THE REPUBLIC OF ZIMBABWE

COUNTRY INTEGRATED FIDUCIARY ASSESSMENT

July 9, 2012

ATTACHMENT 1

PUBLIC FINANCIAL MANAGEMENT PERFORMANCE REPORT

Abbreviations and Acronyms

AGA	Autonomous Government Agencies
AGD	Accountant General's Department
BSP	Budget Strategy Paper
CAATs	Computer Assisted Auditing Tools
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CIFA	Country Integrated Fiduciary Assessment
COFOG	Classification of Functions of Government—International Standard
CP	Country Partner
CPAR	Country Procurement Assessment Report
CPIA	Country Performance Indicator Assessment
CRF	Consolidated Revenue Fund
DAC	Development Assistance Committee
DRC	Department of Revenue and Customs
DSA	Debt Sustainability Analysis
EMGTRG	Economic Management and Governance Technical Review Group
FD	Finance Department
FIC	Financing Item Code
FM	Finance Minister
FRR	Financial Rules and Regulations
FYP	Five-Year Plan
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics—International Standard
GNI	Gross National Income
GoZ	Government of Zimbabwe
IFI	International Financial Institutions
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
JICA	Japan International Cooperation Agency
M1	Scoring method where each dimension is scored separately and the overall score is given by the lowest scoring dimension
M2	Scoring method where each dimension is scored separately and the overall score is given by averaging of the dimension scores as per a PEFA Framework table of scoring rules
MDA	Ministries, Departments and Agencies
MDG	Millennium Development Goals
MEPIP	Ministry of Economic Planning and Investment Promotion
MoF	Ministry of Finance
MP	Member of Parliament
MTFF	Medium Term Fiscal Framework
MTP	Medium Term Plan
MYFPR	Mid-Year Fiscal Policy Review
MYRB	Multiyear Rolling Budget
NGO	Nongovernment Organization
OECD	Organization for Economic Cooperation and Development
PAC	Public Accounts Committee
PE	Public Enterprise

PEFA	Public Expenditure and Financial Accountability
PEMS	Public Expenditure Management System
PFA	Public Finance Act
PFMS	Public Financial Management System
PPG	Public and Publicly-Guaranteed debt
RBMS	Results Based Management System
RBZ	Reserve Bank of Zimbabwe
SSB	Salary Services Bureau
STERP	Short Term Emergency Recovery Programme
SAP	Systems Applications and Products Software Company
SPB	State Procurement Board
SAI	Supreme Audit Institution
SN	Subnational
ZIMRA	Zimbabwe Revenue Authority

Fiscal Year Calendar Year

Currency: Zimbabwe has adopted a multicurrency system using the Zimbabwe dollar, South African rand, U.S. dollar, Botswana pula, euro, and pound sterling.

Figures in this report show U.S. dollars.

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1. Introduction

1.1. Background and Objectives

1. The Country Integrated Fiduciary Assessment (CIFA) will help set the stage for systematic preparation and implementation of measures to improve the public financial management system (PFMS). This is a particularly important time for the assessment as during 2007 to 2009 instability and hyperinflation resulted in degeneration of most parts of the PFMS in Zimbabwe and its fiscal base. A rapid public financial management (PFM) assessment completed in March 2009 identified systemic weaknesses in most critical stages of the budget cycle. The assessment report recommended that the Ministry of Finance establishes a PFM Working Group, with whom development partners can then interact in order to support, in various forms, the design and implementation of rapid and longer term PFM reforms and capacity development initiatives. The composition of this group was to cover the key PFM areas of planning and budgeting, budget execution (including payroll, procurement and internal audit), accounting and reporting, external audit, and oversight.

2. In March 2009, the Government of National Unity (GNU) started action to stabilize the economy through the Short Term Emergence Recovery Programme (STERP) and the Three Year Macro-economic Policy and Budget Framework: 2010-2012 (STERP II). Launched on December23, 2009, STERP II has introduced economic policies that managed to turn around the economy, following a decade of economic decline. The decline has resulted in some degradation of all three goals of the PFM system: aggregate fiscal discipline, efficient resource allocation, and efficient and effective delivery of public services. These issues are reflected in the assessment results. The objective for the assessment is to provide an initial snapshot of PFM systems and processes at the national and subnational level given the ongoing recovery.

3. Government entities have made the following relative shares of public expenditures:

Institutions	Number of entities	Expenditure 2010 $ million	% of GDP in 2010
Central government agencies	210	1,851	33
Local governments	92	337	5
Nonfinancial public corporations	35	881	14

1.2. Process and Methodology

4. The Concept Note for the study containing the terms of reference was evolved through discussions between the CIFA team and government of Zimbabwe (GoZ). The government nominated a steering committee of senior official in major ministries for the study to advise on arrangements within the government. As part of a short orientation workshop on January 24, 2011 in Harare, a core team of government officers was nominated to conduct the assessments. The CIFA team gave presentations on the PEFA Framework to orient the government core team on the methodologies involved and the practical use of assessment questionnaires by members of the core team to work through the information requirements and the indicator scoring methods. Data collection questionnaires were provided to the State Procurement Board, the Comptroller and Auditor General, the Accountant General, the Department of Health, the Department of Education, the Department of Planning and Investment Promotion, the Internal Audit unit of the Ministry of Finance, the Budget Department of the Ministry of Finance, and the Secretariat of the Public Accounts Committee. Data constraints did arise during the assessment and in some case, the agencies were unable to meet the full information requests arising from the PEFA methodologies. In particular, data were generally unavailable for the financial year 2008 because of the accounting system being unable to cope with the number of digits in hyperinflation transactions. As a result, strict application of the PEFA measurement methodologies has led to low or immeasurable ratings in some cases.

5. Intensive government staff engagement in the exercise was crucial because a proper self-assessed stocktaking of the PFM system is essential to support the government in establishing a practicable reform agenda. Government resources are at a low level and capacity has degraded severely through public service deterioration. This Report uses a Performance Measurement Framework (PMF) developed by the Public Expenditure and Financial Accountability (PEFA) development partners[1]. The government of Zimbabwe conducted the assessment with the active support and cooperation of a CIFA team. The study makes an objective assessment of the system, lists its strengths and weaknesses, and identifies areas in need of strengthening. This provides a sound basis for framing a continuing reform strategy. The report is to benefit practices in Zimbabwe through comparisons with experience in good practice in PFM work. The PFM work in this exercise has been facilitated and encouraged by the GoZ Steering Committee and the core team of department officers has provided leadership in establishing the PFM reform strategy and action plan. The core team working with World Bank consultants in some cases has provided information in assessment questionnaires covering the performance indicators. Contributions by experts from the World Bank and other donors have been gained through review and expansion of the questionnaire materials against government documents and statistics, and through further interviews with government staff and through peer review of the draft report

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[1] PEFA Secretariat. June 2005. "Public Financial Management Performance Measurement Framework" Washington, DC: World Bank. PEFA includes World Bank, IMF, European Commission, United Kingdom, and France.
[1] IMF/ World Bank. 2011. "Zimbabwe Joint IMF/World Bank Debt Sustainability Analysis 2011."
[1] World Bank. July 2010. "Strengthening Institutions for the Preparation of Government Budgets," Draft PREM Africa Region. Washington, DC: World Bank.
[1] PEFA. July 2010. "Strengthening Institutions for the Preparation of Government Budgets," Draft.. Norway, Switzerland and SPA Strategic Partnership with Africa. www.pefa.org

by specialist experts. Quality assurance for the report was maintained by having a senior Harare-based DFID officer in the project team, consulting with the PEFA Secretariat on ratings and the adequacy of evidence, and involving Harare-based representatives from UNICEF and UNDP in the peer review decision meeting on the final draft report.

6. There were notable difficulties in gaining relevant data because many of the usually available documents, such as comprehensive budget statements, audited annual financial statements at the national and ministry level, and audit reports were not readily available either in hard copy or on government websites, partly because the breakdown in the accounting system in 2008 reduced the availability of transaction data. Government staff members provided some of the information required for the assessments through accessing internal documents and systems.

7. The timeline for the assessment was affected by these data difficulties with two assessment missionJanuary 24, 2011 to February 2, 2011 and May 16, 2011 to June 4, 2011. Data collection with GoZ continued in the period between these missions. A draft report was available in August, 2011, for expert review and subsequent revision and the revised draft was sent for peer review in November, 2011.

8. The self-assessment questionnaires have provided ratings of current performance against key benchmarks for PFM practices and have sought practical suggestions on reform implementation steps and capacity building. The PFM reform work is framed within a multi-year horizon, sequenced around agreed priorities, and built upon a coordinated donor approach. The reform work can use the PEFA measurements as a robust continuous monitoring and evaluation framework, which clearly articulates the gains in PFM system performance that are sought and achieved. Several countries in Africa (for example, recent reports for Malawi and Rwanda) are doing this and are showing several years of good results. The study progressed through a series of departmental meetings between agency officials and the CIFA team to discuss the approach to the assessment and to receive self-assessment questionnaires covering performance indicators on PFM issues relevant to the agency. The senior agency official present at the meeting allocated preparation of the GoZ response to the questionnaire to a staff for completion within a few weeks. After evaluation by the World Bank team, the full set of GoZ responses were collated into a draft report for further consultation through a second round of individual meetings with agencies. Subsequent quality assurance consideration by the peer reviewers from the World Bank, PEFA Secretariat, and IMF led to editing to finalize a draft report for consideration by the government.

9. The assessment of the government ministries and departments was done through interview and completion of questionnaires by government staff, supported as necessary by a local consultant.

10. The assessment makes use of the PEFA PFM Performance Measurement Framework guidelines. Scoring of most indicators is based on current performance but a few indicators for example, PI-1, PI-2, PI-3, and D-1—require performance data for the most recent completed fiscal year for which data is available (usually 2010) and the two immediately

preceding years as a basis for the assessment. Some allowance is made for one year to be abnormal (and not contributing to the score) because of unusual circumstances. This is particularly important for Zimbabwe as data for 2008 is limited due to the failure of the computerized accounting system under hyperinflation. More generally, the data for Zimbabwe suffers from the effects of hyperinflation over a number of years, which severely compromised the comparability of successive years' performance and compromised data availability and reliability for these years. Therefore, the results for these indicators need to be interpreted with caution. The other indicators rely on the most recent period and conditions in Zimbabwe have improved to provide more immediate relevance for these results.

2. Country background information

2.1. Description of Economic Situation

The following addresses the country context for economic and social indicators.

Country Context—Economic Indicators

Zimbabwe suffered a period of hyperinflation in 2007 – 09

11. The recent economic performance has impacted the PFM system in Zimbabwe through the inability of the systems and people to cope with substantial GDP and revenue decline from 2002 and hyperinflation from 2007 through 2009. Migration and income effects eroded social and maintenance spending and HR capabilities and hyperinflation overloaded the computer-based accounting systems. These occurrences had an impact on many indicators. For example:

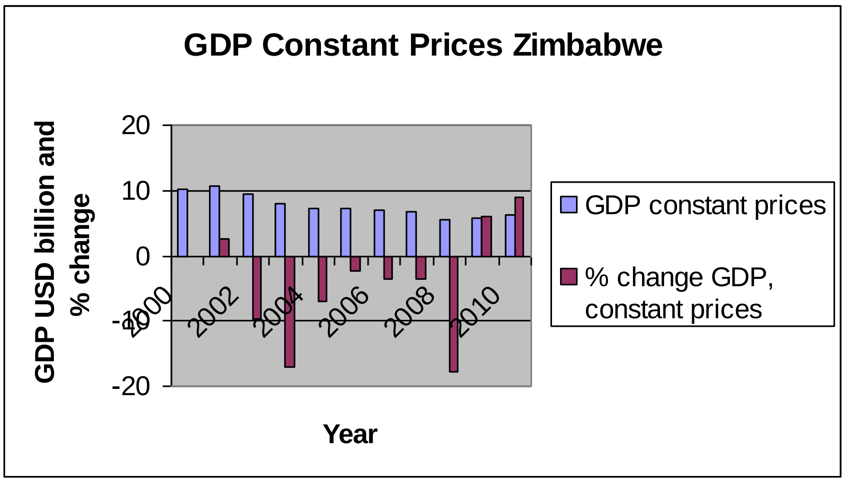
- The IFMIS system was deactivated because of the inability to cope with figures, hence, decline in expenditure controls and accounting and reporting.
- The budget process was emptied of content because of low-revenue streams and the main fiscal agent became the Reserve Bank of Zimbabwe (RBZ) undertaking expenditures off budget on priority areas.
- The budget calendar was distorted to take into account the need for frequent updating of estimates.
- All procurement was done through RBZ, and the State Procurement Board (SPB) lost capacity and functions for three or four years.
- The audit functions and the reporting from the OCAG became irrelevant without meaningful accounts to audit.
- There was an accumulation of tax arrears as people stopped paying taxes and the tax liabilities became unclear.

12. One can expect significant improvement to the current scores, as measures are already in place to recover but some scores continue to suffer in the transition out of hyperinflation for example, as regards the credibility of the budget, the timeliness of reliable annual financial reports, and audit reports. Nevertheless, progress has already been made in some areas, for example, in control over budget preparation, budget reports and budget deficits, rebuilding the IFMIS and accounts reconciliation, and the recent activities of the Public Accounts Committee.

GDP growth has started to recover but is still well below year 2000 levels

13. According to the STERP II report, projected economic growth rates of 8 percent in 2010 and 9.3 percent in 2011 as per the 2011 Fiscal Policy Review depend on higher investment to GDP ratios. Growth had suffered successive falls through 2002 to 2008. The agriculture and manufacturing sectors usually the highest contributors to GDP—fell

substantially. Future growth will be driven mainly by key export-oriented sectors, particularly mining, which contributed only 5 percent to GDP in 2009, benefiting from high commodity prices. Mining growth has been slow for the period 2000 to 2009 but grew in 2010 by an estimated 47 percent. Slow progress in addressing structural bottlenecks (including relatively high public sector wage costs, restricted access to donor support, underdeveloped infrastructure, and low investment) is expected to pose constraints to higher growth. Productivity and investment factors also weigh heavily with the 2011 Budget Statement noting that investment as a percent of GDP was only 4 percent in 2009 with other SADC countries ranging from 11 to 39 percent and that productivity in agriculture still lags behind that of many other countries.



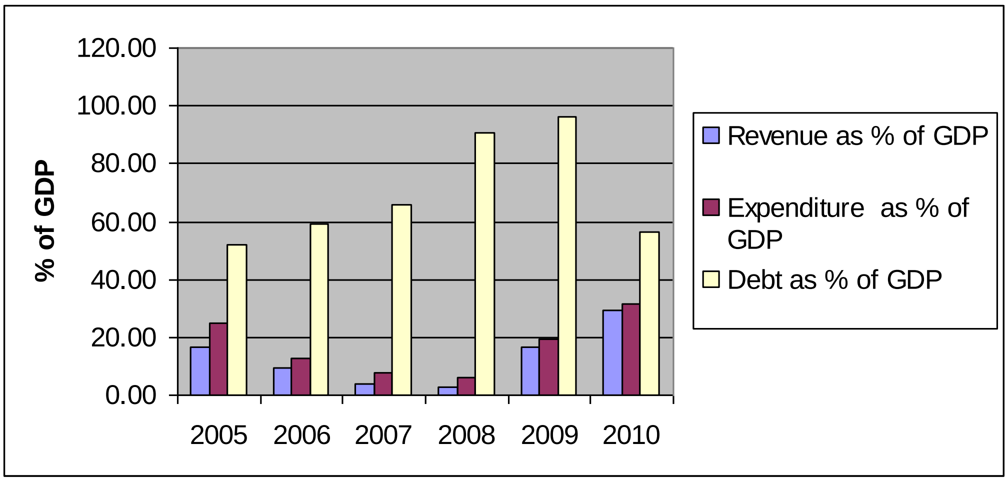
Source: IMF data for Zimbabwe; www.imf.org.

The economy has declined

14. The following table and chart shows the extent of the economic decline since 2000 in GDP and government revenues and expenditures, along with the consequent effect on government debt. Zimbabwe's economic activity has fallen to a lower plateau. Although revenue has almost recovered to its former ratio to GDP, its constant dollar level is some 36 percent lower than year 2000 levels. The capacity of the fiscus to meet public sector and service delivery aspirations has to adjust accordingly. The PFM system needs to provide the maximum information it can to assist in decisions and management processes and controls for resource allocations and service delivery.

		2000	2004	2008	2009e	2010p
GDP	*(constant 2000 million US$)*	6,803	5,469	3,914	4,070	4,160
GDP per capita	*(constant 2000 million US$)*	546	438	314	326	333
Revenue and Grants	*(constant 2000 million US$)*	1,721	1,859	133	904	1,086
	(% of GDP)	25.3	34.0	3.4	22.2	26.1
Expenditure	*(constant 2000 million US$)*	2,993	2,242	254	973	1,402
	(% of GDP)	44.0	41.0	6.5	23.9	33.7
Fiscal Balance[#]	*(constant 2000 million US$)*	-1,265	-383	-125	-69	-316
	(% of GDP)	-18.6	-7.0	-3.2	-1.7	-7.6

[#] (accrual basis, incl grants)



Source: IMF data for Zimbabwe; www.imf.org.

Fiscal developments have to deal with a 38 percent decline in constant dollar GDP

15. The Bank undertook an analysis in 2011 of the budget process with the aim of developing a series of broad recommendations for strengthening the budget process over the next three to four years[2]. The results of the review are incorporated where appropriate in this assessment. The tables overleaf show the main economic indicators for the recent past. It is estimated that between 1999 and 2008 the economy declined by more than 45 percent. GDP in 2010 is estimated at 38.8 percent lower than 2000 in 2000 constant dollars. The 2009 Short Term Emergency Recovery Program (STERP) included the adoption of a multiple-currency system, removal of price controls, and commitment to fiscal discipline, including control over the quasi-fiscal activities of the Reserve Bank of Zimbabwe. Reforms included allowing parastatals and government agencies to charge cost-reflective prices, liberalization of foreign exchange regulations, and free marketing of grain and minerals. A 2011 initiative has been to accelerate the indigenization of the mining sector with possible adverse impacts on investment.

[2] ZIMBABWE Public Expenditure Notes. July 2011. "Strengthening Institutions for the Preparation of Government Budgets." Poverty Reduction and Economic Management Unit Africa Region.

16. The 2011 budget notes the difficulties with public sector remuneration. A large wage bill (12.9 percent of GDP in 2010 and 48 percent of Q1 2011 recurrent expenditure), financing of state-owned enterprises (2.4 percent of GDP in 2010) and challenges in public financial management are undermining the quality of expenditures and competitiveness. Relative to the national wealth the public service wage bill is not sustainable; yet, relative to the cost of living, civil servants are not being paid well so staff numbers and productivity need to be addressed. Often salary awards have been made outside budget parameters (for example, 2010) reflecting tenuous Ministry of Finance controls on PSC's financial decisions. A civil service audit has been carried out to address a number of irregularities in order to allow appropriate management of the civil services wage bill and sufficiently reward genuine civil servants. Transport and housing allowances were introduced in 2010 in a bid to improve civil service welfare.

Expenditures required special restraint measures

17. On the expenditure side, the 2010 Budget Paper noted that the adoption of cash budgeting requires ministries and departments to contain expenditure within levels that are consistent with available cash resources and to implement measures that assist in managing costs. The cash rationing was imposed because a zero deficit policy became a key plank of the strategy to recover from hyperinflation, and there was uncertainty over revenues post dollarization. These strategies proved effective in bringing inflation under control. This continued in 2011 and its efficacy in terms of maintaining service delivery depends in part on the adequacy of the information on expenditures during the period and the budget needs. This in turn depends on the information system which in 2008 had broken down. In 2009, work began on upgrading the Public Finance Management computer system to a higher software version and reconfiguration. Treasury is currently working with cooperating partners to address other capacity constraints related to the equipment and human skills and extend the system to provincial and district offices.

18. The table below shows how variances in 2010 between budget and actual figures differed markedly between expenditure types. Employment costs were the largest increased demand on available funds and capital expenditure fell, showing the effects of the overall shortfalls in funds. Service delivery in health and education suffered through supply shortfalls and there was a substantial variation in the allocation of resources compared with the budget intent. It is worth noting that donor funding have provided some funding stability to these sectors. Donor funding is delivered off-budget and is not reflected in these figures, but it is taken into account by government in its funding decisions. It is important to measure and report on the extent of this in the annual accounts as required by IPSAS standards.

