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Editors: A.M. Hawkins, J.A.C. Girdlestone and J.M. Robertson

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'KEEP YOUR FINGERS OUT!'

SOME OBSERVATIONS ON FINANCIAL ABUSE AT THE LOCAL LEVEL.

A. P. Cheater*

'Ndiri illiterate. Handizivi kuba nepenzura.' (I am illiterate. I do not know how to steal using a pencil.)

Introduction

The title of this paper is a piece of verbatim advice given by the chairman of a selection committee to a successful job applicant. The opening quotation comes from a member of a co-operative executive committee, an immediate reaction to a fieldworker's preliminary enquiries regarding missing money in the cooperative. Taken together, these quotable field notes illustrate one of the many paradoxes of third world development.

On the one hand, literacy is an essential skill in financial administration, and numeracy is even more important. On the other hand, precisely because these skills are in short supply and are not easily controlled, especially in rural areas, they are regarded with suspicion, for it is the literate, numerate individual who may use precisely these skills to defraud less educated fellows.

The problem of financial abuse, including both misappropriation (of funds and materials) and mismanagement, is well-recognised in the third world, though it is by no means limited to developing states. This acknowledged problem is explained sometimes in terms of the conflict between universalistic and particularistic norms (Huntington, 1968; Peil, 1976); sometimes as a result of cultural expectations (Ottenberg, 1967). Leys (1965) has asked whether bribes to administrative officials might not function as a form of indirect taxation, perhaps averting critical wage demands by low-paid civil servants. More generally, Nye (1967) identifies the possibilities of capital formation and economic incentives as some of the spin-off benefits of financial corruption. Such functional approaches to the question of financial abuse emphasise the beneficial rather than the problematic nature of this behaviour endemic in the third world.

The endemic nature of financial abuse contains within it a second paradox important to development: that while financial abuse is theoretically deplored, at least in Zimbabwe, it is nevertheless expected. A degree of gentle ridicule, if not overt scorn, is the likely lot of anyone who comes out of politics, local or national, poorer than he went in. Such a person is at best naive, at worst a fool, for scrupulous honesty may not be what it seems on the surface, but rather a thin cover for ineptitude, in not making hay while the sun shines. Thus the public official cannot win: if he puts his fingers in a public till, he does what everyone expected him to; if he does not, he must be stupid.

How, then, are we to understand - as a prerequisite to controlling - financial abuse?

Given that financial abuse, in specific instances, is defined and assessed situationally, in general I think that the answer to this question lies in a socio-political analysis of its causes. My view is derived from fieldwork

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experience in the early nineteen seventies among black commercial farmers in central Zimbabwe. One might object that what goes on in local communities bears little relevance to the national scale, much less to grand theory, but my view is that, because micropolitical processes are similar at local and national levels, generalisation is not only possible, but potentially very useful.

At the local level, I found two factors to be critical to any understanding of financial abuse. On the one hand, as individuals, local politicians were concerned with their personal reputations; as collectivities, in contrast, they were concerned to protect public funds, for which they were responsible, from predation. This latter concern, of course, fed back into personal reputation management: no-one wanted to be in office when public funds publicly went missing! Yet the two factors, although practically interdependent, were conceptually distinct from one another: the behaviour of local politicians in the two major institutions in the area, the council and the co-operative, reflected this distinction and interdependence.

Reputation Management

Reputation is a critical issue to all would-be politicians. That is not to say that other factors, including bribery, do not influence voting patterns, but merely to note that, if a person's reputation is clearly that of a man on the make, with supporting historical evidence, people will be wary of returning him to public office to make some more.

