

Government of Zimbabwe

Report on the Evaluation of the Public Financial Management System of Zimbabwe

Public Expenditure and Financial Accountability (PEFA) Assessment 2017

August 2018

A joint project of the Government of Zimbabwe and the World Bank



ZIMBABWE

Public Expenditure and Financial Accountability (PEFA)

Assessment Report 2017

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat
August 9, 2018

FISCAL YEAR

January 1 - December 31

CURRENCY EQUIVALENTS

(as of November 30, 2017)

Zimbabwe Currency unit = US\$

Acronyms and Abbreviations

AfDB	African Development Bank
AFROSAI-E	African Organization of Supreme Audit Institutions - English Speaking
AGA	Autonomous Government Agency
AGD	Accountant General's Department
BCG	Budgetary Central Government
BSP	Budget Strategy Paper
CG	Central Government
CIT	Corporate Income Tax
COFOG	Classification of the Functions of Government
CRF	Consolidated Revenue Fund
CSFP	Consolidated Statement of Financial Performance of the CRF
DFID	Department for International Development
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
EBF	Extra-Budgetary Fund
EDF	European Development Fund
EU	European Union
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GOZ	Government of Zimbabwe
INTOSAI	International Organization of Supreme Audit Institutions
IA	Internal Audit
ICT	Information and Communications Technology
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
JV	Joint Venture
LA	Local Authority
MDA	Ministries, Departments and Agencies (of budgetary central government)
MOLGPWNH	Ministry of Local Government, Public Works and National Housing
MOAMI	Ministry of Agriculture, Mechanization and Irrigation
MOFED	Ministry of Finance and Economic Development

MOHCC	Ministry of Health and Child Care
MOTHEST	Ministry of Tertiary and Higher Education, Science and Technology
MOPSE	Ministry of Primary and Secondary Education
NCP	Non-Commercial Parastatal
NANGO	National Association of Non-Government Organizations
NSSA	National Social Security Authority
OAG	Office of the Auditor General
PAAB	Public Accounts and Auditing Board
PAC	Public Accounts Committee
PAYE	Pay As You Earn tax
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMEP	PFM Enhancement Project
PFMS	Public Financial Management System
PI	Performance Indicator
PIM	Public Investment Management
PIT	Personal Income Tax
PPA	Public Procurement Act
PPP	Public-Private Partnership
RBZ	Reserve Bank of Zimbabwe
SAI	Supreme Audit Institution
SAP	Systems Application Production (software brand name)
SERA	State Enterprises Restructuring Agency
SPB	State Procurement Board
STERP	Short Term Emergency Recovery Program
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
VAT	Value Added Tax
ZIM-ASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMDEF	Zimbabwe Manpower Development Fund
ZIMRA	Zimbabwe Revenue Authority
ZIMREF	Zimbabwe Reconstruction Fund
ZINARA	Zimbabwe National Roads Authority
ZNCC	Zimbabwe National Chamber of Commerce

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Preface

The 2017 Public Expenditure and Financial Accountability (PEFA) assessment was carried out jointly by the assessment team comprising of officials of the Government of Zimbabwe (GOZ) and the World Bank. The assessment is undertaken under the Public Financial Management Enhancement Program (PFMEP) of the Government of Zimbabwe, financed by a multi-donor trust fund - Zimbabwe Reconstruction Fund (ZIMREF) with support from United Kingdom, represented by U.K. Department for International Development (DFID), Denmark, the European Union, Germany, Norway, the State and Peace Building Fund, Sweden, and Switzerland. The multi-donor trust fund is administered by the World Bank.

The objective of the assessment was to identify areas of strengths and weaknesses in the Government's Public Financial Management (PFM) system. The PEFA assessment will help to inform and prioritise the next generation of Public Financial Management reforms in the country.

The PEFA Assessment was managed through the Joint Government-Donor Oversight Committee, chaired by Daniel Muchemwa, Accountant General of Ministry of Finance and Economic Development (MOFED). The assessment team was jointly led by Edwin Zvandasara, Deputy Accountant General, and Srinivas Gurazada, Sr. Financial Management Specialist, World Bank. The in-country assessment mission was conducted in November 2017. It followed by standard recommended practices of the PEFA Secretariat as laid down in the concept note for the assessment. The PEFA assessment team comprised GOZ staff as well as staff and consultants from the World Bank. The PEFA Assessment team acknowledges and appreciates the excellent cooperation extended by Government of Zimbabwe and all other stakeholders, information providers, peer reviewers, ZIMREF Donors, other development partners including PEFA Secretariat, IMF, European Union, and civil society agencies.

Executive Summary

Assessment Purpose, Coverage, Management, and Timing

The objective of the PEFA 2017 assessment is to provide the government with an objective, indicator-led assessment of the national PFM system in a concise and standardized manner to assist in identifying those parts of the PFM systems in need of further reform and development. The assessment also offers an update of progress in PFM systems performance since the last PEFA assessment in 2011 – as part of the Country Integrated Fiduciary Assessment (CIFA) report.

The scope of the assessment is the central government of Zimbabwe comprising ministries, departments, and agencies (MDAs), non-commercial parastatals (NCPs) and the National Social Security Authority (NSSA). The cutoff date for consideration of data / developments for the purposes of assessment is November 2017 i.e. the last completed fiscal year considered for the assessment is FY2016.

The 2017 PEFA assessment is a joint Government-World Bank exercise, conducted under the guidance of a Government – Donor Oversight Team. The technical work of the assessment is undertaken jointly by the team consisting of Government of Zimbabwe officials and World Bank staff/consultants. Quality assurance of the assessment follows the PEFA Program’s PEFA CHECK procedures as well as the World Bank’s quality assurance procedures.

Impact of PFM reforms on the three main budgetary outcomes

The PEFA Assessment focused on the extent to which PFM systems are supportive of Government efforts to deliver the three-main fiscal and budgetary outcomes which are – (i) aggregate fiscal discipline, (ii) strategic allocation of resources and (iii) efficient service delivery.

Aggregate fiscal discipline

Aggregate budget outturns of the Government show consistent underperformance on aggregate revenue estimates and – in FY2016 - expenditure was significantly above budget, leading to budget deficits far higher than budgeted in each year assessed. On the positive side, existence of some well-functioning systems - including comprehensive macro-economic forecasting, setting of aggregate fiscal targets, such as deficit and debt stock, as well as medium term expenditure planning - supports achievement of aggregate fiscal discipline. Those system strengths, however, are undermined by weaknesses that in particular may include inadequate impact analysis of revenue measures, limited effectiveness in Parliamentary scrutiny of budget estimates and of budget execution, MDAs bypassing of budget execution controls built into the integrated Public Financial Management System (PFMS) and accumulation of excessive payment arrears. The effect of the very substantial extra-budgetary operations on aggregate fiscal discipline is not known due to lack of consolidated data, which increases the risk of unintended macro-fiscal impact of government operations on the national economy.

Strategic resource allocation

The key processes to achieve strategic resource allocation relate to the budget formulation process, budget execution including investment management and reporting on budget execution. High levels of compositional variance in budget outturns in 2016 – the only year for which data is available to assess this – indicate important issues that need addressing. Strengths of the Government systems in this respect includes medium-term budget planning with performance objectives and targets stated for all votes and functions, and comprehensive sector strategic plans for some of the largest service sectors such as education and health. Weaknesses in systems to support this outcome are found in the not well-developed budget documentation, inadequate public access to budget information including lack of timely budget execution reports comparable to the approved annual budget. Also of concern are the large government operations not reported in the budget or any other consolidated format and the limited effectiveness of Parliamentary oversight of budget execution.

Efficient service delivery

Service objectives and targets set out in budget documentation, combined with medium term budget planning, are existing system features which support efficient service planning. However, large compositional variance in expenditure budget outturns suggest that shifts in priorities during the year lead to some services being deprived of funding for the planned annual service outputs. Transparency of procurement processes is lacking due to missing data by which to monitor the procurement at an aggregate level, and hardly any publicized information other than fragmented tender announcements. Together with a high threshold for use of open tender and bypassing of the purchase order and commitment controls of PFMS, this suggests a high risk of irregularities in procurement. As moreover capital investments for budget funding are selected on the basis of inadequate criteria and project execution monitoring is lacking a standard approach with high level overview, there is a high risk that value for money is not being achieved from much of budgetary funding. Lack of public access to comprehensive information on budget planning and execution as well as inadequate implementation of audit recommendations indicate that accountability for use of public resources and delivery of services may not be as effective as desirable.

Table I below provides the summary of the 2017 assessment based on the 2016 PEFA Framework.

Main Performance Changes since 2011 PEFA Assessment

Improvements were noted in the areas of (a) aggregate budget credibility of both expenditure and revenue (b) budget planning and preparation (c) revenue administration (d) annual financial reporting and (e) external audit, whereas areas of deterioration included (i) increasing volumes of payment arrears and revenue collection arrears (ii) poor commitment controls (iii) increasing unreported government operations outside the central government budget and (iv) timeliness and data concerns for in-year budget execution reports.

Overall, the improvements would in particular impact the government's ability to ensure that strategic allocation of resources in the budget estimates is in line with political priorities and that efficiency in the use of financial resources is improved through timely and audited financial

statements. The areas of deterioration primarily impact the ability of government to maintain aggregate fiscal discipline, though they also have implications for strategic allocation of resources and efficiency in the use of financial resources.

Ongoing and Planned PFM Reform Agenda

The Government has adopted a development strategy for efficient resource utilisation, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET 2013-2018) which contains fiscal reform measures that include the resolve to “Boost the efficient use of Government resources through timely reporting and strengthening the Public Finance Management Systems”. This Strategy was accompanied by a PFM Roadmap with the objective to provide a comprehensive plan to cover the whole PFM cycle incorporating seamlessly the way forward on development of the integrated and computerized PFMS and the policy recommendations in the CIFA 2012 report.

This process is supported by the PFM Enhancement Project (PFMEP), which is being implemented with multi-donor funding provided by the Zimbabwe Reconstruction Fund (ZIMREF) administered by the World Bank. The Project aims to (1) improve financial reporting, strengthen fiscal controls, and enhance financial transparency; (2) enhance effectiveness of internal controls and internal audit; (3) enhance accountability through strengthening of external audit; and (4) strengthen the demand side of transparency and accountability by enhancing the parliament’s role in PFM. A separate World Bank executed project under ZIMREF is supporting improvements in Public Investment Management (PIM) and reforms in State Owned Enterprises and Parastatals. In parallel, AfDB has supported the Government’s reforms through four major, PFM related projects, two of which are still ongoing and are focused on transparency and accountability as well as oversight of state enterprises and parastatals. Moreover, UNDP with EU and Sweden have provided support to Parliament and the Auditor General, whilst IMF has provided technical assistance on an annual basis in other PFM related areas such as revenue administration.

Table I: PEFA Assessment Summary of Scores 2017 (measured by 2016 PEFA Framework)							
PFM Pillar and Performance Indicator		Scoring Method	Dimension Ratings				Overall Score
			.1	.2	.3	.4	
Pillar I: Budget reliability							
PI-1	Aggregate expenditure out-turn	-	B				B
PI-2	Expenditure composition out-turn	M1	D*	D*	D*		D
PI-3	Revenue out-turn	M2	D	C			D+
Pillar II: Transparency of public finances							
PI-4	Budget classification	-	C				C
PI-5	Budget documentation	-	C				C
PI-6	Central government operations outside financial reports	M2	D	D	B		D+
PI-7	Transfers to sub-national governments	M2	D	C			D+
PI-8	Performance information for service delivery	M2	C	C	D	D	D+
PI-9	Public access to fiscal information	-	D				D
Pillar III: Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	D	D		D+
PI-11	Public investment management	M2	C	D	C	C	D+
PI-12	Public asset management	M2	D	D	D		D
PI-13	Debt management	M2	B	A	D		B
Pillar IV: Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	C		C
PI-15	Fiscal strategy	M2	C	C	B		C+
PI-16	Medium term perspective in expenditure budgeting	M2	B	D	C	D	D+
PI-17	Budget preparation process	M2	C	A	C		B
PI-18	Legislative scrutiny of budgets	M1	A	B	C	C	C+
Pillar V: Predictability and control in budget execution							
PI-19	Revenue administration	M2	B	C	C	D	C
PI-20	Accounting for revenue	M1	B	A	A		B+
PI-21	Predictability of in-year resource allocation	M2	A	C	D	D	C
PI-22	Expenditure arrears	M1	D	D			D
PI-23	Payroll controls	M1	B	B	B	C	C+
PI-24	Procurement management	M2	D	D*	D	A	D+
PI-25	Internal controls on non-salary expenditure	M2	C	C	D		D+
Pillar VI: Accounting and reporting							
PI-26	Internal audit	M1	A	C	C	C	C+
PI-27	Financial data integrity	M2	D	D	D	C	D
PI-28	In-year budget reports	M1	D	D	C		D+
PI-29	Annual financial reports	M1	D	D	D		D
Pillar VII: External scrutiny and audit							
PI-30	External audit	M1	B	A	C	D	D+
PI-31	Legislative scrutiny of audit reports	M2	D	C	C	A	C+

Chapter 1. Introduction

Chapter 1 outlines the context and purpose of the public financial management (PFM) assessment, the process by which the assessment report was prepared, the methodology used in undertaking the assessment, and finally explains the content of the remainder of the report.

1.1 Background

The first Country Integrated Fiduciary Assessment (CIFA) of public financial management and procurement in Zimbabwe was carried out in 2011 and published in July 2012. The CIFA applied the Public Expenditure and Financial Accountability (PEFA) performance measurement framework and the OECD-DAC country procurement assessment framework to assess the performance.

The PEFA section of the report highlighted several weaknesses in PFM systems, including the lack of budget credibility that created tensions in ensuring the provision of public services and contributed to the lack of aggregate fiscal discipline. Ad-hoc emergency budget management processes that led to the lack of budget credibility also resulted in the lack of transparency in budget resources allocations. Although results-based budgeting was being introduced in Zimbabwe, it had not been fully implemented. The report also acknowledged that public sector accounting and financial reporting, as well as external audit and scrutiny mechanisms and institutions needed to be further strengthened. The procurement section of the CIFA report found lack of records to be a severe problem in the procurement system and suppliers and contractors were severely deterred by the registration processes.

However, the CIFA assessment also recognized that Zimbabwe had embarked on a program of rebuilding its public fiduciary and financial management systems and institutions to assist the recovery of GDP. The report also acknowledged that the legislative framework for PFM in Zimbabwe had been developing as evidenced by the enactment of the Public Financial Management Act and the Audit Office Act.

1.2 Rationale and purpose of the assessment

The objective of the PEFA 2017 assessment is to provide the government with an objective, indicator-led assessment of the national PFM system in a concise and standardized manner to assist in identifying those parts of the PFM systems in need of further reform and development.

The 2017 PEFA assessment is designed to provide the government an overview of key strengths and weakness of the PFM systems. The assessment gives an update of progress in PFM since last PEFA assessment in 2011 – i.e. the CIFA report - and will establish a new PEFA baseline using the upgraded PEFA 2016 framework methodology.

This 2017 PEFA report does not provide recommendations for reforms or make assumptions about the potential impact of ongoing reforms on PFM performance. It will, however, acknowledge any actions taken by government to reform PFM systems by describing recent and ongoing measures.

The 2017 PEFA report will thus summarize the government’s reform agenda but will not evaluate that agenda. These considerations will inform the actions to be taken after the assessment and form part of the dialogue between relevant stakeholders that contribute to the development of a new PFM reform strategy and action plan based on the 2017 PEFA findings.

1.3 Assessment management and quality assurance

The 2017 PEFA assessment is a joint Government-World Bank exercise, conducted under the guidance of a Government – Donor Oversight Team. The technical work of the assessment was undertaken jointly by the assessment team consisting of Government of Zimbabwe (GOZ) officials and World Bank staff/consultants. It was financed under the Public Financial Management Enhancement Project’s resource envelop under Zimbabwe Reconstruction Fund (ZIMREF).

Representatives of the GOZ and World Bank jointly chaired the Oversight Team. The World Bank took the lead on behalf of the development partners supporting PFM in Zimbabwe (European Union, UK, Sweden, IMF and AfDB). The Ministry of Finance and Economic Development (MOFED) was the lead government organization and represented on the Oversight Team by the Accountant-General. MOFED also led the government side of the PEFA Assessment Team.

Box 1.1: Assessment Management and Quality Assurance Arrangements

PEFA Assessment Management Organization

Oversight team:

- Government representative (chair) – Permanent Secretary / Accountant General, Daniel Muchemwa
- Government representative MOFED-budget/expenditure department
- World Bank representative (co-chair), Srinivas Gurazada, Senior Financial Management Specialist
- Representatives of DPs active on PFM in Zimbabwe (European Union, UK/DFID, Sweden, IMF, AfDB)

Review of the Concept Note

- Draft concept note was reviewed between September 22 and October 6, 2017. The reviewers who provided comments were as follows:
GoZ, PEFA Secretariat, EU, IMF, DFID, Sweden, and five World Bank specialists: Pazhayannur K. Subramanian, Francesca Recanatini, Anjani Kumar, Dmitri Gourfinkel, Johannes Herderschee,
- Final concept note was approved in November 2017 (Virtual concept review meeting chaired by Mukami Kariuki, Country Manager, World Bank)

Review of the assessment report

- The Draft Report for Peer Review of 12th February 2018 was reviewed and comments received 22 March to 8 May 2018. Comments were received from Government of Zimbabwe, PEFA Secretariat, EU, IMF, DFID and five World Bank specialists: Leah April, Anjani Kumar, Dmitri Gourfinkel, Johannes Herderschee and Gert van der Linde.
- The revised draft report was issued on 19 June 2018.

The Oversight Team provided overall guidance on the management aspects of the assessment, facilitated data collection & coordination, and provided peer reviews of the concept note and draft reports. The Oversight Team received debriefing on the initial findings of the assessment mission and provided guidance on resolving challenges. The Oversight Team was responsible for considering and approving the final draft presented after peer view.

The PEFA assessment was conducted by an Assessment Team comprising a GOZ team jointly with World Bank team. GOZ appointed Mr. Edwin Zvandasara, Deputy Accountant General as Assessment Manager for the PEFA assessment. He jointly led the exercise along with the Assessment Manager from the World Bank, Srinivas Gurazada, Sr. Financial Management Specialist. The entire composition of the Assessment Team is listed in Annex 5.

Quality assurance of the assessment followed the PEFA Program's PEFA CHECK procedures (see details in Annex 5) as well as the World Bank's quality assurance procedures. Peer review covered the concept note and the assessment report. Peer reviewers included the Government, PEFA Secretariat, at least three Development Partners other than the World Bank, and five experts from World Bank units not involved in management of the assessment

An overview of the management and quality assurance arrangements is provided in Box 1-1 with further details provided in Annex 5. The timeline of the assessment is illustrated in Table 1-1.

Following a PEFA training workshop conducted at the end of October 2017, the GOZ part of the Assessment Team initiated the assessment by undertaking an initial data collection and self-assessment exercise, documented in a standard questionnaire format. These questionnaires became the starting point for discussions between the GOZ team and the World Bank's part of the Assessment Team when the latter commenced its main mission lasting from 13th to 30th November. During this mission meetings were held with numerous other MOFED departments, line ministries and agencies, with Parliament, the Auditor General as well as parastatals and civil society as listed in Annex 3A.

