

Understanding Zimbabwe's Public Finance Management System – guiding principles

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Background

Public Financial Management (PFM) is concerned with aspects of resource mobilisation and expenditure management in the public sector.

It looks at the set of laws, rules, systems and processes that guide and govern resource mobilisation and expenditure.

Proper management of public funds, budget process, internal control and decisions that result in the procurement of goods and services utilizing of public funds.

Deals with planning, organizing, directing and controlling the public funds.

Public Financial Management System (PFMS)

Government in a bid to control, monitor and supervise the management of public funds introduced a computer based financial management information system for the Treasury to have access to all line Ministries.

It was introduced to overcome some of the problems in the formulation and production of budgets, weak internal controls and training end users.

It was introduced in 1997, with the main purpose to control, monitor and supervise the management of public funds.

Ministry of Finance and Economic Development (MoFED) centrally manages the system and Accountant General's department under the ministry is responsible for the operation of the system.

It is a single system which process all expenditure and receipts.

Public Finance Management System ensures that individual Ministries manage their budgets effectively, efficiently and economically.

Which are the Key Institutions Responsible for Public Finance Management?

PFMS Key Institutions

The **Ministry of Finance and Economic Development** is the engine of the fiscal management system.

The MoFED's roles are to lead the formulation and administration of fiscal policy which it executes through specialized departments.

In formulating fiscal policy, ministries are expected to consult widely with a relevant stakeholders in order to come up with bids that are truly reflective of sectoral financial needs.

Thus Civil Society Organisations and the general public form part of the stakeholders in the formulation of effective fiscal policy.

We have entering into the phase that commences the formulation of the 2020 National Budget which is at the same time a period of implementation of the 2020 National Budget.

Due to COVID-19 stakeholder involvement in these process is going to be limited therefore we risk having fiscal policies that are not inclusive.

PFMS Key Institutions Continues

Revenue collection is the responsibility of an autonomous revenue authority, the **Zimbabwe Revenue Authority (ZIMRA)** which was established in 2001 as a successor to the Department of Customs and Exercise.

Its responsibilities include assessing, levying and collecting revenue from various taxes in the country.

ZIMRA issues and controls tax revenue certificates, administers regulations pertaining to import and export control exchange.

The revenue Authority draws its legal and operational authority from an Act of Parliament, the Revenue Authority Act (Chapter 23:11).

Traditional challenges in revenue collection have and still have to do with corruption in the form of smuggling, under-invoicing and under-declaration amongst others sophisticated ways.

Due to COVID-19 revenue generation capacity has substantially been hampered as Borders and businesses have been closed which are the main sources of revenue.

However, we note that there are a number of donations from various stakeholders during this period which augment Government revenue and a key concern is on how these are accounted for and will there be transparency and accountability in their use.

PFMS Key Institutions

The **Auditor General Office** established through the Audit Office Act of 2010 specifically relates to the Office of the Auditor-General which it seeks capacitate to discharge its mandate and facilitate Parliamentary oversight over the management of public resources.

It also specifies how the Public Audit Office relates to other government departments such as the ministry of finance, parliament, Auditor General, Treasury, Receivers of Revenue and the central bank.

Audit General office has in the same way with other institutions been affected by COVID-19 to discharge its mandate. This therefore compromises the oversight role of the executive in the use of resources in particular those related to COVID 19 response.

PFMS Key Institutions

Parliaments of Zimbabwe is an integral element of the management of public funds. They are the institutional mechanisms through which fiscal discipline and accountability is instilled within Government ministries and departments.

They have a mandate to assist in implementing and monitoring measures announced in the Budget.

They authorize yearly expenditures by passing enabling legislation such as Appropriation Bills which when assented to and signed by the President, specify the funds which ministries are authorized to spend in a given fiscal year.

By passing enabling legislation, parliaments give authority to the Executive and officials in the Public Service to manage funds within a legal framework.

Through their power of oversight, which includes formal control mechanisms of reporting, inspection and authorization, the legislature ensures that public expenditure allocations are used only for purposes initially approved.

With Parliament not sitting, due to COVID it means also that there are actions that the executive are doing which should have been approved by Parliament and this is not happening

Ultimately the legislative, oversight and representation roles of parliament are compromised

Legislative Instruments

There are legislative instruments that govern the public finance management instruments and these are as follows:

- ◆ The **Public Finance Management Act** was enacted in April 2010 to repeal and replace the Auditor-General and Exchequer Act (Chapter 22:03) and the State Loans and Guarantees Act (Chapter 22:13).
- ◆ It seeks to strengthen the fiscal framework by clarifying the roles and responsibilities of various players
- ◆ the **Appropriation Act**, each year has its Appropriation Act which stipulates sums of money which ministries are allowed to spend in the ensuing fiscal year.
- ◆ the **Finance Act (Chapter 23:05)** Each fiscal year has its own Finance Act which specifically authorizes the minister to raise revenue through the various tax measures proposed in the national budget.
- ◆ are a number of statutory instruments that are issued from time to time under the authority of the Audit Act.
- ◆ the **Incomes Tax Act (Chapter 23:06)**.
- ◆ **The Revenue Authority Act (Chapter 23:11)**

Budget Process

One of the key processes within the public finance management is the **Budget Process**.

Its participatory nature.

Making public the key national budget documents to deal with information asymmetry on fiscal policy issues.

The national budget involves linking budget to national and sectoral development plans.

The entire budget process should be transparent to the general public.

Now given COVID we may face challenges of excluding the general public in this important process.

Conclusion

The Government systems have to be able to provide appropriate information for decision making processes and has to be useful

We are currently going through an uncharted way which calls for innovation and efficiency in the management of public resources

Embezzlement of funds during this period will further compound the economic and social challenges faced now and post COVID 19.

We need to work together now more to achieve more results at national and local government level.

Oversight bodies and watchdog entities should be vigilant.

I THANK YOU