



Zimbabwe Economic
Policy Analysis and
Research Unit

POLICY BRIEF

NOVEMBER 2018

Policy Dialogue on Fiscal Transparency and Accountability

Summary of **Outcomes** and **Recommendations** arising from
the **Policy Dialogue** held on 27 November 2018



1. Outcomes

The policy dialogue highlighted the need for increased roles for private sector, civil society and citizens in the national budgeting process and in the implementation of the Transitional Stabilisation Programme (TSP). The importance of increasing transparency and accountability in the economic policy making and implementation process was identified as critical in facilitating the economic recovery and transformation. Participants applauded the initiative by Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) in partnership with GIZ to convene the policy dialogue. Participant highlighted the need to organise similar dialogues in future to facilitate participation in the monitoring of the implementation of the budget and TSP by a broad spectrum of stakeholders.

2. Key Messages from the Policy Dialogue Recommendations

2.1 Key Messages from the Discussion Paper on Fiscal Performance and Transparency in the Budget Formulation and Implementation Process in Zimbabwe

Fiscal transparency refers to the publication of information on how governments raise, spend, and manage public resources. It is a critical element of fiscal management and accountability. It ensures that governments have an accurate picture of their fiscal position and prospects, the long-term costs and benefits of any policy changes, and the potential fiscal risks that they may face. It also provides legislators, organized business and civil society organizations (CSOs) and the general citizenry with the information they need to hold government accountable for use of national resources.

For example, fiscal transparency leads to better-informed public debate about the design, implementation and impact of fiscal policy. Improving transparency and accountability in budget implementation will further strengthen policy credibility, and public understanding of

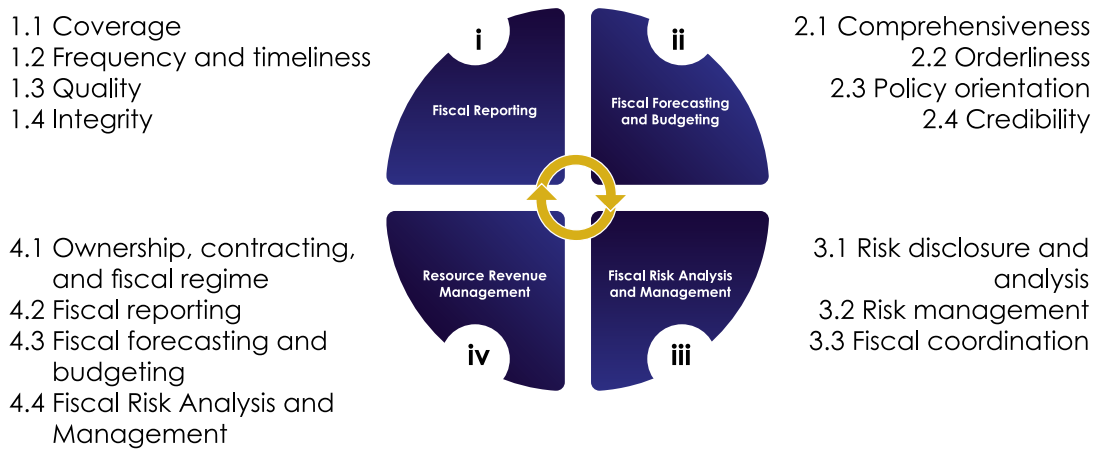
macroeconomic policies processes and choices. Lack of fiscal transparency on the other hand, creates opportunities for corruption and wasteful spending. The country's budget transparency and public participation in the budget process is still rated lowly in international indices. Government's intention to join the Extractive Industries Transparency Initiative (EITI) is a positive development which will enhance transparency in management of natural resources.

The International Monetary Fund (IMF)'s Fiscal Transparency Code is regarded as the international standard for disclosure of information about public finances (Figure 1). The Code comprises of a set of principles built around four pillars which include fiscal reporting; fiscal forecasting and budgeting; fiscal risk analysis and management; and resource revenue management.

On fiscal reporting the Ministry of Finance and Economic Development (MoFED) produces reports which include the treasury quarterly bulletins, tax revenue performance report, annual financial statements and audit reports. However, none of the fiscal reports provide complete information on the fiscal operations particularly extra-budgetary expenditure which has become the major source of concern with regards to fiscal discipline. Section 36 of the Public Finance Management Act (PFMA) provides guidance on the production of fiscal reports. The guidelines on the content of financial statements are supposed to be prepared and presented before Parliament.