	Target as % of class	**Actual as % of class**	**Target $ mil.**	**Actual $ mil.**	**Budget overrun %**
Current Expenditure			***1,291.73***	***1,563.47***	***21.04***
Goods and services			933.46	1,120.29	20.01

Employment costs	68.78	81.25	642.06	758.41	18.12
Domestic travel expenses	0.78	1.50	7.26	14.05	93.42
Foreign travel expenses	2.66	4.04	24.84	37.73	51.86
Communication, supplies, and services	0.89	1.73	8.29	16.13	94.53
Education supplies and services	0.33	0.29	3.05	2.69	-11.77
Medical Supplies and services	0.83	0.78	7.75	7.24	-6.62
Office supplies and services	0.45	0.51	4.24	4.78	12.70
Training expenses	0.19	0.44	1.80	4.14	130.16
Rental and other service charges	5.14	8.47	47.95	79.04	64.86
Institutional provisions	2.51	3.25	23.39	30.38	29.91
Other	1.56	1.43	14.58	13.39	-8.17
Maintenance of capital works	2.45	4.67	22.84	43.57	90.73
Programs	13.43	11.65	125.41	108.75	-13.28
Current transfers			344.26	412.40	19.79
Pensions	47.50	45.61	163.52	188.11	15.04
Other grants and transfers	52.50	54.39	180.75	224.29	24.09
Capital expenditure			*429.97*	*415.27*	*-3.42*
Breeding stock	0.00	0.02	0.00	0.08	
Furniture and equipment	3.83	2.98	16.49	12.38	-24.93
Vehicles, plant, and mobile equipment	5.07	6.13	21.80	25.45	16.72
Acquisition of buildings	18.58	8.08	79.88	33.56	-57.99
Intangible assets	0.91	0.47	3.90	1.94	-50.36
Feasibility studies	0.04	0.00	0.19	0.00	-100.00
Capital transfers	40.33	66.32	173.41	275.40	58.81
Equity participation	8.26	16.00	35.50	66.46	87.21
Repayments	22.98	0.00	98.80	0.00	-100.00

Revenue is recovering

19. On the revenue side, the 2010 budget widened the tax base through actions aimed at streamlining tax expenditures and minimizing tax leakages, reforming the mining tax regime, facilitating trade through more prompt clearance of goods and travelers at ports of entry, and further supporting the productive sectors through reduced customs duties on inputs. Revenues have risen from 5 percent of GDP in 2008 to almost 30 percent in 2010 and fiscal restraint through containing expenditures to the level of receipts is intended to lead to a fiscal surplus in excess of $200 million at the end of 2010 (this may amount to $450 million compared to the original budget). Details of revenues for 2010 are shown below:

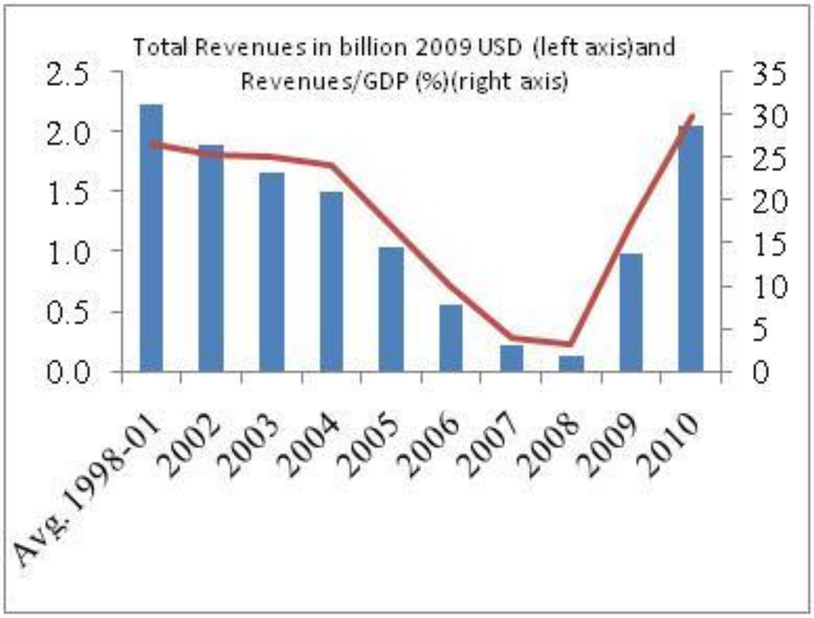
TAX REVENUE 2010 ($ millions)

	Target	**Actual**	**Actual**

			% of total
TAX ON INCOMES AND PROFITS	**636.46**	**852.12**	**38.48**
Tax on individuals income	354.30	427.68	19.31
Tax on companies profits	195.30	256.43	11.58
Domestic dividend and interest	6.53	60.43	2.73
Tobacco levy	1.93	4.19	0.19
Royalties	24.44	54.72	2.47
Other income taxes	30.01	16.57	0.75
Vehicle carbon tax	23.96	32.09	1.45
CUSTOMS DUTIES	**304.80**	**339.88**	**15.35**
Oil products	43.24	87.15	3.94
Other (prime & surtax)	261.56	252.73	11.41
EXCISE DUTIES	**225.58**	**165.08**	**7.45**
Beer	45.85	41.91	1.89
Wines and spirits	38.50	12.01	0.54
Tobacco	17.64	11.46	0.52
Second hand motor vehicles	17.19	8.74	0.39
Fuels	106.40	90.97	4.11
VAT	**734.55**	**829.99**	**37.48**
VAT on domestic goods	388.12	459.32	20.74
VAT on imported goods & services	346.43	370.66	16.74
Other indirect taxes	19.43	27.51	1.24
TOTAL TAX REVENUE	**1,920.82**	**2,214.59**	**100**

Sources: Government of Zimbabwe and IMF and World Bank estimates.

20. Revenues over the decade have shown massive variation reflecting hyperinflation and economic collapse:



Revenue as a % of GDP	2005 Est.	2006 Est.	2007 Est.	2008 Est.	2009 Est.	2010 Est.
Total revenue & grants	**16.4**	**9.6**	**3.8**	**3.0**	**16.7**	**29.4**
Tax revenue	15.8	9.3	3.6	2.9	15.1	27.7
Personal income tax	4.8	2.2	1.1	0.5	2.7	5.7
Corporate income tax	2.9	1.6	0.6	0.4	0.8	3.4
Other direct taxes	0.9	0.9	0.3	0.1	0.4	2.2
Customs	1.5	1.3	0.2	1.0	3.6	4.5
Excise	0.5	0.3	0.2	0.1	1.2	2.2
VAT	4.7	2.7	1.2	0.7	6.3	9.2
Other indirect taxes	0.4	0.2	0.1	0.0	0.2	0.4
Nontax revenue	0.6	0.3	0.2	0.1	0.9	1.7

Sources: Government of Zimbabwe and IMF and World Bank estimates.

Trade deficits continue to widen

21. The current account deficit is set to widen from $0.927 billion in 2009 to $1.041 billion in 2010. At end of 2010, the reserve coverage of imports was about a half month and about one month of government expenditures. Stronger policies and debt relief are necessary to reach the traditional benchmark of three months of import coverage over the medium

term.[3] External debt arrears are affecting credit worthiness. Savings have remained below 10 percent of GDP against the desired 20 to 30 percent necessary for sustainable growth. Given the low level of national saving, foreign capital inflows could be critical to enhancing private sector financing. Zimbabwe has the potential to emerge in the longer run as a major receiver of investment in the subregion. This is important as mining alone is estimated to need $3 billion to $5 billion recapitalization over the next three to five years on a 2009 GDP contribution of only $227 million.

External debt continues unpaid

22. According to a Debt Sustainability Analysis[4] (DSA), Zimbabwe is likely to remain in debt distress for the foreseeable future. Achieving debt sustainability will require a further considerable strengthening of economic policies and debt relief, which would necessitate normalization of relations with the international community. The realization of contingent liabilities, including related to the Reserve Bank of Zimbabwe (RBZ) restructuring, financial sector vulnerabilities, and State Owned Enterprises (SOE), could make the debt situation even worse. The 2011 budget statement reported debt for 2009 as 150 percent of GDP compared with rates of 15 to 58 percent for other SADC countries. Of the then public and publicly guaranteed debt of $6.4 billion, total external arrears comprised $4.7 billion by October 31, 2010.

23. A Debt Management and Clearance Office in the Ministry of Finance has the mandate to validate and reconcile the country's debt in conjunction with the creditors. In addition, parastatals had at the end of October 2010 commercial debts of $246 million, all in arrears. The 2011 midyear budget review reported that the external debt had grown to $7 billion and has become a serious developmental constraint for the economy. With the continued build up in external arrears, the level of external debt implies that the country is now in debt distress and cannot leverage new financial support from both bilateral and multilateral sources.

24. Using baseline assumptions about real GDP growth, the DSA estimates that the debt-to-GDP ratio will gradually decline to about 94 percent in 2015, ratios well above sustainable levels. In an alternative scenario of recommended policies set out in the 2011 Article IV report, where government policy measures lead to higher growth, debt indicators will decline faster. The country could potentially boost growth performance by about 3 percentage points relative to the baseline scenario over the medium term, if the government strengthens fiscal discipline, improves the quality of expenditures, ensures that the implementation of the indigenization legislation takes into account investors' concerns, presses ahead with key structural reforms, and takes forceful steps to address financial sector vulnerabilities. Strengthened PFM systems will assist this process.

[3] World Bank. "2011 Article IV Consultations Background Paper." World Bank.
[4] IMF/ World Bank. May 5, 2011. Zimbabwe Joint IMF/World Bank Debt Sustainability Analysis 2011, Article IV Consultations 2011.

Country Context—Social Indicators

25. There is need for substantial service delivery in social sectors to maintain and improve educational achievements and to progress health issues. The allocation of budget resources in these areas has suffered disproportionately through the economic decline as shown in later sections. A good measure of the need in the country is the results from the Human Development Report for 2010, which showed the ranking of Zimbabwe on the Human Development Index as 169 with a value of 0.140 putting Zimbabwe at the foot of the table for countries measured. However, this value was an improvement on the figure of 0.118 for 2009 and the result was heavily affected by economic measures. Zimbabwe's non-income HDI value (value of Human Development Index computed from life expectancy and education index only) of 0.472 set it higher up in the table of countries, although still low.

26. Select Millennium Development Goal statistics for Zimbabwe and Sub-Saharan Africa (SSA) are:

Text Table 1. Zimbabwe: Millennium Development Goals

	Zimbabwe			SSA
	1990	2000	2009 1/	2009 1/
Population (millions)	10.5	12.4	12.5	840.0
Life expectancy at birth, total (years)	60.8	43.3	*44.2*	*52*
Literacy rate, youth female (% of females ages 15-24)	...	...	*99.4*	*67*
Literacy rate, youth male (% of males ages 15-24)	...	...	*98.3*	*77*
Under 5 mortality rate (per 1,000)	81.3	115.9	89.5	130.0
Maternal mortality ratio (per 100,000 live births)	...	...	*790*	*650.0*
Prevalence of HIV, total (% ages 15-49)	14.2	27.3	*15.3*	*5.0*
Access to an improved water source (percent of population)	78.0	80.0	*82.0*	*60.0*

1/ Italics refer to earlier periods

Source: World Development Indicators.

Overall Government Reform Program

27. Faced with intractable economic and political challenges, the leaders of ZANU-PF and the two MDC formations formed a joint power-sharing government through a Global Political Agreement (GPA) in September 2008. This coalition can be credited with taming hyperinflation, stemming economic contraction and initiating ambitious policy reforms in the first year of its existence. The restoration of macroeconomic stability has seen Zimbabwe's economy register positive growth for the first time in a decade, though the prospects for this to continue rest on government capacity to improve public sector governance, which is needed to encourage investment and improve deteriorated public services across sectors. The Bank and other development partners have been asked to assist and much of the financing for the work comes out of a major multi-donor trust fund. In the area of public sector

governance, the development partners, through the Economic Management and Governance Technical Review Group (EMGTRG) have focused on the foundation for a multi-layered approach to public sector reform. This has started with a payroll audit now completed, technical assistance on various aspects of public financial management, and analytical studies, including this CIFA exercise. The activities funded through the Analytical MDTF are conceived as an initial engagement and support towards the public sector and financial management reform agenda, with a view to identifying a more comprehensive, government-led program of actions that can be supported through a focused funding mechanism.

28. Key public sector management challenges include the need to develop a clear strategy for public sector reform, improve the efficiency, effectiveness, transparency and accountability of public expenditure management (particularly budgeting, procurement, and tax administration), and human resources management.

29. President Mugabe in July 2011 launched the Zimbabwe Medium Term Plan 2011-2015 (MTP): “Towards sustainable inclusive growth, human resource centered development, transformation, and poverty reduction.” Developed by the Ministry of Economic Planning and Investment Promotion (MEPIP), the MTP has the overarching goal of maintaining macroeconomic stability and restoring the economy’s capacity to produce goods and services competitively. It is crucial to manage finances to control leakages, corruption, and mismanagement in order to have the funds needed to deliver the plan. Section 24 of the MTP deals with governance and economic development and recognizes the importance of efficiency in resource allocations and accountability and transparency mechanisms. Moreover, this section refers to strengthening of the C&AG, internal audit, and audit committees.

30. There needs to be clarity in the roles of the various PFM agencies and the economic activities of the parastatals need to be included and managed. The MEPIP sets the macro-economic framework for the budget; the Ministry of Finance provides fiscal policy for the recurrent and capital budgets; and the Reserve Bank provides the monetary stability (however, with dollarization the money supply and interest rates are exogenously determined). Planning ministry influences the investment portfolio. The MTP lists planned projects, but the Ministry of Finance controls the capital and recurrent budget. The involvement of the legislature in the PFM processes needs to be improved through training support, for example, for committee chairs and members in budget review and audit report review skills.

31. Zimbabwe’s five Government Work Program (GWP) priorities are the following: (i) promote economic growth and ensure food security; (ii) provide basic services and infrastructure development; (iii) strengthen and ensure the rule of law and respect for property rights; (iv) advance and safeguard basic freedoms through legislative reform and the constitutional process: and (v) normalize international relations. They are underpinned by three pillars of institutional strengthening activities strengthening economic and public sector management systems, improving the enabling environment for economic recovery, and enhancing service delivery for social recovery. This CIFA report feeds into the first of these pillars.

PFM Reform Program

32. Pillar 1 "Strengthening the economic and public sector management systems" has three components:

- Strengthened financial management and procurement systems
- Improved human resource management in the public sector
- Enhanced analytical basis for economic management & policy decisions

33. A World Bank review[5] found that since February 2009, good progress has been made in re-establishing a functioning budget process and in restoring macroeconomic and fiscal discipline. This is important in view of the public debt situation shown by a February 2011 Debt Sustainability Analysis.[6] The analysis estimated total public and publicly guaranteed (PPG) external debt at 98 percent of GDP, with 81 percent of GDP in arrears. All of PPG external debt is medium—to long-term and owed to official creditors. Achieving debt sustainability will require a further considerable strengthening of economic policies and debt relief, which would require normalization in relations with the international community.

34. In Zimbabwe, the reserve coverage of imports was about a half month and that of government expenditures about one month at the end of 2010. Without stronger economic policies and debt relief, it is unrealistic to expect that Zimbabwe can reach the optimal level of reserves for Sub-Saharan Africa fragile states (six to nine months of imports) or a more traditional benchmark of three months of import coverage over the medium term. Since Zimbabwe has a fully dollarized economy, increasing reserve coverage requires fiscal discipline, which needs the underpinning of a strong PFM system to manage the budget. As of October 2010, inflation registered 3.6 percent and is expected to remain contained below 5 percent in the medium to long term. Given this, fiscal and monetary policies are cautious. Private sector growth will be necessary for recovery and this will require external investment for which the climate is currently not attractive; therefore, low growth is likely to continue for the foreseeable future.

35. For the PFM system, the government of Zimbabwe has adopted a reform focused on strengthening the planning and budgeting process and pursuing systemic initiatives. These include a medium-term expenditure framework (MTEF) and results based budgeting (RBB). This work has been proceeding since 2005. There is a re-invigorated will to simplify the framework, make it more usable and closely tie it into the budgeting process, and use the Integrated Financial Management Information System. Capacity problems include 75 percent of the Ministry of Finance's staff have been in place for less than two years. Similar situations occur in the finance departments in line ministries. A new Public Finance Management Act was passed in early 2010. However, it provides little specification of the

[5] ZIMBABWE Public Expenditure Notes. July 2011. "Strengthening Institutions for the Preparation of Government Budgets" Poverty Reduction and Economic Management Unit Africa Region.
[6] IMF/ World Bank. February 2011. "Zimbabwe Joint IMF/World Bank Debt Sustainability Analysis 2011."

budget process. The Act requires that the draft Budget should not be presented in the National Assembly before December, leaving insufficient time for its discussion.

36. Development assistance peaked at $789 million in 1992 with external grants and loans financing around 13 percent of total government expenditure. From the late 1990s aid flows declined dramatically with most ODA now channeled outside of the government budget. The paper entitled “Strengthening Institutions for the Preparation of Government Budgets” recommended that over the next three to five years the conditions for donor funding should progressively be brought on system, with a significant share of such funding being provided as budget support. This will require three sets of issues to be fully addressed: (i) resolving outstanding political and governance issues that are currently preventing the Country Partners (CPs) from directly supporting government programs; (ii) elaborating a comprehensive policy strategy focused on poverty reduction; (iii) strengthening arrangements for budget planning and prioritization, budget management and execution, and effective oversight and accountability in the use of public resources; and (iv) designing and implementing improved PFM procedures that would provide the necessary accountability and fiduciary controls to allow CPs to channel resources through country systems.

2.2. Description of Budgetary Outcomes

37. The Ministry of Finance does not report on fiscal developments at the general government level that include local governments and all other government units. Reporting of government finance statistics for the central government has, however, improved significantly during 2010 –11. The Ministry collects data on revenue and expenditure, which are intended to be published on its website on a biannual or quarterly basis, along with budget statements. There is limited data on government financing. The Ministry is in the process of reconciling its data on external debt, in particular interest payments on principal and arrears, with external creditors. The RBZ produces monthly monetary and financial statistics. The quality of the data deteriorated substantially up to 2009 because of previous hyperinflation and the transition to accounting in U.S. dollars, weak accounting practices, and quasi-fiscal activities. The auditors provided an adverse opinion of the 2008 RBZ financial statement based on two observations: the hyperinflationary environment in 2008 and failures within the RBZ’s financial reporting systems that is, RBZ’s inability to account for foreign currency purchases and internal control deficiencies. Audit reports on subsequent accounts have yet to be issued.

Fiscal performance

38. Although data for 2008 is very unreliable, the recent fiscal performance is shown for 2008, 2009 and 2010 in the following table:

Central government expenditure (% of GDP)			
	2008	2009	2010
Revenues and grants	3.0	16.7	29.4
Current expenditures	31.1	19.2	24.4
of which: employment costs	1.3	8.9	14.2
Capital expenditures	0.3	0.8	5.6

Sources: Government of Zimbabwe and IMF and World Bank estimates.

39. Because 2007 and 2008 performance suffered from particular economic and social disruptions and data are not reliable, it is useful to show the fiscal performance for the earlier year:

Public Finance Indicators 2005-10[7] (% of GDP except where indicated otherwise)

Indicator	**2005 Est.**	**2006 Est.**	**2007 Est.**	**2008 Est.**	**2009 Est.**	**2010 Est.**
Nominal GDP (US million)	**5755**	**5444**	**5292**	**4416**	**5836**	**7474**
Tax revenue	15.8	9.6	3.8	3.0	16.7	29.4
Non tax revenue	0.6	0.3	0.2	0.1	0.9	1.7
Grants	0	0	0	0	0.7	0
Total revenue and grants	**16.4**	**9.6**	**3.8**	**3.0**	**16.7**	**29.4**
Employment costs	11.9	4.6	1.9	1.3	8.9	14.2
Foreign Interest payments	1.9	2.1	2.2	3.1	3.4	2.8
Of which: Paid	*0*	*0*	*0*	*0*	*0.3*	*0.4*
Domestic Interest payments	2.0	1.2	0.1	0	0.1	0
Of which: Paid	*2.0*	*1.2*	*0.1*	*0*	*0.1*	*0*
Goods and services	3.3	1.3	1.3	0.7	4.5	4.8
Grants and transfers	3.5	1.4	0.7	0.3	2.1	2.4
Capital expenditure and net lending	0	0	0	0	0	0
Total expenditure and net lending	**25.0**	**12.8**	**7.7**	**5.8**	**19.6**	**32.1**
Domestic financing	6.9	1.5	1.1	0	-1.8	-1.0
Foreign financing	-2.1	-1.1	-1.8	-5.1	-1.6	-3.1
Change in arrears	4.2	3.1	4.0	8.1	6.3	6.8
Financing	**8.9**	**3.6**	**3.2**	**3.0**	**2.9**	**2.7**
Gross domestic debt	6.5	7.2	0.6	9.9	9.3	8.6
External government debt	74.0	87.7	95.7	133.0	114.1	95.2
Total government debt	**80.5**	**94.8**	**96.3**	**142.9**	**123.4**	**103.8**
Inflation (annual average CPI)	238	1017	10452	5554 mn	6.5	3.0

Sources: Government of Zimbabwe and IMF and World Bank estimates.

40. Government revenues are recovering they increased from $133 million in 2008 to $975 million in 2009 and $2,200 million in 2010. 2011 revenues are projected at $2,700 million. Revenue structure is fast returning to that in the "normal" precrisis period where profit and income taxes and VAT were the main sources[8]. Growth is projected at 5to 6 percent. Inflation at March 2011 showed an annual rate of 2.7 percent. Despite high export commodity prices, the current account deficit is projected to remain large (15 percent of GDP) and to be financed in large part by short-term capital flows. The majority of revenue is

[7] Monitor Tables, Zimbabwe, World Bank Economics Section.
[8] World Bank. 2011. "Growth Recovery Concept Note 2011." World Bank.

raised through national taxes. Value Added Tax (VAT), Customs duty and Pay As You Earn (PAYE) contributed significantly to total revenue. The 2010 budget papers showed nontax revenues (fees, charges and fines, pension contributions, and revenue from investment and property) at 6 percent of total revenue. Collections from fees and charges were particularly undercollected amounting to about 25 percent of their estimates.

Allocation of resources

41. The GDP percentages are affected by the low GDP in 2008. Therefore, the trends are not only reflective of policy factors, but they also reflect the need to allocate funds to the most crucial sectors during the depression of 2008. Social sector expenditures suffered very heavily but all sectors suffered. The actual results are shown.