Table 1-1 Timeline of the Assessment

Task	Timelines
Preparatory work	
• Establishment of the stakeholder oversight team	July 2017
• Drafting of Concept Note	September 2017
• Finalization of the Concept Note	October-November 2017
• Workshop preparation	October 2017
Field work	
• PEFA methodology workshop	October 2017
• Field mission I - Data collection and interviews	13-30 November 2017
• Presentation of initial findings to the MOFED and cooperating partners	27 November 2017
Post field work	
• Draft report prepared by assessment team (for Peer Review)	December-January 2018 Completed 12 February 2018
• Peer review, report distributed to peer reviewers	21 March 2018
• Decision review meeting	28 March 2018
• Peer review comments received	22 March – 8 May 2018
• Revised draft report (for PEFA CHECK) completed	4 June 2018
Further planned activities	
• Revised report distributed to Oversight Team and PEFA Secretariat	June, 2018
• Presentation of final draft report to the Ministry of Finance for concurrence	June 2018
• Final report changes and publication of the report	July - August 2018

1.4 Assessment methodology, coverage, and scheduling

The PEFA assessment is conducted using the PEFA 2016 framework as applied to central government operations, in line with the IMF Government Finance Statistics Manual (GFSM) 2014. The scope of the assessment will be the central government of Zimbabwe and its ministries, departments, and agencies, including non-commercial parastatals and statutory funds.

The assessment will also examine the potential fiscal risk to central government of other public sector entities such as Local Government Authorities and State Enterprises. This will be to the extent they pose fiscal risk to the central government.

The data used for assessing the PFM performance indicators cover the time periods as specified in the PEFA 2016 Framework for each indicator, and is clearly indicated for each indicator assessment on Chapter 3 of the present report. This typically reflects the situation at the time of the main mission of the assessment team (up to end of November 2017) or systems performance during the most recent, completed fiscal year (i.e. FY2016). However, some indicators require data

for up to three completed fiscal years, namely FY2014, FY2015 and FY2016¹. The fiscal year (FY) of Government is the calendar year. Data sources used for each indicator are listed in Annex 3B.

While the new 2016 PEFA Framework provides for an improved assessment framework, it only allows for limited comparisons with previous assessment in 2011 which used an earlier version of the PEFA Framework issued in January 2011. In 2016 many indicators were revised and some new ones added, requiring data for the assessment which was not collected in 2011. Therefore, in order to allow for full comparison and hence enable a review of all specific changes since the previous assessment, the comparison is carried out using the 2011 PEFA Framework.

The comparison documents the trajectory of reform since 2011 with details contained in Annex 4. The three donor practice indicators of the 2011 assessment have not been reassessed in 2017 as these indicators did not measure government performance and were not included as standalone indicators in the 2016 Framework.

1.5 Report Structure

The remainder of the main report is structured as follows:

- Chapter 2 provides an overview of relevant country-related information that provides the context underpinning the indicator results and the overall public financial management (PFM) performance;
- Chapter 3 provides the detailed assessment of performance in terms of the seven pillars of the PFM system. It provides analysis and measurement of results in terms of the 31 performance indicators (PIs) of PFM performance;
- Chapter 4 includes the broad conclusions from the analysis of PFM systems. It also identifies the most important system strengths and weaknesses in that respect, summarizes findings related to the internal control framework, highlights systems performance implications for achieving the three main fiscal or budgetary outcomes, and summarizes the main performance changes since the 2011 assessment.
- Chapter 5 provides an overview of government initiatives to improve PFM performance summarizing the approach to PFM reform, including the institutional factors that are likely to have an impact on the planning and implementation of reforms.
- Annex 1 provides summary tables of performance indicator scores for 2017 with short explanation as assessed using the 2016 PEFA Framework.
- Annex 2 provides a summary of observations on the internal control framework.
- Annex 3 lists the sources of information.

¹ Note that for indicators that look at budget preparation, forward estimates and forecasts the processes undertaken during those years concern the subsequent years i.e. the assessment of budget preparation processes in 2016 concern the FY2017 budget etc.

- Annex 4 contains the PEFA assessment scores comparing the 2011 and 2017 assessments using the 2011 PEFA Framework.
- Annex 5 contains details of the PEFA assessment management organization.
- Annex 6 includes the data tables used for the PEFA assessment.
- Annex 7 provides a list of government ministries, departments and agencies (MDAs) and related state enterprises and parastatals (SEPs) as well as a list of budgetary votes.

Chapter 2. Country Background Information

To place the PFM performance measurement in a wider context, this chapter provides information on core characteristics relevant to the government's PFM system. This covers country economic, budgetary, and fiscal trends, the structure of the public sector, legal and institutional framework for PFM, and the government's internal control framework.

2.1 Country economic situation

Zimbabwe is a land locked state with a population of 15.6 million (2015).

Zimbabwe went through a decade of negative growth up to 2008. From 2000 to 2008, the economy nearly halved its gross domestic product (GDP); the sharpest contraction of its kind in a peacetime economy. During this period, poverty rates rose to more than 72%, with a fifth of the population in extreme poverty. The GDP per capita averaged US\$1045 from 1960 until 2015, reaching an all-time high of US\$1327 in 1974 and a record low of US\$591 in 2008, rising again to US\$1169 in 2015. Health, education and other basic services, once regional models, largely collapsed. Due to the 2008-09 hyper-inflation Zimbabwe abandoned its own currency.

Zimbabwe's adoption in early 2009 of a multi-currency regime – effectively dollarization – enabled stabilization of domestic prices, but also limited control over macro-economic instruments and outcomes. Nevertheless, the dollarization of the economy, coupled with a commodity super cycle and appreciation of the South African Rand versus the US dollar, fueled a sustained boom and double digit economic growth through 2012. Between 2009 and 2012 economic growth averaged 10.7 percent.

After peaking in 2012, economic growth steadily decelerated. From 2012, the dollarization boom started to taper off. Economic growth retreated due to the end of the commodity super-cycle, a depreciating South African Rand, and a decrease in bank lending. Declines in growth were partly offset by a sharp recovery in agriculture in 2014, with economic growth reaching 2.1 percent. Yet as agriculture faltered due to the drought, economic growth fell to 1.7 percent in 2015 and subsequently to 0.6 percent in 2016. The population growth rate is estimated at 2.3 percent and hence the economy experienced negative per capita income growth over these years.

Economic growth is projected to recover to 2.8² percent in 2017, mainly driven by a good agriculture season (ref. Table 2-1). Recovery in agriculture growth to 15.9 percent in 2017 from -3.7 percent in 2016 is expected to propel the growth rate. Mining is also expected to contribute to higher growth while service and manufacturing sectors remain subdued due to liquidity constraints and foreign exchange shortages. Medium term outlook is gloomy, as growth is projected to decline to 0.9 and 0.2 for 2018 and 2019 respectively. The current financial crisis and political uncertainty associated with forthcoming elections pose a major risk for growth in the medium term. Further risks emanate from slow implementation of economic reforms, high fiscal deficit, high public debt

² The Government project 2017 economic growth at 3.7 percent higher than the 2.8 percent from World Bank

burden and external arrears limiting Zimbabwe's access to international finance. It is not yet clear what impact the change in government leadership may have on this outlook.

Table 2-1: Selected Economic Indicators

	2014	2015	2016	2017 projection
GDP at current Prices (USD million)	15,891	16,305	16,620	16,819
GDP per capita (constant US\$)	1164	1169	1167	1156
Real GDP growth	2.1	1.7	0.6	2.8
Inflation (%)	-0.2	-2.4	-1.6	2.0
Total Public and Publicly Guaranteed Debt (% of GDP)	53	58	70	78
External Debt (US\$ billion)	6.8	7.1	7.3	7.3
Domestic Debt (US\$ billion)	1.8	2.3	4.0	4.8
Current account Balance (% of GDP)	-15.1	-9.3	-4.1	-3.6
Gross Official Reserves (US\$ millions)	303	339	310	221
Gross Official Reserves (months of import cover)	0.5	0.6	0.6	0.4

Sources: Ministry of Finance (various National Budget Statements) and IMF staff estimates and projections, 2017.

Zimbabwe's external position is characterized by narrowing current account and low international reserves (Table 2-1). Non-payment of some imports due to cash shortages and import restrictions contributed to narrowing of the current account. Imports fell by 13.6 percent between 2015 and 2016, while exports grew by 2.4 percent in 2016, mainly driven by rising output in the mining sector. Despite increasing exports, the short-term outlook remains subdued due to volatile commodity prices, continued low confidence and liquidity challenges. International reserves remained low around US\$300 million covering only about two weeks of imports of goods and services. Foreign currency shortage led to emergence of the parallel market. The Bond notes introduced in May 2016 are no longer trading at 1:1 with the US\$. Further the banks balances are no longer priced at 1:1 with the US\$. The parallel market premium reached 80 percent in mid-November 2017, up from 25 percent at end July 2017 having implications on inflationary pressures, although it dropped again following the change in government leadership.

Inflation is picking up as year-on-year inflation turned positive in February, 2017. Foreign currency shortages are contributing to higher inflation as only some 30 percent of imports (mainly fuel and cooking oil) receive forex at the official one-to-one exchange rate, the remainder is priced at the parallel market rate. Inflation rate rose to 2.2 percent in October, 2017 from 0.8 percent in September, 2017. Imported commodities such as liquid fuels, stationary non-durable household goods, goods and services for routine household maintenance are responsible for the price increase. Though the authorities' data show inflation increasing, there is growing concern that inflation might be much higher than recorded since a significant share of consumer goods are priced at the parallel market rate which has depreciated rapidly.

Zimbabwe's large public debt burden is a significant constraint on economic growth. By severely restricting and elevating the costs of accessing international capital markets, it limits fiscal policy options. The large public debt burden means the private sector faces higher cost of

capital. Meanwhile, the public sector's exclusion from most international capital markets makes it vulnerable to fiscal shocks due to a small domestic capital market - as was witnessed in 2016. The Reserve Bank of Zimbabwe's (RBZ) lending thresholds to government which is supposed not to exceed 20 percent of previous year government revenues (Section 11(1) of Reserve Bank Act) was surpassed to 27 percent in 2016. At end 2016, total public- and public-guaranteed external debt stood at US\$7.3 billion (45% of GDP), out of which US\$5.6 billion is in arrears. Domestic debt is increasing and is on an unsustainable trajectory - it increased by 140 percent to US\$4 billion at end 2016 from US\$1.7 billion in 2014. Overall, Zimbabwe's total public debt stock has grown rapidly, reaching 70 percent of GDP in 2016 and is projected to reach 78 percent of GDP in 2017. Section 11(2) of the Public Debt Management Act stipulates that the total public and publicly guaranteed debt as percentage of GDP should not exceed 70 of GDP at end of fiscal year. The 2017 joint World Bank-IMF Debt Sustainability Analysis (DSA) confirms that Zimbabwe is in debt distress and its total public debt is unsustainable. Sharp fiscal consolidation and external support from the international community may help contain the increasing debt.

Zimbabwe's external arrears have significant macroeconomic costs. In absence of access to international capital markets, Zimbabwe's fiscal deficit is largely financed on domestic financial markets, severely crowding out resources available for the private sector. The large and expanding fiscal deficit, 8.5 and 11 percent of GDP in 2016 and 2017 respectively, was financed by treasury bills and an overdraft with RBZ. Efforts to reengage and normalize relations with creditors and the international community have been intensified. The reform agenda was first characterized by three successive IMF staff monitored programs that ended at end-December, 2015. Zimbabwe cleared its IMF arrears in October, 2016. A strategy for clearing arrears to other international financial institutions (IFIs) has been articulated, but the momentum has slowed as the government focuses on reforms before clearing the arrears. Further, as part of their efforts to engage external creditors, the authorities are strengthening their debt management capabilities as the government enacted a new debt management law, the Public Debt Management Act, which was approved on September 11, 2015.

Fundamentals for growth and poverty reduction in the long term are however strong and prospects for recovery remain positive; provided the country tackles the factors that encourage competitive investment. This enormous potential for sustained growth and poverty reduction is supported by the country's endowment with vast natural resources, existing stock of public infrastructure (although much of it needs rehabilitation) and comparatively skilled human resources.

2.2 Fiscal and budgetary trends

Fiscal performance

Fiscal deficit was below 2 percent of GDP up until 2015, but from 2016 the central government shifted to an expansionary fiscal stance (ref. Table 2-2). This expansionary fiscal policy resulted in financial sector turmoil and crowding out of credit to the private sector. Slowing growth reduced public revenue, while emergency food imports, the public distribution of agricultural inputs, payment of domestic arrears and a burgeoning public-sector wage bill increased expenditures, substantially

widening the fiscal deficit. The banking sector bore the brunt of the government’s financing needs, which led to liquidity shortages in the economy.

Table 2-2: Zimbabwe aggregate fiscal data, 2014 to 2017

(in % of GDP)	2014 Actual	2015 actual	2016 actual	2017 projection
Total revenue	23.7	22.9	21.1	22.4
- Own revenue	23.7	22.9	21.1	22.4
- Grants	-	-	-	-
Total expenditure	24.6	25.3	29.6	30.7
- Non-interest expenditure	24.1	24.2	28.3	29.7
- Interest expenditure	0.3	0.5	0.7	1.1
Fiscal Deficit	-0.9	-2.3	-8.5	-11.0
Net financing	0.9	2.3	8.5	11,0
- External	-0.3	-0.4	-0.6	1.1
- Domestic	1.2	2.8	9.1	9.9

Source: Ministry of Finance, various National Budget Statements

***Grants received during the year were not channeled through the Consolidated Revenue Fund and are not reported on the budget outturn.

In 2017, Zimbabwe’s fiscal position remains challenging as expenditure pressures continue to outstrip revenue increases. Fiscal deficit for the first 7 months in 2017 stood at US\$1.3 billion compared to US\$892 million during the same period of 2016. Total revenue reached US\$2.8 billion higher than the US\$2.6 billion received during the same period of 2016 while expenditure was US\$4.5 billion higher than the 3.5 billion of 2016. Command agriculture and civil servants bonus payment drove up the overall expenditure. Projections for the 2017 fiscal deficit was revised to US\$1.8 billion (11 percent of GDP) from the 2017 National Budget projection of US\$400 million. At this rate of increase the aspiration stated in the 2018 Budget Strategy of having a deficit at 4 percent of GDP and subsequently a balanced budget by 2020 might not be attainable.

Expenditures have been dominated by employment cost over years. The wage expenditures limit government’s fiscal policy options and expenditures have been dominated by recurrent expenditure. The wage bill was equivalent to 90 percent of public revenues and 66 percent of public spending in 2016 (Table 2-4). The growth in the wage bill partly reflected greater support for social services (Table 2-3). For example, the Government increased staff in education and health – measured in both headcount and per unit cost. However, the benefits of this increase were undermined by reduced support for operations and maintenance and capital assets, such that employees were unable to access the requisite tools to perform their duties. Capital expenditure has been below best practice threshold of close to 25 percent required to promote sustainable development (Table 2-4).

Table 2-3: Actual Budget Allocations by Functions

(% of total expenditure)	2014	2015	2016
Office of the President & cabinet	6.2	6.8	6.0
Parliament of Zimbabwe	0.9	0.7	0.5
Public Service, Labour & Social Welfare	3.8	3.6	2.2
Defence	11.3	10.5	9.2
Finance & Economic Development	6.0	4.6	6.9
Industry & Commerce	0.5	0.6	0.3
Agriculture, Mechanisation & Irrigation Development	6.7	5.5	13.5
Mines & Mining Development	0.1	0.1	0.1
Environment, Water & Climate	2.1	3.0	1.2
Transport & Infrastructural Development	0.9	0.8	0.5
Foreign Affairs	1.3	1.0	1.0
Local Government, Public Works & National Housing	1.8	1.4	1.2
Health & Child Care	8.2	9.1	8.6
Primary & Secondary Education	23.5	27.1	22.6
Higher & Tertiary Education, Science & Technology Development	7.9	7.9	7.4
Youth, Indiginisation & Economic Empowerment	1.1	1.0	0.8
Home Affairs	12.0	11.0	11.6
Justice, Legal & Parliamentary Affairs	3.2	3.0	2.8
Information, Media & Broadcasting Services	0.1	0.1	0.1
Small & Medium Enterprises & Cooperative Development	0.1	0.1	0.1
Energy & Power Development	0.0	0.0	0.0
Women Affairs, Gender & Community Development	0.2	0.2	0.2
Tourism & Hospitality Industry	0.1	0.1	0.1
Information Communication Technology, Postal & Courier Services	0.2	0.1	0.1
Lands & Rural Resettlement	0.2	0.2	1.0
Judicial Services Commission	0.4	0.4	0.4
Civil Service Commission	0.5	0.5	0.4
Sport, Arts & Culture	0.6	0.2	0.1

Source: Ministry of Finance, Accountant General's Department

Table 2-4: Actual Budget allocation by economic classification

(% of total expenditure)	2014	2015	2016	2017 Projection
Current Expenditure	91.1	87.0	80.3	83.8
-Goods and services	8.3	8.0	6.7	10.7
-Employment Costs	81.7	76.8	65.6	65.6
-Interest on debt	1.1	2.1	2.4	3.5
-Current transfers	-	-	5.6	4.0
Capital expenditure	7.9	10.8	17.5	16.0

Source: Ministry of Finance, various National Budget Statements

2.3 Legal and regulatory arrangements for PFM

The Constitution of Zimbabwe makes a number of provisions which impact on PFM including;

- setting out the principles that must guide public finance,
- giving Parliament the right to oversee state revenue and expenditure,
- requiring an Act of parliament to set limits on state borrowing, public debt, and state guarantees.
- provisions in setting up of the Consolidated Revenue Fund including that transactions into and out of the Fund requires an Act of parliament to safeguard public funds and property,
 - provides for the setting up of the office of the Auditor General who shall be a public officer but not a civil servant and should be independent. The Auditor General may be removed from office only for (a) inability to perform the functions of his or her office because of mental or physical incapacity; (b) gross incompetence; or (c) gross misconduct. This follows a tribunal review in accordance with procedures set out in section 313 of the Constitution.

Other important legal and regulatory documents that underpin the PFM practices in Zimbabwe include:

- The PFM Act 2009 which provides for the management of public finances by providing for requirements in respect of the control environment, risk management, control activities, information and communication, reporting and monitoring, and providing sanctions for non-compliance with certain requirements of the Act;
- The Audit Office Act 2009, which makes various external audit provisions for public sector audits including the establishment of a board for the Audit Office. The Auditor General's position is constitutional. The Auditor General holds office on terms and conditions fixed by the President after consultation with the Public Service Commission;
- The Public Procurement and Disposal of Public Assets Act 2016, which was prepared in line with Section 315 of the Constitution. It transfers the responsibility of awarding tenders to

procuring individual entities, with the new Procurement Regulatory Authority of Zimbabwe assuming a regulatory role. The previous procurement system (based on Procurement Act 1999) was weak in that the State Procurement Board had powers to both award tenders and to regulate procurement processes. At the time of the Assessment in November 2017, however, the new Act has not yet been operationalized³.

- The Debt Management Act 2015 makes provisions on borrowing, debt management, guarantees, including authorisations. It makes the Minister of Finance and Economic Development the sole authority for authorising debt, borrowings and guarantees in the public sector.
- The Appropriation Act (annual) prescribes to Ministries requirements with regards to Constitutional, Statutory and Vote appropriations;
- Treasury Instructions prescribe to the Accountant General detailed instructions to be followed on treasury matters;
- The Income Tax Act, Value Added Tax Act, and Customs and Excise Act provide technical guidance to administration of revenue collection undertaken by the Zimbabwe Revenue Authority (ZIMRA);
- The Urban Councils Act and the Rural District Councils Act provide for the financial management of Urban Councils, and Rural and District Councils;
- State Enterprises and Parastatals are governed by their establishing Acts or the Companies Act, whichever is applicable.

2.4 Institutional arrangements for PFM

Zimbabwe is a unitary state and a constitutional democracy with a President as Head of State and Government. Its supreme law is the 2013 Constitution. The Constitution has a Bill of Rights containing extensive protection of human rights. Government exercises its power and authority through parliament, whose members are elected. The President appoints Ministers from the elected members of parliament. The judicial system in Zimbabwe is headed by the Chief Justice of the Supreme Court who, like their contemporaries, is appointed by the President on the advice of the Judicial Service Commission.

