture too, as countries with more and smaller subnational governments generally show wider disparities. Table 2 shows the per capita ratio per province in Zimbabwe. -

Table 2: Provincial GDP in Zimbabwe (Cabinet Briefing, 2020)

Province	**GDP Ratio (USD$/ Billions)**	**Per Capita Nominal (US$)**
Harare	2,26	3614
Bulawayo	1,96	3034
Masvingo	1.41	820
Midlands	1,94	1026
Manicaland	1,46	743
Mashonaland East	2,22	1408
Mashonaland West	2,14	1206
Mashonaland Central	1,08	784
Matabeleland South	940 million	1333
Matabeleland North	1,16	1186

The data shows that, predominantly, rural provinces have low percentage contributions to the national GDP. Provinces with more urban areas, namely Bulawayo, Mashonaland East, Mashonaland West, Midlands and Harare, have higher per capita GDP. Interestingly, Matabeleland South, which has a low GDP has a higher per capita GDP, suggesting there is higher factor productivity in the province. Equalisation grants should, therefore, factor in the GDPs of provinces in the calculation of the fiscal transfers.

Zimbabwe is divided into 10 provinces and two have a metropolitan status. These provinces are endowed differently with natural resources. The difference in the level of endowments is a major variable which the central government needs to consider when sharing national resources to avoid glaring disparities that bring conflict and contestation between and among regions. Zimbabwe holds substantial endowments of close to 40 different minerals. The predominant minerals include platinum group metals (PGM), chrome, gold, coal and diamonds. The country boasts the second-largest platinum deposit and high-grade chromium ores in the world. Table 3 shows natural resources endowments per province in Zimbabwe -

Table 3: Zimbabwe provincial natural endowments (Primary data)

Province	**Uniqueness**
Bulawayo	Timber. Wildlife. Flat plains that support beef production.
Harare	Tourist destinations- Balancing Rocks in Epworth, Chaminuka Curves in Chitungwiza. Good climate and special minerals such as tantalum, kaolin, feldspar and citrine.
Manicaland	The only province with all five agroecological zones, supporting both intensive and extensive agricultural production. Minerals include diamonds and gold.
Mashonaland Central	Rich and diverse mineral resources (gold). Diverse wildlife.
Mashonaland East	Favourable climate and rich soils, support intensive farming. The largest lithium deposits in Africa and 6th in the world. Huge potential to trade in granite products.
Mashonaland West	Natural tourist destinations- Chirorodziva Caves (Chinhoyi) and the Mana pools. Cultural heritage sites - Rock paintings in Zvimba. Minerals- platinum, gold, copper, chrome, slates, zinc, dolomite, graphite, limestone and tourmaline. Diverse wildlife. Good climate and soils that are conducive for growing various types of crops.
Masvingo	Wildlife endowments. Mineral Exploration: Masvingo is host to the country's largest known kimberlite pipes (diamonds), world-class pegmatite (lithium) in Bikita and tantalite requiring exploration.
Matabeleland North	Endowed with vast coal, gold, tin, tungsten methane gas, timber and wildlife (Hwange National Park). Home to Victoria Falls – a prime natural tourist attraction.
Matabeleland South	Precious minerals such as gold, diamonds and platinum. Tourism- Matopos Hills. Livestock- vast open grazing land.

Each province seems to have quite a sizeable number of mineral endowments. Disparities are on the level of exploration of the mineral resources. Under-explored minerals have affected the revenue streams of several districts. Zimbabwe's equalisation framework leaves out substantial revenue sources. This non-inclusion of natural resource income is likely to have undesired equity effects.

FISCAL EQUALISATION TRANSFER OPTIONS

It is often argued that the role of redistributing incomes within a multilevel state should reside primarily with the central government, as is the case for Zimbabwe with a unitary system set-up. Zimbabwe should try horizontal equalisation transfer options that have been employed by countries such as South Africa, Uganda and Canada, to ease the central government's financial burden. In most countries, a combination of grant mechanisms is used, depending on the objectives of the central government. The main transfer mechanisms used to tackle the various goals of government, are grouped into conditional and unconditional transfers discussed below.