Central government allocations						
	Actual USD million			**% of GDP**		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
Nominal GDP	4416	5836	7474	100	100	100
Agriculture, hunting, and fishing	857	1,010	1,203	19.4	17.3	16.1
Mining and quarrying	499	549	1,308	11.3	9.4	17.5
Manufacturing	733	951	1,016	16.6	16.3	13.6
Electricity and water	278	315	336	6.3	5.4	4.5
Construction	31	35	37	0.7	0.6	0.5
Finance and insurance	203	257	269	4.6	4.4	3.6
Real estate	102	128	135	2.3	2.2	1.8
Distribution, hotels, and restaurants	552	706	747	12.5	12.1	10.0
Transport and communication	799	980	1,031	18.1	16.8	13.8
Public administration	22	216	396	0.5	3.7	5.3
Education	26	239	448	0.6	4.1	6.0
Health	9	82	149	0.2	1.4	2.0
Domestic services	97	117	127	2.2	2.0	1.7
Other services	225	280	291	5.1	4.8	3.9

42. The 2011 budget limits cash expenditure to 31.4 percent of GDP, which would generate a deposit-financed cash deficit of 0.5 percent of GDP under the "no policy change" scenario. Capital expenditure has been low with Q1 2011 being less than half of the intended amount ($20 million against an intended $44 million). The budget is heavily tilted toward employment costs (48 percent of recurrent expenditure for Q1 2011), crowding out other essential expenditures, raising significant competitiveness concerns, and leaving little room to increase reserves. A recent public payroll audit identified 38,000 staff positions with significant irregularities, including possibly substantial ghost workers.[9]

2.3. Description of the Legal and Institutional Framework for PFM

Relevant laws

[9] World Bank. 2011 Article IV Consultation Policy Note, World Bank.

43. Chapter XI of the Constitution provides for fees, taxes and other revenues to be paid into the Consolidated Revenue Fund (CRF) from which Parliament may draw for the budget and for payments of public debt; it also provides for the office and functions of the Comptroller and Auditor General who is to report on the public accounts on behalf of the House of Assembly. Dismissal requires approval of the House. The Auditor General is to be appointed by the President after consultation with the Public Service Commission and any disagreement is to be reported to the House of Assembly. The Section provides access and reporting powers and independence from direction other than by the House of Assembly. The Public Finance Management Act 2009 provides for the following: control and management of public resources; the appointment, powers and duties of the Accountant-General; the national budget; financial statements; regulation of public entities; the raising of loans and the giving of guarantees; treasury matters; audit of public accounts; and matters pertaining to financial misconduct of public officials. The audit provisions of the Audit and Exchequer Act 1967 were recently replaced by the provisions of the Audit Act that came into effect on April 1, 2011.

44. Chapter XII of the Constitution provides for the appointment of provincial district and regional governors. Provincial, Rural District and Urban Councils operate under their respective Acts and prepare and implement development plans. The legislation governing Rural District and Urban Councils provides for powers to incur expenditures and raise revenues, and has various financial provisions including relating to annual estimates, books and accounts, investments, audit, and reporting.

45. The Public Finance Management Act 2009 (PFMA) provides for the Treasury to manage and control public resources. Prescribed accounting officers control and are accountable for expenditure and revenues and are to comply with the Act and all instructions given by the Accountant-General. The appropriate minister shall endeavor to ensure that any public entity for which he or she is responsible complies with the Act. Section 14 specifies remedies, if an accounting officer is directed by a minister or deputy minister to order or commit a payment that he or she is not authorized to make; or a receiver of public moneys is directed by a minister or deputy minister not to collect any public money that he or she should collect, or to deal with public money in a manner with which he or she is not authorized to deal.

Institutional arrangements

46. The Constitution of Zimbabwe is the supreme law of Zimbabwe. The current constitution is a result of the 1979 Lancaster House Agreement. The Movement for Democratic Change and the ZANU-PF are negotiating a new proposed constitution, which will be voted on in a planned referendum. Thematic committees are being used for the constitution-making process. Zimbabwe has a centralized government and is divided into eight provinces and two cities with provincial status, for administrative purposes. It is a semipresidential republic, which has a parliamentary system of government. Under the constitutional changes in 2005, an upper chamber, the Senate, was reinstated. The House of Assembly is the lower chamber of Parliament. The Constitution makes arrangements for

legislative power to be vested in the President and a bicameral Parliament consisting of the House of Assembly and the Senate, for the President, and a Cabinet to operate as the Executive, a Supreme Court, a High Court and subordinate courts for the Judiciary, and the Public Service for administration. Under the Section on Finance, the Constitution makes provision for the Consolidated Revenue Fund and the Comptroller and Auditor General. The Ministry of Finance is functionally organized, including budgets, finance and taxation, and Accountant General divisions. The Reserve Bank of Zimbabwe and the Zimbabwe Revenue Authority are parastatals administered under the Minister of Finance.

47. The Zimbabwe Revenue Authority derives its mandate from the Revenue Authority Act, passed by the parliament of Zimbabwe in 2002. Separate laws govern its collection of the main taxes of income tax, value added tax, stamp duties, estate duty, customs and excise, and capital gains. The Zimbabwe Procurement Act governs the State Procurement Board. A reform project—the Enhancing Procurement Reforms and Capacity Project—aims at modernizing and harmonizing the laws, regulations, and procedures in the Southern Africa region and strengthening capacities to manage modern procurement systems.

Budget development:

48. The PFMA provides for the national budget through the expenditure estimates and the Appropriation Acts for operations of the CRF. The Budget Department of the MoF is responsible for the process. Mainly because of hyperinflation from 2007 to 2009, government budgets have not been realistic and some actual revenues and expenditures have been several times different from the original budgets (depending on the nature of revenue or expenditure items). Effectively, a six-month budget cycle was adopted due to the need to update expenditure and revenue estimates. The national budget lost its relevance as the main tool for fiscal policy, as the main source of revenue became proceeds from seignorage activities and currency retention requirements, controlled by the central bank, which undertook expenditures outside the normal budgetary control systems. Since January 2009, government has limited fiscal payments to cash inflows through the government budget.

49. A Bank Public Expenditure Note[10] examined the budget process in Zimbabwe, noting significant advances and identifying further measures. These include the following: (i) establishment of an effective policy development and strategic planning process and a new budget calendar that allows better incorporation of strategic priorities into the fiscal estimates; (ii) the adoption of a medium-term expenditure framework (MTEF); and (iii) better operation of results-based budgeting (RBB). The paper sets out the current budget process following the budget strategy paper in July that sets the overall fiscal envelope and makes various recommendations for improvement.

Accounting, recording, and reporting:

50. The Constitution requires the Controller and Auditor General to ensure that-

[10] World Bank. July 2010, "Strengthening Institutions for the Preparation of Government Budgets," Draft PREM Africa Region. Washington, DC: World Bank.

all moneys that have been appropriated by Parliament and disbursed have been applied to the purposes for which they were so appropriated and that the expenditure conforms to the authority that governs it; and

all reasonable precautions have been taken to safeguard the collection of all fees, taxes, and other revenues of the State and to safeguard and control property of the State.

51. The accounting system is to provide systems and controls that ensure these constitutional purposes are achieved and the duties of the Accountant General have been set out in the PFMA as the compilation and management of the public accounts and the custody and safety of public resources. Accounting officers are appointed for each expenditure vote to control and be accountable for the expenditure of money and for all revenues and other public money received.

52. The Accountant General’s Department (AGD) operates government accounting using a computerized SAP accounting system—the Public Finance Management System (PFMS) as the budgeting, budget execution, financial control, and reporting system for the Consolidated Revenue and National Development Funds. The PFMS uses the application software package SAP/ R3, which was originally set up under SAP version 4.5 in 2003 and upgraded in 2010 to the new version ECC06.[11] The system is implemented in all 37 line ministries and 10 provinces. The transaction processing layer of the system is in place with a reasonable set of fiscal controls. All payment transactions undergo budget/ warrant checks before a payment is authorized and no payment is done outside the system so the system is a good source of accurate and up-to-date information on government finances. There is scope for greater use of the functionalities available to the system, especially through easier reporting and integrated human resources payroll. Payroll information for the 2009 and 2010 financial years was not captured on PFMS as an interface between the PFMS and the Salaries Service Bureau system was not developed and tested. An interface has now been developed, but not implemented.

53. Government accounting is a cash-based system, which uses a national standard. There is an intention to move to report using the IPSAS cash accounting standard. The PFMS provides systemic budget control, accounting and reporting, and can produce budget reports on a real time basis for timely dissemination to all line ministries, as well as annual financial statements. Commitments and payments can be controlled against budgets captured in the PFMS. The Office of the Accountant-General controls bank accounts. A traditional system of a main Exchequer Account, main Paymaster-general (PMG) Account and subaccounts for line ministries, are managed on a Single Treasury Account basis. Some repair of this system has been needed because of its failure during the period of hyperinflation and its temporary replacement by manual systems. Recovery and updating of records has been proceeding under donor support and is almost complete.

[11] The modules of SAP implemented are the following:
- Public Sector Management
- Controlling
- Financial Accounting (FI module)- Accounts payable, Receivable, General Ledger
- Material Management (MM module), Procurement, Inventory management, Assets Management.

54. The PFMA lays down annual and quarterly financial statement reporting requirements for ministries and their consolidation by the Accountant General into national accounts within three months of year-end for audit by the C&AG.

Banking

55. There is manual reconciliation of government accounting records with their corresponding bank transactions. At the request of the AGD, funds are transferred to the accounts of the ministries, which hold their accounts in the form of subaccounts of the treasury main accounts. After securing funds from the AGD, the ministries then instruct CBZ to pay directly to their providers of goods and services in the form of transfer to their service providers' bank accounts, again in the form of instruction letters. At present, there are about 150 subaccounts for the ministries and budget organizations.

Debt management

56. The debt management system uses DMFAS software. The Department in charge of managing the external debt requests the Accountant General's Department to make the debt service payments as they fall due. The office of the AG then processes the transaction in the system and instructs the Central Bank to transfer money to the creditor. The government uses DMFAS for external debt management.

Budget reporting

57. The AGD prepares weekly in-year budget execution reports. It is able to produce monthly reports, but these reports are not published on the MoF's website. Explanatory notes are not provided. Accounts are submitted to the C&AG for audit and report to the legislature.

2.4 Review of the PFM System

58. A rapid PFM review in 2009 found the following concerns about the PFM system:

- A budget of which the credibility and policy responsiveness are questionable; this is still an issue.
- Expenditure and payment authorizations are handled centrally by the Ministry of Finance based on a priority for the payroll, with little funds left for requests by line ministries; this is still an issue.
- Manual controls have been implemented to prevent unauthorized and/or fraudulent payments on the bank accounts supporting the CRF operations; this is still an issue.
- Payroll is still centrally controlled by the SSB, although the SSB is severely compromised in terms of capacity; effective payroll management is still an issue for both the systems and the control environment.
- The PFMS as a budget control, accounting, and reporting system is as yet not activated and manual records are being maintained of all transactions on all the bank accounts for later capturing; this has been resolved.
- There is an overhang of manual reconciliations of bank transactions, possible suspense accounts and foreign currency allowance payment vouchers issues; this has been resolved.

- Internal and external audit functions are severely compromised in terms of capacity; this is still an issue.
- The Public Accounts Committee is largely inactive, awaiting the completion of the audit of the 2007 accounts; this has been resolved.

3. Assessment of PFM Systems, Processes, and Institutions

3.1. Budget Credibility

59. To evaluate whether the budget is sufficiently realistic and is implemented as planned, the first section of the assessment focuses on four indicators: (a) variances in aggregate expenditure, (b) variations in composition of expenditure, (c) variation in total revenue, and (d) balance of outstanding expenditure payments.

PI-1 Aggregate Expenditure Out-turn Compared to Original Approved Budget

Indicator	Score	Explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget	D	Data for 2008 unavailable. Data for 2009 and 2010 suggest that budgets need to be realistically based on reliable revenue estimates and budget execution needs to lead to a smaller deviation from budget.
Difference between actual primary expenditure and the originally budgeted primary expenditure, excluding debt service charges and externally financed project expenditure.	D	In 2010, the difference was greater than 15 percent but although figures for 2008 were unavailable the difference was certainly also greater than 15 percent because of hyperinflation.

60. The ability to implement the budgeted expenditure is a crucial factor in supporting the government's ability to deliver the public services for the year as expressed in policy statements, output commitments, and work plans. The indicator reflects this by measuring the actual total expenditure compared to the originally budgeted total expenditure (as defined in government budget documentation and fiscal reports) but excludes two expenditure categories over which the government will have less direct control (a) debt service payments, and (b) donor funded project expenditure, the management, and reporting of which are typically under the donor agencies' control to a high degree.

61. Hyperinflation and reduced GDP rendered the formal budget process ineffective in 2008 and 2009. Details of the original budget estimates and actual expenditure figures for national aggregate expenditures (excluding debt service payments and donor-funded project expenditure that are available) are provided in the table below.

Aggregate National Expenditure Excluding Debt Service and Donor-funded (in U.S. dollars millions)

Particulars	**2008**	**2009**	**2010**
Budgeted		1,000	1,440
Actual		923.828	2,142.960
Difference between budget and actual	Very high	76.172	(702.960)
% Difference	Very high	7.6	(48.8)

Source: Ministry of Finance Out-turn Tables.

62. Section II D of the IMF's July 2011 report on Strengthening Public Financial Management and Statistics in Zimbabwe by its Fiscal Affairs Department provides material on the causes of the 2010 overspending. Its recommendation 2.5 states, "Financial regulations should outline the principles for implementation of procurement planning, commitment and cash flow forecasting and for commitment control and monitoring" and specifies relevant principles to apply.

PI-2 Composition of Expenditure Out-turn Compared to Original Approved Budget

Indicator	Score	Explanation
PI-2 Deviations in composition of expenditure out-turn compared to the original approved budget.	NR	Budgets need to be realistically based on reliable revenue estimates and budget execution should lead to tighter controls over variations among budget items.
i) Extent of the variance in expenditure composition during the last three years, excluding contingency items.	D	Calculation of composition variance on the new method shows 67.5 percent in 2009, and 32.2 percent in 2010, which means a D rating, even if data for 2008 is not available.
ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	NR	No amounts were charged to the contingency vote in 2010 and 2009.

63. Where the composition of expenditure varies considerably from the original budget figures, the budget will not be a useful statement of policy intent. Measurement against this indicator requires an assessment of expenditure out-turns against the original budget at a sub-aggregate level. This is an important indicator to assess the extent of budget realism for different budget heads. The first dimension of this indicator measures the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition. Insertion of the out-turn data by administrative classification into the PEFA calculation spreadsheet calculated the compositional variances as summarized below. Details are available in Annex 5.

Year	**Compositional Variance**
2008	-
2009	67.5%
2010	32.2%

Source: PEFA PI calculation spreadsheet using Annex 5 tables.

64. Rating for this first dimension is D.

65. The second dimension recognizes that while it is prudent to include an amount to allow for unforeseen events in the form of a contingency reserve, these amounts should be vired to those votes against which the unforeseen expenditure is recorded. Ministry of Finance tables for 2010 and 2009 out-turns show no expenditure was charged to the contingency vote as per the following results but 2008 figures are unavailable because of accounting system issues. Under the PEFA method the lack of a first year's data prevents a rating being given.

Unallocated Reserve	Original Estimate $	Cumulative Expenditure $
2009	24,700,000	-
2010	80,489,000	-

PI-3 Aggregate Revenue Out-turn Compared to Original Approved Budget

Indicator	Score	Explanation
PI-3 Deviations in aggregate revenue out-turn compared with the original approved budget.	D	Revenue estimations need to be realistic.
Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget.	D	Actual domestic revenue collection was above 116 percent of original budget in two of the last three years.

66. Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based upon that forecast. A comparison of budgeted and actual revenue shows the quality of revenue forecasting and achievement:

Revenue Collection

Year	**2008 ZWD *10power21**	**2009 $ mil**	**2010 $ mil**
Budget estimates	1.415	946	1,370
Actual	14.70	988	2,238
Revenue as a percentage of budget	1038%	104%	163%

67. The extreme discrepancy in 2008 is due to hyperinflation effects, but the 2010 difference is quite large. The table uses revenue targets set in the white paper. The rating scores D as actual domestic revenue collection was above 116 percent of original budget in two of the last three years.

68. This variance is not due to data inaccuracies as the information on the actual collection reported in the National Revenue Report is from the Revenue Accounting System

of the Department of Revenue Collection (DRC) in the Ministry of Finance. The figures in the system are reconciled with the Reserve Bank of Zimbabwe. Budget figures are published in the National Budget Report and sourced from a revenue projection file that is part of the Medium Term Fiscal Framework (MTFF) exercises.

69. The Ministry of Finance makes the revenue forecasts with the advice of ZIMRA. The forecasts are mainly based on past trends and other factors that touch on prevailing political and economic environments. Sometimes the projected GDP figures would not be accurate, hence, negatively impacting on the revenue forecasts that are based on growth estimates for GDP provided by the Ministry of Economic Planning. Revenue composition is mainly from VAT, PAYE, Company Tax and Customs Duty. Some projections are supported by estimates of imports industrial productive capacity.

70. It must be noted that the discrepancy has been raised by a revenue forecast being lower than outturns. With the introduction of the multicurrency regime in 2009, and after the collapse in revenue in 2007 and 2008 because of hyperinflation, the authorities had little recent information on past trends to inform the revenue forecast and faced high uncertainties in assessing the impact of the new monetary regime on collection. Under such uncertainty, it is reasonable to base fiscal planning on a cautious forecast. Going forwards it is plausible that as trends information under the multi-currency regime is accumulated, the revenue forecasts will become more reliable.

PI-4 Stock and Monitoring of Expenditure Payment Arrears

Indicator	Score	Explanation
PI-4 Stock and Monitoring of expenditure payment arrears.	C+	Improvement requires reduced arrears and better data on arrears.
(i) The stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.	C	Arrears stood at $21 million at June 2009, $58 million at June 2010, rising to $87 million at June 2011 (4 percent of 2010 expenditure of $ 2,142 million). So arrears are less than 10 percent.
(ii) Availability of data for monitoring of the stock of expenditure payment arrears.	B	Data not produced with an age profile.

71. Expenditure payment arrears are the expenditure obligations that have been incurred by government for which payment to the employee, supplier, contractor, or loan creditor is overdue. It constitutes a form of nontransparent financing. A high level of arrears can indicate a number of different problems, such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, underbudgeting of specific items, and lack of information.

72. The Budget Papers 2010 noted (page 107) that the nonsettlement of bills by government ministries and departments had seriously affected operations of service

providers. The budget proposed that these outstanding bills be settled and ministries must ensure that they honor their obligations when they fall due and avoid accumulation of huge debts. The SAP accounting system includes commitment recording and can produce reports on payment arrears. Arrears to development banks have been increasing.

73. The 2010 Budget Statement to Parliament reaffirmed government's commitment to clear all outstanding payments to service providers in such areas as telecommunication, vehicle hire, office accommodation, water, and other utilities. The midyear budget reviews showed arrears figures of $58 million at June 2010 and $87 million at June 2011. So dimension (i) rates C as less than 10 percent of 2010 expenditure of 2,142 million and dimension (ii) rates B because arrears are calculated, although reliability is not complete.

3.2. Comprehensiveness and Transparency

74. The following six indicators assess whether the budget and the fiscal risk oversight are comprehensive and accessible to the public.

PI-5 Classification of the Budget

Indicator	Score	Explanation
PI-5 Classification of the Budget.	C	Improvement requires adoption of the GFS/COFOG standards in full.
The classification system used to formulate, execute, and inform about the central government budget.	C	GFS is used but not COFOG.

75. A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional, and program. Where standard international classification practices are applied, governments can report expenditure in GFS format and track poverty-reducing and other selected groups of expenditure.

76. For an "A" rating, the subfunctional Classification of Functions of Government (COFOG) and Government Finance Statistics (GFS) classifications are required. The Zimbabwe budget system does not yet reach this level of consistency but does map onto the functional and GFS economic and administrative classifications. The budget classification used by the Ministry of Finance is a mixture of the GFS classifications. The budget documentation includes information for each vote on goals and outputs, but there is no annual reporting on these matters. The presentation of summary data in the Blue Book and Execution Reports is not in line with GFS 1986 or 2001.

PI-6 Comprehensiveness of Information Included in Budget Documentation

Indicator	Score	Explanation
PI-6 Comprehensiveness of information included in budgetary documentation.	B	Improvement requires the proposed Budget Strategy Paper and budget documentation to include the financial effects of new policies, more detail on likely current year out-turn figures, and capture of the government's full financial assets.
Number of the nine information benchmarks listed below that are included in the budget documentation most recently issued by the central government	B	2010 budget documents include six of the information benchmarks with outturn figures, financial assets, and the financial implications of new policies not fully disclosed.

77. Annual budget documentation submitted to the legislature should allow a complete picture of government fiscal forecasts, budget proposals and out-turn of previous years. The Ministry of Finance has reinstated a comprehensive set of documentation around the budget process. This comprises the following: (i) the Three Year Macroeconomic Policy and Budget Framework; (ii) the Budget Statement and Budget Estimates; (iii) the Mid-Year Fiscal Policy Review; and (iv) the Quarterly Treasury Bulletins. However, there is considerable overlap in the analysis contained in these documents. There is scope for introducing a better sequenced set of documentation to support the budget decision making and to facilitate more informed discussion of the Budget in the National Assembly.[12]

78. Of the nine elements required in the budget documentation, three financial assets, out-turn figures and explanations on the budgetary impact of new policy are not included in the budget report:

1. The Budget Paper includes the Macro-Economic Policy and Fiscal Framework and relevant economic assumptions.
2. The fiscal deficit is presented in GFS format, if present but under cash limited expenditure no fiscal deficit arises.
3. The annual budget paper shows financing including the composition of any deficit financing needed.
4. The annual budget paper provides details of the external debt and the arrears clearance strategy information on the debt stock and debt flows.
5. The budget does not capture financial assets of the whole government.
6. The budget does not show former years' out-turn figures.
7. The budget shows revised estimates as the best available estimate of out-turn figures along with year 1+2 forward years in the same format.
8. The budget presents summarized budget data for both revenue and expenditure according to the main heads of the classifications, including data for the current and available information for the previous year.
9. The budget highlights the economic performance of the past year and the future outlooks; it does not show the financial implications of all policy initiatives.

[12] World Bank. July 2010. "Strengthening Institutions for the Preparation of Government Budgets," Draft, PREM Africa Region, World Bank, page 6.