On frequency and timeliness of fiscal reporting, Section 38 of the PFMA deals with frequency of publishing financial statements and reports by central government and other public entities. The quality of the fiscal reports is guaranteed and assured by Section 37 of the PFMA that requires that preparation and presentation of financial statements and budgets shall be in compliance with generally accepted accounting practices. The integrity of fiscal reports is provided and

Figure 1: Fiscal Transparency Code's Four Pillars



Source: IMF Fiscal Transparency Code 2014 and IMF Fiscal Transparency Handbook, 2018

guaranteed by Part VIII of the PFMA, which requires the appointment of auditors to monitor the financial administration and procedures of the ministry or reporting unit concerned to ensure that proper accounting standards are maintained in compliance with the country laws and international standards. While the frameworks are in place the issues of the practice and compliance with the principles needs further interrogation to identify areas that need improvements or reforms.

Fiscal Forecasting and Budgeting seeks to assess the quality of fiscal forecasting and budgeting practices relative to standards set by the Code. It is required that budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives policy intentions and finances. The pillar focuses on four main areas:

- Comprehensiveness of the budget and associated documentation;
- Orderliness and timeliness of the budget process;
- Policy orientation of budget documentation; and
- Credibility of the fiscal forecasts and budget proposals.

With regards to the comprehensiveness, orderliness and policy orientation of the budget, Section 28 of the PFMA provides the timetable for budget preparation and approval, and the key content requirements of the budget documents. With regards to the credibility of government's economic and fiscal forecasts, the fiscal transparency code requires that these be subjected to independent evaluations. However, Zimbabwe's economic and fiscal forecasts are not currently subjected to independent evaluation with the exception of Parliament through the Parliamentary Budget Office that undertakes ex-post role in scrutinizing budget decisions. Issues related to human and institutional capacities within government also needs further interrogation, because a forecast based on wrong assumptions or methodological weaknesses can lead to wrong policy recommendations.

On the third pillar on Fiscal Risk Disclosure, Analysis and Management, the fiscal transparency code requires reporting on the extent to which fiscal risks to central government are reported and thus this focuses on sources of risk. Disclosure of fiscal risks is very limited in the budget implementation process. Most state enterprises submit financial statements on time for audit, however most local authorities do not publish their financial reports. Further, there is no

reporting of consolidated contingent liabilities or other fiscal risks for central government. There is no quantification of risks and their likely implications for the budget estimates.

Despite the Government of Zimbabwe satisfying basic principles of fiscal reporting with the PFMA providing a foundation for the legislation, there is need to improve coverage of institutions, timeliness of reporting and reporting of stocks which includes nonfinancial assets and liabilities relating to government balance sheet position. The coverage of fiscal reporting should include local governments and state-owned entities. There is also need to incorporate government balance sheet data into fiscal reporting to highlight government's financial position with regards to its assets and liabilities. In addition, reporting and analysis of near-term fiscal risks and forecasts of longer-term fiscal pressures are critical. External risks such as the volatility of commodity prices should be taken into account given that the bulk of Zimbabwe's exports are dominated by agriculture and mineral products. Fiscal policy coordination is also critical to enhance fiscal transparency and accountability.

2.2 Key Messages from the Official Opening Speech by the Ministry of Finance and Economic Development

- Issues of accountability needed to be looked at from the perspective of the legal environment, organizational procedures, reporting and oversight mechanism serving the public. On the other hand, transparency requires timely production of information on budgeting and service delivery. Timeliness and reliability and clarity of information is key to transparency and accountability.
- Ease of doing business initiatives seek to have clear processes and procedures in place as the country aspires to become an upper middle-income country by 2030 commonly referred to as Vision 2030. Failure to have transparency

and accountability impacts negatively to the implementation of Transitional Stabilisation

- Programme (TSP) and achievement of the aspirations of Vision 2030.
- Cognizance of transparency and accountability in the management of the environment especially pertaining to mineral resources management is critical.
- The Ministry of Finance and Economic Development intends to publish an annual report with fiscal statistics covering the whole fiscal year. Statistics have been reported up to September of each year making it difficult for the public to access data covering the full year. This makes it difficult to inform the forthcoming National Budget based on performance of the previous National Budget.