According to Section 116 of the Constitution of Zimbabwe, **the Legislature consists of Parliament and the President.** The President is part of the Legislature in his capacity as Head of State who holds the Public Seal and accordingly must assent to Bills passed by Parliament before they become law. Zimbabwe has a bicameral Parliament. Section 118 of the Constitution states that Parliament consists of the Senate and the National Assembly. The Senate is composed of 80 Members while the National Assembly has 270 Members. Parliamentary elections take place at least every five years. The Speaker of the National Assembly is the head of Parliament. The Clerk of Parliament, appointed in terms of section 154 of the Constitution of Zimbabwe is responsible for the day to day administration of Parliament.

³ The effective date was later established as 1 January 2018.

The public sector in Zimbabwe comprises central government, local governments, and commercial state enterprises. Central government (CG) in turn constitutes of budgetary central government units, extra-budgetary units (in this assessment referred to as non-commercial parastatals or NCPs) and a social security fund – ref. definition of each group of entities in GFSM 2014.

Table 2-5: Structure of the Public Sector⁴

Year: 2016	Public Sector				
	Government Sub-sector			State Enterprises Sub-sector ⁵	
	Budgetary Units	Non-commercial Parastatals ⁶	Social Security Funds (NSSA)	Non-Financial	Financial
Central Government	40	47	1	33	4
Urban/Rural District Councils & Boards	103	n.a.	0	n.a.	n.a.
Lower tier of sub-national government	NA	NA	NA	NA	NA

Source: Blue Book 2016; MOFED/SERA: 2011 - 2014 Baseline data for Zimbabwe's Portfolio of State Enterprises & Parastatals; OAG Annual Report 2017 on Local Authorities.

Budgetary Central Government

Budgetary central government (BCG) comprises ministries, departments and agencies as well as a number of constitutional offices all of which are mainly funded by the government budget and subject to the financial management rules and regulations of the government budget. Ministries are responsible for policy formulation and monitoring the progress of implementation of various government programs intended to meet the development policy objectives. While the political head of a ministry is a Minister or a State Minister, the administrative head and principal accounting officer responsible for managing the Ministry's tasks is the Permanent Secretary. Currently, there are 22 ministries in government (after the political transition in November 2017). In addition, several constitutional offices in the government sector (like the Office of the President and Cabinet, Parliament, Supreme Court, Electoral Commission, Public Service Commission, and the Audit Office) work independently within the remit of the legal provisions made in the Constitution and the PFM Act. Departments and/or directorates perform tasks of implementing the Government's development programs as well as ministry-level policies. Central government also operates provincial and district offices for some line ministry functions.

⁴ The number of parastatal units in the table is underestimated as it is based on SERA's incomplete database. The table includes 85 parastatals for which financial information is available, compared to the reportedly 107 parastatals in total.

⁵ See Annex 6F for details

⁶ See Annex 6E for details

The PFM Act provides for the national budget through expenditure estimates and the Appropriation Acts for operations of the Consolidated Revenue Fund (CRF). The Budget Department of the MOFED is responsible for the budget development process. The 2017 Annual Budget included 40 budgetary units (votes) – divided into sub-votes - as well as a number of constitutional and statutory votes such as pensions and debt service, managed by some of the same budgetary units (ref. Annex 7B).

There are at least 64 funds in addition to the CRF, 18 of which are statutory funds and 46 are retention funds⁷. Statutory funds are established from an act of parliament or statute other than the PFM Act. The financially most important statutory fund is the Road Fund, established under the Roads Act [Chapter 13:18] and administered by Zimbabwe National Roads Authority (ZINARA). Retention funds are other funds established as a result of section 18 of the PFMA. Less than 5% of revenue in retention funds is transmitted to CRF and spent through appropriations. Financially important retention funds include the Tertiary Education and Training Fund, the Colleges Amenity Fund and the Police Revolving Fund.

Local government

Local government in Zimbabwe is administered under two acts of Parliament which define the sub-national tiers in the country, namely the Urban Councils Act [Chapter 29:15] and the Rural District Councils Act [Chapter 29:13].

The Urban Councils Act provides for the declaration of cities, municipalities and towns and the establishment of related councils. It confers and imposes functions upon city, municipality and town councils and provides for the administration of their areas. The District Councils Act provides for the declaration of districts and the establishment of rural district councils. It confers and imposes functions upon rural district councils and provides for the administration of their areas. No sub-national tier reports to another sub-national tier. In principle, all sub-national tiers receive conditional and non-conditional transfers from central government for service provision in areas including education, health, road infrastructure, etc. i.e. they all have the same financial relationships with central government.

The nature of the functions of these local government institutions is the same, the difference mainly being that urban councils administer and service urban areas while rural district councils service rural areas and districts. They are both expected to raise their own funds in terms of the applicable governing Acts in addition to receiving transfers from Central Government in terms of the Constitution of Zimbabwe⁸. Their service mandates are defined in the respective acts and are

⁷ These numbers may not be accurate. They are based on the ‘Budget Estimates on Statutory and Retention Funds for the Year ending December 31, 2017’ which according to MOFED was incomplete; e.g. it omits 27 funds mentioned in the OAG report for FY2016. The OAG report for FY 2016 discloses that 74 Fund Accounts were audited in 2016.

⁸ 2013 Constitution, para 301 (3): Not less than five per cent of the national revenues raised in any financial year must be allocated to the provinces and local authorities as their share in that year. It is important to note that this allocation requirement to local authorities has not been complied with in recent years.

largely the same. Their administrative and governance structures are similar. The council members are elected by the residents, while executive staff is appointed based on normal staff selection procedures for the specific position without central government interference.

The financial importance of local authorities as measured by their annual gross revenue is estimated at US\$ 804 million for FY2014, the last year for which comprehensive data is available (ref. Public Expenditure Review June 2017 page 22). Local authorities are able to borrow either with guarantees issued by the central government or – as in recent years – against security in their assets but still requiring approval by central government.

State Enterprises and Parastatals

There are 107 State Enterprises and Parastatals (SEPs) set up as statutory organizations under specific, establishing acts or the Companies Act. These are in different sectors of the economy and are either commercial (State Enterprises) or non-commercial parastatals. SEPs include one social security fund – the National Social Security Authority (NSSA) – which administers a mandatory pension contribution scheme for all employees in the country with defined pension benefits. For this assessment – and in line with GFSM 2014 definition – it is considered non-commercial and part of central government. SEPs are expected to play an important role in shaping economic development of the country by contributing to GDP, ensuring value addition, provide services, advancing government policy, and generating employment. However, most SEPs make significant losses and have become a major drain to the fiscus and a source of significant explicit and implicit fiscal risk. This has led the government to embark on reforms for these entities under the ZIMREF Program. A number of SEPs are non-operational mainly for financial reasons, and classification and financial data are available for only 85 of the SEPs, ref. Table 2-5. The most important State Enterprises are found in the energy, banking and telecommunications sectors.

The fragmentation of the public sector poses considerable fiscal challenges, which are exacerbated by the limited oversight of many public institutions and parastatals. Data from recently concluded Public Expenditure Review (2017) shows that Zimbabwe’s public sector accounts for roughly 50 percent of GDP. Oversight of Local Authorities and SEPs is largely limited to financial audits. Non-commercial parastatals and NSSA account for about 15% and 8 % respectively of total central government expenditure, ref. Table 2-6. Consolidated financial data for Local Authorities is not available. Measured in terms of central government expenditure, the most important non-commercial parastatals are Zimbabwe National Roads Authority (ZINARA) and Zimbabwe Revenue Authority (ZIMRA), as well as several large universities.

Table 2-6: Financial Structure of the Central Government – 2016/2015 Actuals

US\$ million	Central Government			
	Budgetary Units 2016 ⁹	Non-commercial Parastatals 2015	Social Security Fund 2016	Total Aggregated
Revenue (excl transfers)	3502	598	355	4455
Expenditure (excl transfers)	4193	849	249	5291
Transfers to (-) and from (+) other units of general government	[-336]	336	0	0
Liabilities	n.a.	586	70	n.a.
Total assets	n.a.	1491	1072	n.a.

Source: MOFED/SERA: 2011 - 2014 Baseline data for Zimbabwe's Portfolio of State Enterprises & Parastatals (2015 update tables); NSSA Annual Report 2016¹⁰; MOFED/Treasury: Consolidated Financial Statements for the year 2016.

2.5 Other important features of PFM and its operating environment

The Constitution requires the Auditor General to ensure that; 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.

The accounting system is to provide systems and controls that ensure these constitutional requirements are achieved and the duties of the Accountant General are set out in the PFM Act 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.

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. The system is implemented in all the line ministries and 10 provinces. The transaction processing layer of the system is in place with a reasonable set of fiscal controls. All

⁹ Excludes the retained part of Retention Funds managed by budgetary units for which actuals were not available. The retention estimates for such funds were in the order of US\$360 million for 2017. Also excluded are project revenue and expenditure financed by development partners and managed by MDAs through special accounts outside budget appropriations – again because actuals are not available; an estimate for such operations is US\$500 million ref. the assessment of PI-6.

¹⁰ Only financial data for NSSA proper has been included. The additional financial operations of NSSA through subsidiaries would belong to the commercial state enterprise sector.

payment transactions undergo budget/ warrant checks before a payment is authorized. In accordance with the process envisaged, no payment should be processed outside the system. This makes the system a good source of accurate and up-to-date information on government finances. PFMS is currently available in all provinces and is being extended to district levels for Government institutions.

Government accounting is a cash-based system, with no officially adopted, national accounting standard. In 2017, Public Accountants and Auditors Board (PAAB), regulator assigned with responsibility of prescribing accounting standards prescribed progressive adoption of accrual based International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accountants Board (IPSASB) as the accounting standards for the public sector in Zimbabwe. Government is in the process of migration to accrual IPSAS; while as experience from other countries indicates, this process is likely to take several years to complete. Government is in the process of migrating to accrual IPSAS.

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 in principle be controlled against budgets captured in the PFMS.

The Accountant-General's Department controls bank accounts. A traditional system of a main Exchequer Account, a main Paymaster-General Account and subaccounts for line ministries, are managed on a Single Treasury Account basis. At the request of the Accountant General's Department, funds are transferred to the accounts of the ministries, which hold their accounts in the form of sub-accounts of the treasury main accounts. After securing funds from the Accountant General's Department, the ministries instruct the bank to pay directly to their providers of goods and services in the form of transfer to the service providers' bank accounts.

The debt management system uses DMFAS software. The MOFED 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 Accountant General's Department then processes the transaction in the system and instructs RBZ to transfer money to the creditor.

The PFM Act lays down annual, quarterly and monthly 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 Auditor General. To ensure clarity in the requirements of the PFM Act, the Accountant General is developing Public Management Regulations as well as the necessary Treasury Instructions which cover budgetary central government, statutory funds, state enterprises and parastatals, as well as local authorities.

The objective of Component 2 of the ongoing Public Financial Management Enhancement Program under ZIMREF is to enhance the effectiveness of Internal Controls and Internal Audit. It aims to strengthen internal oversight and controls by enhancing effectiveness of internal audit to ensure compliance with the laws, rules and regulations and contribute to effective service delivery outcomes. Government is in the process of setting up an independent Internal Audit function at the national level.

Chapter 3. Assessment of PFM Systems, Processes and Institutions

This chapter provides an assessment of the key elements of the PFM system as captured by the 31 PIs and, where applicable, reports on progress made in improving these. The performance for each of the PIs was assessed and assigned ratings of ‘A’ to ‘D’ as per the scoring criteria for each indicator. The criteria must be met in their entirety for the score to be assigned. The scores may be interpreted as follows in Table 3-1:

Table 3-1 Generic Interpretation of PEFA Scores

A	Represents performance that meets good international practice; the criteria for the indicator are met in a complete, orderly, accurate, timely, and coordinated way.
B	Typically represents a level of performance ranging from good to medium by international standards.
C	Represents the basic level of performance for each indicator and dimension, consistent with good international practices.
D	Indicates that the feature being measured is present at less than the basic level of performance or is absent altogether or that there is insufficient information to score the dimension.

Pillar I. Budget reliability

PI-1 Aggregate expenditure outturn

This indicator measures the extent to which aggregate actual expenditure deviates from the originally approved aggregate expenditure budget over the last three (3) completed fiscal years: 2014, 2015 and 2016. The scope of the indicator covers budgetary central government including planned expenditures as well as those incurred as a result of exceptional events—for example, armed conflicts or natural disasters.

Indicator/Dimension	Score	Brief Explanation
PI-1 Aggregate expenditure outturn	B	At 5.1%, 0.1%, and 23.1% for 2014, 2015, and 2016 respectively, actual aggregate expenditure for two of the fiscal years deviated less than 10% from the approved budget.

Background

One key concern that requires urgent attention relates to data reliability. During the 2011 PEFA Assessment, the same problem, that of the unreliability of expenditure data, was voiced. Presently, the budget functionality in PFMS is not active; Government officials use Microsoft Excel in budget preparation. Approved budget figures are manually loaded into PFMS without a mapping table, which is time consuming. Moreover, the inaccuracy of the figures creates several additional

shortcomings in an analysis. One of the challenges was to find consistent and reliable expenditure data for calculating this dimension using the provided spreadsheet on the PEFA website.

Assessment

At 5.1%, 0.1%, and 23.1% for 2014, 2015, and 2016 respectively, aggregate expenditure outturn for two of the fiscal years deviated less than 10% from the approved budget.: Score B. The data and resulting overall variances that were used to calculate the score achieved are shown in Table 3-2.

Table 3-2: Calculation of Aggregate Expenditure Outturn

Fiscal Year	Original Approved Budget (US\$)	Aggregate Expenditure Outturn (US\$)	Outturn as a % of Budget
2014	4,120,000,000	3,911,555,182	94.94%
2015	4,119,577,501	4,115,000,000	99.89%
2016	4,000,000,000	4,923,199,184	123.08%

Source: MOFED Blue Books, and Outturns 2014, 2015, 2016 (2014_2015_OUTURN.xlsx sheet 'Calculations') issued by AGD.

Actual budget outturn compared to originally approved budget deviated more than 10% in only one of the last three completed fiscal years. Actual deviations were 5.06% in 2014, 0.11% in 2015, and 23.08% in 2016. The main reasons for overspending in 2016 relates to drought which resulted in importation of grain for the Strategic Grain Reserve and the 'Command Agriculture' program which mainly deals with farmer inputs.

PI-2 Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during budget execution have contributed toward the variance in expenditure composition. The scope of the indicator covers budgetary central government. The performance period assessed is the last three completed fiscal years i.e. 2014, 2015 and 2016.

The indicator has three dimensions. Dimension 2.1 assesses the expenditure composition outturn by each line ministry (functional classification) excluding contingency and interest on debt. Dimension 2.2 measures the expenditure composition variance by type of expenditure (economic classification) including interest on debt but excluding contingency. Dimension 2.3 assesses the average amount of expenditure charged to the contingency budget.

Indicator/Dimension	Score	Brief Explanation
PI-2 Expenditure composition outturn	D	Although no contingency expenditures are made to unrealized reserves, composition variances for both administrative and economic classifications were high in the one year for which data was available. Dimension scores combined by Method M1 (weakest link)
2.1 Expenditure composition outturn by function	D*	Variance in expenditure composition by administrative classification was 30.2% in 2016, whereas no data was available for 2015 and 2014.
2.2 Expenditure composition outturn by economic type	D*	Variance in expenditure composition by economic classification was 25.6% in 2016 whereas no data was available for 2015 and 2014.
2.3 Expenditure from contingency reserves	D*	There is incomplete disclosure of the contingency vote in the financial statement as it is shown only as a memorandum item in the notes.

Background

It is important to draw attention to the difficulty encountered in analysing the budgeted and actual figures. Again, the reliability of these figures has created a number of problems. One major reason for discrepancies in budget and actual figures is the continuous use of manual entry of budget figures into PFMS; absence of mapping table and indeed different classification used by budget estimates and actual outturns.

Dimension 2.1 - Expenditure composition outturn by function

Variance in expenditure composition by administrative classification was 30.2% in 2016, whereas no data was available for 2015 and 2014: Score D*

For functional classification, the PEFA assessment team relied upon actual expenditure by vote (i.e. administrative classification) as reported in the Annual Budget Review for 2016 and 2017 Outlook. However, similar official data could not be obtained for 2014 and 2015 during the assessment. Consequently, outturn could be estimated only for the last one completed fiscal year i.e. 2016. The analysis of expenditure budget and actual outturns indicates significant reallocations across administrative heads. As shown in Table 3-3 and annex 6, expenditure composition variance was 30.2% in 2016 which is high. The main administrative head with over 100% overspending was Primary and Secondary Education. The results of the analysis point to serious budget formulation and preparation challenges thereby affecting budget credibility.

Table 3-3: Compositional Variance of Expenditure

Year	Composition variance by Administrative classification	Composition variance by Economic classification
2014	n.a.	n.a.
2015	n.a.	n.a.
2016	30.2%	25.6%

Source: MOFED Blue Book 2016 and Annual Budget Review for 2016 and 2017 Outlook

Dimension 2.2 - Expenditure composition outturn by economic type

Variance in expenditure composition by economic classification was 25.6% in 2016 whereas no data was available for 2015 and 2014: Score D*

The 2016 budget by economic classification was matched with the actual outturn from the Consolidated Financial Statement (December 2016) with some adjustments required for consistency. No corresponding consolidated financial statements were available for 2015 and 2014.

The expenditure outturns indicate significant reallocations across economic heads. As shown in Table 3-3 and annex 6, expenditure composition variance was 25.6% in 2016 which is high. The results of the analysis point to serious budget formulation and preparation challenges thereby affecting budget credibility. The effect of which could include misalignment of policy priorities and not achieving set targets according to sector strategies.

Dimension 2.3 - Expenditure from contingency reserves

There is incomplete disclosure of the contingency vote in the financial statement as it is shown only as a memorandum item in the notes: Score D*. It is reported that there are no expenditure charges made to reserves. They are instead reallocated to other votes from which expenditure takes place.

PI-3 Revenue outturn

Accurate revenue forecasts are a key input to the preparation of a credible budget. Revenues allow the government to finance expenditures and deliver services to its citizens. The scope of the indicator covers the budgetary central government and it focusses on both domestic and external revenue, which comprises taxes, social contributions, grants and other revenues including those from natural resources. The period assessed is last three completed fiscal years i.e. 2014, 2015 and 2016. This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions: aggregate revenue outturn and revenue composition outturn.

Indicator/Dimension	Score	Brief Explanation
PI-3 Revenue outturn (M2)	D+	Revenue outturns have underperformed significantly during the last three years. Dimension scores combined by Method M2 (average)
3.1 Aggregate revenue outturn	D	At 91.5%, 93.7% and 91.0% respectively, aggregate revenue outturn was below 92% of originally approved revenue budget in two of the last three completed fiscal years
3.2 Revenue composition outturn	C	At 14.4%, 10.7% and 5.1% respectively, revenue composition variance was less than 15% in all of the last three completed fiscal years, but more than 10% in two of the years.

Dimension 3.1 - Aggregate revenue outturn

At 91.5%, 93.7% and 91.0% respectively, aggregate revenue outturn was below 92% of originally approved revenue budget in two of the last three completed fiscal years: Score D.

Macroeconomic projections are the backbone of all revenue projections especially those for GDP, inflation, exchange rates, import volumes, and mineral production figures. The Revenue and Tax Policy Unit receives the macroeconomic projections from the fiscal department and ZIMRA to develop revenue projections based on the macro parameters together with other assumptions such as previous performance, global and regional economic trends and changes in tax rates or policy (ref. PI-14 and PI-15).