PI-7 Extent of Unreported Government Operations

Indicator	Score	Explanation
PI-7 Extent of unreported government operations.	D+	Improvement requires budgets and fiscal reports to be comprehensive.
(i) Level of extra-budgetary expenditure (other than donor funded projects), which is unreported, that is not included in fiscal reports.	B	Extra budgetary expenditure is estimated at around 2 percent of the budget.
(ii) Income and expenditure information on donor-funded projects that is included in fiscal reports.	D	The donor project expenditure plans information is not readily available and none is included in fiscal reports.

79. Budget estimates, in-year execution reports, year-end financial statements, and other fiscal reports for the public should cover all budgetary and extra-budgetary activities of government to allow a complete picture of government revenue and expenditures across all categories and financing. In the last few years, quasi-fiscal activities of the RBZ were not debated or approved by the Legislature, but in 2009 the government decided to stop these activities. Some departments are empowered to retain moneys received for fees and charges for their operational expenses via 75 funds set-up through the authority of the Accountant General and these moneys are not incorporated into the budget. There are also other Statutory Funds raising fees and commissions, some of which also draw directly from the fiscus.

80. Accurate figures on the overall amounts of these retentions other than the retention by the Zimbabwe Revenue Authority (ZIMRA) are not available as most funds have not submitted their 2009 financial statements at the time of the budget, and some have not had audited accounts since 2003. In 2010 full accounting for the Consolidated Revenue Fund (CRF) releases to 9 public funds was enforced through acquittal being a condition for further release. The 2011 budget requires timely reporting for audit as a condition of retaining retention rights and will bring all funds into the CRF. The level of central government extra-budgetary expenditure other than donor-funded projects is estimated in the IMF report[13] as $36 million for 2010 (1.7 percent of the $2,132 million budget) thereby, rating B.

81. The 2011 Budget Statement notes that substantial donor funds do not go through the budget. By end of October 2010, $360.2 million from development partners had been received, all outside the Budget framework. Rating D for the second dimension.

PI-8 Transparency of Intergovernmental Fiscal Relations

Indicator	Score	Explanation
PI-8 Transparency of inter-governmental fiscal relations.	NA	No transfers have been made in the period and the provinces and districts are deconcentrated entities, which is the reason why the indicator is

[13] IMF. July 2011.Strengthening Public Finances and Statistics, FAD. IMF..

		N/A. Economic recovery is needed for transfers to lower level government budgets to resume.
(i) Transparent and rules based systems in the horizontal allocation among lower level governments of unconditional and conditional transfers from higher level government (both budgeted and actual allocations).		The intentions are to prepare budgets and provide funds for grants on the basis of budget requests but because of the cash-based release system these intentions cannot be met and the Budget Department allocates funds on the basis of assessed priorities.
(ii) Timeliness of reliable information to lower level governments on their allocations from higher level government for the coming year.		Budgets are prepared on the basis of requests in the light of ceilings but the issued estimates are not reliable.
(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.		Local authorities raise revenues and spend without reporting these expenditures through the national level of the PFM system. The National Accounts can include them through Statistical Office collections but no recent data were available. The Department of Local Government monitors expenditures.

82. While the performance indicator set is focused on PFM by the higher level of government, lower levels of government can have wide-ranging expenditure responsibilities. Clear criteria for the distribution of grants ensure transparency and predictability of funds available for lower-level governments.

83. There are no block grants or other transfers into local authority budgets so the indicator is currently not applicable. The government provides funds for activities related to local government through grants for specific capital works and through the recurrent funding of schools and health centers but not via local government budget processes. These grants are budgeted on the basis of estimated requirements from local authorities but with the cash limited budget process, actual allocations are made depending on the availability of revenues and amounts rely on assessed needs. These processes are neither sufficiently transparent nor predictable.

PI-9 Oversight of Aggregate Fiscal Risk from other Public Sector Entities

Indicator	Score	Explanation
PI-9 Oversight of aggregate fiscal risk caused by other public sector institutions.	C	Absence of comprehensive and timely financial reporting by local authorities and public enterprises and compilation of summary reports is causing the low rating.
(i) Extent of government monitoring of AGAs and PEs.	C	Consolidated risk assessments are not produced and annual reporting is incomplete. The Public Enterprise Unit of MoF monitors key public enterprises as required by the C rating and the Budget Statements contain PE data.

(ii) Extent of government monitoring of SN (urban and rural local bodies) governments' fiscal position.	C	Consolidated risk assessments are not produced but the Department of Local Government monitors local authority finances.

84. A government will usually have a formal oversight role in relation to other public sector entities and should monitor and manage fiscal risks arising from activities of lower levels of government, autonomous government agencies (AGA), and public enterprises (PE). Government should require and receive quarterly financial statements and audited year-end statements from AGAs and PEs that it controls, and monitor performance against financial targets. Where lower level governments can generate fiscal liabilities for the government, their fiscal position should be monitored, at least on an annual basis, again with consolidation of essential fiscal information. Fiscal risks can be created by SN government, AGAs and PEs, and inter alia take the form of debt service defaulting (with or without guarantees issued by central government), operational losses caused by unfunded quasi-fiscal operations, expenditure payment arrears, and unfunded pension obligations.

85. In 2009, the government allowed parastatals and government agencies providing services to charge cost-reflective prices for their products and recover full production costs from all customers, government included. This set the stage for financial viability of parastatals and reduced fiscal burden from subsidies and transfers to them. Nevertheless, the first half 2010 performance of major parastatals was described in the 2011 Budget Statement as dismal. Operating costs as a percentage of revenue for six key entities ranged from 109 percent to 321 percent with losses absorbed by the government. All parastatals are required to provide annual reports and the Public Enterprise Unit of the Accountant General's Office provides monitoring of budgets and performance with special emphasis on the 15 most important public enterprises. Local government budgets are monitored by the Department of Local Government and borrowings must be approved by the Minister but there is no comprehensive monitoring or aggregation of fiscal risk. Grants can be made when council have debts to other government agencies including parastatals. Financial statements are required but not always prepared. The majority of the entities do not submit within stipulated time frame. There is no consolidated reporting on the risks arising from parastatals or from local authorities.

PI-10 Public Access to Key Fiscal Information

Indicator	Score	Explanation
PI-10 Public access to key fiscal Information.	C	Insufficient public transparency in budget execution, financial reporting, and procurement is causing the low rating.
Number of the six elements listed with public access.	C	Only the budget and the audit reports are made public.

86. The transparency of key fiscal information is evaluated by determining the availability and ease of access to relevant documentation to the public. The following six categories are desirable:

- Annual budget documentation
- In-year budget execution reports
- Year-end financial statements
- External audit reports
- Contract awards
- Resources available to primary service units

87. Of the six types of information, only budget and audit reports are available publicly. Of these, only the budget report meets the criteria as the audit reports have been tabled late. Budget reports are detailed. The 2009, 2010 and 2011 Budget Statements are available on the Ministry of Finance's website when tabled and are reproduced in the print media and debated by analysts. Annual audit reports do not receive as much media coverage as the budget reports but tabled reports are obtainable from the Department of Printflow and from the websites of Parliament and Ministry of Finance. The Special Report of the Comptroller and Auditor General for the First Quarter of the 2009 Financial Year is an example. The audit reports have recently been tabled more than six months after the completed audit (Audit Report for 2008 transmitted to the Parliament on May 23, 2011 and Audit Report for 2009 transmitted to the Parliament on November 15, 2011). Problems arise through website down times as communication services are sometimes not reliable. To achieve an A rating, at least five items should be available, and for a B three or four items.

3.3. Policy Based Budgeting

88. To ensure the budget operates well in delivering government policy, these two indicators assess participation and the budget's capacity to reflect the longer term.

PI-11 Orderliness and Participation in the Annual Budget Process

Indicator	Score	Explanation
PI-11 Orderliness and participation in the annual budget process.	B	The budget calendar failing to provide participants with sufficient time for participants to cooperate is causing the imperfect rating.
(i) Existence of and adherence to a fixed budget calendar.	C	Calendar exists but very little time allowed to MDAs to provide relevant estimates.
(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions.	C	Cabinet is involved only at a late stage.
(iii) Timely budget approval by the legislature.	A	Legislature has approved before the start of the financial year.

89. The Finance Department is the driver of the annual budget formulation process, but effective participation in the budget formulation process by all ministries, departments, and

agencies (MDAs) and the political leadership helps the budget to reflect macroeconomic, fiscal, and sector policies. The budget calendar should allow for passing of the budget law before the start of the fiscal year as well as for sufficient time for MDAs to meaningfully prepare their detailed budget proposals as per the guidance. Zimbabwe has gone through a recent crisis in budget management so assessment of this indicator is important for parliamentary engagement in PFM in Zimbabwe.

90. In February 2011, the World Bank provided the government of Zimbabwe with a review of the budget process[14] and DFID supported implementation of recommendations. The budget calendar does not allow sufficient time for the National Assembly to review and discuss the draft Budget. The role of Cabinet at different stages in the budget process is not clearly specified. The 2010 and 2011 budgets were prepared against very tight deadlines, leaving ministries with little time to plan their expenditure programs. For these years, line ministries were provided with ceilings for recurrent expenditure, but not for capital expenditure. The ceilings were not based on any macrofiscal framework, which was prepared later. As a result, the budget requests received from line ministries for the 2011 budget considerably exceeded the available resources totaling $12 billion against the final resource envelope of $2.7 billion. Many ministry requests were submitted late, in some cases only a day before the budget hearings. The tight deadlines meant that there was little opportunity for the Ministry of Finance to send back ministry budget requests that significantly exceeded the ceilings. This meant that, as in the previous year, the Ministry of Finance ended up effectively setting the budgets for these ministries. The consultation processes around the strategies and priorities underlying the budget also took place too late in the budget process to be able to influence the spending proposals included in the draft budget.[15] Legislative approval takes place before the start of the financial year.

PI-12 Multiyear Perspective in Fiscal Planning, Expenditure Policy, and Budgeting

Indicator	Score	Explanation
PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting.	C	Lack of regular sector strategies, debt sustainability analysis, and a comprehensive multiyear framework applied in practice are leading to the low rating.
(i) Preparation of multiyear fiscal forecasts and functional allocations.	C	Using a rolling budget, forecasts of fiscal aggregates are prepared for at least two years rather than three but without links between multi-year estimates and subsequent setting of annual budget ceilings.
(ii) Scope and frequency of debt sustainability analysis.	B	An analysis was conducted in 2011 of external and domestic public debt but there have not been regular annual reviews.

[14] World Bank. February 2, 2011. Zimbabwe Public Expenditure Notes “Strengthening Institutions for the Preparation of Government Budgets” Poverty Reduction and Economic Management Unit, Africa Region, World Bank.
[15] World Bank. July 2010. “Strengthening Institutions for the Preparation of Government Budgets,” Draft, PREM Africa Region, World Bank, page 1, 13.

(iii) Existence of sector strategies with multiyear costing of recurrent and investment expenditure.	D	There is no evidence of costed sector strategies.
(iv) Linkages between investment budgets and forward expenditure estimates.	C	Investment decisions have weak links to sector strategies.

91. Expenditure policy decisions have multiyear implications and must be aligned with the availability of resources in the medium-term perspective. Therefore, the foundation for policy changes should be multiyear fiscal forecasts of revenue and medium-term expenditure aggregates for mandatory expenditure and potential deficit financing (including reviews of debt sustainability involving both external and domestic debt).

92. The 2010–12 Macroeconomic Policy and Budget Framework (STERP2) has signaled the importance of re-establishing an effective policy development and strategic planning process. Concurrently, the Ministry of Economic Planning and Investment Promotion (MEPIP) has overseen the preparation of a draft Medium-Term Plan (MTP). The Ministry of Finance is now developing the budget within a three year fiscal forecast. The Budget Estimates also include expenditure forecasts for a further two years, although these are too detailed and have little credibility.[16]

93. Zimbabwe's debt sustainability analysis (DSA) suffers from significant data shortcomings. The authorities are currently reconciling their debt stock and debt service data with individual creditors, with significant differences remaining. As a result, this DSA is largely based on nonreconciled official debt numbers, and where available, data collected directly from individual creditors, as well as staff estimates of accrued interest and penalties on arrears. In light of these factors, the results of this exercise should be treated with caution.

94. The sector policies and strategies that should provide the framework for RBB are not in place and ministries do not have the capacities to undertake the detailed costings involved. New guidelines put forward by the Ministry of Finance for the 2012 budget preparation detailing a new appraisal process for capital projects make a stronger link between sector strategies and projects. If implemented, these guidelines should lead to an improvement under this dimension.

3.4. Predictability and Control in Budget Execution

95. There are nine indicators to assess control and stewardship in the collection and use of public funds.

PI-13 Transparency of Taxpayer Obligations and Liabilities

[16] World Bank. July 2010. Strengthening Institutions for the Preparation of Government Budgets, Draft, PREM Africa Region, World Bank, page 2.

Indicator	Score	Explanation
PI-13 Transparency of taxpayer obligations and liabilities.	B	
(i) Clarity and comprehensiveness of tax liabilities.	B	Discretionary powers are fairly limited.
(ii) Taxpayer access to information on tax liabilities and administrative procedures.	B	Taxpayers have easy access through the ZIMRA website to comprehensive information on tax liabilities and administrative procedures for some of the major taxes, but for other taxes the information is limited. Taxpayers cannot access their tax accounts interactively online but information on tax liability can be accessed when they physically visit ZIMRA offices.
(iii) Existence and functioning of a tax appeals mechanism.	B	Some issues of efficiency can be addressed through more information on precedents.

96. Effective assessment of tax liability is subject to the overall control environment that exists in the revenue administration system but is also very dependent on the direct involvement and cooperation of the taxpayers from the individual and corporate private sector. Their contribution to ensuring overall compliance with tax policy is encouraged and facilitated by a high degree of transparency of tax liabilities, including clarity of legislation and administrative procedures, access to information in this regard, and the ability to contest administrative rulings on tax liability.

97. Dimension (i) Rated B as discretionary powers are fairly limited. All the tax liabilities information (Acts and ancillary legislation) is clear and where there are grey areas the technical team is there to advise taxpayers through the client care section. Tax reforms are enhancing clarity, such reforms as the simplification of the Income Tax Act. The commissioner is also mandated to give advance rulings. Government entities do not usually interfere with operation of the Authority's legislation.

98. Dimension (ii) Rated B as taxpayers have easy access to comprehensive information, tax liabilities, and administrative procedures for some of the major taxes, while for other taxes the information is limited. The Revenue Authority has a website (www.zimra.co.zw) that is accessible to all taxpayers and most of the information is available there. Client education seminars/workshops are held with clients to educate them on legislation, their rights, and obligations. ZIMRA Client liaison officers meet with respective client organizations to discuss issues of concern. A weekly "Did You Know" column is published every Thursday in the press to educate taxpayers. Taxpayers cannot access their tax accounts interactively online but information on tax liability can be accessed when they physically visit ZIMRA offices.

99. Dimension (iii) Rated B. Objections are provided for in the Income Tax Act (Sec.62), VAT Act (Sec. 32) and Appeals in the Customs & Excise Act. Taxpayers can make objections on the following:

- Any assessment made
- The Commissioner's decisions as listed

Determination of a reduction of tax

100. The objection must be made within 30 days, in writing and should specify grounds of objection. In any objection or appeal, the burden of proof regarding exemptions, deductions, credits, and nonliability rests with the client. Clients not satisfied with the Commissioner's decision can appeal to the High Court or the Special Court. In the case of Customs Appeals, clients not satisfied with the Commissioner's decision can appeal to the Fiscal Appeals Court.

101. The procedure is the following:

- Upon receipt of a taxpayer's objection letter, the Regional Manager prepares a standard form of report, including recommendations which are submitted to Technical Services via Commissioner Operations within 30 days from date of receipt.
- Technical Services staffs research the case and present recommendations to the Appeals, Objections, and Rulings Subcommittee.
- This Committee is chaired by the Head Technical Services and made up of representatives who are experts from Legal, Training, Investigations, Operations, and Technical Services.
- The case is then presented by the Head Technical Services to the Executive Committee.
- Executive Committee is made up of three Commissioners for Operations, Legal, and Investigations and Technical Services. The chairperson is the latter, Commissioner Investigations & Technical Services.
- The decision is communicated to the client in writing.
- The response advises the client of his right to take up the matter with the courts if not satisfied with the decision. The system provides fairness to taxpayers, because if they lose their appeals with ZIMRA, the laws allow them to proceed to court to challenge the position of ZIMRA, if they disagree. At all times they can be represented by lawyers or tax experts.

PI-14 Effectiveness of Measures for Taxpayer Registration and Tax Assessment

Indicator	Score	Explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment.	C+	
(i) Controls in the taxpayer registration system.	C	Inadequate data base linkages.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations.	B	Penalties for noncompliance may not always be effective because they are too low.
(iii) Planning and monitoring of tax audit and fraud investigation programs.	C	There is need to update risk profiling for some audit programs and some areas use random selection.

102. Maintenance of a taxpayer database based on a unique taxpayer identification number is an important element of any tax control system, and is most effective, if linked to other government registration systems. Revenue authorities should ensure compliance with registration requirements through occasional surveys of potential taxpayers, for example, by selective, physical inspection of business premises and residences.

103. Dimension (i) Rated C because of inadequate data base linkages.

104. The Value Added Tax (VAT) legislation requires traders engaged in the business of supplying goods and/or services and whose annual turnover exceeds or is likely to exceed a set threshold (US$60 000.00 per annum) to apply to the Commissioner General of ZIMRA for VAT registration. Only registered operators are allowed to charge and collect VAT whenever they supply taxable goods or services and remit to the Authority. Registration of all separate trades, branches or divisions was cancelled with effect from 1st January 2010. Previously Section 51 of the Value Added Tax Act provided for separate registration of trades, branches or divisions for VAT purposes. Every registered operator is issued with a certificate of registration and the certificate is to be displayed prominently and at a place where it can be easily seen. This allows for easy identification of traders registered for VAT.

105. For Income Tax all clients, including individuals, companies, partnerships and cooperatives who want to venture into any business venture are required to register with ZIMRA and comply with all obligations as stipulated in the legislation. To register, you are required to have a bank account among other requirements. Once you have a bank account, you can then approach ZIMRA for registration. You will be required to complete registration forms depending on the nature of your business operations. All clients will be required to complete the REV 1 form, which can be obtained from ZIMRA offices or can be downloaded from this website. Once registered, you will be issued with a Business Partner Number (BP) which acts as the business' identification number and is used for all transactions with ZIMRA, including remittances of tax.

106. Taxpayers are registered in a database with a unique taxpayer identification number called the Business Partner Number, but it is not linked to any government registration systems. Registration occurs through various contacts with ZIMRA. Taxpayers are registered when they visit the Authority and want to transact and as and when they meet different thresholds. When audits and investigations find clients who are not registered, these clients are then registered. Registration is also done through identification of unregistered clients through linking with other agencies (for example, deeds office or local authorities).

107. Strict controls in the registration process include thresholds and various documents that taxpayers are required to meet or submit before registration. Soon after registration, Audits Section will do a follow up to ensure compliance in the remittance of tax and submission of returns. Customs clearing agents are also registered in terms of the Customs and Excise Act and there are strict controls. State goods and services procurement and state affiliated entity procurement are only done from suppliers with valid tax clearance certificates. Use of tax clearance certificates issued biannually forces clients' registration.

Exchange Control Declarations (CD 1 forms) for exports are electronically linked to the Reserve Bank of Zimbabwe.

108. Dimension (ii) Rated B. Penalties are sufficiently high to act as a deterrent, but they are not applied with sufficient frequency. Legislation provides for guides on the penalties applicable.

- The penalty loading model is applied as a guide and the level of penalty is dependent on the gravity of the offence and can be as high as 100 percent for taxes.
- Customs penalty can be as high as three times duty-paid value or forfeiture of the goods.

109. However, interest is applied at 10 percent and is less than the rates for commercial banks overdraft, which are around 15 percent.

110. Dimension (iii) Rated C. For tax audit and fraud investigations, plans are available and are risk-based, although risk profiling in SAP system needs to be updated. In some instances, cases are selected randomly, as referred cases, spin-offs, or others. It is difficult to do a proper environmental/industry analysis of companies for audit selection as most companies are not yet fully productive. Case selection for audits is mainly through projects, referrals (whistle blower), spin-off, and random selection. In the customs environment, the ASYCUDA system risk profiling is in-built and functional.

PI-15 Effectiveness in Collection of Tax Payments

Indicator	Score	Explanation
PI-15 Effectiveness in collection of tax payments.	D+	Tax arrears are not sufficiently reined in by recovery and prevention actions.
(i) Collection ratio for gross tax arrears.	D	Low collection ratio. For 2009 and 2010 the ratios were 64.58 percent and 50.74 percent.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.	B	Weekly transfers.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury.	A	Monthly within one month of end of month.

111. Overall rating category D+. Accumulation of tax arrears can be a critical factor undermining high budgetary outturns, while the ability to collect tax lends credibility to the tax assessment process and reflects equal treatment of all taxpayers, whether they pay voluntarily or need close follow up. Aggregate reporting on tax assessments, collections, arrears, and transfers to (and receipts by) the Treasury must take place regularly and be reconciled, where appropriate, in order to ensure that the collection system functions as intended, that tax arrears are monitored, and that the revenue float is minimized.

112. Dimension (i) Rated D because of low collection ratio. For 2009 and 2010, the ratios were 64.58 percent and 50.74 percent. The hyperinflation effects may have been a factor and ratios may improve.

113. Dimension (ii) Rated B as collections are transferred to the Treasury at least weekly via the government's bank. There is a standing arrangement for transferring collections to Treasury every Tuesday and Friday. ZIMRA uses the banks in rural areas for transferring rural collections to the Treasury Account. Where this is not possible in rural areas, ZIMRA charges presumptive tax, which is payable in the nearest urban center.

114. Dimension (iii) Rated A. ZIMRA has advised that complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury takes place at least monthly within one month of end of month. Ministry of Finance has confirmed that the monthly reconciliation statement prepared by ZIMRA is submitted to the Treasury and some of these have been sighted.