2.3 Measures to enhance Transparency and Accountability from the Parliamentary Budgets Office

- Commissions should submit detailed annual reports in line with Section 323 of the Constitution of Zimbabwe;
- The Ministry of Finance and Economic Development should continuously disclose public debt [Section 300 Constitution of Zimbabwe, Section 52(2) PFMA, Public Debt Management Act (PDMA)];
- The budget calendar should be published online and should be legislated for accountability;
- Live broadcast of parliamentary proceedings should continue; and
- Parliament in pursuit of its oversight and representative roles should continue to demand explanations of public finance management and issues raised by the Auditor-General from ministries, state enterprises and parastatals, and local authorities to ensure that the public is well informed of how funds are being expended within government.

2.4 Key issues from the National Association of Non-Governmental Organisations

- Zimbabwe has generally poor ratings on the Open Budget Survey which means there is need to improve the ratings to lure investors into the country.
- Public participation in budget choices can help ensure that budgets are aligned with the public interest and needs, hence government accounting to citizens for what it did or did not do and why.
- The role of CSOs in fiscal policy matters - CSOs contribute critical information on the public's needs and priorities that can lead to stronger policy choices. They collect, summarize and disseminate budget information relevant to their constituencies into easily understandable formats. Furthermore, CSOs supplement government's capacity to budget effectively by providing technical support; give independent opinion on budget proposals and implementation; and holding public officials to account for the use of public resources efficiently and effectively to achieve desired outcomes.
- Active engagement of citizens, civil society, and the media in budget processes is the way to go as transparent and inclusive budget processes are seen as essential to facilitating investment, ensuring efficient outcomes, and holding government accountable for managing public resources.

3. Measures to Enhance Transparency and Accountability in the Budget Process and Transitional Stabilization Programme

3.1 Measures to Enhance Transparency and Accountability in Revenue Mobilization and Expenditure Management

The following issues were raised on this subject during the group discussion sessions:

- Independence of the revenue collection agency, Zimbabwe Revenue Authority (ZIMRA) to improve public confidence in the body. This is critical to promote greater tax compliance.
- There must be an independent body to monitor ZIMRA to mitigate corruption and reduce revenue collection leakages.
- Given the foreign currency and local currency duty and tax requirements, fiscal revenue reporting should be done using the currency of transaction to ensure fiscal transparency.
- Need monitoring and evaluation (M&E) of the impact of tax incentives to reduce the fiscal risks.
- Need for increased transparency and accountability in the use of tax revenues collected.
- Need to strengthen Parliament's oversight role on expenditures through the production of monthly, quarterly, bi-annual and annual budget implementation monitoring reports.
- Expenditure review proceedings to be broadcast live on television and radio apart from being extensively covered by other media platforms.
- There is need for capacity building for Parliamentarians, tax administrators, civil society actors and communities to ensure effective fiscal policy advocacy.
- There is need for transparency in the assumption of public debt by government. The process should involve civil society detailing how the debt was acquired; what it is used for and the outcomes.
- ZIMRA should minimize penalty system for companies that fail to pay taxes on time.
- Improve public confidence in the body. This is critical to promote greater tax compliance. There must be an independent body to monitor ZIMRA to mitigate corruption and reduce revenue collection leakages.

3.2 Transitional Stabilisation Programme Productive Sector Reforms and Measures to Enhance Fiscal Transparency and Accountability

- Need for an integrated and all-inclusive industrial policy that is concomitant with the current economic status quo. It should link the agriculture sector with the manufacturing sector to ensure strong backward and forward linkages.
- Rate of fiscal consolidation in the country is weak. Thus, there is need for thorough consultation to improve fiscal coordination.

3.3 Transitional Stabilization Programme Services Sector Reforms and Measures to Enhance Fiscal Transparency and Accountability in the Implementation Process

- Marketing of new areas such as Masvingo tourist attractions and Matopos should be encouraged instead of just focusing on Victoria Falls.
- Need to create conference facilities to stimulate growth which can accommodate up to 10,000 people to cater for functions such as the one previously held by Zimbabwe on United Nations World Tourism Organization (UNWTO).
- Transport access through the Zimbabwean borders and airlines need to be upgraded and visa regime revisited to enhance access. Border posts are congested and requires mechanisms to decongest them.
- Air Zimbabwe domestic debt of US\$337 million and external debt of US\$37 million should be assumed by government. Government should repay the external debt and buy new aircrafts to enable growth of the tourism sector.
- Massive killings of wild animals (including elephants) which happened two to three years back should not be tolerated in future as it affects tourism.
- Need for a tourism revolving fund.