The overall performance of revenue collection for the period under review was below the targets. Revenue performance during the year 2016 was depressed due to various factors afflicting the economy. These included lack of direct foreign investments and lack of credit lines, resulting in shortage of capital to recapitalise and improve operational efficiency and capacity utilisation. Lack of fiscal space as well as cash and liquidity challenges also had a bearing on revenue performance. Company closures and staff retrenchments, some because of power shortages, also affected the economy and revenue mobilisation. It should be noted that change of policy during the implementation of the budget, on which revenue projections were based, led to lower than anticipated collections.

Zimbabwe Revenue Authority (ZIMRA) remains the main collector of revenue. ZIMRA collects more than 95% of BCG revenue; the remaining 2-5% comes from rentals, fees, levies, fines and licenses collected by individual MDAs and transferred to CRF.

Foreign assistance in form of grants received directly by implementing agencies (MDAs) is not included in budgeted revenue for BCG. The same is the case for revenue collected and retained by NCPs - such as ZINARA - and by NSSA. Such assistance is therefore extra-budgetary, ref. PI-6.

Table 3-4: Total Revenue Outturn and Revenue Compositional Variance

Fiscal Year	Original Approved Budget US\$	Actual Aggregate Revenue US\$	Total Revenue Deviation	Composition Variance
2014	4,120,000,000	3,769,893,329	91.5%	14.4%
2015	3,990,000,000	3,737,068,002	93.7%	10.7%
2016	3,850,000,000	3,501,928,114	91.0%	5.1%

Source: MOFED Blue Books, and Outturns 2014, 2015, 2016 (separate Excel documents) issued by AGD.

Dimension 3.2 - Revenue composition outturn

At 14.4%, 10.7% and 5.1% respectively, revenue composition variance was less than 15% in all of the last three completed fiscal years, but more than 10% in two of the years: Score C

The results of the analysis summarized in Table 3-4 (details in Annex 6C) indicate composition variance of 10-15% in two of the last completed fiscal years. Actual composition variances were 14.4% in 2014, 10.7% in 2015, and 5.1% in 2016.

The major revenue heads are personal and corporate income tax, domestic taxes on goods and services, and customs duties. Among those three categories, main contributor to overall poor revenue outturn performance varies from year to year with no clear pattern, ref. Annex 6C.

Recent or ongoing reform activities

Reform measures to improve the availability of accurate information on actual revenue to assist with making revised estimates or controlling deviations.

- Data interface of MOFED with Zimbabwe Revenue Authority (ZIMRA) being established so that actual data is reported by automatic transfer.
- New chart of accounts has been prepared (to be implemented in 2018) in line with GFSM 2014 which will help in reporting and classification of the revenue in line with budget classification.

Pillar II. Transparency of public finances

PI-4 Budget classification

A comprehensive classification system facilitates effective linkage of budget allocations to underlying policies, expenditure recording, and monitoring of transactions, especially the management of key line items for efficient and economical management of resources. A robust classification system allows transactions to be tracked throughout the budget's formulation, execution, and reporting cycle according to administrative unit, economic category, function/sub-function, or program. This is essential for allocating and monitoring expenditure to support aggregate fiscal discipline, the allocation of resources to strategic priorities and efficient service

delivery. This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. Government accounts, budget execution reports, and other budget execution data should be produced with a breakdown that corresponds to the documentation for the approved budget. The scope of the indicator covers the budgetary central government. The period assessed is last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-4 Budget classification	C	The economic budget classification uses a hybrid of GFS 1986 and 2001 frameworks, combined with administrative classification, but does not fully comply with the requirement of COFOG.

The budget classification uses a hybrid of GFS 1986 and 2001 frameworks and it maps on to administrative and economic classifications but does not fully comply with the requirement of COFOG: Score C.

The budget classification used by government is a mixture of the GFS frameworks for 1986 and 2001. Therefore, reporting of actual revenue and expenditure to the GFS system requires some adjustments to the PFMS generated data. These adjustments are being made routinely on a monthly basis. Budget classification does not consistently embrace the COFOG framework of functional and sub-functional classifications. A program classification is being introduced, but so far only covers 9 of the 50 votes in the budget.

Recent or ongoing reform activities

- Government is in the process of migrating to program classification through program based budgeting. The FY2016 program budget covered three Ministries and the FY2017 budget nine ministries.
- Government is in the process of completing the mapping and configuration of the chart of accounts for economic classification to GFS 2014 standard with roll-out of training to user Ministries.

PI-5 Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator – ‘Budget documentation’ – which is made up of 12 key elements of budget documentation as listed in table 3-5 below. The institutional coverage is Budgetary Central Government; the assessment covers the last budget submitted to the legislature i.e. the budget for FY2017.

Indicator/Dimension	Score	Brief Explanation
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PI-5 Budget documentation	C	<p>Budget documentation for FY2017 fulfills three basic elements (out of four) and three additional elements (out of eight). Basic elements fulfilled are:</p> <ul style="list-style-type: none"> • Forecast of the fiscal deficit • Current fiscal year’s budget • Aggregate and detailed estimates <p>The three additional elements are:</p> <ul style="list-style-type: none"> • Deficit financing • Debt stock • Medium Term Fiscal Forecasts
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Background

The FY2017 budget documentation package submitted to the legislature on 8th December 2016 consisted of:

- Budget Statement;
- Budget Speech;
- Budget Estimates, popularly known as the ‘Blue Book’;
- Draft Finance Bill;
- Budget Highlights (ref. element 8 of PI-9)

Other budget documentation submitted to the legislature in separate submissions prior to the budget package includes:

- The 2016 Mid-Year Fiscal Policy Review Statement, Presented to the Parliament of Zimbabwe on 8 September, 2016.
- Report of the Auditor-General for the Year ended 31 December 2015, dated 15 June 2016.

The above documents are considered the budget documentation for this indicator.

MOFED’s Pre-budget Strategy Paper was published and available to members of Parliament, but did not constitute a submission to Parliament.

Assessment

Budget documentation for FY2017 fulfilled three basic elements and three additional elements. Score C. Assessment of the 12 key elements of budget documentation is summarized in table 3-5 below, also stating the detailed criteria for assessment. Detailed description of each element is given in table 3-5.

Table 3-5: Summary of Information included in Budget Documentation

Basic Elements	Criterion Fulfilled
1. Forecast of the fiscal deficit or surplus or accrual operating result.	Yes

Basic Elements	Criterion Fulfilled
2. Previous year's budget outturn, presented in the same format as the budget proposal.	No
3. Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Yes
Additional Elements	
5. Deficit financing, describing its anticipated composition.	Yes
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	No
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	No
9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimate of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	No
11. Documentation on the medium-term fiscal forecasts	Yes
12. Quantification of tax expenditures	No

Element 1 - fulfilled: The Blue Book (page 9) shows the estimated deficit on a cash basis.

Element 2 – not fulfilled: Highly aggregated national accounts figures for FY2015 were included in the Budget Statement Annexure 6. The audited Financial Statements for FY2015 were submitted to Parliament but not presented in the same format as and compared to the budget estimates for FY2017.

Element 3 – fulfilled: The 2017 Blue Book showed for all revenue and expenditure items the revised estimates for FY2016 as well as the actuals for the first 10 months of the year.

Element 4 - fulfilled: The detailed expenditure estimates of the FY2017 annual budget were presented in the Blue Book along with a summary table showing the total for each vote. Similarly, detailed revenue estimates are presented in the Blue Book, along with a summary.

Element 5 - fulfilled: The Blue Book (page 9) provides a breakdown of anticipated deficit financing. The financing after provision for borrowing and repayment of external and domestic loans is explained in the Budget Statement (para. 132) - through borrowing from RBZ.

Element 6 - not fulfilled: Macro-economic assumptions for GDP growth and inflation (including export commodity price forecasts) were presented in the Budget Statement Annexure 6 with sectoral GDP performance breakdown in Annexure 2. The exchange rate assumptions are not stated (even with a dollarized economy it is important to mention exchange rates relating to major trading partners such as South Africa). Assumptions about international and domestic interest rates were not mentioned.

Element 7 - fulfilled: The Annual Budget Statement 2017 (para. 137) provided Zimbabwe's public debt stock in aggregate as at 31 October 2016, divided in external and domestic debt. Section 3 Schedule 1 provides a detailed list of all existing loans, both external and domestic. The Mid-Year Fiscal Policy Review presents a table (para. 164) of total government debt and government guaranteed debt as at end of June 2016. The table provides breakdown into external and domestic debt with further details of the composition of external debt (but not domestic debt). The table also provides details of which amounts of the outstanding debt constitutes arrears.

Element 8 - not fulfilled: No information on the government's financial assets is provided.

Element 9 - not fulfilled: The Budget Statement (para.155-156) provides information on called up guarantees as a percentage of total government debt, and the Annual Budget Review provides details on total guarantees issued (para.164). No other information on contingent liabilities, such as PPP obligations or other fiscal risks are provided, apart from general statements about the problems in selected state enterprises.

Element 10 - not fulfilled: The Budget Statement presents extensively in both narrative and data annexes the range of new revenue measures, but the fiscal implications of each revenue measure (or group of measures) are not presented. On the expenditure side, there are a number of details about budget allocations for particular sectors, but there is little information on whether an allocation reflects a new policy initiative, a new project or a continuation of an ongoing one¹¹; and there is no information about discontinued programs or initiatives.

Element 11 - fulfilled: All items of revenue, expenditure and budget balance as well as financing (on cash basis) include estimates for FY2018 and FY2019 in addition to the proposed appropriations for FY2017 in the Blue Book. Only the extra-budgetary items (in the columns for Statutory Funds and Other Resources) are not accompanied by forward estimates.

¹¹ Examples of exceptions include an allocation to a new education sector project ref. Budget Speech paragraph 37, an allocation is clearly referred to an ongoing project (Para.38), and an allocation to a new initiative (para. 63).

Element 12 - not fulfilled: Various tax expenditures are mentioned in the Budget Statement in Chapter 6 Revenue Measures. There is no quantified information on the value of such tax expenditures in the budget documentation for FY2017.

Recent or ongoing reform activities

- In 2016 MOFED prepared a booklet ‘Budget Estimates on Statutory and Retention Funds for the Year ending December 31, 2017’ with the intension of submitting to the Parliament as part of full integration of these funds in the overall budget documentation and approved appropriations (the document is mentioned in the Budget Statement). This submission did not take place, which means that retention funds were not approved by Parliament, whereas estimates for Statutory Funds were approved on the basis of provision in the individual statutes for each statutory fund. At the same time an attempt was made to include these funds in a separate column in the Blue Book, though the amounts actually reflected there are incomplete. In the FY2018 budget submission to Parliament, the intended integration will have been complete.
- The Annual Budget Review 2016 and Outlook for 2017, presented to Parliament in July 2017 includes actual budget outturns by vote in a format comparable to the original approved budget, though at highly aggregated level.

PI-6 Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. This is needed to provide a complete picture of government revenue, expenditures across all categories, and financing. The institutional coverage is all entities of central government. The assessment is based on the last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-6 Central Government operations outside financial reports	D+	Large amounts of central government financial operations take place outside the approved budget appropriations and are not reflected in any consolidated government reporting. However, most extra-budgetary funds and units submit financial accounts for audit in a timely manner. Dimension scores combined by Method M2 (average)
6.1 Expenditure outside financial reports	D	Expenditure implemented and reported outside the central government’s consolidated budget execution and financial reports amounted to at least 23% of central government budget expenditure in FY2016.
6.2 Revenue outside financial reports	D	Revenue collected outside the central government budget and not included in central government’s consolidated budget execution and financial reports amounted to at least 33% of central government budget revenue in FY2016.

6.3 Financial reports of extra budgetary unit	B	33 out of 48 EBUs (non-commercial parastatals and NSSA) representing about 90% of their combined annual expenditure had submitted their accounts for audit within five months of end of the financial year.
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Background

Financial reports of Government include the core central Government operations. The operations of non-commercial parastatals (NCPs) have their standalone audited financial statements submitted periodically to Government and are not currently consolidated with the Government financial statements. Similarly, National Social Security Authority (NSSA), because of the nature of a pension fund, works on a standalone basis, with its financial statements prepared, audited and submitted to Government. These are also not expected to be consolidated with the Government financial reports.

On the other hand, all the Donor funding is expected to be reflected in the Government budget and the financial statements, which is at present not taking place in Zimbabwe. Estimates of extra-budgetary funding provided by development partners are based on MOFED estimates in the ‘Annual Budget Review 2016 and Outlook for 2017’ page 48 and RBZ estimates as reflected in the Public Expenditure Review June 2017 page 22.

As part of the implementation of the IPSAS that were adopted by government, government will seek to reduce the number of public institutions that generate separate reports. Funds and local authorities will form part of the consolidated government financial reports.

Dimension 6.1 - Expenditure outside financial reports

Expenditure implemented and reported outside the central Government’s consolidated budget execution and financial reports amounted to at least 23% of central Government budget expenditure in FY2016: Score D.

Development Partners (DP) are not covered in detail in this report. DP report planned expenditures on a voluntary basis to the MOFED, which summarizes these expenditures in the budget. Expenditure held out of financial assistance from development partners is estimated by MOFED at US\$ 471 million in FY2016 and US\$ 522 million in FY2015, but this presumably excludes substantial amounts of assistance, since RBZ estimates for balance of payments accounting suggest that development partners contributed US\$ 1181 million in FY2015. While, the estimate for FY 2016 from RBZ is not available, the previous year figure (US\$ 1181 million) is considered to be a reasonable assumption. All of the expenditure was for earmarked projects and held outside the approved appropriations. The extra budgetary expenditure amounts to 23% of actual BCG expenditure (US\$ 4923 million).

Dimension 6.2 - Revenue outside financial reports

Revenue collected outside the central Government budget and not included in central government’s consolidated budget execution and financial reports amounted to at least 33% of central Government budget revenue in FY2016: Score D.

Financial assistance by development partners is estimated by MOFED at US\$ 471 million in FY2016 and US\$ 522 million in FY2015, but this presumably excludes substantial amounts of assistance since the RBZ estimates for balance of payments accounting suggest that development partners contributed US\$ 1181 million in FY2015.

The total amount of Revenue outside financial reports US\$ 1181 million is more than 33% of actual BCG revenue (US\$ 3502 million) reported in consolidated government reports.

Dimension 6.3 - Financial reports of extra budgetary units

33 out of 48 EBUs (non-commercial state enterprises and parastatals and NSSA), representing about 90% of their combined annual expenditure, had submitted their accounts for audit within five months of end of the financial year: Score B.

According to the PFM Act article 49, all public entities (i.e. including all non-commercial state enterprises and parastatals and NSSA) shall prepare annual accounts which shall be submitted to AGD/Treasury and to OAG for audit within 2 months of end of financial year. Audited reports shall be submitted to the overseeing ministry and to the Treasury within 5 months of end of financial year.

The Auditor General reports in her annual report on the submission of accounts and completion of audit as at end of May each year i.e. 5 months after the end of the financial year. The latest information available was for the FY2016 accounts of non-commercial state enterprises and parastatals i.e. reporting and audit status as at 31 May 2017 (ref. Annex 6E)¹². The Auditor General's report shows that 32 out of 47 non-commercial state enterprises and parastatals as well as NSSA (representing about 90% of their combined annual expenditure) had submitted their accounts for audit by that date, but audit had been completed for only 5 entities (representing about 44% of expenditure). Those reports would include statutory funds managed by the non-commercial state enterprises and parastatals¹³.

Very few of these reports are made publicly available by posting on the parastatal's own website (e.g. NSSA's report is published on its own website) or on the website created by SERA/MOFED.

¹² The assessment used as a sample for this calculation the 47 non-commercial state enterprises and parastatal entities plus NSSA for which annual financial data was available for 2015. For six of those entities the Auditor General's report does not state submission of accounts, whereas the Auditor General's report comments on account submission and audit of several other entities or funds, some of which appear to be extra-budgetary operations managed by MDAs of Budgetary Central Government. Several of those funds are included in MOFED's Budget Estimates on Statutory and Retention Funds but were not included in the SERA baseline database 2011-2015.

¹³ It should be noted that annual reports of retention funds managed by budgetary units (MDAs) are supposed to be submitted according to the same schedule. As most of them are managed by MDAs they are not separate units and therefore do not count under this indicator dimension.

FY2016 statements for only three non-commercial parastatals were found on the SERA website at the end of 2017.

All non-commercial state enterprises and parastatals will become part of Government’s consolidated annual financial report when implementation of IPSAS is completed.

Recent or ongoing reform activities

- MOFED is also working on improving data in the budget submission in the column of ‘Other Resources’ which reflect funding from Development Partners.
- SERA has created a website for posting of SEP financial statements. However, the site is still in early development and so far, contains statements for only a small fraction of SEPs.

PI-7 Transfers to subnational governments

This indicator assesses the transparency and timelines of transfers from central government to subnational governments (local authorities). It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. The period assessed is last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-7 Transfers to subnational governments	D+	The only current transfer to Local Authorities is from the Road Fund to Local Road Authorities. Amounts transferred are not determined by transparent rules and not disclosed to Local Authorities until after they have finalized their budgets. Dimension scores combined by Method M2 (average)
7.1 Systems for allocating transfers	D	The criteria determining transfers to the individual Authorities are not transparent; the established formula for calculating allocations is not being used.
7.2 Timelines of information on transfers	C	Transfers to the Local Roads Authorities for the coming year are stated in Central Government’s budget estimates which are issued after Local Authorities have finalized their budget plans.

Background

Local Authorities (LAs) comprise of 33 Urban Councils (city, municipal and town councils) and 70 Rural District Councils. Their mandate is to provide services in a broad range of policy areas, such as housing and land management, local road networks, public lighting, solid waste disposal, water supply and sanitation systems, as well as health and education. LAs are financed mainly by own revenue from various user fees, and proceeds from the sale of local assets such as real estate, supplemented by central government transfers. However, revenues are often insufficient to meet their service delivery mandates and financial obligations.

LA revenue is neither reliable nor sustainable. While the 2013 Constitution mandates the central government to share revenues with LAs, this provision has not been implemented. Various grants and refunds that are supposed to be paid to LAs by Central Government have never been paid or were stopped long time ago. In terms of the Public Health Act, Central Government is supposed to fund 50% of net expenditure on health incurred by LAs. This refund is not being made and LAs meet the health expenditure on their own. Central Government is also supposed to pay LAs an education grant of \$12 per pupil per term. This was also stopped. The firefighting grant payable to LAs to cover the costs of running a fire brigade was also stopped. An unconditional grant of 5% of Central Government expenditure, that was supposed to be paid to LAs, was never implemented. The only transfers made to LAs on an annual basis in recent years are for road works, transferred from the Road Fund managed by ZINARA and established under Section 13 of the Roads Act [Chapter 13:18]. Lack of foreseen transfers from – as well as payment for certain local services by such as parking and waste collection – Central Government has left Councils cash strapped with the result that they have built up arrears to State Enterprises (e.g. for electricity) adding to fiscal risks from insolvency of the latter (ref. PI-10).

LAs are supposed to receive funding for approved capital projects subject to availability of funds. In order to borrow, LAs need a Council resolution, as well as ‘no objection’ from the relevant Line Ministry and Ministry of Finance.

Dimension 7.1 - System for allocating transfers

The criteria determining transfers to the individual Authorities are not transparent; the established formula for calculating allocations is not being used: Score D.

Funding for local road maintenance and improvement works is transferred from ZINARA to the Urban and Rural Roads Authorities under the LAs. For this purpose, ZINARA collects revenue from for the Road Fund in terms of fuel levy, vehicle license fees, and road tolls. The transfers are ring-fenced and cannot be used for any other purposes.