PI-16 Predictability in the Availability of Funds for Commitment of Expenditures

Indicator	Score	Explanation
PI-16 Predictability in the availability of funds for commitment of expenditure.	D+	Declines in revenue and GDP prevented normal systems applying with their strong commitment controls and commitment reporting through the automated accounting system.
(i) Extent to which cash flows are forecast and monitored.	B	Cash limited budgeting includes a constant process of revenue monitoring and allocation with quarterly revenue review.
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	D	As spending is constrained by revenue ministries, departments and agencies (MDAs) receive only monthly notice of funds available.
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	D	As spending is constrained by revenue, the cash flows to support budget allocations are adjusted frequently by MoF with consultation with MDAs.

115. Effective execution of the budget requires that the spending ministries, departments, and agencies (MDAs) receive reliable information on availability of funds within which they can commit expenditure for recurrent and capital inputs. This indicator assesses the extent to which the Finance Department provides reliable information on the availability of funds to MDAs that manage budget heads.

116. It is important to address capacity limitations and to re-establish the core PFM systems before moving ahead with more ambitious reform initiatives. Work is progressing with the SAP system. Application by MoF Budget Department of the revenue limited budget release process requires weekly and monthly processes of expected revenues, cash

availability, and budget release coordination. Commitments are only allowed when cash is available. Revenue forecasting is conducted through continuous assessment of economic trends based on growth estimates for GDP provided by Ministry of Economic Planning. ZIMRA produces quarterly review reports. The weekly Cash Budget Committee meetings provide a foundation for effective forecasts of expenditures. The Budget Department of the Ministry of Finance presents the budget framework for the month and the committee allocates resources based on priorities and availability of resources. The 2011 mid-year budget review noted "we are on course to meet our revenue targets."

117. The prevailing cash limited budgeting incorporates tight monitoring of cash flows and this discipline needs to be incorporated into a cash flows prediction system in the usual budget management processes.

118. Salaries payments take first priority on revenue advises from ZIMRA and Revenue Department of MoF and remaining cash is allocated to MDAs by Budget Department in accordance with their approved budgets and other priorities. The dimensions are rated as B for frequency of cash flow monitoring, D for the notice given to MDAs on their cash availability for spending and their reliability, and D for the lack of transparency in budget cash adjustments. The transparency of the process could be enhanced by more formalized procedures to communicate more information on adjustments made on a monthly basis to MDAs.

PI-17 Recording and Management of Cash Balances, Debt, and Guarantees

Indicator	Score	Explanation
PI-17 Recording and management of cash balances, debt and guarantees.	B	The work of the DMO was not in place to tightly manage cash balances, debt, and guarantees and provide comprehensive public reporting and monitoring.
(i) Quality of debt data recording and reporting.	C	The Debt Management Office has a comprehensive system for recording and reporting on debt, but there remains work to be done.
(ii) Extent of consolidation of the Government's cash balances.	A	The Treasury system consolidates balances daily.
(iii) Systems for contracting loans and issuance of guarantees.	C	Loans and guarantees are contracted only after consideration by special committees that include Reserve Bank and MoF membership and approvals through government processes. Debt growth demonstrates that transparent criteria and fiscal targets are not fully followed.

119. Contracting, servicing, and repayment, and the provision of government guarantees of debt management are often major elements of overall fiscal management. Management of debt and guarantees is needed to prevent high debt service costs and significant fiscal risks.

120. Dimension (i) Rated C. Following the approval of the Zimbabwe Accelerated Arrears Clearance Debt and Development Strategy by the government in November 2010, a Debt Management Office in Ministry of Finance has been created to manage the strategy. The Zimbabwe Aid and Debt Management Office has been validating and reconciling figures for all public and publicly guaranteed debt. It is envisioned that by the end of the second quarter a credible debt database will be in place and reconciliation with all the creditors will also be conducted during the third quarter 2011.

121. Dimension (ii) Rated A. A traditional system of a main exchequer account, main paymaster-general (PMG) account, and subaccounts for line ministries at the RBZ are managed on a Single Treasury Account basis.

122. Dimension (iii*)* Rated C. Loans and guarantees require consideration by committees under the Ministry of Finance, but there is no evidence that the criteria are clearly applied.

PI-18 Effectiveness of Payroll Controls

Indicator	Score	Explanation
PI-18 Effectiveness of payroll controls.	C+	Slow adoption of a unified accounting system covering payroll and other expenditure, for example, by expansion of the SAP PFMS has limited performance.[17]
(i) Degree of integration and reconciliation between personnel records and payroll data.	C	No personnel database exists at ministry level and manual processes are used.
(ii) Timeliness of changes to personnel records and the payroll.	A	Changes are made at least monthly.
(iii) Internal controls over changes to personnel records and the payroll.	C	There is little assurance over changes.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	C	A payroll audit has recently been conducted.

123. The wage bill for public servants is usually one of the biggest items of government expenditure on the recurrent side. This indicator is concerned with the payroll for public servants.

[17] Technical assistance to the government of Zimbabwe Office of the Accountant General Reconfigure and strengthen the computerized Public Finance Management System (PFMS) Terms of Reference—Phase 3:
Page 2 “Payroll information for the 2009 and 2010 financial years was not captured on PFMS as an interface between the PFMS and the Salaries Service Bureau system was not developed and tested. This was held up due to the improper set up of development, production and quality systems on the SAP platform. During phase 2 an interface has been developed but not implemented yet as the backlog needs to be captured first. The backlog of salary related transactions is being captured with the assistance of the technical assistance team.”

124. The Central Salaries Services Bureau (CSSB) operates the centralized payroll system, using a custom developed system to calculate the government payroll—currently estimated at approximately 280,000. The HR module of SAP is not used for this purpose. After SSB calculate s the payroll on its system, it informs the Ministry of the detailed payroll list for its employees and costs for each cost center by line item. The Ministry then confirms the payroll details and enters the totals into the PFMS system. The summaries are checked for budget availability prior to payment. Payroll payments are directly deposited in employee bank accounts. The system has become more difficult to administer because of frequent exits and entries to the service through high staff turnover.

125. The payroll system located in the SSB prepares pay lists for processing by the AGD through the government's bankers. Personnel records and payroll data are updated continuously as information is received and for a status change notification within 14 days. Two ministries queried indicated that a payroll audit has been conducted each year for the Ministry of Health, but not for the Ministry of Transport.

126. Dimension (i) Rated C. Both the personnel database and payroll are centrally maintained at the Salary Services Bureau. At the ministry level, pay sheets and staff in post reconciliations are done manually every month. Ministries of Health and Transport advise that the reconciliation element is usually lagging behind.

127. Dimension (ii) Rated A. As advised by SSB, the time taken for updates is moderate and within the month. Timeliness of changes depends on whether the ministry is centralized or decentralized and on the quality of source documents. Documentation is forwarded from districts to provinces and to the ministry's head office and then to the Salary Services Bureau for payroll adjustments. At the ministry level, the changes to personnel records and the payroll are done every month. The Ministry of Finance confirms that retroactive adjustment happen within a month for individuals, as well as the whole payroll in case of salary increases with retroactive dates. The Salaries Services Bureau has advised that retrospective adjustments are rare.

128. Dimension (iii) Rated C. Internal control is rather weak, but there is improvement where there is internal audit intervention. Internal controls over changes to personnel records and payroll are in existence in the form of an audit trail. Internal controls over changes to personnel records and the payroll are maintained in ministries. Supervisors always have to record attendance of their staff so that necessary paperwork is forwarded to SSB for changes to be made and termination papers are quickly sent to SSB for action.

129. Dimension (iv) Rated C. Audit is in place in some ministries and departments. Pre-audits of some issues are carried out at SSB, before the payroll data is run. The ministry's human resources department examines the correctness of the payroll data before Salary Services Bureau makes the salary payments. Payroll audits to identify control weaknesses and/or ghost workers are important. Pay sheets and personnel reconciliations are done at the ministry level. A more comprehensive payroll audit has recently been undertaken centrally and is being considered. This audit does not include uniformed services and health personnel.

The payroll audit was started in December 2009 and completed (report submitted) in June 2011.

I-19 Competition, Value for Money, and Controls in Procurement

Indicator	Score	Explanation
PI-19 Competition, value for money, and controls in procurement.	D+	The Country Procurement Assessment Report at Attachment II provides a comprehensive improvement action plan that will reduce the causes of performance issues.
(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework.	C	The first three required criteria are met but not the last three.
(ii) Use of competitive procurement methods.	D	Reliable data on the percentage of contracts awarded without the above justification is not available and there is some evidence that the competitive methods are abused.
(iii) Public access to complete, reliable, and timely procurement information.	D	Only one (bidding opportunities) of the four types of information listed in this indicator is available.
(iv) Existence of an independent administrative procurement complaints system.	B	One criterion is not met—the Administrative Court cannot execute, therefore, it has no authority to suspend the procurement process.

130. Significant public spending takes place through the public procurement system. A well-functioning procurement system ensures that money is used effectively and efficiently. Open competition in the award of contracts has been shown to provide the best basis for achieving efficiency in acquiring inputs for and value for money in delivery of programs and services by the government.

131. There is a national procurement board to manage larger procurements. Cash availability problems have led to serious delays in supplier payments. This has degraded the procurement chains leading to more complex and expensive procurement arrangements compared with the previous direct agency/supplier arrangements.

132. Dimension (i) Rated C. The first three required criteria are met, but not the last three.

133. The procurement function in Zimbabwe is governed by the Procurement Act 2/99 (Chapter 22:14) promulgated in March 1999. This function is organized hierarchically with precedence clearly established, is accessible to the public, and applies to all procurement undertaken using government funds. The Procurement Act is based on the UNCITRAL model law, which aims at economy, efficiency, transparency and accountability in the procurement process. The Act is supported by Procurement Regulations (Statutory Instrument 171 of 2002). These instruments (the law and Regulations) are easily obtained from the government press. The Zimbabwe legal and regulatory framework has all the basic tenets of a good procurement system; however, it is lacking in comprehensiveness. The legal and regulatory framework is applicable to all entities that use government funds, including

the following: central government; parastatals; statutory bodies; and local authorities, a recent addition that faces resistance from urban local authorities. Management and regulation of the procurement function are structured hierarchically with the State Procurement Board (SPB) at the apex of the pyramid, responsible for both procurement operations (for contracts estimated to cost $50,000 and above) and regulation of the procurement function. The base of the pyramid consists of procuring entities that are responsible for all procurement operations but with minimum approval powers (below $50,000).

134. Open competition (criterion (iv) in the dimension) is the de facto default procurement method, although it is not explicitly stated in the Act or Procurement Regulations. Procurement procedures have been described in the Act, but the procurement methods associated with these procedures are only covered in the Procurement Regulations and these refer to only four methods of tendering: formal tender procedure (US$50,000 and above); informal tender procedure ($10,000–50,000); competitive quotations (less than $10,000) and special tender procedure. There is no distinction between procurement methods for goods/works and those of services. The procedures for application of these methods are fairly transparent with all formal tenders and informal tenders being advertised in the Gazette and newspapers. While notification for tenders is widely advertised, it is not mandatory to publish contract awards (required by criterion (v)). Therefore, bidders never have the opportunity of formally being informed about the successful bidder and the final contract price of the tender. Bidders are allowed to complain about contract awards, but the law requires the contracting process to be suspended for only seven days. After those seven days, the procuring entity can proceed with signing the contract and executing the contract. Even with the seven days, the procuring entity could justify continuation without stoppage on the basis of public interest. The law is generally weak on suspending the procurement process (not meeting criterion (vi), which requires a review process prior to signature).

135. One of the major weaknesses of the procurement system is the lack of procurement plans. The law has no reference to procurement plans at all, an omission that needs to be corrected as soon as possible. It is difficult to have realistic work programs without procurement plans and therefore procurement plans should be part and parcel of the budgetary process. Without procurement plans the public has no access to bidding opportunities on a holistic basis and have to depend on the advertisements that are published on a contract by contract basis.

136. Under section 43 of the Act, an aggrieved bidder may complain to the Administrative Court. The complaint may be as a result of a decision made by a procuring entity or the STB with respect to procurement proceedings; or it may be as a result of being declared ineligible by STB because of (a) having committed an offence against the Procurement Act; and (b) having been convicted of fraud or corruption. Once the case is submitted to the Court, there is no time limit for the Court to make a decision. When the decision is made and an aggrieved bidder is not satisfied with the decision, he may appeal to the Supreme Court. It is noted that complaints are not reviewed at the procuring entity level and instead they are submitted directly to the Court, and copied to the SPB for information only. The law does not require the appellant to copy the complaint to the procuring entity, even if the value of

the subject contract was below the threshold for SPB approval that is below $50,000. It is also to be noted that without time frames for the Administrative Court, it is difficult to determine how long the court will take to decide on a case. In practice, the SPB acts as a first level of appeal but this is not strictly according to the law. One could, therefore, state that there is no effective way of handling complaints before contract signature. Although no data is published on complaints, the proceedings of the Court are open to the public.

137. Dimension (ii) Rated C. When contracts are awarded by methods other than open competition, the law requires the procuring entity to justify such action. The procurement method used is the special formal tender procedure that is allowed under the following justification:

- Urgent requirements where time does not permit the invitation of tenders by advertisement in the Government Gazette, provided that the authority of the Chairman of SPB has been obtained
- Supplies and services of local interest only
- Requirements of a proprietary nature and where names of likely suppliers are known
- Formal tenders to which there has been no response and where it is necessary to re-invite tenders
- Services, which in the opinion of the SPB, are of a specialist nature
- Services, which in the opinion of the SPB, concern national security

68. Zimbabwe has no system for collecting and monitoring national procurement statistics. Reliable data on the percentage of contracts awarded without the above justification is not available and there is some evidence that the competitive methods are abused, hence the score of D. Observations made during the assessment revealed that the method of sourcing three quotations (shopping) was highly abused, resulting in a nontransparent and noncompetitive process.

138. Dimension (iii) Rated D. Key procurement information such as government procurement plans, contract awards, and data on resolution of procurement complaints is not available to the public. The only procurement information that is readily made available to the public is the notification for bidding opportunities on a contract by contract basis. Only one of the four types of information listed in this indicator is available and the government lacks a system to generate substantial and reliable coverage of key procurement information, thus, the score of D.

139. Dimension (iv) Rated B. Full adherence to the indictor requires that complaints are reviewed by a body that

- is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government;
- is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;
- does not charge fees that prohibit access by concerned parties;
- follows processes for submission and resolution of complaints that are clearly defined and publicly available;

- exercises the authority to suspend the procurement process;
- issues decisions within the timeframe specified in the rules/regulations; and
- issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).

140. Only criterion (vii) is not met.

141. An aggrieved bidder may appeal directly to the Administrative Court. The Court is independent and is not involved in procurement transactions or in the process leading to contract award decisions. The Court has the status of a high court and senior judges preside over cases. Assessors from all walks of life, including government, civil society, and the private sector assist the judges. Advocates normally represent appellants and SPB, making the proceedings exactly the same as those of a fully fledged court. It follows processes for submission and resolution of complaints that are clearly defined and publicly available. The court judges, advocates, and assessors are not trained in procurement, but the judges have gained experience in procurement through practice of the procurement law.

142. Unfortunately, according to the Administrative Court Act, the Administrative Court cannot execute, therefore it has no authority to suspend the procurement process. There were allegations that the Court delays issuing decisions, but the Court claims that it issues decisions within the time frame specified in the rules/regulations. There seems to be a disconnect between procuring entities and the Administrative Court. Once the Court has issued a decision, it is binding but an appeal can be made to the Supreme Court.

PI-20 Effectiveness of Internal Controls for Nonsalary Expenditure

Indicator	Score	Explanation
PI-20 Effectiveness of internal controls for nonsalary expenditure.	C+	Internal and external audit have not been given enough importance by all levels of management to ensure compliance with regulations.
(i) Effectiveness of expenditure commitment controls.	B	Commitment controls are in place, but arrears arise in some areas.
(ii) Comprehensiveness, relevance and understanding of other internal control rules and procedures.	C	Internal controls are out of date and there is override.
(iii) Degree of compliance with rules for processing and recording transactions.	C	Compliance is affected by a lack of sufficient external audit coverage and reporting.

143. Dimension (i) Rated B. Commitment controls exist through the accounting processes in the Public Finance Management System. Nevertheless, some bills suffer delays in payments and service contracts and utilities should be paid as due.

144. Dimension (ii) Rated C. The transaction processing layer of the computerized SAP accounting system is in place with a reasonable set of fiscal controls. The controls rely on the staff to use the system properly. All payment transactions are subjected to budget availability

checks before a payment is authorized and no payment is made outside the system. The internal controls rules and procedures are outdated and need to be updated to accord with the new PFM Act. Responses noted that generally awareness on internal controls is very high, however, the element of relevance (risk based internal controls) is still not in place as there is no strategic consideration of risk when designing controls.

145. Dimension (iii) Rated C. Compliance is sometimes incomplete as shown by audit results. Accounting personnel are assigned profiles for processing and recording transactions and authority levels are normally observed but audits show instances of discrepancy.

PI-21 Effectiveness of Internal Audit

Indicator	Score	Explanation
PI-21 Effectiveness of internal audit.	C+	IA sections are of too low a stature to ensure adequate performance quality.
(i) Coverage and quality of the internal audit function.	C	Quality does not yet meet professional standards in systems and risk based audit and coverage is limited.
(ii) Frequency and distribution of reports.	B	Report distribution meets the requirements but not to a fixed schedule.
(iii) Extent of management response to internal audit findings.	C	Management responses vary among agencies but some do show a reasonable response.

146. Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function (or equivalent systems monitoring function). Such a function should meet international standards provided by the Institute of Internal Auditors.

147. The PFM Act requires Internal Audit to be carried out. An audit committee needs to be in each agency and reports are to go to Ministry of Finance and the C&AG’s Office. The Chief Internal Auditor is at Deputy Director level and reports to the Permanent Secretary. The Accountant General is responsible for issue of IA standards.

148. Dimension (i) Rated C. Some ministries spend more than 50 percent of internal audit time on systemic issues. Overall, the coverage of internal audit is narrow and limited in scope in most Ministries as they spend more than 80 percent on vouching and checking departmental asset at the expense of systems review. The scope of work is determined by either the Directors of Finance or Accounting Officers who are interested parties. One ministry queried noted there were only nine internal audit staff for over 100 auditable areas and this is insufficient for coverage. Also lacking is independence in terms of control over resourcing and reporting as there are no Audit Committees, and no representation of the unit at senior management levels. Special audits dominate audit programs, rather than routine system confirmations and risk based internal auditing and information systems based auditing need development. There is a draft internal audit charter specifying reporting to the

Permanent Secretary and an Audit Committee as required by Section 44 of the PFM Act.[18] The Deputy Accountant General responsible for government systems design and improvements in controls is also responsible for improvements in internal audit systems and procedures. There may be merit in separating these two roles at this level.

149. Ministry of Finance and selected Heads of Internal Audit prepared a draft IA Manual of Procedures. The manual accords with the IIA performance standards for the conduct of internal audit to assess the extent that the general systems of controls in place in ministries accords with international practices. To become fully effective, the system of internal controls would need the organization to develop a risk management system for its operations as the primary responsibility for managing risks lies with the managers. Internal audit works best when it is conducted in support of a comprehensive set of internal controls with well described accountabilities.[19]

150. The Internal Audit function makes insufficient use of the computerized SAP PFMS so there is a lack of data visibility and insufficient use of financial reports for information and control purposes.

151. Dimension (ii) Rated B. On completion of each audit, there is a mandatory distribution schedule for the Internal Audit reports to the Accounting Officer, Treasury, Comptroller & Auditor General, and to relevant line managers to facilitate action.

152. Dimension (iii) Rated C. The management responses are not always satisfactory. At times, there are no management responses, despite repeated reminders and observations take time to gain response. For the two line departments queried, one noted an initially very poor response but a notable improvement; and the other noted that response was generally good because the Accounting Officer together with the Ministry of Finance require corrective measures to be stated.

3.5. Accounting, Recording, and Reporting

153. These indicators check that adequate records and information are produced, maintained, and disseminated to meet decision-making control, management, and reporting purposes.

PI-22 Timeliness and Regularity of Accounts Reconciliation

Indicator	Score	Explanation
PI-22 Timeliness and regularity of accounts reconciliation.	C	The SAP PFMS failures and lack of development led to imperfect ratings.[20]

[18] An accounting authority for a public entity shall ensure that that public entity establishes and maintains a system of internal audit under the control and direction of an Audit Committee. Section 80 lays down the functions of the internal auditor and Section 84 lays down the functions of the Audit Committee.

[19] "ISSAI 1900 Guidelines for Internal Control Standards for the Public Sector (www.issai.org)." International Standards of Supreme Audit Institutions, issued by the International Organization of Supreme Audit Institution.

[20] Technical assistance to the Government of Zimbabwe Office of the Accountant General Reconfigure and strengthen the computerized Public Finance Management System (PFMS) Phase 3, April 2011.

(i) Regularity of bank reconciliations.	B	Not done at the aggregate level.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances.	D	Some balances brought forward. Balances on the suspense account for 2009 and 2010 are still outstanding.

154. Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants.

Dimensions to be assessed: (i) regularity of bank reconciliations; (ii) regularity of reconciliation and clearance of suspense accounts and advances.

155. Accountant General's Department (AGD) centrally operates government accounting using a computerized SAP accounting system the Public Finance Management System (PFMS) as the budgeting, budget execution, financial control, and reporting system for the Consolidated Revenue and National Development Funds. The PFMS uses the application software package SAP/ R3. The system is implemented in all 37 line ministries and 10 provinces. The transaction processing layer of the system is in place with a reasonable set of fiscal controls. All payment transactions undergo budget/ warrant checks before a payment is authorized and no payment is done outside the system so the system is a good source of controls and of accurate and up-to-date information on government finances. There is manual reconciliation of government accounting records with their corresponding bank transactions.