The question of reputation is particularly important when ordinary, ill-educated people are elected to office to take responsibility for the actions of subordinate employees who have specialist qualifications. In this respect at least, the position of the local councillor exactly parallels that of the parliamentarian. Thus, in the area I studied, councillors expected (with some historical justification, one might add) that their administrative staff would, given half a chance, steal their funds, which were derived from rates and government grants. But councillors were equally aware that they themselves were likely to be arraigned on similar charges by an ever-suspicious public. Maybe their electorate was not as vigilant as they gave it credit for: I personally heard relatively little in the way of interpersonal gossip during the course of my fieldwork, and that mainly from councillors rather than ordinary people. Nevertheless, local politicians perceived themselves to be under constant public scrutiny: 'People think it is us councillors who are careless about money'; 'This has given a very poor impression to the public'; 'People judge'; 'We're laying ourselves open to accusations of being bought'; 'We can't hide things from the public'; 'We must record that it has proved impossible to check this expenditure - to cover ourselves'; 'Who is going to explain to the public?'; 'Let the people know' - or else 'Parents will describe the work of the Council as corruption and chaos'.

Given this explicit belief in unceasing public scrutiny, one assumes that individual councillors and co-operative committee members were acting upon a public stage most of the time. Indeed, the premise was that committee privacy would be breached by pub gossip. (Yet even this premise referred to reputation, for it was well-known that the majority of local politicians were not drinkers.) The assumption of open confidentiality underlay reputation management in this area, for it was by judicious tailoring of verbal participation in committee work that members managed the contexts from which gossip would flow. It was not possible, of course, to manage the content itself of the gossip.

As Paine (1967) has indicated, gossip is one means of information management; concerning, among other things, questions of reputation and good names (Wilson, 1974). The subject of gossip has little control over what is communicated as gossip content, therefore, it is only good sense to attempt to control, or manage, the context from which the content will flow. For the political figure, it is important that there should be gossip. As Oscar Wilde remarked, there is only one thing worse than being talked about, and that is not being talked about. Thus it is, perhaps, more useful to be thought to have one's fingers in improper places, than for the public to be unaware that one has fingers at all. It therefore makes sense to reiterate, loudly, publicly and ad nauseum, that 'Public money is not to be played with' - if only to counter-balance rumours concerning where one spent the last misappropriation. Both pieces of gossip will contribute to maintaining one's interest-rating among the public and to ensuring that one has a reputation. If one's committee colleagues are those who control information seepage to the general public, it also makes good sense to concern oneself primarily with influencing those colleagues (if necessary by the judicious use of visiting researchers).

Thus, in retrospect, I do not find it surprising that so much of my information on financial abuse was gained in the course of semi-public committee meetings (see table 1 below), although at the time I thought it somewhat improper, not to say politically dangerous, for such matters to be aired in a relatively public context so frequently. It is in the committee meeting, of course, that regular opportunities to influence one's colleagues arise. And it is in this semi-public arena, too, that one may feel called upon, firstly, to defend one's actions, even if explanations are not explicitly demanded, and secondly, to answer specific allegations of malpractice.

In the committee situation, it was possible to identify a number of different reaction strategies to counter implicit or explicit allegations of financial abuse. Working on the assumption that the best form of defence is attack, one strategy was to bring rumoured allegations out into the open, in public, oneself. As a shock tactic, this may be very effective: I well remember my own open-mouthed reaction when a councillor (then chairman of the Finance Committee) took the floor in a council meeting to announce that he was shocked to have heard rumours that he himself was misappropriating council funds. More hardened than myself, obviously, most councillors merely seemed slightly embarrassed, one suggesting that the matter did not fall under the agenda item being discussed at the time. A more common strategy, perhaps for the faint-hearted, was to say nothing, for 'what can one say about such mischief?'. Vehement denial was used only rarely, perhaps on the assumption that no-one would believe it anyway. Occasionally a third party would intervene to prevent an allegation 'victim' from saying anything. When this happened, it later became clear that the third person believed the 'victim' to be guilty, but wished to save him the personal embarrassment of public exposure. My advice was sometimes solicited on how best to ensure such protection.

It goes without saying, of course, that candidates for election to public office wish to avoid such public exposure, for reasons of reputation. Re-election prospects diminish markedly once an open allegation of financial abuse has been made, even if the electoral process is delayed. As late as 1975, local politicians involved in scandals of financial abuse during my fieldwork (1973-4), were not returned to office. Reputation is by no means the only factor influencing the outcome of elections, of course, but in this particular locality it was very important in the short- and medium-terms.