3.4 Transparency and Accountability in Monitoring and Evaluation of the Implementation of the National Budget and the Transitional Stabilisation Programme

- Implementation of M&E systems in Government is in place but it is still fragmented. Under the Transitional Stabilisation Programme there is an implementation framework which shows who should be doing what and over which period. This should be implemented.
- There was an elaborate structure to the implementation of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) through the cluster framework which included multiple stakeholders. However, lack of implementation of some projects outlined in ZIMASSET highlights that successful implementation of policies goes beyond an elaborate plan. There is need for adequate financial and human resources in the implementing agency. Periodic monitoring and evaluation of implementation progress is critical to ensure that projects remain on course. Where there are implementation delays corrective measures/decisions should be taken on time.
- Government should produce regular detailed progress reports highlighting areas where good is being made and areas lagging behind;
- The oversight role of Parliament needs to be strengthened.
- Despite Government not reporting supplementary budgets, in some instance supplementary budgets have been availed to line ministries. Hence, there is need to do away with the supplementary budget system to enhance fiscal discipline.
- There is need to further improve transparency in the budgetary process - not all government departments are included in the budget determination process.

- Fragmentation of M&E:-
 - There is need to link M&E mechanisms / frameworks within government departments and line ministries.
 - Need to link the budget targets and available resources.
 - Need to upgrade technology to facilitate effective M&E through the e-government platforms.
 - M&E should be an outcome rather than an output, moving from M&E to Monitoring, Evaluation, and Learning (MEL).
- Need to improve the independence and separation of powers of the three arms of the state. For example, the current Parliamentary whipping system stifles independent opinions while debating in Parliament as debates follow the political party lines position on issues.
- The appointment of the Auditor General by the Minister of Finance and Economic Development compromises the independence of the office. Hence, there should be independence of the Auditor General from the Ministry of Finance and Economic Development.
- Auditor General's reports come in bits and pieces hence the need to publicize the reports as they are availed for public consumption.

3.5 Evidence/Data Requirements to Support a Culture of Transparency and Accountability in Implementation of the National Budgets and Transitional Stabilisation Programme

- The rate of submission of quarterly reports to Parliament is still low. Need for timeous submission of reports to Parliament.
- Zimbabwe is not in the open budget platform hence the need for the county to join the open budget platform.
- Media has an important role in reporting critical information to enhance transparency and accountability. However, the media should desist from reporting trivial issues just for the sake of making some headlines but should report key issues that foster socio economic development and backed by credible evidence/data. For example, there is need for quality reports based on sound analysis of key macroeconomic developments which underpins decision making by a broader spectrum of stakeholders. In this regard there is scope to build capacity of media houses on economic reporting for instance. This will enable coverage of serious economic issues to be covered in detail by knowledgeable reporters. Building capacity of media houses on economic reporting can go a long way in fostering evidence based and informed dialogues among stakeholders. The quality and content of the economic reviews and analysis by media houses influence decision making and actions of a broad spectrum of stakeholders. Use of updated and timely social and economic statistics is critical in this regard.
- There is need for baseline data that will be used to assess the achievements of economic blueprints such as the Transitional Stabilisation Programme and other sectorial policies.
- Need for end of the plan evaluation of ZIMASSET to draw lessons for the implementation of the Transitional Stabilisation Programme and subsequent economic blue prints.
- The lack of continuity in economic blueprints was highlighted, i.e. Short-Term Emergency Recovery Programme (STERP); Medium Term Plan (MTP); ZIMASSET and now Transitional Stabilisation Programme. There is an overlap in the periods covered by the plans where the previous plan is abandoned with no evaluation of achievements and articulation of policies and programmes being carried forward to be implemented in the next plan. An opportunity to generate comparative statistics from the end of policy evaluation and baseline data for the new policy is lost.
- On Vision 2030, despite the Government mentioning that the report is available, this policy document is not available in the public domain hence should be availed to the public to enhance stakeholder buy in and ownership.