Conditional transfers consist of grants for specific purposes. In many countries, the central government imposes conditions on some transfers on the use of the funds, as a means of increasing central government influence over spending. At the extreme, the subnational government may simply be reduced to acting as an agent of the central government, due to the imposed conditions. The main justification for conditional grants over unconditional grants, therefore, must be that local decision-making fails to produce the socially optimal outcome, as in the case of inter-jurisdictional pullovers. The central government may wish to leave the primary administrative responsibility for certain functions at the regional or local level but seek to attain national minimum standards in these functions. From the above perspective, the extent of conditions imposed is likely to vary. Some conditions may be limited to such matters as information supply, leaving the sub-national government with ample scope for innovation and experimentation.

FINDINGS

Fiscal federalism principles can be applied to the design and implementation of fiscal transfers to sub-national governments in Zimbabwe. The general principles of fiscal federalism can be utilised, namely the assignment of expenditure responsibilities, revenue sharing and intergovernmental fiscal transfers. Formulas can be designed based on factors such as population, poverty levels, natural resource endowments and the fiscal effort of sub-national governments. Zimbabwe needs to consider its unique context, challenges and institutional capacity when implementing fiscal federalism principles in its fiscal transfer system. This section will analyse the major findings through thematic and content analysis techniques.

REVENUE EQUALISATION

Zimbabwe faces significant fiscal challenges, including revenue disparities among its regions. Revenue equalisation aims to address these disparities by redistributing fiscal resources to sub-national governments to promote more equitable development across the country. Zimbabwe has implemented intergovernmental fiscal transfers to address revenue disparities and promote equalisation. The article appreciates that Zimbabwe's government, especially the Second Republic, has made efforts to enhance funding for provincial and local governments to support their service delivery responsibilities. These allocations of funds take into account factors like population size, poverty rates and the infrastructural gap. This formula disregards factors like natural resources endowments and the total budget allocation in a fiscal year, as outlined in the constitution.

Zimbabwe remains saddled with limited fiscal resources and budgetary constraints that have affected the government's ability to effectively implement revenue equalisation policies. As a solution, Zimbabwe's central government needs to consider infusing measurements of real or potential per capita revenues to determine equalising grants to subnational jurisdictions, for instance, a representative tax system (RTS) based on cross-jurisdictional average tax rates to determine its fiscal capacity as done in Canada, Australia and Germany (OECD, 2022). The purported tax will act as a system of vertical fiscal equalisation from the central government to provinces whose fiscal capacity falls below the average fiscal capacity of all provinces (Coppel, 2020). The Government of Zimbabwe should also consider entrenching a horizontal element of equalisation like Germany's system, that is, the transfer of revenues from wealthier to poorer jurisdictions within the same level of government (*ibid.*).

COST EQUALISATION

The article articulates the need for comprehensive cost equalisation systems. Zimbabwe needs to integrate both cost- and revenue-equalising components in its equalisation system. The system should consider factors covering all aspects of state expenditure and the underlying drivers of cost disparity in the equalisation formula. This allows the equalisation system to capture much of the variation in per capita funding requirements. In addition, it helps to enhance the policy neutrality of the equalisation system by employing cost variables that generally cannot be directly affected by policy choices.

The central government also needs to inculcate gap-filling strategies, but these require a thorough assessment of costs and revenues in public service delivery. These approaches assess each local authority's financial needs to gauge their sub-national government's fiscal capacity. This is very difficult in Zimbabwe, where statistics on economic performance are yet to be disaggregated into districts and wards. For example, Korea's general grant to municipalities aims to fill the gap between standardised financial needs and standardised revenues (Hyun-A, 2009). Importantly, the system relies on standardised rather than actual values of revenue and cost to avoid perverse incentives.

TRANSPARENCY AND ACCOUNTABILITY IN THE ALLOCATION OF EQUALISATION TRANSFERS

Additionally, administrative capacity constraints and issues related to transparency and accountability have been identified as challenges in the equalisation process in Zimbabwe. The post-independence government has been saddled with perpetual disregard of good corporate governance and ethics in the administration and management of public affairs. The disregard of transparency and accountability ethos has, also not spared government agencies and parastatals. Reports by the Auditor General from 2013-2022 have recurrently unearthed both governance irregularities that derail government units from effectively and efficiently providing public service to citizens.