An indication of the importance of the issue of financial irregularity to local politicians in this area is contained in table 1. Over some eighteen months of

fieldwork, 44 separate allegations of financial abuse became known to me: an average of two and a half per month. These allegations converged on a limited number of people, as table 1 shows, and in some cases the same allegation, against the same person, was made by two or more people. The fact that reputation management starts in committee is also reflected in the greater proportion of allegations made publicly or semi-publicly, as compared to those arising in the course of private discussions.

Table 1. Explicit allegations of financial irregularity occurring during fieldwork

Number of separate allegations	Number alleging abuse	'Victims' of allegations	(Semi-)public allegations	Private allegations
44	44	24	24	20

Misappropriation and Mismanagement

Financial abuse, as I have indicated earlier, includes both misappropriation and mismanagement. In a developing society, local or national, it is important to differentiate theft from ineptitude in financial control, especially since those ostensibly qualified in financial management frequently have skills that are but poorly developed. Local institution treasurers sometimes have bookkeeping qualifications; government auditors of local councils and primary co-operatives are rarely qualified accountants. Thus when payment monies for goods purchased with public funds go missing, frequently the underlying cause is poor financial management, if control systems exist at all. Table 2 shows that losses from mismanagement, in the area in which I worked, were nearly double those resulting from outright misappropriation.

Table 2. Council and co-operative losses from financial abuse.

Type & dates	No. of cases	Amount in R\$ range	total	Loss borne by Institution	Individual	Employee dismissed
<u>Mismanagement</u>						
1966-1974	12*	10-1300	3388+	6	5	2
<u>Misappropriation</u>						
1960-1974	15	2- 600	1850+	12	3	6
TOTALS	27		5250+	18	8	8

* One case purely budgetary estimation errors.

Given that total budgets for these two institutions over the periods involved were well over half a million dollars, perhaps closer to a million dollars, one might well dismiss the amounts in table 2, in accountants' parlance, as 'not material'. Even in absolute terms, in a relatively prosperous farming area, they are not particularly large. So why all the fuss?

The answer to this question is not simple. As a start, one might note that peasant societies are generally internally honest. But even though some farmers shared the peasant view that government (of whatever kind) is fair game for exploitation, this was not a peasant society. However, there was considerable divergence of views concerning public money and its origins. For example, during the fieldwork period a co-operative society official was accused, in a special general meeting, of misappropriating some R\$300 from a fund for buying grains in small quantities, and it was suggested that he repay the amount missing. In the course of discussion, one farmer took the floor to oppose the suggestion of repayment, asking rhetorically 'Who here has missed his or her money?' Directly, of course, no-one had: the cash had come from the co-operative union. But the union derived its running costs from the handling charges deducted from members' marketed produce. Provided local people are not directly defrauded, then, any furore over missing money (or goods) cannot be explained directly in terms of morality issues. Morality is situational.

Nor have the past penalties for theft of public money been a major reason for the disapproval of such action. From table 2, it is quite clear that fifty per cent of those persons abusing public money, through incompetence or malice, suffered no penalty at all - save perhaps a tongue-lashing in committee. However, the figures in table 2 are slightly misleading in one respect: they cover such a long period that they conceal a recent and increasing tendency for local institutions to get tough on offenders. Five of the total of eight employees dismissed, for example, were fired between 1972 and 1974. During the same period, losses were borne by employees in four of the total of eight cases. The apparent anomaly reflected in table 2, of institutions bearing losses from misappropriation disproportionately more frequently than from mismanagement, is at least partly explained by institutional policy on this matter during the research period. Council employees misappropriating funds or materials were immediately dismissed and sued, and thus the value of misappropriations was rarely recovered. In cases of mismanagement, however, councillors sought to retain the services of offending employees until their mistakes had been rectified (by salary deductions), before firing them.

Increasing severity in punishing white-collar crime in this developing society is also reflected in the tightening of financial controls, through employment contracts specifying personal liability for losses, the proliferation of receipt books, and civil lawsuits against dismissed staff. The reason for such measures relates back, of course, to the reputations of local politicians, elected to responsibility for financial affairs.