156. Dimension (i) Rated B, done at the detailed level. The SAP PFMS started the regular reconciliation of bank statements from 2011 at least monthly and within four weeks from the end of month.

157. Dimension (ii) Rated D. Balances on the suspense accounts for 2009 and 2010 are still outstanding

PI-23 Availability of Information on Resources Received by Service Delivery Units

Indicator	Score	Explanation
PI-23 Availability of information received by service delivery units.	D	Greater disaggregation of the PFMS transactions reporting system needs to be examined and developed.
(i) Collection and processing of information to demonstrate the resources that were actually received by the most common front-line service delivery units.	D	Budgeting and reporting is at district level through the SAP system and donor supplied resources are reported via formal approvals and usage reporting arrangements. Each district has several health centers and these are not reporting cost centers so only aggregated data are available.

Tasks 1.3 and 2.3 Develop and implement automated bank account reconciliation procedures with RBZ, CBZ, and other banks transacting with the government, to the extent possible.

158. The indicator front-line is to assess whether service delivery units, focusing on primary schools and primary health clinics, receive the resources planned, irrespective of which level of government is responsible for the operation and funding of those units. Problems frequently arise in front-line service delivery units, providing services at the community level in obtaining resources that were intended for their use. Tracking of such information is crucial in order to determine, if the PFM systems effectively support front-line service delivery.

159. All spending by budgetary agencies are subject to the budget, which is expressed in very detailed appropriations and authorized through an allotment process under the responsibility of the Ministry of Finance. Information is transmitted through the Districts. In practice, there is a Provincial Accountant office where the PFMS system is used for expenditure inputs and budget information is monitored. The budget blue book provides for allocations to district level. Districts within the province allocate to health centers and records are not reported. The rating is D, because no data were reported. To rate an A, routine data collection or accounting systems should provide reliable information on all types of resources received in cash and in kind by primary health clinics across the state. The information must be compiled into reports at least annually. To meet the need, SAP systems would need to apply a lower level of disaggregation.

PI 24 Quality and Timeliness of In-year Budget Reports

Indicator	Score	Explanation
PI-24 Quality and timeliness of in-year budget reports.	A	
(i) Scope of reports in terms of coverage and compatibility with original budget estimates.	A	Reporting is monthly via the PFMS in line with the budget classification of the estimates.
(ii) Timeliness of the issue of reports.	A	Monthly within a few days of month-end as the system is on-line.
(iii) Quality of information.	A	The reporting tables use the PFMS and there are no data problems.

160. The ability to implement the budget requires timely and regular information on actual budget performance to be available both to the FD and to the MDAs for managing the affairs for which they are accountable. The AGD prepares the in-year budget execution reports. It produces monthly reports (with any available coverage, classification, and data quality) which should also be published on the Ministry of Finance’s website. During the 2009 and 2010 period, the SAP system could not produce regular worthwhile reports because of the system data failure. However, 2011 monthly reports have again become available. There is scope to improve the flexibility and value of the report generation processes in the SAP system by adding a report generator facility.

161. Dimension (i) Rated A because reports are detailed in accordance with the requirements of the blue budget book. Commitments, core transaction processing, commitment control, accounting, and the financial reporting functionalities of the PFMS

computer system have been substantially restored after the effects of hyper-inflation and compliance is being enforced.

162. Dimension (ii) Rated A because reports are produced each month.

163. Dimension (iii) Rated A because the quality of the information in the reports produced is based on the PFMS that has been restored after the problems from the hyper-inflation

PI-25 Quality and Timeliness of Annual Financial Statements

Indicator	Score	Explanation
PI-25 Quality and timeliness of annual financial statements.	D	Failure to use IPSAS Cash Basis formats and slow publication of government financial statements has led to the low rating.
(i) Completeness of the financial Statements.	D	Only draft accounts are available for 2009 and 2010 and none for 2008.
(ii) Timeliness of submission of the annual statements for external audit.	D	Timeliness in submitting clean accounts for audit in the last two years has been affected by data difficulties and the last published accounts—for 207—were submitted after 16 months.
(iii) Accounting standards used.	D	There is no mention in the accounts or the audit report of accounting standards used.

164. Consolidated year-end financial statements are critical for transparency in the PFM system. To be complete, they must be based on details for all ministries and departments.

165. Government submits its final accounts to the Auditor General, but data difficulties during hyperinflation and manual accounting have caused technical problems with the preparation of auditable 2008 and subsequent accounts in the absence of a functioning PFMS for the period of hyperinflation. The government has intended to improve the professionalism of government accountants, but staff turnover issues have worked against this. The year ending in December 31, 2007 are the most recent accounts for which the C&AG has issued certified accounts to the legislature. The audit certificate dated August 31, 2009 was qualified in respect of 22 of the 25 appropriation votes and in respect of 10 of the 27 fund accounts. These accounts contain finance accounts, revenue statements, appropriation accounts, fund accounts, sundry statutory, and trust funds.

166. The finance accounts include a summary of transactions for the current year and previous year. These accounts differ from the Cash Basis IPSAS format for the Consolidated Statement of Cash Receipts and Payments in four ways. They do not show any accounting policies and explanatory notes. They do not show payments by third parties in a separate column for each of the two years. They do not have a statement of budget and actual amounts. They use a less detailed breakdown of major items than is required. They do show revenue, current expenditure, capital expenditure, long term loans, investments, loan recoveries, borrowings, repayments, and contributions to sinking funds. Notes show CRF balances and C&AG report items, including a qualification in respect of delay in submission

of accounts for audit. These are required within four months but are only submitted after 16 months.

167. Dimension (i) Rated D because only draft accounts are available for 2009 and 2010 and completeness of the financial statements is inadequate without full consolidation as per IPSAS format.

168. Dimension (ii) Rated D because the last audited accounts (for 2007) were submitted after 16 months. Moreover, more recent clean accounts for 2009 and 2010 were submitted very late because of data difficulties. There is scope for dramatic improvement as draft Statement of Comprehensive Income (Income Statement), Statement of Financial Position (Balance Sheet) and Cash Flow reports providing actual and budget data have been developed and can be extracted directly from the SAP computerized accounting system. The next phase of the PFMS includes documenting procedures for CRF reporting functions, including monthly, quarterly, and annual reporting in terms of the new Public Finance Management Bill. This indicator can be quickly improved now that the IFMISS is active.

169. Dimension (iii) Rated D. The financial statements are presented in a consistent format over time. The cash basis is used but not at international standards. Accounting standards are not disclosed.

3.6. External Scrutiny and Audit

170. These indicators ensure that the PFM system is effectively monitored.

PI-26 Scope, Nature, and Follow up of External Audit

Indicator	Score	Explanation
PI-26 Scope, nature, and follow up of external audit.	C+	Inadequate performance in publication, coverage, and response to audit reports has led to the imperfect rating.
(i)Scope/nature of audit performed (including adherence to audit standards).	C	Audits do not focus sufficiently on improving systemic issues.
(ii) Timeliness of submission of audit reports to the legislature.	A	The last two audit reports were submitted within four months, but a long time ago, and more recent audit reports are waiting on submission of auditable financial statements.
(iii) Evidence of follow-up on audit recommendations.	C	The current follow-up system is not fully satisfactory, resulting in some observations recurring year after year.

171. A high quality external audit is an essential requirement for creating transparency in the use of public funds.

172. An audit report on ministerial accounts for the 1st quarter of 2009 is the most recent period published and it has been examined by the PAC. The ministerial accounts were

audited in April 2009 and tabled on August 13, 2009. The most recent tabled audit of the annual accounts is for the 2007 financial statements and was tabled on August 31, 2009. The Office of the Comptroller and Auditor-General (OCAG) has not yet reported on its examination of 2008 and is still examining 2009 accounts because of delays with finalizing credible government accounts. These delays were caused when the accounting software could not cope with hyperinflation and multiple currencies and manual records were used. These issues are coming to an end with the input to the system of the manual transactions and resolution of inconsistencies.

173. In the past, the quality of the audited government financial statements has been low, and the C&AG's reports have repeatedly raised the same problems. Many government department accounts and some parastatal accounts receive modified audit reports indicating problems with the adequacy of the accounting. Responses of the spending ministries to the audit findings are very slow, partial, and mostly unconvincing. The process of preparing "Treasury Minutes" as a collective response from the Ministry of Finance to the Public Accounts Committee (PAC) of the Parliament has been discontinued. External audit has mainly been limited to transaction tests and performance audits have not been conducted regularly. The C&AG's Office has resourcing problems. Regional audits have been delayed because of lack of transport; computers are insufficient; staff turnover has reduced expertise; continuing professional development programs have declined; and training is required. The C&AG Office has become understaffed by almost 50 percent of its establishment because of staff departure.

174. Dimension (i) Rated C. The SAI tries to apply the INTOSAI standards, although there is scope for improvement through providing training and tools of trade. A manual is to be developed based on the more recent ISSAI standards adopted in 20101 by INTOSAI for SAIs use. AFROSAI (E), a regional group of INTOSAI members, is working with the Audit Office to do this. The audit reports do not show the accountabilities or regulations and internal controls that have been transgressed so there is little capacity for system improvement or holding responsible managers to account for their mismanagement.

175. Dimension (ii) Rated A. The audit reports are not submitted within the statutory reporting deadline to the Legislature because of delays by ministries to submit financial statements, rather than audit delays. The last annual audit, for the 2007 financial statements, was tabled on August 31, 2009 after receiving accounts as late as June 6, 2009, that is, audited within three months of receipt. The latest audit report was tabled within four months.

176. Dimension (iii) Rated C. The current follow-up system is not fully satisfactory, resulting in some observations recurring year after year. Discussions with the Public Accounts Committee demonstrated that agencies did respond to the audit criticisms but not fully. Recent years external audit reports have been delayed so there is no comprehensive evidence of implementation summing up the extent to which the audited entities have cleared audit queries and implemented audit recommendations.

PI-27 Legislative Scrutiny of the Annual Budget Law

Indicator	Score	Explanation
PI-27 Legislative scrutiny of the annual budget law.	C+	More informed and comprehensive committee scrutiny is merited.
(i) Scope of the legislature's scrutiny.	C	Portfolio committees do not provide extensive scrutiny.
(ii) Extent to which the legislature's procedures for review of the budget are well-established and respected.	A	Portfolio committees are consulted.
(iii) Adequacy of time for the legislature to provide a response to budget proposals, both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle.	C	The time is just a few weeks.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the Legislature.	C	Usually respected but emergency receipts controlled budget has overridden them.

177. The power to give the government authority to spend rests with the legislature and is exercised through the passing of the annual budget law. If the legislature does not rigorously examine and debate the law, that power is not being effectively exercised and will undermine the accountability of the government to the electorate.

178. There are 19 Portfolio Committees of the Legislature named after the government departments they shadow. These committees consider appropriation or money bills, among other matters. There are arrangements whereby Ministry of Finance discusses the forthcoming budget with the portfolio committees, obtaining their general views on budget priorities. The committees do not consider the detailed proposals that Ministry of Finance may be considering. They do not scrutinize a draft set of estimates, but rather provide a more general input.

179. Dimension (i) Rated C. The legislature's portfolio committees meet with Ministry of Finance officials before the budget is submitted to provide guidance but they do not cover fiscal policies or detailed budget estimates.

180. Dimension (ii) Rated A. The portfolio committee system and the budget debate in the legislature after the budget is submitted provide appropriate organizational arrangements, which are respected.

181. Dimension (iii) Rated C. The budget is introduced in November and passed in December allowing a month or so for debate

182. Dimension (iv) Rated C. Rules exist for budget amendment but the cash-based budget process whereby allocations are used as the basis for releases but actual releases depend on revenues received causes substantial variations where no specific rules are applied.

PI-28 Legislative Scrutiny of External Audit Reports

Indicator	Score	Explanation
PI-28 Legislative scrutiny of external audit reports.	D+	PAC depends on timely completed government financial statements. PAC should be supported in comparing its operations with its peers.
(i)Timeliness of examinations of audit reports by the legislature for reports received within the last three years.	D	Only one C&AG report presented on August 13 2009 has been examined recently. The PAC examination started on February 4, 2010 and the report was published on October 26, 2010.
(ii) Extent of hearings on key findings undertaken by the legislature.	A	Generally extensive as shown by PAC reports.
(iii) Issuance of recommended actions by the legislature and implemented by the executive.	B	Issued but could have more follow up by Auditor General reports.

183. The legislature has a key role in exercising scrutiny over the execution of the approved budget. A common way in which this is done is through a legislative committee that examines the external audit reports and questions responsible parties about the findings of the reports.

184. Parliament, through the Public Accounts Committee conducts a post audit of funds granted for public expenditure in Ministries and Parastatals to ensure that the funds are spent for purposes intended. The C&AG reports on accounts of statutory bodies that are laid before Parliament by the "responsible Minister" in terms of Part IV, Section 17 of the Audit and Exchequer Act (now Section 6 of the Audit Office Act). In recent years the PAC has not held many hearings to examine OCAG reports. These hearings were re-initiated in 2010. Its first report on the Special Report of the Comptroller and Auditor General for the First Quarter of the 2009 Financial Year included examination of eight Ministries. The report was tabled in the House on Thursday 4th February 2010. Second and third reports followed with the third report tabled on 26 October 2010.

185. The reports show that extensive hearings of the concerned Accounting Officers were held by the Committee producing multiple observations and recommendations. Recommendations in the reports were adopted by the Parliament for implementation by the Executive. PAC activities are limited by limited study tour budgets and committee staffing. PAC attention has been found to be effective in encouraging executive response to audit reports.

186. Dimension (i) Rated D. According to the published dates of the most recent available C&AG report and PAC response, the external audit report was reported 14 months after submission to the legislature.

187. Dimension (ii) Rated A. The hearings examined all ministries with reported deficiencies and officers from Ministry of Finance, C&AG, and the relevant ministry attended. At times, written submissions are requested from the executive.

188. Dimension (iii) Rated B. The PAC report contains Committee recommendations and the Executive is required to report back to the Legislature on action taken. The PAC monitors this and advised that agencies mostly conform with audit recommendations with action being taken when the AG reports to the Ministry, when the PAC hearing is held, and when the PAC reports. Improvements are occurring in the Executive's asset management, employment practices and expenditure management because of the public hearings. There is need to support PAC by a more formal Ministry of Finance follow-up mechanism in place to ensure that recommended actions are implemented effectively by the Executive. This would also ensure action is comprehensive.

3.7. Donor Practices

D-1 Predictability of Direct Budget Support

Indicator	Score	Explanation
D-1 Predictability of direct budget support.	N/A	There is no direct budget support.
(i)Annual deviation of actual budget support from the forecast provided by the donor agencies.		
(ii)In-year timeliness of donor disbursements.		

189. Direct budget support constitutes an important source of revenue for central government in many countries. Insufficient predictability of inflows of budget support affects the government's fiscal management in much the same way as the impact of external shocks on domestic revenue collection. Both the shortfalls in the total amount of budget support and the delays in the in-year distribution of the in-flows can have serious implications for the government's ability to implement its budget as planned.

D-2 Donor Financial Information Provided for Budgeting/ Reporting on Project/ Program Aid

Indicator	Score	Explanation
D-2 Financial information provided by donors for budgeting and reporting on project and program aid.	A	Cooperation between donors and government of Zimbabwe in reporting is good and should continue.
(i) Completeness and timeliness of budget estimates by donors for project support.	A	The Debt Management Office reports that donors provide the required data.

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.	A	The Debt Management Office reports that donors provide the required data.

190. Predictability of disbursement of donor support affects the implementation of specific line items in the budget. Donor support can be delivered in a wide range of ways, with varying degrees of government involvement in planning and management of resources. A lower degree of government involvement leads to problems in budgeting the resources (including presentation in the budget documents for legislative approval) and in reporting of actual disbursement and use of funds (which will be entirely the donor's responsibility where aid is provided in-kind).

191. Since 2009, donors have provided the government of Zimbabwe with an indication of projected aid flows for the year to come, feeding into the preparation of the budget. On the basis of a Memorandum of Understanding signed in early 2010, the main donors have been providing quarterly reports on disbursements against these projections, usually within a month from the end of the quarter. The format for reporting has been agreed with the Ministry of Finance; the breakdown is not entirely consistent with budget clarification; however, the Ministry of Finance uses a coding tool that allows mapping the donor reports into budget classification.

192. A donor database is in preparation. The National Development Fund aggregates the planned projects. Substantial donor funds are flowing directly to support recurrent expenditures in government departments, such as the Health Department, because of serious government budget shortfalls compared with needs and these flows are not well reported.

D-3 Proportion of Aid that is Managed by Use of National Procedures

Indicator	Score	Explanation
D-3 Proportion of aid that is managed by use of national procedures.	D	The PFMS and other PFM institutions need to recover their previous high levels of performance to enable reliable national procedures.
(i) Overall proportion of aid funds to central government that are managed through national procedures.	D	Less than 50 percent of aid funds are managed through national procedures. Donors do not use the national procurement, payment/ accounting, audit and reporting processes.

193. State systems for management of funds are those established in the general legislation (and related regulations) and implemented by the mainstream line management functions of the government. The requirement that authorities use different (donor-specific) procedures for the management of aid funds diverts capacity away from managing the state systems.

4. Government Reform Process

4.1. Summary of Reform Measures

194. The 2011 Budget Statement outlined a series of reforms in the PFM area. It also outlined the prevailing challenges for fiscal performance. Particular issues relating to the reform needed for PFM are the following:

- Rule of law deficit
- Weak social services delivery, for example, in education and health
- Huge bureaucracy and red tape
- No public confidence in public institutions, for example, parastatals and government departments
- High levels of leakages and arbitrage
- Lack of fiscal space
- Lack of foreign direct investment (subsequently adversely affected by new indigenous ownership requirements)
- Skills gap
- Lack of absorption capacity
- Debt overhang
- Management of public resources

195. In response to these and other challenges, there have been legislative reforms to strengthen governance and accountability, promote governance, and the rule of law, as well as to promote equality and fairness, including gender equality. The statement noted that institutional reforms will also be necessary to improve operational efficiency, particularly as related to project planning, procurement processes and procedures, execution, contract management, and monitoring. The statement included a section on PFM reform that explained the role of the Country Integrated Fiduciary Assessment (CIFA), as a comprehensive review of the key building blocks of the PFM system. Results-based budgeting, adopted in 2006, was to be used for planning, target setting, and monitoring and evaluation through performance agreements and contracts with accountability over required outputs resting with the Accounting Officer. The Portfolio Committees of the Parliament are to call upon the Ministers and Accounting Officers to account for usage of public resources under their control and report on the results so achieved.

196. The role of a well managed PFM system, especially the budgeting, accounting, and audit reporting systems is clear in meeting these reform needs. Particular changes in the law have been the enactments of the PFM Act, Audit Office Act, and simplification of the Income Tax Act with the aim of introducing a new Income Tax Act based on substantial consultation, including at the provincial level. Revitalization of the IFMIS system has been a major driver of reform capabilities. There have been administrative improvements through the budget calendar and project appraisal and tax administration procedures.

4.2. Institutional Factors Supporting Reform

197. The 2011 Budget Papers show a commitment by the government to PFM reform and broader reform as part of the Global Political Agreement. Key results areas developed in 2009 at the ministerial level included reform of the Public Finance Management System (PFMS) and the Results Based Management System (RBMS). This is reflected in intentions in the 2011 Budget Statement and to some extent in results on the ground, although there is still a long way to go. Public enterprise reform is also on the agenda through privatization and restructuring. General Cabinet endorsement of reforms is needed for the full effect. Parliamentary support is evident in the work of the portfolio committees and the PAC. Both areas of government and parliamentary support need strengthening. A Public Sector Reform department was set up under the Global Political Agreement to foster reform processes and provide a strong focus for further efforts.

198. The government's capacity to implement significant PFM reform is somewhat restricted while the review of the country's constitution is underway. One of the working groups is considering PFM matters and it would be necessary to await the results of that review process. Nevertheless, the PFM and Audit Office Acts are in place and need to be put into full effect and this in itself provides a substantial reform agenda. However, this has not yet been formulated into an overall plan for public consultation or development partner consideration. The government's capacity to develop its forward reform plans is constrained by staff losses and public sector remuneration restrictions, as well as political uncertainties and lack of consensus across government on a reform agenda. Therefore, the agenda must be seen as relatively longer term.

199. One approach to strengthen reform would be to set up a focal point and a senior champion, and consolidate the numerous, so far isolated, reform initiatives into an overall plan that has Cabinet-level support. A broad coordination mechanism across government for such a public sector reform program will be needed, so that line departments become engaged in the process. The Steering Committee for this CIFA has included Chairman Parliamentary Public Accounts Committee, Secretary for Education, Secretary for Health, Secretary for Local Government, Secretary for Planning and Investment Promotion—as well as the finance, audit, accounting, and taxation functions to ensure wider interests are respected.

200. In going forward through the reform program, the government faces substantial difficulties from reduced human resources capacities stemming from the economic problems. It is important that the reform incentives for the staff involved be considered. This requires that the reform incentives be internally generated. This CIFA exercise has been government led with the suggestions for change listed in Annex 1 coming from questionnaires completed by government staff, which stimulated staff engagement. A paper by Matt Andrews, Assistant Professor, Harvard Kennedy School of Government[21] examined issues relating to achieving change and discussed the role of legitimacy as a motivator for change, rather than

[21] Matt Andrews. May 2009. *Isomorphism and the Limits to African Public Financial Management Reform.* Boston: Harvard Kennedy School of Government.

just efficiency. He notes that the World Bank paper[22] identifies the modest returns from PEFA work, especially through continued weaknesses of “downstream” indicators. For PFM, he mentions that reforms that target budget execution and require de facto behavioral change involving a wide range of ministers and civil servants are particularly prone to these problems. He argues that there is a need to develop internal, rather than external pressures for such reforms to work. In the Zimbabwe case, it is notable that the intended results-based budgeting targeted reporting on outputs and outcomes but has not actually delivered on these monitoring elements. The accountability mechanisms within government are not being brought into play. If this were done well then substantial internal pressures would come into play that would relate to each government organization’s legitimacy in meeting its service goals. Thus, the integrated nature of the complete PFM system is crucial to a fully effective reform program.