LAs’ Road Authorities prepare budgets to cover their requirements on road works. The Road Authorities submit their budgets to Ministry of Local Government, Public Works and National Housing (MOLGPWNH) indicating the roads to be worked on as well as the amounts. A steering committee consisting of Department of Roads, District Development Fund, ZINARA, MOFED and MOLGPWNH meets to discuss the budgets and approve the amount to be disbursed to each Road Authority. Once the budgets are sent to MOLGPWNH, LAs do not get feedback on what funds they will get and when until the allocations emerge in the proposed central government budget estimates. The amounts they finally receive are usually very different from the amounts stated in their submissions. It is not clear how the transfers to individual Road Authorities are determined. The established formula for calculating amounts due to each local authority is not being used.

Dimension 7.2 - Timelines of information on transfers

Transfers to the Local Roads Authorities for the coming year are stated in Central Government's budget estimates which are issued after Local Authorities have finalized their budget plans: Score C.

LAs prepare their budgets around September-October for the forthcoming fiscal year starting 1st January, including a budget for road maintenance and capital investment projects. A circular from MOLGPWNH sets out guidelines on the preparation of the expenditure and revenue estimates. Following Council approval of the budget in October, it is sent to MOLGPWNH for approval. Allocations and payments from the Road Fund are determined by ZINARA and not communicated to LAs and their respective Roads Authorities in advance of finalizing their budgets (ref. 7.1 above). The budget documentation of the Central Government (Blue Book) includes each year a list of budgeted disbursements to each Urban/Rural Roads Authority. It is distributed in December. The amounts stated do not represent a reliable basis for the local Roads Authorities to plan their operations for the coming year. There is no set timeline within which the transfers will be made¹⁴.

Recent or ongoing reform activities

- The existing formula for distribution of road maintenance funding from ZINARA is being revised to make it simpler.

PI-8 Performance information for service delivery

Promoting operational efficiency in public service delivery is a core objective of the PFM system. The inclusion of performance information within budgetary documentation is considered to be international good practice. It strengthens the accountability of the executive for the planned and achieved outputs and outcomes of government programs and services. Increasingly, legislatures demand to see such performance information as part of their consideration of the executive's budget proposal, although the legislature may not be required to approve planned performance. This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. The institutional coverage is Central Government including services provided by Local Authorities to the extent they are directly financed by Central Government. The period assessed is the last complete fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
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¹⁴ City of Harare received about US\$ 10 million during the first 10 months of 2017, which is reasonably close to the City's roads budget for the year of US\$ 18 million. According to the City, this was exceptional and the City did not expect it. The amount received by Harare from the Road Fund during FY2016 was only US\$ 1.9 million.

PI-8 Performance information for service delivery	D+	A Results Based Budget framework is in place which provides performance targets and achievements mainly at activity and output level. Performance auditing is in its infancy and detailed information on resources provided to service delivery units is not available. Dimension scores combined by Method M2 (average)
8.1 Performance plans for service delivery	C	A Results Based Budgeting framework is in place for all MDAs and budget votes but monitorable key performance indicators for outcomes and outputs were available only for nine MDAs representing less than 50% of total CG expenditure.
8.2 Performance achieved for service delivery	C	A set of activities and outputs during FY2016 were reported in the Blue Book for FY2017 for all votes, but do not show performance against targets set in advance for the year.
8.3 Resources received by service delivery units	D	The level of resources actually availed to service delivery units is not readily available during the course of the budget year and not reported in any end-year reports. No special studies of resource allocations for service delivery units have been carried out during the past three years.
8.4 Performance evaluation for service delivery units	D	The Auditor General carries out performance audits to assess and evaluate the public service delivery at program level in a systematic way. So far only a few MDA programs each year have been the subject of such performance audits.

Background

The Budget Estimates present performance information for each vote in a format related to Results Based Budgeting (RBB). The Government is in the process of migrating to program classification through program based budgeting (PBB). RBB has been in place for all MDAs for many years, whereas PBB is being introduced in phases. The format for presenting performance/results information is different for RBB and PBB with PBB being more rigorous and targets being more quantitative and measurable. The 2016 PBB covered three Ministries and the 2017 PBB nine ministries¹⁵ representing 56% of total discretionary BCG expenditure (35% of total estimated CG expenditure as presented in Table 2-6). All Government Ministries are being trained and required by the Office of the President and Cabinet to implement RBB and PBB. Performance contracts are agreed by the Permanent Secretary of each line ministry and OPC; they include performance targets. However, this agreement is not directly linked to the budget, so targets are not adjusted when budget allocations are revised during budget execution.

¹⁵ These ministry votes are marked PBB 2017 in Annex 7B.

Dimension 8.1 - Performance plans for service delivery

A Results Based Budgeting framework is in place for all MDAs and budget votes, but monitorable key performance indicators for outcomes and outputs are available only for nine MDAs representing less than 50% of total CG expenditure: Score C.

Information on performance plans for service delivery as required by this indicator is produced as part of the budget information for all MDAs (either in the budget document or as an annexure) under the Results Based Budgeting approach. These show the following information for each MDA (including the Zimbabwe Gender Commission):

- Ministry Profile and Outputs
- Overview of the Vote
- Key Result areas
- Major achievements in the previous fiscal year
- Policy priorities for the budget year and the next 2 years

However, the information does not include a coherent set of monitorable key performance indicators for outcomes and outputs. 'Key Results Areas' and 'Policy priorities' are generally not quantified.

For the nine MDAs which were applying Program Based Budgeting in FY2017 an additional section presents for each program/sub-program:

- Strategic Objective
- Projected Outcomes with selected performance indicators and targets for three years
- Projected Outputs with selected performance indicators and targets for three years

The Budget Estimates also lists (in an annexure) Road Fund supported projects to be implemented by Local Roads Authorities. This amounts to output targets set for extra-budgetary expenditure, representing 3-4% of total CG expenditure.

Planned outcomes, outputs and performance indicators are not published in advance for most of the non-commercial parastatals.

Gender disaggregation of data

The GOZ budgets for FY2016 and FY2017 highlight that while efforts have been made towards having line items that address service delivery issues, such as training, infrastructure, awareness raising and sensitization, the majority of MDAs do not have disaggregated data which point to how women, men, boys and girls of different groups will benefit from government services and related budget allocations. In an instances disaggregation does occur. For example, the FY2016 budget estimates for the Ministry of Small and Medium Enterprises and Cooperative Development states in its key achievements for 2015 that it trained 28,825 entrepreneurs of which 13,508 were females and 10,317 were men. The data does not go further to show if these were youths or elderly people and whether they were all from rural, urban, peri urban or just one area. Some MDAs do

provide disaggregation of targets related to other characteristics of beneficiaries (than gender). For example, the Ministry of Public Service, Labour and Social Welfare gives key indicators as numbers of people with disability, orphans and vulnerable children, those who are unemployed, and children who are sexually abused; and MOPSE provides detailed targets related to pupils with various types of disabilities, whereas its only gender related target is the reduction in number of pupil pregnancies. Transition from Results Based Budgeting to Program Based Budgeting does not appear to have made any difference in this respect.

Dimension 8.2 - Performance achieved for service delivery

A set of activities and outputs during FY2016 were reported in the Blue Book for FY2017 for all votes, but do not show performance against targets set in advance for the year: Score C.

There is some information on actual service delivery produced and outcomes achieved at program and service or function level. The Blue Book for FY2017 lists major achievements made in FY2016 for each MDA/vote as concerns Results Based Budgeting. The achievements are to a large extent quantified, and mainly at the activity and output level. A comparison of the information in the two Blue Books vote by vote shows that the reported achievements are not comparable to the targets set in the previous year's Blue Book, as the achievements generally do not cover the same activities and outputs as the targets set.

For the MDAs applying Program Based Budgeting, a different format is used and achievements in FY2016 are presented together with the targets set for year as well as forward targets for FY2017, FY2018 and FY2019. This format enables comparison of actual achievements to the targets set for the same year, but so far, this information has covered only three of the 22 line ministries included in the 40 votes).

Dimension 8.3 - Resources received by service delivery units

The level of resources actually availed to service delivery units is not readily available during the course of the budget year and not reported in any end-year reports. No special studies of resource allocations for service delivery units have been carried out during the past three years: Score D.

Dimension 8.4 - Performance Evaluation for service delivery

The Auditor General carries out performance audits to assess and evaluate the public service delivery at program level in a systematic way. So far only a few MDA programs each year have been the subject of such performance audits: Score D.

The Office of the Auditor General undertakes one or two special value-for-money audits each year. Special audits have to be tabled in Parliament by the minister concerned, but this is often delayed. Evidence of value for money audits undertaken during the last three years is limited to two reports posted on the OAG website, one report issued in each of 2014 and 2015. The MDAs responsible

for the services audited in those reports represent combined far less than 25% of total CG expenditure.

Recent or ongoing reform activities

- The Government is gradually rolling out program based budgeting from the current 9 MDA votes. This reform has been coordinated through the Office of the President and Cabinet and will eventually provide improved information on service delivery targets and their achievement across all MDAs as well as the cost associated with delivering the services under each program and sub-program. To actually reap the expected benefit from program budgeting will require careful attention to how targets and associated costs are defined and measured.

PI-9 Public access to fiscal information

Fiscal transparency depends on whether information on government fiscal plans, positions, and performance is easily accessible to the public. This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. Public access is defined as availability of information without restriction, within a reasonable time, without a requirement to register, and free of charge, unless otherwise justified in relation to specific country circumstances. The assessment includes five basic elements of fiscal information that are considered the most important to enable the public to understand fiscal position and four additional elements that are considered to be good practice. The scope of the indicator covers the budgetary central government and the period assessed is the last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-9 Public access to fiscal information	D	<p>The government made available - in a complete and timely manner - only one of the five basic elements and one out of the four additional elements listed. The documents published were</p> <ul style="list-style-type: none"> • Annual executive budget proposal documentation (basic) • Other external audit reports (additional)

The government makes available to the public only one of the basic elements in accordance with the specified time frames and one of the additional elements: Score D. Table 3-6 shows the elements determining the assessment of public access to key fiscal information.

Table 3-6: Public Access to Key Fiscal Information

Elements of Information for Public Access	Public Availability	Assessment
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents is available to the public within one week of the executive's submission of them to the legislature.	Yes	The Budget Speech and Budget Statement are available to the public on www.zimtreasury.gov.zw immediately after the Minister makes the submission to Parliament. This is done via printed copies to the National Assembly and to the members of the public which may be collected free of charge from MOFED as long as stocks last.
2. Enacted budget. The annual budget law approved by the legislature is publicized within 2 weeks of passage of the law.	No	Budget laws (Appropriations Act and Finance Act) are publicized in the Government Gazette which is available to the public. However, the final detailed estimates are not made publicly available and publication of the Budget Laws in the Gazette takes up to three months into the budget year.
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance.	No	Budget execution reports (Monthly Consolidated Financial Statements) are published on www.zimtreasury.gov.zw , but typically with 3-5 months delay and for FY2016 only the reports for the last three months were published.
4 Annual budget execution report. The report is made available to the public within 6 months of the fiscal year's end.	No	The Consolidated Financial Statement for the month of December 2016 includes cumulative figures for the entire year, but is not comprehensive and includes no narrative comments on budget implementation. The Annual Budget Review report for FY2016 which is comprehensive and includes extensive comments on implementation was presented to Parliament on 20 July 2017 and made available on www.zimtreasury.gov.zw immediately thereafter i.e. more than 6 months after end of the reported year.
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within 12 months of the fiscal year's end.	No	Audited annual financial reports have not been made available to the public. The Auditor General's report is publicly available but does not include the details of the financial statements themselves.
Additional elements		

Elements of Information for Public Access	Public Availability	Assessment
6. Pre-budget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least 4 months before the start of the fiscal year.	No	MOFED produces a consultative Budget Strategy Paper ahead of submitting budget proposals. It is published on www.zimtreasury.gov.zw . However, the BSP for FY2017 was issued on 6 th October 2016 i.e. less than 3 months before the start of the fiscal year. (The BSP for FY2018 was issued 25 September 2017).
7. Other external audit reports. All nonconfidential reports on central government-consolidated operations are made available to the public within 6 months of submission.	Yes	Audit reports are made public as soon as the audit process – including submission to Parliament - is complete. The reports include annual reports on government appropriations accounts, fund accounts, state enterprises and parastatals, local authorities and special audits of selected programs and are found on www.auditorgeneral.gov.zw .
8. Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the nonbudget experts, often referred to as a ‘citizens’ budget,” and where appropriate translated into the most commonly spoken local language, is publicly available within 2 weeks of the executive budget proposal’s submission to the legislature and within one month of the budget’s approval.	No	A citizens’ budget is not produced. However, ‘Budget Highlights’ are publicized together with the annual Budget Statement on www.zimtreasury.gov.zw , but are very rudimentary in content.
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	No	Multi-year macro-economic forecasts are updated twice a year to inform budget strategy and final budget formulation, but only the forecasts for the forthcoming budget year are presented in the Budget Strategy Paper and the Budget Statement -made available to the public on www.zimtreasury.gov.zw .

Recent or ongoing reform activities

- The government intends to produce the budget proposal documents in local language(s) in addition to English.

Pillar III. Management of assets and liabilities

PI-10 Fiscal risk reporting

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. The coverage is the last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-10 Monitoring of public corporations	D+	Disclosure of fiscal risks is very limited; no consolidated and quantified overview of risks to the budget exists. Whilst financial statements on most state enterprises are submitted reasonably timely for audit and in many cases published, substantial delays occur in the case for local authorities which do not publish their financial reports. Dimension scores combined by Method M2 (average)
10.1 Monitoring of public corporations	C	Two thirds of state enterprises (representing 93% of total enterprise expenditure) had submitted FY2016 financial statements for audit within 5 months of end of financial year; but less than half of the state enterprises (by weight) had published their audited financial statements within 9 months from end of financial year.
10.2 Monitoring of subnational governments	D	Less than a quarter of local authorities submitted their financial statements for audit in a timely manner, and there is no evidence that any local authorities have published their annual financial statements for any recent year.
10.3 Contingent liabilities and other fiscal risks	D	There is no reporting of consolidated contingent liabilities or other fiscal risks for central government with quantification of the risks and likely implications for the budget estimates.

Dimension 10.1 - Monitoring of public corporations

Two thirds of state enterprises (representing 93% of total enterprise expenditure) had submitted FY2016 financial statements for audit within 5 months of end of financial year; but less than half of the state enterprises (by weight) had published their audited financial statements within 9 months from end of financial year: Score C.

The coverage of this dimension is all public corporations (state enterprises) controlled by central government for the last completed fiscal year i.e. FY2016. However, comprehensive financial

information is available only for FY2015, which is therefore used to weighting of performance across state enterprises. The available data is presented in Annex 6F.

Audited financial statements of state enterprises (or public corporations in GFS terminology) are a reliable source of information on fiscal risk associated with state enterprises. The financial statements should contain full information on revenue, expenditure, assets, liabilities, guarantees and long-term obligations. Section 49 of the PFM Act requires public entities (including state enterprises) to produce audited financial statements within 5 months of the year end. The Auditor General's report for FY2016 (issued June 2017) takes stock of submission of annual accounts for audit and completion of audit. In addition, information from the websites of some major state enterprises on which the Auditor General does not report, was used for the assessment – either because private sector auditors are being used or because the state enterprise does not use the calendar year as its financial year.

The data in Annex 6F shows that 10 state enterprises out of 37 (representing 31% of state enterprise expenditure) had audited financial reports for FY2016 completed within five months of end of financial year; a further 15 state enterprises (representing about 62% of state enterprise expenditure) had submitted financial reports for audit, but audit may not have been completed. In other words, state enterprises accounting for 93% of expenditure had submitted financial statements for audit within five months of end of financial year: Score C.

A sample of state enterprises (representing 80% of expenditure of the 37 state enterprises) was used to check publication of the FY2016 audited financial statements before the end of 2017. This showed that just under half of the enterprises (weighted) had publicized their financial statements – which is insufficient for a B rating.

Dimension 10.2 - Monitoring of subnational governments

Less than a quarter of local authorities submitted their financial statements for audit in a timely manner, and there is no evidence that any local authorities having published their annual financial statements for any recent year: Score D.

The Auditor General is mandated by the Constitution of Zimbabwe and the Audit Office Act to audit the financial statements of local authorities. As per the Auditor General's report of June 2017, only 22 (out of 92) local authorities had submitted financial statements for FY2016 for audit by the end of May 2017. Of the 70 LAs that had not submitted FY2016 statements, 35 LA had also failed to submit financial statements for FY2015. Weighted by annual turnover, the performance on submissions is likely to be even lower as none of the 7 city council and only one of the 8 municipal councils had submitted the FY2016 statements by end of May 2017.

When audit is completed, the audited financial statements for each local authority are submitted to MOLGPWNH, MOFED and the National Assembly. Government does not prepare a consolidated report on the financial statements of local authorities. There is no evidence that any LA has published its annual financial statements – whether audited or unaudited – for any recent year.

Dimension 10.3 - Contingent liabilities and other fiscal risks

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

The '2017 National Budget Statement' includes a section on 'Contingent Liabilities' (pages 52-53) and mentions the called upon government guarantees (amounting to 15.8% of total external debt). However, no details are provided on the guarantees, the specific amounts involved, reasons for being called or implications for the budget estimates. Debt service arrears and arrears to suppliers of goods and services are also commented upon, but only debt service arrears to multi-lateral development banks have been quantified and the likely implications for the annual and medium term budget estimates are not discussed. The Budget Strategy Paper included even less information on fiscal risks. As for other debt management risks and macro-economic risks see PI-13 and PI-14.

Recent or ongoing reform activities

- SERA/MOFED has created a website for posting of SEP financial statements. However, the site is still in early development and so far contains statements for only a small fraction of SEPs.

PI-11 Public investment management

Public investment serves as a key driver for economic growth. However, the effectiveness and efficiency of public investment is also a key determinant in maximizing its impact and helping to support government's social and economic development objectives. Efficient management of public investment resources requires careful analysis to prioritize investments within sustainable fiscal limits to ensure that approved projects are implemented as planned. This can be achieved through rigorous economic analysis, effective management of investment expenditure, and monitoring of timely completion. Thus, this indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. The scope of the indicator covers the central government including NCPs. The period assessed is the last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-11 Public investment management	D+	There is no formal standard system in place to act as a gate keeper, coordinate and oversee major investment projects. Dimension scores combined by Method M2 (average)
11.1 Economic analysis of investment proposals	C	Economic analyses are conducted for some major investment projects especially those that are funded by PPP/JV, Loans and Development Partners.
11.2 Investment project selection	D	There is no formal system in place for project identification, screening selection, and prioritization of all major investment projects prior to their inclusion in the budget.
11.3 Investment project costing	C	Projections of the total capital cost of some of the major investment projects, together with the capital costs for the forthcoming budget year are included in the budget documents but they are not comprehensively done
11.4 Investment project monitoring	C	Physical progress and costs of some of the major investment projects is monitored by implementing government unit, but it is not structured and there is no formal standard procedure and reporting template for monitoring.

Background

The major investment projects in Zimbabwe – as defined by the criteria in the PEFA Framework – include 12 projects each with a total investment cost in excess of 1% of total FY2016 expenditure (i.e. above US\$ 49 million) and covering the six major sectors, Energy, Transport & Communication, Water & Sanitation, Agriculture, Health and Information and communications technology (ICT), as presented in Annex 6D. Even if several of the projects are implemented and managed by state enterprises, these projects are largely financed through central government by means of CG contracted loans - to the state enterprise - or by CG issued guarantees for the related state enterprise loan.

Dimension 11.1 - Economic analysis of investment proposals

Economic analyses are conducted for some major investment projects especially those that are funded by PPP/JV, by loans and by Development Partners: Score C

Economic analysis has been conducted in the major investment projects that are shown in the annex. However, it is important to note that economic analysis of investment proposals is heavily dependent on the sources of funding. For instance, economic analyses are conducted for some major investment projects especially those that are funded by public private partnerships and joint ventures (PPP/JV), by external loans and by Development Partners. These analyses are mainly feasibility studies conducted by the financiers themselves. For PPP/JV, the Joint Ventures Act 2015 section 8 requires that feasibility studies be conducted for major investment projects. However, this is not comprehensively and consistently done for Government funded and unsolicited projects.