- Need to publish the quantum of salary and benefits for government officials and government related agencies.
- Need for continuous training of various Parliamentary portfolio committees to enhance their capacity.
- Issues such as failure to submit requisite documentation to Parliament only happen in Africa, hence Parliament should compel parastatals and local authorities to submit relevant documentation on time.
- Need to move away from item based to programme based budgeting.
- Despite line ministries being required to explain financial variance, mostly they submit financial statements with no explanations provided.
- Auditor General's financial reports are normally produced on time but the major challenge is on the accessibility of the reports.
- In other countries that have implemented devolution of provinces like South Africa, failure to submit the reports result in suspension of financial disbursements to those institutions until they comply.
- Mineral export incentives are negatively discounting mining royalties. There is need to renegotiate deals to guard against harmful tax incentives to enhance fiscal linkages.
- Making mining statistical data (i.e. production and revenue data) easily accessible for communities to understand and use to hold government and mining houses accountable. This includes for example, actual amount of revenue paid by each mining company to the local authority and how it is calculated.
- Mineral revenue should be linked with socio-economic development outputs like schools and clinics since minerals are a finite resource.

4. Recommendations from panel discussions

The last session during this policy dialogue was a panel discussion which was also covered on radio by Star FM. The following is the synopsis of the issues raised by the panelists and the responses from the floor.

4.1 Mineral revenue transparency in Zimbabwe - Mr. Mukasiri Sibanda, Zimbabwe Environmental Law Association (ZELA)

- Mega deals negotiated in Zimbabwe are not publicly accessible. Zimbabwe should make public contracts accessible to enhance transparency like what is happening in countries such as Ghana, Nigeria and Sierra Leone.

4.2 Zimbabwe's Transparency and Accountability Basing on Regional Experiences - Ms. Fadzai Jekemu, Transparency International Zimbabwe (TIZ)

- Development of tools to monitor and track the implementation of the recommendations passed in the Auditor General's report. An example of the Zimbabwe Consolidated Diamond Company was given that it submitted a 2016 report for 2017 reporting period.
- Facilitation of the signing of the integrity pact by at least 10 procuring entities.
- Need multi-stakeholder dialogues on fiscal transparency and accountability serialized in themes and institutions.
- Need to empower communities to monitor and track the budget expenditure at local authority level.

4.3 Transparency and Accountability - Views from the Zimbabwe Coalition on Debt and Development (ZIMCODD) by Mr. Tafadzwa Chikumbu

- Improve the role of civil society in ensuring transparency and accountability of public resources.
- Ensuring compliance to constitutional provisions to enhance transparency and accountability

- Improve access to fiscal revenue information, public expenditure and budget performance. Need fiscal transparency in the mobilisation and utilization of resources generated.
- Remove harmful tax incentives.
- Need for implementation of the recommendations of the Auditors Generals report.
- Need periodic reviews of economic policies.
- Need accountability on mineral revenues
 - Publishing the deals and nature of contracts, and
 - Harmonization of fiscal rules.
- Need for timely reporting of public debt statistics. Need for internal control systems by Government.

4.4 Transparency and Accountability - Views from the Academia by Prof. Albert Makochekanwa, University of Zimbabwe, Department of Economics

- Auditor General's reports
 - There is need for political will to ensure that ministries, departments and other government entities adhere to the recommendations of the audit. Those who fail to perform should be fired.
 - The Auditor General's reports disseminated should be given the same publicity / reviews as the National Budget and other national policy documents.
- There is need for periodic reviews when it comes to implementation of any government policy and the reviews should be publicized. For instance, the generality of Zimbabweans do not know whether ZIMASSET achieved its set targets or not.
- The awarding of tenders should be done transparently. Once a tender is awarded, the progress (e.g., road or dam construction) should be monitored and progress should be made public through the media. For example, there should be updates on what is stalling the progress of the construction of the Beitbridge – Chirundu highway.

- On accounting of mineral resources, there is need for the public to be informed of the minerals the country has and how much the country is getting from the minerals periodically (e.g. each quarter) like what is happening in other countries like Ethiopia.