[22] P. de Renzio, and W. Dorotinsky. 2007. “Tracking Progress in the Quality of PFM Systems in HIPCs.” Washington: The PEFA Secretariat.

Annex 1: Detailed Diagnostics of Identified Weaknesses in PFM Systems and the Way Forward

1. Budget Credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

Assessment: D.

PI-2 Composition of expenditure out-turn compared to original approved budget

Assessment: Overall rating is NR – (not rated), because the second dimension relating to the amount of expenditure actually charged to the contingency vote cannot be rated as the first year's data for 2008 is unavailable. The first dimension composition variance shows 67.5 percent in 2009, and 32.2 percent in 2010, which means a D rating for the first dimension.

PI-3 Aggregate revenue out-turn compared to original approved budget

Assessment: The score is D because estimates undershoot collections; therefore, there is a large scope for greater accuracy in estimating.

Suggestions:

The following are steps to improve the availability of accurate information on actual expenditure to assist with making original and revised budget estimates and to establish credible revenue targets:

- Full automation of business processes and accounting systems. This is very essential, since it provides an audit trail and brings sanity to the departments on proper revenue accountability.
- Adherence to accounting standards.
- Continuous review of accounting manuals and Treasury's instructions in response to changes in operating systems.
- The weekly Cash Budget Committee meetings should be maintained, because they provide a foundation for effective forecasts of expenditures. The Budget Department of the Ministry of Finance presents the budget framework for the month and the committee allocates resources based on priorities and availability of resources.

The following steps are to resolve any concerns regarding consistency or reliability:

- Implementation of controls at all operating levels.
- Use of accounting standards and IFRS.
- Support from internal audit reports and management support for audit recommendations.

- Integration of computer application systems for both taxes and customs to remove human intervention in processes.
- Adherence to Treasury's instructions.

Other steps to improve the rating:
- Move toward adopting a scientific method of forecasting revenue, for example, the use of E-Views and other statistical and econometric methods of forecasting.
- These scientific methods depend on availability of stable data over a longer period of time. As the economy will continue to stabilize, the use of these methods of revenue forecasting may be employed.
- The use of multicurrencies has improved the situation, because of the availability of more reliable and accurate information. With stable data over a period of time, it would be possible to use scientific methods of revenue forecasting.

PI-4 Stock and monitoring of expenditure payment arrears

Assessment: C+

Suggestions:

- The budget classification should be restructured to accord with the latest GFS and COFOG. Ministry reporting should be extended to report on goals and outputs as per the budget blue book. This approach would accord with the Results Based Performance Management System that the government has adopted.

2. Comprehensiveness and Transparency

PI-5 Classification of the budget

Assessment: C

Suggestions:

- The budget classification used by the Ministry of Finance is a mixture of the GFS classifications. Alongside the redevelopment of the planning and budgeting system, budget classifications should be reviewed and functional and program classifications be introduced to the budget.

PI-6 Comprehensiveness of information included in budget documentation

Assessment: B

Suggestions:

- Reduce overlap in the set of budget documents and improve the structure of the documents to support the budget decision making and to facilitate more informed discussion of the Budget in the National Assembly. New policy proposals should contain budget impact estimates

PI-7 Extent of unreported government operations

Assessment: D+

Suggestions:

- Enforce government agency budget reporting compliance with set regulations.
- Encourage Development Partners to comply with Paris Declaration in providing the budget with donor expenditure information.

PI-8 Transparency of intergovernmental fiscal relations

Assessment: NA (not applicable) because no transfers are currently being made to local government budgets.

Suggestions to improve transparency and objectivity in the horizontal allocation of transfers:

- Develop a transparent system for expenditure prioritization during the period when expenditure authorization is centralized, ensuring that actual expenditure is on authorized items and preventing or managing expenditure arrears and its potential overhang into future budgets.
- Prepare for the devolution of budget management functions to line ministries when requisite capacities have been developed and funding realities permit.

PI-9 Oversight of aggregate fiscal risk from other public sector entities

Assessment: C

The following are suggestions to improve the analysis of fiscal risk from parastatals and implement risk mitigation measures:

- Enforce compliance in the submission of audited accounts by AGAs and PEs
- Monitor compliance with the "Corporate Governance Framework for State Enterprises and Parastatals"
- Extend similar monitoring to local authorities as is required for parastatals
- Build the necessary capacity for fiscal risk analysis in the Ministry of Finance
- Analysis of fiscal risk from parastatals and implementing risk mitigation measure
- Continued observance and follow up on the policy measures announced by the government regarding discontinuation of RBZ's quasi-fiscal activities, and assessing fiscal risk of the public enterprises. If practical, a study should be conducted by a joint team of external advisors and government staff.

PI-10 Public access to key fiscal information

Assessment: C. Four of the six required documents are not available publicly for national and local levels of government, in-year budget execution reports, and contract awards lists.

Suggestions:

- Post on the Internet all public reports and reports being debated through the press.
- Contract awards should be published in the media for transparency and posted on the Internet.

3. Policy Based Budgeting

PI-11 Orderliness and participation in the annual budget process

Assessment: B.

Suggestions:

The following are steps to improve the existence of and adherence to a fixed budget calendar and to develop a transparent system for expenditure prioritization:

- There was a previous practice of initiating budget preparation before the end of the first quarter to allow more time for budget policy and strategy review and analysis. The circular should again come earlier, before the end of the first quarter of the fiscal year. The Ministry of Finance should revise the budget planning cycle and establish a clearly defined and specified strategic phase that commences before the end of the quarter of the financial year, leading to the presentation of a Budget Strategy Paper and finalization of ministry budget resource ceilings.

The following are steps to improve the political involvement in the preparation of budget submissions:

- The formal involvement of Cabinet in the budget process could be made more explicit and further steps taken to involve the National Assembly in the discussion of budget strategy and to allow more time for discussion of draft Budget. [23]
- Introduce a budget strategy paper, complementing the existing Mid-Year Fiscal Policy Review, which would be completed by the end of June so that it can underpin the preparation of the next budget.
- The Ministry of Finance should draw on the experience of other countries in further developing the budget preparation cycle and calendar. Bring forward preparation of the detailed budget spending proposals in order to allow the Budget to be finalized and submitted to the National Assembly by the end of October.
- Have preparation of the budget begin before the end of the first quarter of the fiscal year.

[23] World Bank: July 2010. "Strengthening Institutions for the Preparation of Government Budgets," PREM Africa Region. Washington, DC: World Bank, page 1.

- Introduce a clearly demarcated strategic review and planning phase to budget preparation that precedes issuing of the budget ceilings and preparation of the detailed original budget estimates.
- Provide a more explicit role for Cabinet at key stages during the preparation of the budget.
- Introduce a separate budget implementation review based on budget execution data for the first six months of the fiscal year. The review would provide the basis for determining necessary adjustments to the current annual budget.

The following are steps to improve the timeliness of budget approval by the legislature:

- The National Assembly (NA) should approve the budget as early as possible so that budget execution is not hampered. The deliberation on budget and appropriation should be their first agenda. The summer Session of NA may start in the first week of June to avoid delay in the budget approval.
- Revise the Public Finance Management Act to require submission of the draft budget to the National Assembly at least two months before the beginning of the new financial year. The Act now requires that the draft Budget should not be presented in the National Assembly before December leaving insufficient time for its discussion. The practice could be improved without changing the law.
- The Mid-Year Fiscal Policy Review (MYFPR) could serve as a Budget Strategy Paper (BSP) for discussion in Cabinet prior to issuing of the budget call circular. The BSP sets out the macrofiscal framework, policy context, and strategic priorities, and resource ceilings for the next budget. Present the BSP to Parliament to allow the underlying strategic and policy basis of the budget to be discussed prior to presentation of the detailed budget.

PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting

Assessment: C

The following are steps to improve the preparation of multiyear fiscal forecasts and functional allocations:
The Bank's 2011 review of the budget process recommended:[24]

1. The Ministry of Finance should aim to progressively develop the medium-term budget focus towards the adoption of a full MTEF, drawing on the experience of other African countries that have successfully introduced such reforms. More broadly the Bank recently reported[25] on a comprehensive review of experience with MTEFs to inform World Bank advice on MTEFs and public financial management reform in general. Based on the analysis using different quantitative techniques, this study provided convincing empirical evidence that MTEFs improve fiscal discipline. Medium-term budget frameworks and

[24] World Bank. July 2010. "Strengthening Institutions for the Preparation of Government Budgets," PREM Africa Region. Washington, DC: World Bank, page 1.
[25] World Bank. October 22, 201. REVIEW OF EXPERIENCE WITH MEDIUM-TERM EXPENDITURE FRAMEWORKS. Washington, DC: The World Bank Public Sector Governance and Poverty Reduction and Economic Management.

medium-term performance frameworks positively affect the allocative and technical efficiency of the budget.

2. The Medium-Term Plan (MTP) is more aspirational—reflecting some of the weaknesses and lack of realism of previous National Development Plans (NDPs). The challenge ahead will be to draw on these initial experiences in building an effective policy and strategic planning process that is realistic, makes best use of available professional and administrative capacities, and is integrated with the budget planning process.
3. The RBB procedures are complex and time-consuming, and appear overspecified for the current conditions in Zimbabwe. The Ministry of Finance should undertake a detailed reassessment of the RBB initiative to determine its relevance to the key problems facing Zimbabwe and its feasibility and how current procedures and roll-out plans should be modified to take account of capacity constraints.
4. The Ministry of Finance will need to shift the emphasis of its capital investment planning away from the open-ended identification of investment needs to a prioritized investment plan that is consistent with resource availability. This shift will require more rigorous procedures for the identification, screening, appraisal, and management of capital investment projects.

Actions in support of this are the following:

- The MTP should be used to assist with improving the realism of allocations. This relies on the MTP itself being realistic.
- Sector and local budgets should link more closely with national budget priorities and directions.
- Further improvement of the utility of the Results Based Budget probably by streamlining and simplification.
- Widen the budget calendar timetable by bringing forward earlier stages.
- Encourage more involvement with stakeholders.
- Strengthen ZIMSTAT for more reliable economic statistics.

The following are steps to improve the scope and frequency of debt sustainability analysis:

- A more regular DSA activity should build on the Bank 2011 exercise.

The following are steps to improve the sector strategies:

- Improve knowledge of the ways in which sector strategies can improve fiscal performance and use this to expand sector strategies to all areas of the budget.
- Strengthen the project planning and procurement process to ensure alignment of capital and recurrent funding.
- Agree and implement guidelines for project appraisal procedures.
- Agree and implement guidance on project management.
- Improve ICT through expansion of PFMS and other database functionalities and reliability.

The following are steps to improve the linkages between investment budgets and forward expenditure estimates:

- Program costing expertise to be improved.

- Results-based budgeting to include linkages.

The following are other steps:
Engender buy in at political level.
Retain policy consistency during the economic turn round processes.

PI-13 Transparency of taxpayer obligations and liabilities

Assessment: B

Suggestions:

The following are steps to improve the clarity and comprehensiveness of tax liabilities:
- Simplify legislation for major taxes. This is already being done with the preparation of a new Income Tax draft.
- There is a need to develop practice, interpretation, and explanatory notes for the benefit of taxpayers.
- Intensify taxpayer education campaigns.
- Train Authority officers to equip them with knowledge.
- Extend online accessibility of all relevant information to taxpayers on a read-only basis.
- E-filing to be implemented immediately.
- Electronic lodgment of all bills of entry for exports and imports.

The following are steps to improve taxpayer access to information on tax liabilities and administrative procedures:
- To continue with client education workshops and continuously update the website as soon as any changes are made to any piece of legislation that affects taxpayers.
- To continuously train staff on and fully utilize the computer systems.
- There is a need to have clients use online access to their tax liabilities from the comfort of their offices or homes, instead of physically visiting offices.
- Establishment of a call center as well as enhancing information and client care centers scattered in the whole country.

The following are steps to improve the functioning of a tax appeals mechanism:
- Publication of the decided cases this will allow managers to refer to decided cases and help them finalize similar cases on hand before they escalate to Head Office.
- Beyond the ZIMRA tax appeals system, the court appeal system should be enhanced to improve effectiveness and turn-around time.

Other steps to improve the rating are the following:
- To give first class service to clients who contribute 80 percent of revenue—Large Taxpayers Unit.
- To continue benchmarking to be in tandem with comparable regional and global trends.

Suggestions that arose from 2011 Article IV consultations were the following:

- Finalize the draft of the new Zimbabwe income tax law (ZITA) in line with IMF technical assistance.

The VAT system could be strengthened by:

- Rationalize temporary VAT and customs duties exemptions on the 36 basic commodities.
- Abolishing defunct customs and VAT rebates.
- Requiring all government purchases to pay customs duties and VAT at customs.

The current tariff structure is excessively complex with over 17 bands. Over the medium term, it needs to be streamlined in anticipation of regional trade liberalization.

- Adopt a time-bound action plan to simplify tariff bands with a view to eventually harmonizing with the COMESA/SADC external tariffs.
- Establish higher domestic excises on a) beer and soft drinks, b) tobacco products, and c) motor vehicles, while simultaneously reducing the current tariff rates to 40 percent. In principle, this measure should be revenue neutral.

Improve the financial sector:

- Repeal transaction taxes on banking and securities transactions.
- Subject fee-based financial transactions to VAT.
- Replace the current formula for taxing long-term insurance with a revised current
- year transactions formula.

Taxation of mining:

- Consider applying the current first-tier additional profits tax (APT)—for special mining leases—to all mining leases and special grants, with a transitional deduction for existing projects at the written-down book value of assets.
- Revise capital allowances for tangible assets to conform to generally applicable rules.
- Revise thin capitalization rules restricting the deductibility of interest.
- Define direct or indirect sales of immoveable property by nonresidents as chargeable to capital gains tax.
- Mining companies or projects should pay normal customs and excise duties and VAT.

Tax administration

- Complete the reorganization of the Zimbabwe Revenue Authority (ZIMRA) in line with previous IMF technical assistance recommendations.
- Strengthen the operation of the recently created large tax payers unit.
- Introduce a post-clearance audit infrastructure within customs.

PI-14 Effectiveness of Measures for Taxpayer Registration and Tax Assessment

Assessment: C+

Suggestions: There are opportunities to improve the registration and penalty systems.

The following are steps to improve the controls in the taxpayer registration system:

- It would be beneficial to the authority, if the database is linked to other government agencies, such as local authorities and other important organizations, for example, financial institutions.
- There is a need to develop a system that links with other government departments for registration purposes. Use of mandatory supplementary numbers should be used, being national registration for individual taxpayers and company registration number for companies.
- Put in place disincentives for nonregistration, such as ensuring that unregistered companies cannot bid for public contracts.
- Improve client awareness of benefits and need to register.

The following are steps to improve the effectiveness of penalties for noncompliance with registration and declaration obligations of the taxpayer:

- Computerize the penalty loading model for more consistency and less subjectivity in application.
- Do routine audits of all taxpayers.
- Provide relevant information to all taxpayers through education.

The following are steps to improve the planning and monitoring of tax audit and fraud investigation programs:

- Put in place automation of the Risk Assessment Module that covers all revenue heads and enables risk-based auditing.
- Implement the case management module.
- Collect and analyze statistics on industry sector performance for benchmarking purposes.
- Improve capacity building in audit and investigations officers by training them in auditing of computerized accounting/financial systems.
- Improve resources in audit and investigations sections.
- Use up-to-date audit and accounting packages.
- Improve audit and investigations coordination and conduct joint projects to improve presence in all Regions.

PI-15 Effectiveness in collection of tax payments

Assessment: D+, largely because of low debt collection ratio.

Suggestions: There are opportunities to reduce arrears, speed collections, and improve arrears information.

The following are steps to improve the collection ratio for gross tax arrears:

- Enhance the debt management system through more resources and the large taxpayer unit actions.
- Enhance the information systems that enable reconciliation of assessments, debt, and collections.

The following are steps to improve the effectiveness of transfer of tax collections to the Treasury by the revenue administration:

- Financial institutions dealing with the Authority should deploy straight through process banking system where funds transferred today reaches the recipient the same day. This will provide Treasury with better information and at the same time improve on service delivery.
- Change the frequency of pay-over from twice a week to three times a week.

The following are steps to improve the frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury:

- Assessments should be done before receipting and reconciliations of the same accounts should be done regularly and outcome reports should be monitored.
- Improvement of the tax payment system, which has clear payment rules.
- Extensive taxpayer education.

The following are other steps to improve the rating:

- There is a need to craft the operational procedures and reporting system to include the above.

4. Predictability and Control in Budget Execution

PI-16 Predictability in the availability of funds for commitment of expenditures

Assessment: D+

The dimensions are rated as A for frequency of cash flow monitoring, C for the notice given to ministries, departments, and agencies on their cash availability for spending, and C for the frequency of budget cash adjustments.

Suggestions:

The following are steps to improve the extent to which cash flows are forecast and monitored:

- The prevailing cash limited budgeting incorporates tight monitoring of cash flows and this discipline needs to be incorporated into a cash flows prediction system in the usual budget management processes.
- Introduction of Budget implementation circular; strengthening cash planning framework.
- Introduction of bank sweeping arrangements.

The following are steps to improve the reliability and horizon of periodic in-year information to agencies on ceilings for expenditure commitment:

- The transparency of the process needs more formalized procedures to make the adjustments on a monthly basis and communicate them to MDAs.

PI-17 Recording and management of cash balances, debt, and guarantees

Assessment: B

Suggestions:

- It is important that Ministry of Finance be fully apprised of the sovereign and any other debts that have been contracted. The Debt Management Office should review and report on the comprehensiveness of the approval and monitoring processes for all liabilities.

PI-18 Effectiveness of payroll controls

Assessment: C+

Suggestions:

The following are steps to improve the degree of integration and reconciliation between personnel records and payroll data:

- A need for an integrated database system.
- The custom developed payroll system is an old system and is in need of replacement. In view of the fact that SAP does have a full human resource module and that the payroll operations need to be integrated more closely with the accounting operation, it is preferable for the payroll to be migrated to SAP and run on the same set of servers as those used for the PFMS.
- Frontline managers should submit monthly returns on staff in post and source documents that affect the payroll, for example, changes to account numbers and grades.
- The payroll system should be studied in detail to establish the effectives of the controls over and validity of the payroll data.

The following are steps to improve the timeliness of changes to personnel records and the payroll:

- Use of the e-government system will improve timeliness.
- Computerizing the personnel record system at the ministry level and linking with the Salary Services Bureau master file.

The following are steps to improve the internal controls over changes to personnel records and the payroll:

Improvements are needed for data input forms, supervision, and reconciliations.

Use of exception reporting and strengthening the internal audit unit.

The following are steps to improve payroll audits to identify control weaknesses and/or ghost workers:
Training auditors in improved payroll audit techniques and conducting audits periodically.
Payroll audits need to be done and ensure that in fact the reconciliations done monthly. The C&AG response suggests a periodic headcount and introduction of electronic attendance registers.

The following are other steps to improve the rating:

- The functions of payroll administration should be decentralized to ministries for ease of administration so the ministries are able to monitor at source.
- The legal framework should provide for punitive measures against personnel who deliberately create ghost workers.

PI-19 Competition, value for money and controls in procurement

Assessment: D+

Suggestions:

Country Procurement Assessment Report at Attachment 2 contains comprehensive suggestions. The following suggestions came separately from the PEFA review discussions.

- A more decentralized approach to procurement could lessen some of the congestion problems. Many countries have moved to decentralized procurement while keeping a central procurement body to provide procurement policy advice, regulation, and quality assurance.[26]

The following are steps to improve the legal and regulatory framework for procurement:

- Effectiveness of the procurement system and its law and regulations should be studied, and also strengthened through staffing and training.
- Long delays in procurement need to be resolved through removal of bottlenecks, including in Procurement Board processes.
- There is a need to assess the adequacy of information dissemination on procurement and improve on that element as necessary—and to create an awareness of the need to audit procurement and provide adequate financial support.

The following are steps to improve the use of open competition:

- Disciplinary measures are needed for noncompliance and incentives for those who comply with laws and regulations.
- Advertisement through newspapers, through respective agencies' websites, and a proposed central website to be created under PPPD.

[26] World Bank. March 2011. "Public Investment Management in Zimbabwe," draft report. World Bank.

- PPPD needs to create a data base to capture the information relating to number of various methods of contracts concluded by the various agencies. From this database, PPPD should be able to generate reports.
- Introduction of electronic government procurement (e-GP).
- Periodical meetings, such as workshops with line agencies, contractor, suppliers, or business communities.

The following are steps to improve public access to procurement information:

- Introduce government procurement journals, websites, and more information availed to public media other than press.
- Create an awareness of the need to audit that element of the procurement process with adequate financial support.

The following are steps to improve the procurement complaints mechanism:

- Existing complaint redress mechanism the PRR 2009 does not have detailed procedures and should be reviewed.
- There is a requirement of an Independent Review Body (IRB) under the Ministry of Finance as per the PRR 2009. This will be a big move to improve the procurement complaint mechanism.
- Create a database to monitor the complaints and a cell in the Ministry of Finance to handle complaints.
- Create an awareness of the need to audit that element of the procurement process with adequate financial support.

PI-20 Effectiveness of internal controls for nonsalary expenditure

Assessment: C+

Suggestions:

- Improving the tone at the top is a key factor in the system of internal control.
- Effectiveness of internal controls should be reviewed and the internal audit function should be strengthened through staffing and training. Responses from the Ministries of Health and Transport Internal Audit Unit suggest a need for training of accountants, administration, audit staff, and their management in both technical and management skills, especially risk-based internal auditing.
- Treasury Instructions need updating and promulgation along with the PFMA regulations.
- Disbursements release should depend on monthly out-turn reporting.