Dimension 11.2 - Investment project selection

There is no formal system in place for project identification, screening, selection, and prioritization of all major investment projects prior to their inclusion in the budget: Score D.

MOFED has oversight of project selection through its budget processes. However, there are no clearly defined criteria against which major investment projects are prioritized prior to their inclusion in the budget. MOFED currently has the central role of reviewing all the major investment project selection and prioritization. The selection and prioritization criteria currently in place are generic mainly based on policy documents (ZIM ASSET), budget call circular and contractual obligation of the already existing project pipeline. The budget call circular has annexes that request the MDAs to submit a project priority list for the coming year and a project submission form indicating details for each project. While these forms are being submitted by MDAs, they do not address the issue of cross-government screening and prioritization. The formal standard system for project identification, screening, selection, and appraisal of all major investment projects is still in draft form.

Dimension 11.3 - Investment project costing

Projections of the total capital cost of some of the major investment projects, together with the capital costs for the forthcoming budget year are included in the budget documents but they are not comprehensively done: Score C

Comprehensive financial analysis of some of the investment projects is not considered when budgeting for the medium term, as more focus is on the budget year. The estimates indicated for the next two years are viewed to be unreliable as there is limited capacity to undertake cost projections in line ministries. For some of the PPP/JV, loan funded projects and Development Partner projects projections of the total life-cycle cost are done, but this is rarely done for government funded and unsolicited projects. The total cost for some of the major sector projects have indicative cost estimates but they do not have individual cost estimates included budget documents. There is no formally controlled process for costing projects and undertaking cost reviews.

Dimension 11.4 - Investment project monitoring

Physical progress and costs of the major investment projects are monitored by the implementing government unit, but monitoring is not structured and there is no formal standard procedure and reporting template for monitoring: Score C

The total cost and physical progress of major investment projects are monitored during implementation by the implementing government unit. Monitoring is not structured and there are no formal standard procedures and reporting templates for monitoring which would enable collection of comparable monitoring data across government by the Capital Budget Unit of MOFED. Information on the implementation of major investment projects is published in the

budget documents or in other reports annually, particularly in the Annual Budget Review for FY2016 (ref. pages 63-105) and in the mid-year policy reviews of the previous years.

Recent or ongoing reform activities

- The public investment management guidelines (available on www.zimtreasury.gov.zw) have been developed to compel all public investments to undergo economic appraisal. They were issued in November 2017.
- The government is in the process of establishing a project preparation development fund that will meet the development costs of identified projects, targeting feasibility, environmental and social impact assessments and design studies.

PI-12 Public asset management

The effective management of assets supports aggregate fiscal discipline by ensuring that resources owned and controlled by government are used efficiently and effectively in the implementation of policy objectives. If governments do not have sufficient knowledge of the existence and application of assets, it is possible that the assets are not being used effectively and may not be properly applied. Governments also need to be aware of assets that are not needed, or not fully utilized, so that they can make timely decisions on whether the assets should be transferred to other users or exchanged for different assets of greater value for service delivery or other policy implementation. This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. The institutional coverage is central government (including NCPs) for financial assets, and budgetary central government for non-financial assets. The assessment is based on the last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-12 Public asset management	D	There are no comprehensive systems of managing and monitoring financial assets or non-financial assets of Government at a central level. Transfers and disposal of nonfinancial assets are well established in standing rules on assets. However, little information on disposals is included in budget, financial reports, or other reports. Dimension scores combined by Method M2
12.1 Financial asset monitoring	D	There is no central system for managing, monitoring and reporting on the financial assets as a total portfolio
12.2 Nonfinancial asset monitoring	D	A central register of Government land and buildings is kept by MOLGPWH, whereas other records of nonfinancial assets are fragmented and incomplete. No comprehensive information on holdings of any type of non-financial assets is publicized.
12.3 Transparency of asset disposal	D	Transfers and disposal of nonfinancial assets is covered by standing rules on asset disposal, but no consolidated

		information is available on such disposals, including the information of both acquisition and disposal values.
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Dimension 12.1 - Financial asset monitoring

There is no central system for managing, monitoring and reporting on the financial assets as a total portfolio: Score D. The government has diverse financial assets including; cash, securities, loans, receivables. Each type of financial asset has its own system recording and reporting the assets, sometimes fragmented between institutions for one asset type. Data on some of the assets is incomplete. Therefore, whilst the Government maintains some individual systems for various financial assets, they are not in any way linked to form a central system for managing, monitoring and reporting on the financial assets as a total portfolio. A portfolio of financial assets needs robust risk management and to be operated under appropriate governance and transparent arrangements with periodic evaluations to assess government justification to continue holding such assets. Although the government keeps records of the major categories of financial assets, these are not subjected to periodic evaluation from a central point and e.g. are not included in annual financial statements.

Dimension 12.2 - Nonfinancial assets monitoring

A central register of Government land and buildings is kept by MOLGPWNH, whereas other records of nonfinancial assets are fragmented and incomplete. No comprehensive information on holdings of any type of non-financial assets is publicized: Score D.

Government land and buildings are under the control of the Ministry of Local Government, Public Works and Housing (MOLGPWH). The Ministry maintains all the related records including location and current use. This includes land and buildings used by more than one user like airports and border posts. The Ministry is responsible for additions/purchase of Government land and buildings including negotiations which also involve MOFED.

Records of other fixed assets are kept by the individual user ministries, capturing the physical quantities with no values. NCPs keep their own records of all nonfinancial assets under their management. However, the OAG annual report for FY2016 notes significant issues regarding completeness of records¹⁶ as well as problems with moving to a consolidated recording system within PFMS¹⁷. No comprehensive information on the holdings of any type of nonfinancial assets is being publicized, whilst various reports may include information on acquisition and holding of individual assets e.g. in connection with infrastructure investment reporting.

¹⁶ OAG: “Some Ministries did not maintain proper accounting and assets records such as cash books and ledgers to record revenue and expenditure, immovable property registers, motor vehicle registers, fuel and other asset registers.”

¹⁷ OAG: “The issue of uploading assets into the PFMS has continued to be a challenge. For the third year running, ten (10) ministries could not display assets in the system as the uploading was incomplete. In addition, serial numbers of assets such as computers and printers were not recorded in the system but were grouped and given one asset number.”

Dimension 12.3 - Transparency of asset disposals

Transfers and disposal of nonfinancial assets is covered by standing rules on asset disposal, but no consolidated information is available on such disposals, including the information of both acquisition and disposal values: Score D.

There is no legislation in effect that set out systems for sale or disposal of Government assets. According to the PFM Act Part II para.6(2), ‘The Treasury may by notice to officers concerned issue instructions or directions in terms of section 78 in relation to matters involving the acquisition, receipt, custody, control, issue, sale, delivery, transfer or disposal of any State property’.

MOLGPWNH (together with MOFED) is responsible for disposal of Government land and buildings. Government records do not show the original cost of non-financial assets. Therefore, the information on disposal will show the disposal value, but not the original cost.

Neither budget documentation nor financial reports provide comprehensive details of sales and transfers of Government assets. Other reports by individual MDAs and NCPs may include information on major asset disposals but will generally not include the original acquisition value.

Recent or ongoing reform activities

- A new Public Procurement and Disposal of Public Assets Act approved by Parliament in 2016, includes a special Part XII dealing with disposal of public assets. However, no effective date has been inserted and is pending issue of regulations, an exposure draft of which was published in October 2017 with deadline for comments by December 2017.

PI-13 Debt management

The size and management of debt and guarantee obligations can have a substantial impact on a country’s capacity to maintain fiscal discipline. Effective management is necessary to ensure that the cost of such obligations is minimized in the long term and that the country has the capacity to meet all obligations when they are due. Governments that fail to monitor the financial liabilities that arise from domestic, foreign, and guaranteed debt or from payment arrears, including salaries, may create unnecessarily high debt service costs and are unlikely to be able to deliver planned services. This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. For the purpose of this indicator, debt refers to central government debt—both domestic and external. Monitoring of debt contracted by local authorities and state enterprises is considered under PI-10: Fiscal risk reporting. The period assessed is for 13.1 at the time of assessment (November 2017), for 13.2 the last completed fiscal year (FY2016) and for 13.3 at the time of assessment with reference to the last three completed fiscal years (FY2014, 2015 and 2016).

Indicator/Dimension	Score	Brief Explanation
PI-13 Debt Management	B	Central government loans and issued guarantees are approved by a single authority and recorded and reconciled at least quarterly, using a comprehensive system. A debt management strategy has been established but is not yet public. Dimensions combined by Method M2
13.1 Recording and reporting of debt and guarantees	B	All loan and guarantee records are updated continuously and reconciled at least quarterly. Bi-annual reports on debt stock and debt service are presented to Parliament.
13.2 Approval of debt and guarantees	A	The Constitution and the Public Debt Management Act require approval of and reporting on all government debt and guarantees through the Minister for Finance. These provisions have been respected since 2015.
13.3 Debt management strategy	D	As at November 2017, a debt management strategy had been officially established for the first time, but had yet not been made publicly available.

Background

The Constitution of Zimbabwe requires limits to be set on state borrowing, public debt and debt obligations where payment/repayment is guaranteed by the government. Limit must not be exceeded without parliamentary approval. It requires an Act of parliament to prescribe terms and conditions under which Government may guarantee loans. The Constitution also requires the Minister of Finance within 60 days after Government has concluded a loan or guarantee to cause it to be published in the Government Gazette. The Minister of Finance is required to report at least twice a year to Parliament on loans raised by the state and loans guaranteed by the state and give a comprehensive statement of public debt at the time he presents the national budget

Dimension 13.1 - Recording and reporting of debt and guarantees

All loan and guarantee records are updated continuously and reconciled at least quarterly. Bi-annual reports on debt stock and debt service are presented to Parliament: Score B.

The Debt Management Act requires the Minister of Finance to report to Parliament (1) at least twice a year on Government debt management activities, guarantees and lending. (2) The report shall be inclusive of the following- (a) information on how the debt management strategy has been implemented during the financial year; (b) bi-annual reporting of debt management activities covering an evaluation of outcomes against the debt management objectives; (c) a list of all guarantees issued by Government including a classification of guarantees according to their probability of being called in; (d) a list of all outstanding borrowings and related debt service projections including for public entities and local authorities. (3) The Minister shall at the same time as the estimates of revenue and expenditure are laid before Parliament, table a comprehensive statement of the public debt.

The back office of the Debt Management Unit of MOFED records debt information using the Debt Management and Foreign Analysis System (DMFAS) developed by UNCTAD. Bi-annual

reporting requirements of debt to parliament by the Minister are being met, as the Annual Budget Statement and the Budget Estimates (Blue Book) presented in December includes full details of debt and guarantees. The Annual Budget Review for 2016 presented to Parliament in July 2017 also included a section on public debt. However, deadlines for the monthly management reports by the Debt Management Unit to the Permanent Secretary and the Accountant General are not being met. The monthly reports are produced mainly on stakeholder requests.

The back office performs reconciliations on a transaction by transaction basis monthly and quarterly. The reconciliations are now being done with the creditors and this has enhanced the accuracy of reported data. In-year statistical reports (Debt Bulletins) are currently not being produced.

Dimension 13.2 - Approval of debt and guarantees

The Constitution and the Public Debt Management Act require approval of and reporting on all government debt and guarantees through the Minister for Finance. These provisions have been respected since 2015: Score A.

The Constitution of Zimbabwe requires an Act of Parliament to grant authority to borrow and issue guarantees. The Debt Management Act 2015 grants the Minister of Finance authority to borrow, recognizing him as the sole authority for authorizing borrowing. The Debt Management Act requires all external loans contracted shall be subject to ratification by Parliament in accordance with the Constitution. Section 11(2) of the Public Debt Management Act sets a ceiling for the total outstanding public and publicly guaranteed debt as 70% of GDP at the end of any fiscal year. The ceiling can only be exceeded if approved by Parliament.

In the process of approving loans and guarantees the MOFED liaises with Line Ministers when necessary, particularly for borrowing by parastatals. The front office of the debt management unit in MOFED initiates the borrowing process by identifying sources of borrowing and conducting the negotiations with lenders.

Some parastatals have incurred debt, which has not required a government guarantee e.g. by pledging their own assets as collateral, but since the introduction of the Public Debt Management Act in 2015 this has been done with approval from MOFED.

Dimension 13.3 - Debt management strategy

As at November 2017, a debt management strategy had been officially established for the first time, but had not yet been made publicly available: Score D. The Debt Management Act requires that the Minister of Finance prepares a medium term debt management strategy and reports regularly to Parliament on its implementation. The first version of such a strategy – the Medium Term Debt Management Strategy 2017-2021 - was prepared in 2017 and approved on 2nd November 2017. However, at the time of the assessment, the strategy had not yet been made publicly available.

For the preceding three years (2014-2016) debt strategy was guided by the IMF Staff Monitored Program¹⁸ according to which the country should only borrow concessional and any non-concessional borrowing would be for priority infrastructure projects only and will not exceed US\$ 400 million.

Recent or ongoing reform activities

- Implementation of the Medium Term Debt Management Strategy 2017-2021, which was approved in November 2017, from 2018 onwards.

Pillar IV. Policy-based fiscal strategy and budgeting

PI-14 Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. The institutional coverage is the entire economy for the first dimension, and central government including EBFs for the second and third dimension. The time period assessed covers the last three completed fiscal years i.e. FY2014, FY2015 and FY2016.

¹⁸ IMF: Zimbabwe - First and Second Reviews Under the Staff-Monitored Program; July 1 2014; Quantitative targets table 1 page 32 and Section E page 37.

Indicator/Dimension	Score	Brief Explanation
PI-14 Macroeconomic and fiscal forecasting	C	Multi-year macro-economic forecasts are updated twice a year including alternative scenarios. Three year estimates of the revenue, expenditure and budget balance is presented in the budget submission to Parliament, but no alternative scenarios and only assumptions for the forthcoming budget year are presented. Dimensions combined by Method M2 (average)
14.1 Macroeconomic forecasts	C	Multi-year macro-economic forecasts are updated twice a year to inform the Budget Strategy and final budget formulation, but are presented in those documents only for the forthcoming budget year:
14.2 Fiscal forecasts	C	Three year estimates of the revenue, expenditure and budget balance is presented in the budget submission to Parliament, but includes underlying macro-economic forecasts and their assumptions only for the forthcoming budget year
14.3 Macro-fiscal sensitivity analysis	C	Macro-economic forecast scenarios are prepared annually with quantitative estimates of impact on the main fiscal variables, but are neither published nor included in budget documentation

Dimension 14.1 - Macroeconomic forecasts

Multi-year macro-economic forecasts are updated twice a year to inform the Budget Strategy and final budget formulation, are presented in those documents only for the forthcoming budget year: Score C.

A Macroeconomic Working Group - consisting of members from MOFED, Macroeconomic Planning and Investment Promotion, RBZ and ZIMSTAT - is responsible for forecasting four sectors of the economy i.e. Real Sector, Fiscal, Depository Corporation Survey and Balance of Payments. The Ministry of Macroeconomic Planning and Investment Promotion chairs the Working Group and the Team meets twice a year, first in March to prepare the initial forecasts to be used for the Budget Strategy Paper (BSP), and again in October to update the forecasts to inform final budget formulation. A macro-economic model is used for preparation of the forecasts with covers the current year, the forthcoming budget year and the following two years. The outcome of the forecasts is based on inputs from stakeholder consultations and the final numbers are adopted based on consensus by the Team. The system could be improved by more sophisticated sector projections once ZIMSTAT releases micro data for individual economic sectors.

The macro-economic forecasts with breakdown by economic sector are presented in the BSP and in the Budget Statement to Parliament, but only as concerns forecasts for the forthcoming budget year.

Dimension 14.2 - Fiscal forecasts

Three year estimates of the revenue, expenditure and budget balance is presented in the budget submission to Parliament, but includes underlying macro-economic forecasts and other assumptions only for the forthcoming budget year: Score C.

Forecasts for the main fiscal indicators are prepared under the Three-Year Rolling Budget i.e. as a Medium Term Fiscal Framework for three years. The forecasts are presented in the Budget Estimates 'Blue Book' (for FY2017 on page 9) submitted to Parliament and includes breakdown by main economic classification of both revenue, expenditures as well as the budget balance. Budget documentation includes the macro-economic assumptions for the forthcoming budget year but not for the subsequent years. This has been the standard in the budget documentation for each of the last three years. Explanations for the difference to the forecasts included in the previous year's budget submission are not provided, but the Annual Budget Review 2016 and the corresponding Mid-Year Reviews for the previous years include a comparison of the completed year's macro-economic assumptions and fiscal targets with the actual outturn.

Dimension 14.3 - Macro-fiscal sensitivity analysis

Macro-economic forecast scenarios are prepared annually with quantitative estimates of impact on the main fiscal variables, but are neither published nor included in budget documentation: Score C.

Fiscal forecast scenarios are prepared for internal use and are debated within the Ministry. The macroeconomic assumptions underpinning each scenario are clearly spelt out. Both the upside and downside risks are then included in the Budget Statement. Whilst the intention is to prepare two scenarios in addition to the baseline scenario, recent practice is that only one alternative to the baseline has been prepared¹⁹. The scenarios are documented in an internal report for MOFED and not published. The scenarios are not presented in the budget documentation to Parliament.

Recent or ongoing reform activities

- Regulations to be issued under the PFM Act 2009 have been drafted but not yet approved. The draft regulations specify the requirement to issue a BSP and define its contents, including fiscal policy, fiscal forecasts and macro-economic assumptions.
- The 2018 Pre-Budget Strategy Paper includes a number of improvements on the 2017 version. In particular it includes 5-year fiscal projections of revenue, expenditure, fiscal deficit and public debt, with a breakdown of revenue and expenditure according to main economic categories.

¹⁹ The Fiscal Framework 2017-2020 prepared in November 2017 doe include a total of three scenarios based on alternative macro-economic assumptions.

PI-15 Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. The institutional coverage is central government including EBFs. The time period assessed covers the last three completed fiscal years i.e. FY2014, FY2015 and FY2016 for the first dimension but only the last completed year i.e. FY2016 for the third dimension.

Indicator/Dimension	Score	Brief Explanation
PI-15 Fiscal Strategy	C+	Estimates of the fiscal impact of the major, new fiscal policy measures are prepared for the forthcoming budget year. A complete fiscal strategy which links legislated debt ceilings to medium-term fiscal targets has not been presented to Parliament, though some elements exist and their outcomes are reported on. Dimensions combined by Method M2
15.1 Fiscal impact of policy proposals	C	Estimates of the fiscal impact of the major, new revenue and expenditure policy measures are prepared, in most cases only for the forthcoming budget year
15.2 Fiscal strategy adoption	C	Government has prepared elements of a fiscal strategy with qualitative objectives and quantitative targets for the forthcoming budget year, but a complete fiscal strategy which links legislated debt ceilings to medium-term fiscal targets has not been presented to Parliament
15.3 Reporting on fiscal outcomes	B	The Government has presented an Annual Budget Review for 2016 to Parliament; it reports on outcomes compared to the legislated debt ceilings and to the aggregate fiscal targets approved as part of the annual budget for the year

Dimension 15.1 - Fiscal impact of policy proposals

Estimates of the fiscal impact of the major, new revenue and expenditure policy measures are prepared, in most cases only for the forthcoming budget year: Score C. The fiscal impact of each of the major revenue proposals is estimated, accounting for the bulk of changes in revenue from new measures. These estimates are internal to MOFED and there is no evidence that the estimates cover beyond the forthcoming budget year. As concerns expenditure proposals, some major line ministries have prepared sector strategic plans with costing of alternative scenarios which link differences in service delivery outputs and expenditure allocations for 3-4 forward years, ref. PI-16.3. In addition, major expenditure proposals submitted by line ministries to MOFED for consideration are costed. Those that are accepted and make it into the budget submission to Parliament are spelled out in the National Budget Statement in terms of specific allocations for the forthcoming budget year, but not beyond.