However, tightening financial control has, at least in the short term, simply exacerbated the problem. Dismissal of and lawsuit against administrative staff has led to increased staff turnover, which in turn has meant that the controls do not work in practice as they should in theory. Council secretaries and treasurers now know that they run an increased risk of dismissal for financial irregularities, irrespective of whether they or their political

controllers are primarily responsible for losses. So the ethos has become: get what you can while you can and then get out. In turn, such breakdown of controls increases the probability of political controllers being suspected of misappropriation. But more importantly, they are seen to be less capable of controlling the institutions they were elected to manage on behalf of others. In both ways, their all-important reputations suffer. And when re-election prospects are seen to be diminishing, local politicians may also adopt the ethos of their employees: get what you can while you can and then get out! The ultimate end to such a downward spiral is judicial financial management, or even bankruptcy of the institution - a final collapse of reputation, collectively as well as individually, for those at the helm when the ship goes down. During my field work, the local council was threatened with judicial financial management by the district commissioner's office, and the subsequent hard work by (certain) councillors to avoid this disgrace showed quite clearly that such a collapse of reputation was regarded as being politically fatal. The later electoral shake-up in 1975, could also be taken as an indication that the public, in this case, was equally concerned about its collective reputation as represented in its major institutions, for those politicians who had contributed to the threat of financial disgrace were replaced by 'clean' newcomers.

Solutions?

There is no single measure to prevent the growth of financial abuse in developing societies, at any level. Indeed, even if a package of interrelated solutions were to be implemented, there is no guarantee that it would be effective, given the primary concern of politicians with their personal reputation. (Such concern may entail, particularly at the local level, shifting the blame for politicians' misappropriations (especially of materials) on to the shoulders of administrative staff, in the guise of financial mismanagement.) Still less can any single solution - such as the employment of graduate administrators and accountants - be expected to work.

With that caveat, however, certain changes could reasonably be expected to improve the situation in this country. Firstly, better training and more experience are necessary to produce more competent administrative staff. Four years of secondary schooling, plus a one-year certificate or three-year, in-service, part-time diploma are simply not adequate training for managers of business enterprises with six-figure annual budgets.

Secondly, to attract better-qualified personnel to rural employment, either increased remuneration or coercion will be necessary. If increased remuneration is chosen, the speed of rural development in general must be greatly increased, both to finance such administrative expenditure and, more importantly, to close the income gap between employees and employers. Currently, local institution professional employees earn at the very least fifteen times the average per capita income of the rural people they serve.

Thus coercion, possibly in the form of compulsory, non-military national service, should seriously be considered as a possibility, since it could overcome the problem of income differentials as well as that of recruitment to rural posts. People with the required skills could be posted to specific areas at central government expense for the duration of their national service commitment. National service pay, of course, would be reasonably close to peasant income

levels. In addition, controls over national servicemen and women could be much more stringent than those currently existing with respect to ordinary employees.

Thirdly, more stringent financial controls are clearly necessary, including auditing by fully-qualified people. Some local controls have already been developed by the trial and error process: where effective, these should be retained and developed further if necessary. However, much of the problem of financial abuse and its adverse effects on rural development could be eliminated by instituting financial controls in advance of problems which could, and should, have been foreseen in planning development..

In turn, financial controls can only work in the context of the financial education both of local political controllers and of their constituents. Such financial education should include: basic literacy and numeracy geared to understanding simple financial statements; the free circulation of financial news (such as costs of development projects, income sources and amounts) possibly in the form of local newsletters; regular report-back meetings to constituents and consultation of the relevant electorate in all financial matters; and - for political controllers - formal courses in institutional control, taught at an appropriate level. Unless such admittedly costly educational options are pursued, it is highly improbable, in my own view, that the tightening of financial security will in itself achieve its aim.

If, despite its current apparently low level, financial abuse continues to snowball, the process of development itself will be jeopardised in our impoverished rural areas. When financial resources are limited, they must be used efficiently to effect any general improvement in people's lives, rather than being siphoned off to enrich those few who have acquired sufficient skills to impoverish the many whose development they carry in trust.

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