The following are steps to improve the effectiveness of expenditure commitment controls:

- Most senior staff members shape the direction of any organization and as such it is them that should take the lead and comply.
- The importance of the computer system not failing.
- The Accountant-General should have sufficient resources to ensure that the Public Finance Management System is always up and running.

- Since all payments are made electronically, it would be preferable and simpler if all line ministry requests for payments (after all processing controls have been completed on the system by each ministry) are consolidated and processed centrally by the AG from the consolidated fund account (instead of the current practice of payment by each ministry through its own bank account after cash has been transferred to it from the center).

The following are steps to improve the comprehensiveness, relevance, and understanding of other internal control rules/ procedures:

- Regular meetings with the junior staff on the importance of maintaining and upholding comprehensive internal control procedures.
- The accounting procedures manual needs to be developed and implemented and appropriate training provided.

The following are steps to improve compliance with rules for processing and recording transactions:

- Senior members of staff to be serious and lead by example in all transactions requiring transparency.
- A need for stringent disciplinary measures to ensure compliance and rewards for exceptional performance.
- Sanction should be applied to personnel who reveal their passwords and encourage others to use them.

The following are other steps to improve the rating:

- Accounting personnel should be given training in the use of the Public Finance Management System and manuals on how to use the system should be developed.
- Motivation of staff that do day-to-day work.
- Proper remuneration so that junior staff desist from stealing from the employer.

PI-21 Effectiveness of internal audit

Assessment: C+

Suggestions:

- To improve IT audit expertise, the IIA can build a course for IT audit staff that meets Zimbabwe IA needs.
- Quality of the internal audit works needs a better manual.
- Greater time should be spent on auditing activities, rather than more managerial activities.
- The issue of training in ministry activities and programs needs to be addressed.

5. Accounting, Recording, and Reporting

PI-22 Timeliness and regularity of accounts reconciliation

Assessment: C

Suggestions:

- Automation of all bank account reconciliations must receive priority, in order to provide timely and reliable accounting control over all transactions.
- The quality of accounting should be improved and there would be value in considering a sweeping facility from subaccounts to the main account.
- The PFMS SAP hardware and the network infrastructure are in a state of disrepair and need significant refurbishment and upgrading.

PI-23 Availability of information on resources received by service delivery units

Assessment: D

Suggestions:

- To meet the need, SAP systems would need to apply a lower level of disaggregation.

PI-24 Quality and timeliness of in-year budget reports

Assessment: A

Suggestions:

The following are steps to improve the scope of in-year budget reports and to ensure that actual expenditure is on authorized items and expenditure arrears are prevented or managed:

- Transparency should be improved through publication on the internet of in-year budget execution reports.
- There is scope to improve the flexibility and value of the report generation processes in the SAP system by adding a better report generator facility.

Steps to improve the timeliness of the issue of the reports:
Government monthly revenues and expenditures reports should be prepared and posted on the MoF's website.

PI-25 Quality and timeliness of annual financial statements

Assessment: D

Suggestions:

The following are steps to improve the completeness of the financial statements:

- The Accountant General's Office has been considering professionalization of all accounting staff in government. The consideration of a cadre covering accounting staff is one area for review in consultation with the Public Service Commission, along with an appropriate set of PFM training courses.

The following are steps to improve the accounting standards used for the financial statements:

- The financial statements need to be aligned to international standards. The aim needs to be to apply the International Public Sector Accounting Standard (IPSAS) Cash Basis of Financial Reporting and to gradually adopt full IPSAS Part 2 format after obtaining necessary approvals and amendments to relevant laws, rules, and regulations.

6. External Scrutiny and Audit

PI-26 Scope, nature, and follow up of external audit

Assessment: C+

Suggestions:

- Transport vehicles are needed for regional audit work.

The following are steps to improve the scope/nature of audit performed, including adherence to auditing standards:

- Provision of appropriate training to auditors and development of audit tools.
- A dedicated and detailed study is required to discuss the external audit task under the existing circumstances, covering the legal basis of the external audit, as well as the training, office equipment and staff retention issues, in order to recommend a course of action for revitalizing the external audit function. Annex 3 provides an assessment of the current audit law against INTOSAI principles for the independence of the national audit function and shows some severe defects.

The following are steps to improve the timeliness of the submission of the audit reports to legislature:

- IT audit tools, such as CAATS and use of Team mate.
- Enforcement of provisions of the Public Finance Management Act on noncompliance to statutory deadlines.

The following are steps to improve the follow up on audit recommendations:

- A follow-up system needs to be developed. The SAI should report ministries that fail to implement agreed recommendations.

The following are other steps to improve the rating:

- Revamping the Training Department and providing human and material resources and better staff retention through implementation of attractive incentive schemes.

PI-27 Legislative scrutiny of the annual budget law

Assessment: C+

Suggestions:

- Modification of budget review calendars and portfolio committee terms of references can provide more time and scope for the committees to address the budget more fully.

PI-28 Legislative scrutiny of external audit reports

Assessment: D+

Suggestions:

The following are steps to improve the timeliness of examination of audit reports by the legislature:

- The use of more Public Accounts Sub-Committees and attachment of experts to the PAC will improve the accountability in the public sector.

The following are steps to improve the extent of hearings on key findings undertaken by the legislature:

- Experts in various disciplines need to work with the members of PAC to give needed guidance and point the way forward.

The following are steps to improve the issue of recommended actions by the legislature and implementation by the executive:

- The legislature should have implementable recommendations and a timeframe when the recommendation should be implemented. The PAC should be empowered to impose sanctions on offenders.
- The PAC report contains Committee recommendations and the Executive is required to report back to the Legislature on action taken. There is a need to support PAC by a more formal Ministry of Finance follow-up mechanism in place to ensure that recommended actions are implemented by the Executive so action is comprehensive.

The following are other steps to improve the rating:

- Members of the PAC should visit some countries with PACs that are effective in order to observe and learn new work methods.
- Public PAC hearing outside the Parliament Building and in other areas of the country could enhance transparency and increase public interest.

7. Donor Practices

PI-D1 Predictability of direct budget support

Assessment: N/A

PI-D2 Financial information provided by donors for budgeting and reporting on project and program aid

Assessment: A
Suggestions:

The following are steps to improve the completeness and timeliness of original budget estimates by donors for project support:

- The estimates break-down should be consistent with the government budget classification. The format for reporting has been agreed with the Ministry of Finance; the breakdown is not entirely consistent with budget clarification; however, the Ministry of Finance uses a coding tool that allows mapping the donor reports into budget classification. As reviews of the chart of accounts proceed, this issue should be examined.

PI-D3 Proportion of aid that is managed by use of national procedures

Assessment: D.Aid financing is currently being channeled through a wide range of procedures that mostly bypass government systems, presenting major challenges for budget planning, execution, reporting, oversight, and accountability.

Suggestions:

- Undertake a rigorous risk based assessment of the suitability of the country FM system for investment lending purposes.
- An immediate priority is for the Ministry of Finance to work with the CPs in developing a comprehensive listing of aid funding and projects supporting government services, and demonstrate that adequate procedures for monitoring aid flows and disbursements are in place.[27]
- Assistance should be given to the Office of the Accountant-General to reconfigure and normalize CRF operations and systems, and to prepare for integration as far as possible of earmarked donor funding into the government budget and systems.
- PFMS (SAP) should be set up to handle all transactions in one CRF ledger, using its foreign currency functionality to convert all transactions to a common reporting currency.

[27] World Bank. July 2010. "Strengthening Institutions for the Preparation of Government Budgets," Draft. PREM Africa Region, World Bank, page 2

Annex 2: Summary and Explanation of Indicator Scores

Indicator	Rating	Brief Explanation
A: PFM Out-turns		
1. Aggregate expenditure out-turn compared to original approved budget	NR	In 2010, the difference was greater than 15 percent but figures for 2008 were unavailable.
2. Composition of expenditure out-turn compared to original approved budget	D	Variance in expenditure composition exceeded 15 percent in 2009 and 2010. 2008 figures were unavailable for contingency expenditures.
3. Aggregate revenue out-turn compared to original approved budget	D	Actual domestic revenue collection was above 116 percent of original budget in two of the last 3 years.
4. Stock and monitoring of expenditure payment arrears	C+	Arrears were less than 10 percent but there was no age profile.
B: Key Cross Cutting Issues		
5. Classification of the budget	C	GFS is used but not COFOG.
6. Comprehensiveness of information included in budget documentation	B	Outturn figures, financial assets, and the financial implications of new policies are not fully disclosed.
7. Extent of unreported government operations	D+	Extra-budgetary expenditure ,which is unreported, is not quantified.
8. Transparency of intergovernmental fiscal relations	NA	Shortages of funds have led to ad hoc prioritization of no fiscal transfers
9. Oversight of aggregate fiscal risk from other public sector entities	C	Fiscal risks are monitored partially but not consolidated.
10. Public access to key fiscal information	C	Only the budget and the audit reports (when available) are made public.
C: Budget Cycle		
11. Orderliness and participation in the annual budget process	B	MDAs and Cabinet are not sufficiently involved in the budget process.
12. Multiyear perspective in fiscal planning, expenditure policy, and budgeting	C	Multiyear budget is in place but sector strategies are insufficient.
13. Transparency of taxpayer obligations and liabilities	B	Processes are operating but have some minor limitations in on line taxpayer access.
14. Effectiveness of measures for taxpayer registration and tax assessment	C+	Opportunities to improve data base linkages and risk based audit programs
15. Effectiveness in collection of tax payments	D+	Collection ratios need improvement.
16. Predictability in the availability of funds for commitment of	D+	MDAs do not have reliable advance information on funds and commitment

expenditures		controls need improvement to prevent arrears.
17. Recording and management of cash balances, debt and guarantees	B	A Debt Management Office has a comprehensive system in place.
18. Effectiveness of payroll controls	C+	Manual systems are involved and limit effectiveness
19. Competition, value for money and controls in procurement	D+	Data on competitive bidding unavailable and little information publicly available.
20. Effectiveness of internal controls for non-salary expenditure	C+	Internal controls are overridden and no recent published audit reports.
21. Effectiveness of internal audit	C+	Management response and audit standards need improvement.
22. Timeliness and regularity of accounts reconciliation	C	Monthly reconciliations are at the detailed but not aggregate level.
23. Availability of information on resources received by service delivery units.	D	Only aggregated data are available, not at service delivery unit level of classification
24. Quality and timeliness of in-year budget reports.	A	Produced on-line by the SAP system for each ministry.
25. Quality and timeliness of annual financial statements	D	Accounting standards not mentioned and FS not produced within a year
26. Scope, nature, and follow-up of external audit	C+	Follow-up action is not satisfactory and audit reports have been delayed recently.
27. Legislative scrutiny of the annual budget law	C+	The legislature and its portfolio committees are not involved early enough.
28. Legislative scrutiny of external audit reports	D+	PAC attention has been initiated only recently.
D: Donor Practices		
D-1 Predictability of direct budget support	NA	No budget support.
D-2 Reporting on project/ program aid	A	Effective reporting.
D-3 Proportion of aid that is managed by use of national procedures	D	No use of in-country systems.

Annex 3: Independence of the Supreme Audit Institution

REVIEW OF AUDIT OFFICE ACT ZIMBABWE MAY 25, 2011

The principles of independence are contained in the International Standards of Supreme Audit Institutions ISSAI 10 "Mexico Declaration on SAI Independence." The following review shows that this benchmark is generally met by the new law. There are some deviations, which are set out below.

In ISSAI 10 Supreme Audit Institutions generally recognize eight core principles, which flow from the Lima Declaration of Guidelines on Auditing Precepts and decisions made at the XVIIth Congress of INTOSAI (in Seoul, Korea), as essential requirements of proper public sector auditing. ISSAI 11 "INTOSAI Guidelines and Good Practices Related to SAI Independence" provides a source of examples of good practices for implementation of the principles.

Review of the audit Office Act No. 12/2009 compared to the eight principles follows. In summary, the principles are sufficiently satisfied for Zimbabwe with residual issues being:
Principle 2—Serious defects in not specifying the term of the C&AG, not providing immunity from prosecution, and not involving the legislature in the appointment processes.
Principle 3—Managerial issues are not covered, such as specification of audit standards that should be applied, code of ethics, and cooperation with public sector entities in PFM improvement.
Principle 7—The laws do not specify any follow up mechanisms.
Principle 8—The laws do not give the SAI any special dispensation from the budget processes in arranging funding.

Principle 1
"The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework. Legislation that spells out, in detail, the extent of SAI independence is required."

1. Section 5 of the Lima Declaration on which this principle is based states that the establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; and details may be set out in legislation. Three pieces of Zimbabwe legislation are relevant—the Constitution of Zimbabwe as amended at the 14 September, 2005 (note that this constitution is being reviewed and one of the working groups is considering public financial management), the Public Finance Management Act, and the Audit Office Act.

2. Sections 105 and 106 of the Constitution contain provisions on the appointment and removal of the C&AG and the functions. On the extent of SAI independence S 106 (6) says "In the exercise of his functions under subsections (1), (2), (3) and (4), the Comptroller and Auditor-General shall not be subject to the direction or control of any person or authority other than the House of Assembly." The Audit Office Act S 5 states that "the C&AG shall have complete discretion in the discharge of his or her functions."

3. The legislation will comply with Principle 1 apart from any deficiencies set out below for the other principles.

Principle 2
"The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties. The applicable legislation specifies the conditions for appointments, re-appointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are:
• appointed, re-appointed, or removed by a process that ensures their independence from the Executive (see ISSAI-11 Guidelines and Good Practices Related to SAI Independence);
• given appointments with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation; and
• immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be."

4. Under S 105 the Comptroller and Auditor-General shall be appointed by the President after consultation with the Public Service Commission. There is no specified term of office in the law, which says "hold office on such terms and conditions as are fixed by the President after consultation with the Public Service Commission." Removal is covered by the Audit Office Act S 4, which specifies the necessary circumstances and the need for the House of Assembly to make a resolution for removal.

5. There is no mention of immunity.

6. This principle is met apart from specification of an appropriate term, a need for involvement of the legislature in the appointment and a protection for the C&AG from prosecution. These are serious defects.

Principle 3
"A sufficiently broad mandate and full discretion, in the discharge of SAI functions. SAIs should be empowered to audit the:
• **use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;**
• collection of revenues owed to the government or public entities;
• legality and regularity of government or public entities accounts;
• quality of financial management and reporting; and
• economy, efficiency, and effectiveness of government or public entities' operations."

7. S 106 and the PFM Act cover the first three items. S 6 of the Audit Office Act also covers the other two.

8. This provision is met fully

"Except when specifically required to do so by legislation, SAIs do not audit government or public entities policy but restrict themselves to the audit of policy implementation. While respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the:
• selection of audit issues;
• planning, programming, conduct, reporting, and follow-up of their audits;
• organization and management of their office; and
• enforcement of their decisions where the application of sanctions is part of their mandate."

9. These are covered in S 106 and S5 of the Audit Office Act.

"SAIs should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit.
SAIs should ensure that their personnel do not develop too close a relationship with the entities they audit, so they remain objective and appear objective.
SAI should have full discretion in the discharge of their responsibilities, they should cooperate with governments or public entities that strive to improve the use and management of public funds.
SAI should use appropriate work and audit standards, and a code of ethics, based on official documents of INTOSAI, International Federation of Accountants, or other recognized standard-setting bodies.
SAIs should submit an annual activity report to the Legislature and to other state bodies—as required by the constitution, statutes, or legislation—which they should make available to the public."

10. These matters are not specified in these laws.

11. Overall Principle 3 is satisfied apart from the managerial issues.

Principle 4
"Unrestricted access to information. SAIs should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities"

12. S 106 covers this.

Principle 5
"The right and obligation to report on their work. SAIs should not be restricted from reporting the results of their audit work. They should be required by law to report at least once a year on the results of their audit work."

13. The PFM Act and the Audit Office Act S 10, 11 and 12 cover these issues in detail. This principle is met in full.

Principle 6
"The freedom to decide the content and timing of audit reports and to publish and disseminate them.
SAIs are free to decide the content of their audit reports. SAIs are free to make observations and recommendations in their audit reports, taking into consideration, as appropriate, the views of the audited entity. Legislation specifies minimum audit reporting requirements of SAIs and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate. SAIs are free to decide on the timing of their audit reports except where specific reporting requirements are prescribed by law. SAIs may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government. SAIs are free to publish and disseminate their reports, once they have been formally tabled or delivered to the appropriate authority—as required by law."

14. The PFM Act and the Audit Office Act S 10, 11 and 12 cover these issues in detail. This principle is met in full.

Principle 7
"The existence of effective follow-up mechanisms on SAI recommendations SAIs submit their reports to the Legislature, one of its commissions, or an auditee's governing board, as appropriate, for review and follow-up on specific recommendations for corrective action. SAIs have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board, as appropriate. SAIs submit their follow-up reports to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action, even when SAIs have their own statutory power for follow-up and sanctions."

15. No follow-up mechanisms are contained within the law or allowed for through the requirement on the SAI to adopt INTOSAI audit standards. This principle is not met by the laws.

Principle 8
"Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources. SAIs should have available necessary and reasonable human, material, and monetary resources—the Executive should not control or direct the access to these resources. SAIs manage their own budget and allocate it appropriately. The Legislature or one of its commissions is responsible for ensuring that SAIs has the proper resources to fulfill their mandate. SAIs have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their mandate."

16. Part IV of the Audit Office Law covers the Audit Commission, which has powers over the appointment of audit staff and the administration of funds in the Audit Office. The C&AG is a member of the Audit Commission. Part V of the Audit Office Law governs the administration of the Audit Office and its staff. Part VII covers funding and there is no provision, which gives the SAI any special arrangement for funding. This principle is not met.

Annex 4: Sources of Information

Agencies Interviewed and Chair of Meeting

Ministry of Planning and Investment Promotion—Dr. D. Sibanda, Secretary for Planning and Investment Promotion

Department of the Accountant General—Mrs. J. Madzorera, Accountant General

Department of Internal Audit, Department of Finance—Mr. Mapeza, Principal Director

Office of the Comptroller & Auditor General—Mrs. M. Chiri, Comptroller and Auditor General

Department of Budget, Department of Finance—Mr. P. Kunaka, Principal Director

Ministry of Local Government—Mr. Mupingo, Secretary of Local Government Department

Parliamentary Public Accounts Committee—Mr. Chinyadza, Chairman

Ministry of Health—Dr. Gwinji, Secretary of Department of Health

Ministry of Education—Dr. S Mahere, Secretary of Department of Education

Debt Management Office, Department of Finance—Mr. Bvumbe, Head

State Procurement Board—Mr. Kuwaza, Chairman, State Procurement Board

Zimbabwe Revenue Authority—Mr. Pasi, Commissioner General

Salary Services Bureau, Public Services Commission—Mr. Chiuzingu, Director

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Annex 5: Compositional Variances for the Budget

Financial year 2009			
Administrative classification	**Budget**	**Actual**	**Difference**
Civil Service	274,865,800	396,212,280	121,346,480
Health and Child Welfare	121,024,000	24,604,095	-96,419,905
Pension	75,000,000	98,359,840	23,359,840
Education, Sport, Arts, and Culture	73,047,300	6,783,019	-66,264,281
Transport and Infrastructural Development	43,686,000	18,564,316	-25,121,684
Labor and Social Services	38,327,100	4,093,558	-34,233,542
Home Affairs	36,164,500	12,397,553	-23,766,947
Agriculture, Mechanization & Irrigation Development	34,663,440	13,258,040	-21,405,400
Higher & Tertiary Education	31,897,500	11,061,179	-20,836,321
Justice & Legal Affairs	31,292,300	9,567,038	-21,725,262
ZIMRA Retention	31,162,500	47,877,877	16,715,377
Defense	27,009,600	31,071,207	4,061,607
Grant Aided Institutions	24,911,700	42,673,934	17,762,234
Local Government, Urban and Rural Development	17,772,000	3,862,391	-13,909,609
Foreign Affairs	16,767,200	37,517,740	20,750,540
Finance (inc. ZIMRA retention)	11,490,500	13,974,876	2,484,376
Public Works	10,219,000	5,941,459	-4,277,541
Office of the President and Cabinet	9,928,021	46,015,712	36,087,691
Energy and Power Development	7,657,055	715,988	-6,941,067
National Housing and Social Amenities	6,944,000	877,669	-6,066,331
Sum of rest	51,470,484	55,862,837	4,392,353

Source: MoF Out-turn Tables.

Financial Year 2010			
Administrative classification	**Budget**	**Actual**	**Difference**
Education, Sport, Arts and Culture	276,753,000	318,831,426	42,078,426
Pension	165,000,000	188,113,054	23,113,054
Health and Child Welfare	156,473,600	183,865,169	27,391,569
Home Affairs	103,613,000	139,861,456	36,248,456
Defense	98,293,000	160,847,739	62,554,739
Higher & Tertiary Education	70,264,000	149,158,335	78,894,335
Agriculture, Mechanization & Irrigation Development	55,771,700	266,537,192	210,765,492
Office of the President and Cabinet	50,568,000	84,127,613	33,559,613
Public Service	48,890,500	59,055,946	10,165,446
Justice & Legal Affairs	46,131,000	60,669,980	14,538,980
Foreign Affairs	42,427,000	54,668,328	12,241,328
Labor and Social Services	27,522,500	28,870,685	1,348,185
Finance (inc. ZIMRA retention)	81,491,000	113,559,725	32,068,725
Transport and Infrastructural Development	20,737,700	74,247,465	53,509,765
Youth, Indigenization and Empowerment	14,913,000	20,618,357	5,705,357
Public Works	12,199,000	28,393,988	16,194,988
Local Government, Urban and Rural Development	11,106,000	21,974,050	10,868,050
Constitutional and Parliamentary	8,978,000	18,092,082	9,114,082
Lands and Rural Resettlement	6,979,000	5,338,308	-1,640,692
Parliament of Zimbabwe	6,781,000	10,414,806	3,633,806
Sum of rest	49,619,000	124,943,678	75,324,678

Source: MoF Out-turn Tables.