Consistency with objectives of transparency, predictability and local autonomy is very important in fiscal matters. Transparency and accountability in the allocation of equalisation transfers are crucial for ensuring fairness, equity and effective governance in Zimbabwe. Equalisation transfers are typically aimed at reducing regional disparities by providing additional financial resources to less economically developed regions or marginalised communities. Thus, considerations for promoting transparency and accountability in the allocation of equalisation transfers in Zimbabwe are of paramount importance to enhance national cohesion.

The Zimbabwean equalisation framework lacks established, clear and objective criteria and a transparent formula. Making the criteria and formula publicly available ensures transparency and allows stakeholders to understand how allocations are determined. It is, therefore, imperative to institute an independent oversight and monitoring framework. Establishing an independent body or mechanism to oversee the allocation process can enhance transparency and accountability. An independent body, devoted to monitoring fiscal equalisation is an important institution (OECD, 2022). An independent fiscal institution (IFI) can review the allocation decisions, monitor the implementation and assess the impact of equalisation transfers. It can also provide a platform for complaints, appeals and the resolution of disputes.

PUBLIC PARTICIPATION AND CONSULTATION

A sustainable equalisation model should not be devoid of intensive public consultation and participation. According to Chambers (1994), community participation and involvement are the mainstay for the success of any government project. Policy-makers should understand that development is not what is done to the people but by the people themselves. Engaging the public and relevant stakeholders in the decision-making process is important for transparency and accountability. Holding consultations, seeking input and involving local governments, community organisations and civil society in the allocation discussions, can help ensure that the needs and priorities of marginalised regions are taken into account. According to Chambers (*ibid.*), one of the "glasses is half full", suggesting that problems can be solved and everyone has the power to take action and to develop solutions. Thus, all communities regardless of their poverty levels, vulnerabilities and powerlessness, must be involved in all fiscal matters.

DISCUSSION

Revenue equalisation in Zimbabwe faces significant hurdles due to the central government's control over lucrative revenue sources, hindering the financial autonomy of sub-national governments. The study highlights that while the Constitution mandates equitable allocation, the actual practice remains opaque, with the central government often delaying or disbursing only partial amounts of the allocated 5% of revenue collections. This aligns with Chakunda *et al.* (2021)'s observation that central governments in developing political transition, often devolve functions without the necessary financial resources. Disparities in natural resource endowments further exacerbate revenue imbalances, as some provinces possess greater potential for revenue generation than others. Neglecting to incorporate natural resource income into the equalisation framework, as noted in the study, creates undesired equity effects, potentially leading to conflict and contestation among regions. The existing system does not fully account for the varying economic activities across provinces, with predominantly rural provinces contributing less to the national GDP compared to urbanised ones. Equalisation grants, therefore, need to consider these GDP variations to address fiscal disparities effectively.

Cost equalisation in Zimbabwe is hampered by the failure to adequately consider population distribution and density when allocating resources. Densely populated provinces, such as Harare and Manicaland, may benefit from economies of scale, while sparsely populated provinces, like Matabeleland North and South, face higher costs in providing essential public services. The study indicates that the current equalisation transfers do not sufficiently account for these cost differences, potentially disadvantaging provinces with dispersed populations. This resonates with OECD (2011)'s point that geographical patterns in population affect service costs, with sparsely populated areas incurring higher expenses. Furthermore, the study stresses that poverty prevalence rates vary significantly across provinces, with Matabeleland North exhibiting the highest rate and Harare and Bulawayo the lowest. These variations in poverty levels necessitate a targeted approach to cost equalisation, ensuring that provinces with higher poverty rates receive adequate resources to address the specific needs of their populations.

Transparency and accountability in the allocation of equalisation transfers are crucial for fostering trust and ensuring the effective use of public funds in Zimbabwe. The study reveals that the calculation and disbursement of conditional grants have remained obscure to stakeholders, hindering the ability of citizens to hold provincial and local authorities accountable. This lack of transparency contradicts Blöchliger and Charbit (2008)'s assertion that an equalisation criterion should include predictability and simplicity. To address this challenge, the study recommends that the total amount allocated as intergovernmental fiscal transfers should be made public, disaggregated per provincial or local authority, enabling residents to monitor and evaluate the use of these funds. Furthermore, clear and objective criteria for allocating equalisation transfers are essential to prevent central government bullying and empower sub-national tiers to chart their development trajectory. This entails establishing a transparent framework that incorporates key variables such as the poverty index, population, local economy size and natural resource endowments.

