



THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

CITIZENS' VIEWS SHOULD SHAPE PUBLIC FINANCE MANAGEMENT

The Portfolio Committee on Budget, Finance and Economic Development announced that it will be holding Public Hearings on the Public Finance Management (PFM) Bill which was gazetted on 31 March 2021. The Bill seeks to align the Public Finance Management Act Chapter 22:19 to the Constitution, in particular Chapter 17 of the Constitution on Principles of Public Finance Management as well as strengthen Parliamentary Oversight over the use of public funds. The Bill therefore seeks to improve what already exists in the ACT.

The Public Hearings as announced will take place from the 7th to the 11th of June 2021 in the following towns: Mutare; Marondera; Harare; Chinhoyi; Bindura; Masvingo; Gwanda; Lupane; Bulawayo and Gweru.

The broad objectives of public finance management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective delivery of public services. A PFM system should ensure that public resources remain allocated to agreed-upon strategic priorities and spur reallocation from lesser to higher priorities to ensure allocative efficiency. It should also ensure operational efficiency by achieving maximum value for money in the delivery of services.

The Public Finance Management Amendment Bill seeks to align the Public Finance Management Act to the Constitution, in particular Chapter 17 of the Constitution on Principles of Public Finance Management.

Overall, the following are some of the key elements that the bill should address:

1. The Bill must be grounded on International best practices for example international practice calls for all anti-corruption agencies to work closely with Parliament so that action is taken immediately when the need arises. However, the Bill states that Parliament can now refer all matters to the Zimbabwe Republic Police or the Zimbabwe Anti-Corruption Commission

(ZACC).

2. **The Bill should take into account and make it mandatory for the principle of social inclusion and equity** in the budget formulation (mandatory for Ministries to consider gender, youth and disability issues in their budgeting)

The following clauses in the proposed Amendment Bill needs attention so that they are in line with the Constitution and best practice:

1. **Clause 3 – The Bill should make Public Finance Management Principles a statute as contained in Chapter 17 of the Constitution.** The objectives of the Bill should be more detailed by including other principles of sound public finance management enshrined in section 298 of the Constitution. The Clause as it stands only has two principles: transparency and accountability leaving out other such as fair taxation, equitable use of revenue, expenditure being directed to national development etc.

2. **Clause 6 - Internal auditors should have reporting obligations to the Treasury** to ensure transparency and not have a dual reporting obligation to the Accounting Officer and Treasury.

3. **Clause 9 inserts a new subsection (8) replacing section 12(b). It should be worded clearly and in simple terms.**

4. **Clause 14 - The accounting officer should never be forced to comply with orders that are not allowable.** This is because section 9 (4) {b} empowers the Accountant General to refuse payment on any voucher in support of a charge on the Consolidated Revenue Funds which is not allowable.

5. **Clause 31 creates Audit Committees. In order to enhance independence of the Committees, there is need to introduce an independent reporting unit** for Internal Auditors in the Ministry of Finance (like in Zambia) where all internal audits report to.

Some of the sections in the PFMA should be amended so that they are in line with the Constitution and best practices and these include:

1. **Section 28** of the PFMA requires the national budget to be tabled before the National Assembly “not earlier than 30 days before or not later than 30 days after the start of the forthcoming financial year”. This provision should be aligned with section 305 (2) of the Constitution which requires the estimates of revenue and expenditure to be presented to the National Assembly on a day on which the National Assembly sits before or not later than 30 days after the start of each financial year. There is need for clear timelines on the budget cycle.

2. **Section 11 (2)** of the PFMA should be amended so that the Minister of Finance and Economic Development seeks authority through Parliament resolution to write off debt instead to seek condonation of already written off debt.

3. The Public Finance Management Act must be fully aligned with Section 308 of the Constitution which outlines Duties of custodians of public funds and property. Monetary penalties outlined in the current Act must be revisited to make them more deterrent.

Based on our work as ZIMCODD, some of the Citizens demands on the PFM Bill include:

- The need for sound systems and mechanisms which are key ingredients for the successful implementation of the Auditor General's recommendations by public and constitutional entities. There should be mechanisms in place to monitor implementation by public entities with penalties in cases of non-compliance.
- Establishment of a Committee in each public entity to enforce implementation of recommendations from the AG's office, Parliament should play a critical role in enforcing the implementation of these recommendations.
- Provision of guidelines and timelines on national budget making processes, PFM Act should strengthen and advance local and national budget transparency, participation and oversight. Local and national budgets should only be approved when there is sufficient and convincing evidence that citizens have been genuinely consulted in preparation of the budgets to minimise and avoid superficial consultations.
- Increasing citizen participation in the national budget process. The PFM Act should compel the Ministry of Finance and Economic Development to produce and avail Citizen Versions of key budget documents including the Budget Strategy Paper and the budget itself. Measures should be put in place to ensure compliance and adherence by the Treasury.
- The bill lacks comprehensive principles and best practices that should guide PFM in Zimbabwe i.e. principle of equity. The PFM bill and the subsequent Act must be clearer and more specific than the Constitution.
- The Bill should have provision for speedy detection of public financial misconduct by custodians of public funds, and the disciplining and punishment of the perpetrators. The Act should therefore set deterrent and punitive measures for perpetrators who engage in public financial misconduct.