4.5 Transparency and Accountability - Views from the National Economic Consultative Forum (NECF) by Mr. Godwin Murehwa

- Fiscal transactions which result in high fiscal deficit and high and unsustainable domestic and external debt may affect the country's credit ratings and ability to borrow on concessionary terms.
- The Government of Zimbabwe should make use of joining the EITI as a step towards opening Zimbabwe for business.
- Need periodic and structured consultations on the implementation of policies quarterly, biannually and annually.
- Need public expenditure tracking surveys (PETS) to plug leakages.
- Need to deal with corruption – i.e. there is need for sentencing of those arrested and convicted.
- Need performance/results based budgeting that creates and enhances institutional transparency matching resources to expected results.
- Need allocation of more resources to more deserving departments, and there should be a rationale for the allocation.

4.6 Gender Perspective of Fiscal Transparency and Accountability - Ms. Fadzai Traquino, Women and Law in Southern Africa (WLSA)

- Women constitute 52% of the population in Zimbabwe hence they should not be left behind in terms decision making. Currently women are not adequately included in decision making hence there is need to enhance gender equality.

- Mineral revenue can be ring-fenced to benefit areas such as health and education in order to advance gender equality.
- It should be kept in mind that women are also contributing to the fiscus through paying taxes. Government should try to curb illicit financial flows and corruption to make more public resources to be availed to benefit the general public.
- Political will of Government to mainstream gender is measured by how much resources are availed to benefit gender (men, women, boys and girls) and for engendering women.

5. Conclusion and Recommendations

Zimbabwe satisfies the basic principles of the IMF Fiscal Transparency Code on fiscal reporting. The Public Financial Management Act (Chapter 22:19) has enhanced the country's performance under the requirements of the IMF Fiscal Transparency Code. The devolution of power to provinces should enable publishing of statistics at provincial level e.g. gross domestic product (GDP) figures. On government's balance sheet, there is a current exercise to move to accrual method and on pension the 2019 National Budget Statement indicated that Government is moving away from pay as you go to a defined contribution pensions scheme. The Government is also moving away from line budgeting to programme budgeting. However, there is need for improvement, to further enhance fiscal transparency and accountability. The government should consider undertaking the following:

- Need to improve coverage of institutions, timeliness of reporting and reporting of stocks including nonfinancial assets and liabilities relating to government balance sheet position.
- Need for timely production of information on budgeting and avail the information to the public and this includes information on budgeting and service delivery. Timeliness, reliability and clarity of roles with regards to how the budget is being executed is critical.
- Enhance the publication of fiscal reports on tax expenditures and the annual financial statements through other media platforms.
- Need for reporting and analysis of near-term fiscal risks and forecasts of longer-term fiscal pressures.
- Estimate, explain, and publish in budget documents the underlying factors, including new policy decisions, changes between successive fiscal forecasts.
- Institutionalize broad stakeholder policy dialogue on major economic policy issues of the moment and institute independent evaluations of government economic forecasts as well as the underlying assumptions to enhance credibility of fiscal forecasts and budgets.
- Expansion of the scope of Auditor General's report;
- Need effective measures/strategies to deal with corruption.
- Need for enhanced coordination and information sharing within Government ministries and department within the concept of one government to remove the retrogressive silo mentality.
- Need to capacitate Parliament to enhance their oversight role.
- Need to fast-track the ease of doing business reforms. Issues such as difficulties in obtaining licences may lead to lack of transparency which may result in corruption.
- The burden of debt is put on young and future generations hence the need to involve the youth when making policy decisions that affect their future.
- Government should publicize the medium and long-term economic policy documents like the Transitional Stabilization Programme. Government can utilize slots in the electronic and print media as well as road shows to explain the key issues contained in the policy documents. This will increase transparency of the policy measures and public expenditure associated with the implementation of these policies as well as accountability for resources spend and results achieved.

- Issue of parastatals and local authorities failing to report should be urgently addressed to make sure that they account for their financial resources.
- Government should use e-government to facilitate transactions and interfacing with government agencies to reduce human contact and curb corruption. E-government can be implemented in areas such as issuing of passports. Use of drones to monitor the borders can be a solution to smuggling through the porous borders.



Zimbabwe Economic
Policy Analysis and
Research Unit

55 Mull Road, Belvedere, Harare, Zimbabwe

Tel: +263 242 778423, 785926/7

Email: administration@zeparu.co.zw

www.zeparu.co.zw



epoch +263 242 700748