Public participation and consultation are essential for ensuring that intergovernmental fiscal arrangements in Zimbabwe are responsive to the needs and priorities of local communities. The study implicitly points out a gap in public involvement, as the current system appears to be driven primarily by the central government, with limited input from sub-national tiers and citizens. A more inclusive approach would involve actively engaging local communities in the design and implementation of fiscal policies, ensuring that their voices are heard and their needs are addressed. This aligns with the broader principles of devolution that emphasises people-centred local development. By promoting public participation and consultation, the government can foster a sense of ownership and accountability, leading to more effective and sustainable development outcomes. This could involve establishing participatory budgeting processes at the local level, conducting public hearings on fiscal policies and creating platforms for dialogue between government officials and community representatives.

CONCLUSION AND RECOMMENDATIONS

Fiscal equalisation in Zimbabwe has the potential to address the country's regional disparities and enhance economic development. Devolution, as enshrined in the Zimbabwean Constitution, aims to decentralise power and resources to local levels, allowing for greater autonomy and decision-making authority in the regions (GoZ, 2013). Fiscal equalisation, on the other hand, seeks to ensure a fair distribution of financial resources among the regions, mitigating disparities and promoting equitable development. Implementing devolution and fiscal equalisation effectively requires political will, institutional capacity-building and robust mechanisms for resource allocation and revenue sharing. It is essential to establish transparent and accountable systems that ensure funds are allocated based on the needs and priorities of each region, considering factors such as population size, poverty prevalence, natural resource base, economic potential, tax effort and development indicators.

Devolution can foster local ownership and participation, enabling communities to address their specific challenges and leverage their unique strengths. It can enhance service delivery, infrastructure development and job creation at the local level. This ultimately contributes towards inclusive and sustainable economic growth. Fiscal equalisation mechanisms play a crucial role in reducing regional disparities by redistributing resources from wealthier regions to poorer regions. This can help bridge the gap in access to quality education, healthcare services, road infrastructure and other essential services, thereby promoting social cohesion.

Policy reforms. The Zimbabwean government needs policy reforms to enhance revenue equalisation by improving the efficiency and effectiveness of fiscal transfers, streamline revenue-sharing formulas and strengthen the institutional framework for equitable intergovernmental fiscal relations.

Public reporting and disclosure. Regularly publishing detailed information about the allocation process, criteria used and the amount allocated to each region or community, to promote transparency is highly recommended in Zimbabwe. This includes making financial reports, audit reports and evaluation reports publicly available and even online. Timely and accessible reporting helps ensure that the public and relevant stakeholders scrutinise the decision-making process and hold authorities accountable.

Anti-corruption measures. Implementing robust anti-corruption measures is essential for maintaining accountability in the allocation of equalisation transfers. This includes mechanisms for detecting and addressing corruption risks, such as strong financial controls, regular independent audits and promoting whistle-blowing. Zimbabwe's intergovernmental fiscal framework needs to be bolstered by investigating and addressing any allegations of corruption, promptly and transparently.

Evaluation and review. Regular evaluation and review of the allocation system can help identify strengths, weaknesses and areas for improvement. Conducting impact assessments, soliciting feedback from beneficiaries and incorporating lessons learned into future allocation processes contribute to sustainability, transparency, accountability and effective decision-making and implementation. Australia's equalisation framework is updated annually and reviewed every five years to ensure policy neutrality, practicality and contemporaneity (OECD, 2022).

Party politics and local development. Conditional grants, for instance, the devolution transfers in Zimbabwe, invite rent-seeking behaviour. There is evidence that in Zimbabwe, political pressure has a strong influence on the equalisation formula. Simple and transparent formulas may minimise party politics on intergovernmental fiscal transfers. Simplification of formulas reduces manipulation (*ibid.*).

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