Dimension 15.2 - Fiscal strategy adoption

Government has prepared elements of a fiscal strategy with qualitative objectives and quantitative targets for the forthcoming budget year, but a complete fiscal strategy which links legislated debt ceilings to medium-term fiscal targets has not been presented to Parliament: Score C. The Public Debt Management Act 2015 has established two fiscal rules, namely a ceiling for Public Debt to GDP ratio at 70% (unless a waiver is granted by Parliament under certain circumstances) and a ceiling for borrowing from the RBZ at 20% of total annual expenditure. The BSP explains a range of fiscal targets, mainly in qualitative terms, accompanied by estimates of the fiscal aggregates only for the forthcoming budget year. Estimates of fiscal aggregates with breakdown of both revenue and expenditure are presented in the Budget Estimates 'Blue Book' (for FY2017 on page 9) with some explanation in the narrative of the National Budget Statement of the fiscal objectives and measures proposed in the budget submission. However, a strategy that links the debt management rules and the three-year (from FY2018: five-year) forward estimates of fiscal aggregates has not been presented to Parliament.

Dimension 15.3 - Reporting on fiscal outcomes

The Government has presented an Annual Budget Review for 2016 to Parliament; it reports on outcomes compared to the legislated debt ceilings and to the aggregate fiscal targets approved as part of the annual budget for the year: Score B. The Annual Budget Review for 2016 and Outlook for 2017 was presented to Parliament on 20 July 2017. It includes a comparison of the completed year's macro-economic assumptions and fiscal targets with the actual outturn and explains a number of underlying reasons for the missed targets. Some actions intended to be taken to stay within targets in the future are mentioned in the report, but only in relatively vague terms without commitment to quantitative targets for the coming years. Whilst two fiscal rules are established in the legislation and are reported on in the Annual Budget Review, the legislation does not specify particular mitigating actions or timelines to be respected. The Medium Term Debt Management Strategy 2017-2020 also reports the actual debt against the legislated debt ceilings.

Recent or ongoing reform activities

- Regulations to be issued under the PFM Act 2009 have been drafted but not yet approved. The draft regulations specify the nature of fiscal objectives to be stated in the BSP and the required content of an Economic and Fiscal End-Year Report to be submitted to Parliament.
- The 2018 Pre-Budget Strategy Paper includes a number of improvements on the 2017 version. In particular it includes 5-year fiscal projections of revenue, expenditure, fiscal deficit and public debt, with a breakdown of revenue and expenditure according to main economic categories.
- A comprehensive Medium-Term Debt Management Strategy 2017-2020 was prepared in July 2017 and approved in November 2017. It marks the first such strategy to be developed (ref. PI-13.3).

PI-16 Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. The institutional coverage is budgetary central government excluding EBFs. The time period assessed covers the last budget submitted to the legislature for dimensions i.e. the budget for FY2017, while including a comparison of this budget submission to the budget submission from the previous year FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-16 Medium-term perspective in expenditure budgeting	D+	The budget includes estimates of expenditure for the budget year and the following two years, but they are not compared to the forward estimates of previous year's forecasts. Forward estimates are have weak links to sector strategic plans and are not guided by ceilings issued to sector ministries. Dimensions combined by Method M2 (average)
16.1 Medium-term expenditure estimates	B	The budget for FY2017 included estimates of expenditure for the budget year 2017 as well as forward estimates for 2018 and 2019 by administrative and economic classification:
16.2 Medium-term expenditure ceilings	D	The budget call circular for FY2017 did not include expenditure ceilings for FY2018 and FY2019
16.3 Alignment of strategic plans and medium-term budgeting	C	The majority of sector ministries prepare strategic plans, some of which are fully costed, and MTEF estimates are in most cases based on expenditure proposals drawn from these strategic plans
16.4 Consistency of budgets with previous estimates	D	The budget documentation provides no comparison of the proposed appropriations with the forward estimates for the same year in the previous year's budget submission

Background

Medium term planning is imbedded in the preparation of budgets through the fiscal framework and fiscal anchor objectives which are highlighted in the Budget Strategy Paper (BSP) that is published at the same time as the Budget Call Circular.

Dimension 16.1 - Medium-term expenditure estimates

The budget for FY2017 included estimates of expenditure for the budget year 2017 as well as forward estimates for 2018 and 2019 by administrative and economic classification: Score B. The Blue Book for FY2017 provides forward estimates for FY2018 and FY2019 for all estimates of appropriations from the Consolidated Fund. This includes revenue as well as expenditure both at aggregate level and detailed breakdown by administrative vote and economic items. Forward estimates for Statutory Funds and Other Resources are not provided. In ministries where program classification is being piloted, the expenditure estimates for each program also include the two year forward estimates in addition to estimates for FY2017. As mentioned under

PI-4, however, program classification is gradually being introduced and so far only covers 9 of the 41 votes.

Dimension 16.2 - Medium-term expenditure ceilings

The budget call circular for FY2017 did not include expenditure ceilings for FY2018 and FY2019: Score D. The budget call circular for FY2017 proposals, issued by MOFED in September, includes ceilings only for the coming budget year. Though the circular requires MDAs to submit estimates for the following two years, no ceilings for those estimates are provided in the circular.

Dimension 16.3 - Alignment of strategic plans and medium-term budgeting

The majority of sector ministries prepare strategic plans, some of which are fully costed, and MTEF estimates are in most cases based on expenditure proposals drawn from these strategic plans: Score C. Most of the major ministries have prepared strategic plans covering the current period. Strategic sector plans were obtained for MOPSE (representing 23% of FY2017 discretionary expenditure) and MOHCC (8%). MOPSE's strategic plan covers the period 2016-2020 and was completed in October-November 2016. The plan is costed and includes three funding scenarios with corresponding impact for each scenario on key output indicators. The funding assumptions for the baseline scenario are below the MTEF estimates in the FY2015 documentation but above the MTEF estimates for the forward years in the FY2016 budget submission, which was still under preparation at the time the strategic plan was finalized. The MOHCC strategic plan also includes three funding scenarios with cost for each year and scenario as well as a baseline amount for FY2015. Related assumptions for service delivery outputs are explained. However, the assumed funding amount for each year bears no resemblance to the estimates for MOHCC in the MTEF. In particular, FY2015 funding baseline is more than triple the budget appropriations for FY2015 and about 150% above estimates of total resources for FY2015 in the Blue Book, apparently based on most of the funding coming from extra-budgetary resources not reflected in any form in the budget estimates.

Policy alignment between the current expenditure proposals and the strategic plan objectives or sector objectives is attained at the Ministry level and any deviations or variance between the ceilings and the strategic plan objectives have to be justified by the Ministry through its budget submission for the current year budget. According to line ministries consulted, their annual budget submissions to MOFED are based on the strategic plans and include proposals (or bids) for additional funding beyond the allocated ceiling with reference to the objectives and targets set out in the strategic plans. Therefore, MTEF estimates are mainly based on proposals drawing from the strategic plans, even if the strategic plans in many cases include expenditure proposals which are not adopted in the MTEF within the latter's three year planning horizon.

Dimension 16.4 - Consistency of budgets with previous estimates

The budget documentation provides no comparison of the proposed appropriations with the forward estimates for the same year in the previous year's budget submission: Score D. 'Budget documents' for this indicator is defined in the same way as for indicator PI-5. No

comparison is provided in the budget documentation of forward estimates for FY2017 in the FY2016 submission and the estimates proposed for FY2017 in the budget documentation for FY2017. The estimates for FY2017 included major shifts in allocation of appropriations to the discretionary votes, e.g. a doubling of allocations to Vote 8 (agriculture) and reductions of about 35% to vote 16 Higher and Tertiary Education and to 15% to vote 14 (Health). While the Budget Statements explain allocations to the main votes in the narrative, there is no reference to the previous year's forward estimates and no explanation of how major increases in some votes are being financed by changes to other votes (as the overall total of discretionary expenditure estimates changed only marginally. The Pre-Budget Strategy Paper (not a submission to Parliament) suggests that agriculture will be the priority for the coming year (para. 41 & 44) but does not indicate the magnitude of additional allocation or how the mentioned fiscal space will be created in an aggregate no-growth budget.

Recent or ongoing reform activities

- Regulations to be issued under the PFM Act 2009 have been drafted but not yet approved. The draft regulations specify in para. 29(1) the details of a complete budget calendar.
- The Budget Call Circular for FY2018 has introduced the option of reallocating from recurrent expenditure to PSIP in order to improve the desired skewedness of the budget towards capital Expenditure.

PI-17 Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. The institutional coverage is budgetary central government excluding EBFs. The time period assessed covers the last budget submitted to the legislature for dimensions 17.1 and 17.2 i.e. the budget for FY2017, but the last three fiscal years for dimension 17.3 i.e. the budgets for FY2015, FY2016 and FY2017.

Indicator/Dimension	Score	Brief Explanation
PI-17 Budget preparation process	B	The strategic phase of the budget process is not well defined. The Budget Call Circular is clear and comprehensive, but sector ministries are given very short time to prepare their detailed proposals. Budget submissions to Parliament allow for only 4-6 weeks for analysis, debate, negotiations and approval. Dimensions combined by Method M2 (average).
17.1 Budget calendar	C	An annual budget calendar exists, but is incomplete. It allows budget units only 2-3 weeks for preparation of their detailed proposals after receipt of the Budget Call Circular with ceilings
17.2 Guidance on budget preparation	A	A clear and comprehensive Budget Call Circular is issued to line ministries by MOFED, and includes ceilings for the forthcoming budget year approved by Cabinet.

17.3 Budget submission to the legislature	C	The Government submitted the annual budget proposals to Parliament more than one month but less than two months before the start of the budget year in two of the last three years
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Dimension 17.1 - Budget calendar

An annual budget calendar exists, but is incomplete. It allows budget units only 2-3 weeks for preparation of their detailed proposals after receipt of the Budget Call Circular with ceilings: Score C. The PFM Act does not set out an annual budget calendar other than the date for submission of the budget proposals to Parliament and there are no regulations under the Act in effect. The Budget Call Circular sets out some events for the later part of budget preparation, ref. table 3-7 below. Events prior to issue of the Budget Call Circular are not officially pronounced but starts in principle with MOFED announcing the start of the strategic planning phase around April 1, leading to Cabinet approval of a Budget Strategy Paper (BSP) in July. Following this a Ministry Budget Preparations Committee sits to crafts the Budget Call Circular at least two months before the publication of the Circular. The BSP is published at the same time as the Circular. The timing was almost the same for the FY2016 and FY2017 budgets.

The budget calendar is partly adhered to. In practice the strategic phase starts late and the BSP was not approved by Cabinet until September. Although not required by legislation, an initial circular should guide the strategic phase. This has only been done once (in 2013). The time MDAs are allowed to prepare their budget proposals in 2016 was only 2-3 weeks from issue of the Budget Call Circular. Nevertheless, line ministries consulted stated that they were able to comply with the deadline because they had started their preparation well in advance of the issue of the Circular, which is meaningful in the current situation where the overall fiscal envelope for the budget has been stagnant and the wage bill takes most of the allocations for many ministries. However, the compressed budget calendar meant that there was no time for line ministries to revise their estimates after consultations with MOFED and therefore that MOFED ended up effectively setting the budgets for the ministries, whose proposals were not accepted in the first round – including the forward estimates for the following two years. The target for submission of the budget proposals to Parliament was missed by one week.

Table 3-7 Budget calendar as per Call Circular for the preparation of the FY2017 budget

	Activity	Due Date
1	Issuance of Budget Call Circular	11 October 2016
2	Issuance of Budget Strategy Paper	11 October 2016
3	Submission of Expenditure Proposals by Line Ministries	28 October 2016
4	Budget Consultations with stakeholders	10 October – 26 November 2016
5	Budget Hearings with Line Ministries	31 October – 21 November 2016
6	Presentation of the 2016 Budget to Parliament	1 December 2016

Source: Budget Call Circular, October 2016

All the above mentioned events are in place and working. As per item 4 in the table, Parliament arranges its consultations with stakeholders for the various portfolio committees as well as an event where the Committee Chairpersons present findings of the various sectors on all matters regarding revenue and expenditure, prior to budget formulation, ref. PI-18.2.

Dimension 17.2 - Guidance on budget preparation

A clear and comprehensive Budget Call Circular is issued to line ministries by MOFED, and includes ceilings for the forthcoming budget year approved by Cabinet: Score A. The Budget Call Circular sets out the requirements in detail for the ministerial budget submission in twelve templates, and in particular highlights the comprehensive information demanded for capital expenditure proposals. It also emphasizes certain non-salary items which should be given low priority in view of the fiscal constraints, the requirements to include commitments to be carried over from the previous year, as well as the statement of ministerial and program results, outputs and outcomes. The overall expenditure ceiling for each line ministry is broken down into ceilings for capital expenditure and three recurrent expenditure categories. Though the circular requires MDAs to submit estimates for the two years following the forthcoming budget year, no ceilings for those estimates are provided in the circular (ref. PI-16.2 above).

Within line ministries, the respective Budget Officers and Finance Directorate provide guidance to departments, programs and other units on the preparation of their ministry's budget. Political leadership is provided by the respective ministers arranging meetings with the Hon. Minister of Finance to brief him on their respective strategic mandates. The respective Ministers also lobby the Chairperson of the portfolio committees to further explain their mandate and importance, prior to budget formulation.

Dimension 17.3 - Budget submission to the legislature

The Government submitted the annual budget proposals to Parliament more than one month but less than two months before the start of the budget year in two of the last three years: Score C. The dates on which MOFED submitted the budget proposals to Parliament in each of the last four years are shown in table 3-8 below. In 2014 and 2015 the submission took place about 5 weeks before the start of the budget year, whereas in 2016, the proposal for FY2017 was submitted about 3 weeks before the start of the budget year. The latter is in line with the PFM Act 28(1) which states that "the Minister shall lay before the House of Assembly the annual budget for the forthcoming financial year, not earlier than thirty days before or not later than thirty days after the start of the forthcoming financial year".

Table 3-8 Timeline for budget submission to and approval by Parliament

Budget Year	Budget Submission to Parliament	Appropriations and Finance Bills passed by the National Assembly
FY2014	19 December 2013	n.a.
FY2015	27 November 2014	14 December 2014
FY2016	26 November 2015	17 December 2015
FY2017	8 December 2016	8 February 2017

Source: Blue Book for each of the budget years; Parliamentary Program Office

Recent or ongoing reform activities

- The budget calendar for the FY2018 budget preparation and submission to Parliament planned for all events from issue of Call Circular to take place approximately two weeks earlier than the previous years.

PI-18 Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature’s procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The institutional coverage is budgetary central government excluding NCPs. The time period assessed covers the last completed fiscal year for dimensions 18.1, 18.2 and 18.4 i.e. 2016, whereas it covers the last three years for dimension 18.3 i.e. the budget approval processes for FY2015, FY2016 and FY2017 as these processes were initiated (and supposed to be completed) during the years 2014, 2015 and 2016.

Indicator/Dimension	Score	Brief Explanation
PI-18 Legislative scrutiny of budgets	C+	Parliament reviews the complete budget submission which covers fiscal policies, medium-term fiscal forecasts and priorities, and it applies well-established procedures which include public consultations. However, the executive have extensive powers to change the budget in-year. Data on Parliament’s approval of the Appropriations Acts have not been provided. Dimensions combined by Method M1 (weakest link)
18.1 Scope of budget scrutiny	A	Parliament reviews the complete budget submission covering fiscal policies, medium-term fiscal forecasts and medium term priorities as well as details of expenditure and revenue
18.2 Legislative procedures for budget scrutiny	B	Parliament has well-established procedures for review of budget proposals which were followed in 2016. The

		procedures include specialized review committees, technical support, and negotiation procedures.
18.3 Timing of budget approval	C	The FY2017 budget was approved by Parliament 5-6 weeks after the start of the budget year, whereas the budgets for FY2015 and FY2016 were passed before the start of the respective budget years.
18.4 Rules for budget adjustments by the executive	C	Clear rules are set out in the Constitution and the Appropriations Acts for budget adjustments authorized by the Minister of Finance without prior Parliamentary approval. They provide the Minister with extensive powers to reallocate funds between votes and to spend beyond the overall amount appropriated.

Dimension 18.1 - Scope of budget scrutiny

Parliament reviews the complete budget submission covering fiscal policies, medium-term fiscal forecasts and medium term priorities as well as details of expenditure and revenue:

Score A. Parliament reviews the detailed estimates of revenue and expenditure for the coming budget year, proposed new revenue measures, and the forward estimates of revenue, expenditure and fiscal deficit as well as medium terms expenditure priorities. This takes place only at the time when the detailed budget submission has been presented to Parliament in November-December and is set out in the Budget Speech, the Budget Statement and the Budget Estimates (‘Blue Book’). No Parliamentary review or approval of fiscal policies or medium term fiscal forecasts take place earlier in the budget cycle, though there is interaction between parliamentary committees and MOFED during the preceding month as described below. As a result, Parliament’s review has in recent years only resulted in suggestions for allocation of additional funds to a few votes – usually financed by allocations from the proposed amount of the unallocated reserve.

Dimension 18.2 - Legislative procedures for budget scrutiny

Parliament has well-established procedures for review of budget proposals which were followed in 2016. The procedures include specialized review committees, technical support, and negotiation procedures:

Score B. Parliamentary review is coordinated by the Committee on Finance and Economic Development of the National Assembly with inputs from portfolio committees. The Senate participates in the deliberations of the Committee on Finance and Economic Development and is supported by a Parliamentary Budget Office (established 2016 prior to budget review) with four staff, of which two are permanent staff (an economist and an accountant) and two economists seconded from other Parliamentary units during the budget review process. The Budget Office prepares analytical reports for consideration by the respective Committees.

Public participation in budget review has been part of Parliaments’ budget procedures, in line with the provision in the PFM Act 28(5), but the arrangements have been established by tradition rather than a set of agreed procedural rules. Around August-September the various portfolio committees of the National Assembly arrange meetings with the general public in order to obtain views on the current year’s budget and requests for the coming budget year. A pre-budget seminar is organized in October with the Minister of Finance, following which the chair of the Finance and Economic

Development Committee holds a meeting with the Minister on the potential for adopting requests from the public in the budget proposals. This procedure was reportedly followed during 2016 in preparation for the FY2017 budget. The extent of public consultations fluctuates with the availability of funding.

When the Finance and Economic Development Committee has completed its review, the National Assembly's Plenary passes the proposals on to the Senate. The Senate can only make recommendations to the National Assembly and as members of the Senate participate in Finance and Economic Development Committee's review, most suggestions have already been taken into consideration. At the end of the process the National Assembly approves the Appropriations Bill and the Finance Bill and submits them for Presidential assent, which is then gazetted.

Dimension 18.3 - Timing of budget approval

The FY2017 budget was approved by Parliament 5-6 weeks after the start of the budget year, whereas the budgets for FY2015 and FY2016 were passed before the start of the respective budget years: Score C. The actual dates on which the last three annual budgets (Appropriations Bill and Finance Bill) were passed are shown in table 3-8 under PI-17 above. The FY2017 budget was approved 39 days into the budget year i.e. more than one month – but less than two - after start of the budget year. The previous two annual budgets were approved by Parliament before the end of December. It is noted that Presidential assent and subsequent publication in the Government Gazette takes place with some delay, the FY2017 budget being gazetted on 23 March 2017.

Dimension 18.4 - Rules for budget adjustments by the executive

Rules for budget adjustments authorized by the Minister of Finance without prior Parliamentary approval are set out in the Constitution, the PFM Act and the annual Appropriations Acts, but are not always adhered to. They provide the Minister with extensive powers to reallocate funds between votes and to spend beyond the overall amount appropriated: Score C. Section 307 of the Constitution states that if a Government Ministry or Department spends money in any financial year in excess of the amount appropriated, or for a purpose for which nothing was appropriated, the Minister of Finance is required to cause a Bill condoning the unauthorized expenditure to be introduced in the National Assembly seeking condonation of the unauthorized expenditure, no later than sixty days after the extent of the unauthorized expenditure has been established.

Section 5 of each Appropriations Act 'Power of Minister of Finance and Economic Development to authorize transfers between Votes' states that the Minister of Finance may allocate the unallocated reserve under Vote 5 for MOFED to any other vote as needed and may transfer allocations for services which may be transferred from one ministry (vote) to another one during the year. Any spending above the approved appropriation for a vote or sub-vote requires Parliamentary approval as set out in the PFM Act 28(4).

Whilst total expenditure during the last several years have exceeded the appropriations significantly both in aggregate (by 23% in FY2016) and for many individual votes, a supplementary budget was presented to and passed by Parliament only for FY2015 during the last

three years. For FY2014 a Financial Adjustments Act was passed by Parliament and assented to by the President in June 2015. It approved USD 407 million in increased vote allocations out of primary expenditure appropriations of USD 3640 million. No Financial Adjustment Bill has been presented to and approved by Parliament for FY2015 and FY2016 as stipulated in the Constitution. As the timeframe for supplementary budget submissions is not defined in legislation and no ceilings are set for the amounts which may be regularized by a Financial Adjustment Act, the rules provide the Minister of Finance in practice with sweeping powers to amend the budget during the year.

Recent or ongoing reform activities

- Capacity building and support to the public consultations of Parliament.

Pillar V. Predictability and control in budget execution

PI-19 Revenue administration

This indicator assesses the procedures used to collect and monitor central government revenues. The indicator relates to the entities that administer central government revenues, which may include tax administration, customs administration, and social security contribution administration. It also covers agencies administering revenues from other significant sources such as natural resources extraction. These may include public enterprises that operate as regulators and holding companies for government interests. In such cases the assessment will require information to be collected from entities outside the government sector.

The indicator covers the Central Government. The assessment period for dimensions 19.1 and 19.2 is as at the time of assessment (November 2017) and for dimensions 19.3 and 19.4 the assessment period covered FY2016 (last completed fiscal year.)

Indicator/Dimension	Score	Brief Explanation
PI-19 Revenue Administration	C	Comprehensive information on revenue payers' rights and obligations is available online. Compliance risk is managed through adequate criteria for some revenue streams, whilst the majority of planned audits and investigations are executed during the year based on well documented procedures. Revenue arrears levels are high. Dimensions combined by Method M2 (average)
19.1 Rights and obligation for revenue measures	B	Updated information is freely available for users online and supplemented by print media and taxpayer education meetings, but the outreach programs appear mostly focused on payers' obligations rather than taxpayer rights.
19.2 Revenue risk management	C	Compliance risks for some revenues are assessed by partly structured and systematic approaches by entities collecting the majority of risks.

19.3 Revenue Audit investigation	C	The majority of planned audits and investigations are completed during the year using documented compliance control procedures.
19.4 Revenue arrears monitoring	D	The stock of revenue arrears as at 31 December 2016 was 75% of the total revenue collection and arrears which were more than 12 months as a percentage of total arrears were at 73%.

Background

Central government revenues are mostly collected by Zimbabwe Revenue Authority (ZIMRA). ZIMRA has been formed by the Act of parliament to administer collection of revenues on behalf of the government, ref. Section 3 of the Revenue Authority Act Chapter 23:11 [Zimbabwe] grants the powers for the enactment of statutory corporate body which can sue or be sued for its own actions, recognized at law as a juristic person in its own right. ZIMRA is headed by the Commissioner-General (Executive Authority) who reports directly to the Board of Directors responsible for the oversight role of the institution. ZIMRA is responsible for collecting all of the government's tax revenues and acts as a collecting agency for other non-tax statutory revenues such as the Central Vehicle Registry license fees.

On other revenues, the National Social Security Authority (NSSA) collects social security contributions from all public and private sector employees who are mandatorily registered for social security contributions. These are charged in two distinct ways. The first one for social security contributions is levied at a rate of 3.5% of the gross salary emoluments up to a ceiling of \$700 per employee. The employers contribute an equivalent amount of the same. This fund is managed independently under a Board established with representation from the government, employee organizations and employer organizations. The fund also collects and administers Workman Compensation and Insurance Fund (WCIF) which covers workplace accidents and pays insurance claims to workers who succumb to workplace accidents. This is applied at a rate 1% of the gross wage bill and is payable by employers only. This fund is regulated by the NSSA Act Chapter 17:04 [Zimbabwe] of 1989 and the Statutory Instrument 393 of 1993 [Zimbabwe]. The authority to collect mandatory contributions from members is granted per section 28 of the NSSA Act Chapter 17:04. The law provides for defined benefits.

Most of the government revenues are collected in the form of taxes as guided by various tax acts which govern the collections of these revenues by ZIMRA. The institution has made some considerable progress towards ensuring that the tax payers are on self-assessment in line with the regional trends where tax authorities have moved a step towards ensuring that all taxpayers are on self-assessment to improve on tax compliance. Most revenues are collected in the form income taxes –covering taxes on profits and on employment income, value-added taxes (related to taxes levied on sale of goods and services), customs and excise duties, capital gains tax and withholding taxes on dividends, contracts and tenders.

In addition to being the revenue collection agency for budgetary central government, ZIMRA collects statutory deductions with respect to National Aids Council (NAC) Aids Levy and Zimbabwe National Road Authority (ZINARA) fuel levy. These are transferred to the relevant

departments who are entitled to these statutory deductions and jointly constituted about US\$ 200 million in FY2016.

There other revenue streams which are not tax revenues which are due to the government through statutory funds and retention funds. Some of them are collected by ZIMRA but others are collected by the respective sector MDAs.

Table 3-9 gives an overview of central government revenue collection. Overall, ZIMRA collected US\$ 3.66 billion in FY2016 (81% of total revenue), which included all government tax and nontax revenue plus some smaller amounts for statutory and retention funds, namely contributions to the National Aids Council (NAC) and part of the fuel levy, both of which transferred to directly to the beneficiary institutions. NSSA collected US\$ 0.36 billion (8% of total revenue) whereas other NCPs and MDAs collected the remaining 11% of revenue for statutory and retention funds. Therefore, ZIMRA and NSSA jointly collected 89% of total central government revenue, representing ‘most’ of central government revenue. However, the percentage may in reality be slightly lower as information on revenue in terms of external grants was not available, but even a generous estimate of external grants would not bring the percentage below 75%.

Whilst ZIMRA and NSSA undertake very similar operations as regards revenue related to formal employment – and use similar software – they do not collaborate on a day-to-day basis.

Table 3-9: Revenue breakdown for the full fiscal year ended 31 December 2016

Revenue type	Annual Value (US\$ bill)	% of Total Revenue
Income Taxes	1.15	26%
Excise duty	0.64	14%
Customs duty	0.27	6%
Value Added Tax	0.93	21%
Other taxes	0.21	5%
Non-tax	0.23	5%
Social Security Contribution (NSSA)	0.36	8%
Statutory Funds (2016)	0.70	16%
Total	4.49	100%

Source: Consolidated Annual report for the year ended 31 December 2016 (MOFED) and NSSA Annual Report – 31 December 2016. Note: Excludes external grants to government.

Dimension 19.1 - Rights and obligation for revenue measures

Updated information is freely available for users online and supplemented by print media and taxpayer education meetings, but the outreach programs appear mostly focused on payers’ obligations rather than taxpayer rights: Score “B”

Information on rights and obligations of taxpayers and payers of various levies and duties is freely available on a comprehensive ZIMRA website - www.zimra.co.zw - accessible to all taxpayers

and the general public. The information also includes guidance on appeals and objections, including the right for taxpayers to access senior and executive management to seek redress. The tax calendar is also available on the same website and in public notices in the print and electronic media. Tax payers can access information on the website for various tax obligations, on how to register, how to submit online tax returns, make payments and redress processes. In addition all registered tax payers can access their accounts on the internet.

ZIMRA runs a “Taxman’s Corner” section on the website with in-depth analysis of various tax matters and the mechanics on how the taxpayers can deal with them. There is also a listing of frequently asked questions which captures what most ordinary non-sophisticated taxpayers would want to know about taxes. The same information is also available public in the print media for the widely circulated newspaper, “The Herald.” Information on the website covers obligations which are due, registration process for various tax heads, submission of returns and how to settle the resultant obligations. Breakfast meetings are free of charge for the public.

All the governing legislations are uploaded on the website [www.zimra.co.zw] such as the Income Tax Act Chapter 23:06 [Zimbabwe], Customs and Excise Act Chapter 23:02[Zimbabwe], Value Added Tax Act: Chapter 23:12 [Zimbabwe] Capital Gains Tax Act: Chapter 23:01[Zimbabwe], Stamp Duty Act: Chapter 23:09 [Zimbabwe] and Finance Act Chapter 23:04 [Zimbabwe]. These acts are freely available to tax payers. The charging act which guides on revenue collection measures is the annual Finance Act which is approved together with the Appropriation Bill every year.

The online platform allows taxpayers to be on self-assessment and they are able to log on to their accounts and be able to view their accounts for various tax heads which they are obliged to pay.

NSSA also runs a comprehensive website which guides members on the mechanics of NSSA collections for contributions (members) and insurance premiums (for employers). This information is contained on the website: www.nssa.org.zw.

Zimbabwe National Chamber of Commerce (ZNCC) confirmed that ZIMRA was indeed doing a lot of outreach exercises to taxpayers but emphasized that to be very helpful, the organization needed to change the approach of engagement. Tax payer education seems to be mostly focused on tax obligations whilst ignoring their rights. Taxpayers were not keen to participate in the ZIMRA outreach programs due to their perception of the police attitude of ZIMRA. It was suggested that much would be attained if ZIMRA’s engagement would equip tax payers with knowledge on how best to manage their tax affairs and emphasize their rights – not just their obligations. In particular, small businesses which constitute a large part of ZNCC membership have complained that they are not given enough information highlighting the redress process when given a penalty loading on their outstanding liabilities, including how to apply for reconsideration of the penalty amount and information and justification to support the application such as proposing a payment plan. Whilst the information on taxpayer rights (such as redress) may be sufficiently accessible to large businesses, the information is not easily accessible, in particular for small businesses which do not have own tax law expertise.

Dimension 19.2 - Revenue Risk Management

Compliance risks for some revenues are assessed by partly structured and systematic approaches by entities collecting the majority of risks: Score C.

ZIMRA which is collecting the **majority** of the revenues have implemented a risk management System known as Automated System for Customs Data (ASYCUDA) and also SAP through the CRM Module. This is a program for the administration of the customs and excise data. Risk is monitored using the robot mechanism where parameters range from high risk (denoted by red flag), then medium risk (amber/orange flag) and finally to low risk (green flag). This system has in-built parameters which are amended in line with changes in the operating environment which gives prima facie case for flagging and fishing out transactions where risk is perceived to be high. Customs and excise duties as well as social security levies account for 30% of the total revenues. A risk register is available which indicate the color code for the various risk types facing the organization.

However, the unit itself is still working on the automation of the Domestic Tax and Revenue Management System to help aid prioritizing on compliance risks. Documentation for this is still in process as the system is being developed, at the time of assessment the documentation has not been in place. This covers some but not all categories of revenue, as some revenue is not subject to collection by the main ZIMRA agency. In addition, taxpayers are segmented into large clients, medium clients and small to medium clients with dedicated management structure catering for each category. Revenues are broken down into main stream major tax heads i.e. individuals, companies; value added tax, customs duty, excise duty, mining royalties and presumptive tax and non-tax revenues.

Overall, ZIMRA operates a risk management module covering less than 30% of the total revenues collected and the approach is partly structured. Moreover, the approach is not documented and does not cover all revenue areas under ZIMRA's jurisdiction. Moreover, other entities collecting other revenue streams do not have structured and systematic approaches for assessing and prioritizing compliance risks.

NSSA has a compliance manual that prescribes different approaches for compliance control of contributions for four employer categories, namely government, parastatals, large private and small private employers, but no further risk management criteria. Supervisors from the Contributions and Compliance Division undertake random inspections at employers' premises. NSSA's Risk Department covers all risk aspects of the organization, including revenue collection, investments, benefit pay-out etc.

Dimension 19.3 - Revenue Audit and investigation

The majority of planned audits and investigations are completed during the year using documented compliance control procedures: Score C.

Each of the four operating divisions of ZIMRA has comprehensive annual audit plans with room for ad hoc audits especially in the case of spin offs or reported cases. Each audit case is covered by a comprehensive report that includes case details, legislation, amounts recovered, penalties and interest due. ZIMRA also employs risk profiling to enable the selection of cases for audit based on

risk perceived. Routine audits are limited to 21 working days but with flexible arrangements for extension. Other audits, especially those carried out by Loss Control or Investigations Division are allowed longer periods due to their complexity. NSSA has a Loss Control Department and a Benefit Control Department both of which undertake fraud investigations.

For the last completed fiscal year ended 31 December 2016, table 3-10 below shows that out of 12,206 planned audits by ZIMRA, only 7,236 were completed and closed, representing the majority (59%) of the planned cases. Certain cases take more time than anticipated and hence the resultant accumulation of unfinished cases.

Table 3-10: ZIMRA Revenue Audits 2016

	Region 1	Region 2	Region 3	Total	Total %
Opening balance	3 876	196	763	4 835	39%
New Cases	5 189	503	1679	7 371	61%
Total cases	8 965	699	2 442	12 206	100%
Completed	4 626	646	1 964	7 236	59%
Carried forward	4 439	709	478	5 626	41%

Source- ZIMRA Divisional Annual Report 2016 Domestic Taxes report page 21.

Dimension 19.4 - Revenue arrears monitoring

The stock of revenue arrears as at 31 December 2016 was 75% of the total revenue collection and arrears which were more than 12 months as a percentage of total arrears were at 73%: Score D.

ZIMRA's receivables from revenue arrears stood at US\$ 2.69 billion as at 31 December 2016. NSSA reports receivables for contributions as US\$ 286 million, ref. table 3-11. Total revenue collection during 2016 by ZIMRA and NSSA amounted to about US\$ 3.99 billion, i.e. arrears to the two institutions came to 75% of their 2016 collections. Revenue receivables for 2015 amounted to US\$2.23 billion as at 31 December 2016. Revenue arrears which are more than 12 months stood at 73% [\$2.19b/\$2.98b] of the total revenue arrears as at 31 December 2016.

For ZIMRA, any tax arrears are liquidated from refunds due before any refunds are paid out. Debt management functions are assigned to specific officers to manage tax arrears. A set-off arrangement is also in place where refunds which are due to taxpayers are netted off against any other amounts outstanding from various tax heads.

The valuation of revenue arrears (receivables) for NSSA premiums and contributions was raised as a key audit matters, in the 2016 Annual Report by the external auditors. This is due to the challenging economic environment currently obtaining in the country.

Arrears in excess of 12 months have a bearing on this score due to the penalty loading system applied by the central agency as all penalties are taken as arrears in the figures given.

Table 3-11: Revenue arrears as at 31 December 2015 and 2016

Description	Arrears 2016 US\$ billion	(%)	Arrears 2015 & beyond US\$ bill	%
Value Added Tax	1.02	34%	0.72	33%
PAYE	0.66	22%	0.59	26%
Income Tax	0.75	25%	0.47	21%
Other taxes	0.17	6%	0.15	7%
Social Security Contributions (NSSA)	0.29	10%	0.21	10%
Statutory and Retention Funds -2016	0.09	3%	0.05	3%
Total	2.98	100%	2.19	100%

Source: ZIMRA Divisional Annual Report 2016 Domestic Taxes report, and NSSA Annual Report 2016

Recent or ongoing reform activities

- ZIMRA is currently developing an integrated online system for domestic taxes which would help the organization achieve an effective revenue risk management.
- ZIMRA is also seeking to ensure that all large tax payers are all online, using fiscal registers which logs on client sales details as transactions are happening using fiscal tax registers.
- Client awareness is being stepped up to cover the informal sector and taxpayers out of reach of conventional communication spheres, e.g. in remote area with no access to telecommunications networks.
- Training of officers in enterprise risk management and control of corruption continues.
- Finalization of amendments to treasury instructions is ongoing to ensure legislative specification of debt write-off and the introduction of stiffer penalties for default.
- ZIMRA is working towards full implementation of an Integrated Results Based Management System to help augment the auditing of revenue collections.
- ZIMRA is benchmarking with other regional tax authorities within the Southern Africa Development Community (SADC) to ensure that compliance risk is kept at a minimum.
- There is a project to merge the revenue collection operations of ZIMRA, NSSA and ZIMDEF, but its status is unknown.

PI-20 Accounting for revenues

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by central government. The assessment period is at the time of assessment (November 2017).

Indicator/Dimension	Score	Brief Explanation
PI-20 Accounting for revenues	B+	Monthly consolidated reports on most of the revenue are prepared showing revenue breakdown by type. Daily transfers are made to the Consolidated Revenue Fund. Practically all transactions are posted daily to taxpayers' online accounts with ZIMRA so that taxpayers are able to reconcile accounts. Reconciliations are done by ZIMRA for collection arrears and transfers to treasury. Dimensions combined by Method M1 (weakest link).
20.1 Information on revenue collections	B	Monthly consolidated reports on most of the Central Government revenues are prepared by ZIMRA showing revenue breakdown by type, and submitted to MOFED.
20.2 Transfer of revenue collections	A	Revenue collections by ZIMRA - collecting most of Central Government revenue - are transferred daily into Treasury Accounts.
20.3 Revenue accounts reconciliation	A	Complete reconciliation of assessment is done for assessments, collections, arrears and transfers to Treasury by ZIMRA on a daily and weekly basis and quarterly reports are also prepared.

Background

Refer to PI-19 Revenue Administration for background information.

Dimension 20.1 - Information on revenue collections

Monthly consolidated reports on most of the Central Government revenues are prepared by ZIMRA showing revenue breakdown by type, and submitted to MOFED: Score B.

ZIMRA, which collects **most** of the Central Government revenue, prepares reports which consolidate all the revenue on a weekly basis²⁰. ZIMRA's monthly revenue reports analyse revenue by type. All main tax revenue types are included in the consolidated report. Other tax revenues are also covered such as withholding taxes on tenders and contracts, financial institutions levy as well as Automated Transfer Machines taxes.

This information is shared with Treasury during weekly treasury meetings and cash budget meetings which tracks revenue line items. Cash budget meetings include officials from both organizations. The reports present information on forecast revenues which are then compared to actual revenues collected during the week. The daily revenue reports are consolidated into weekly reports which in turn are consolidated into monthly reports. Variances are analyzed and explained in the quarterly reports.

²⁰ Ref. Weekly Cash budgeting Meeting 2017

The revenue reports received and analyzed by MOFED do not include NSSA collections or revenue collected for other statutory and retention funds.

Dimension 20.2 - Transfer of revenue collections

Revenue collections by ZIMRA - collecting most of Central Government revenue - are transferred daily into Treasury Accounts: Score 'A'.

Transfers from ZIMRA are done daily to the Treasury's Consolidated Revenue Fund accounts with RBZ. ZIMRA receives account balances from banks, and payment vouchers are prepared by Accounting Assistants. The vouchers are checked by Accounting Officers and the Accountant approves. After approval, payments are processed to RBZ through internet banking and the Real Time Gross Settlement System. The transfers are done daily five times per week (Monday to Friday) except on holidays.

Cash basis is used for domestic taxes and assessments for customs and excise duties. Clients deposit the monies into the ZIMRA Account. As soon as the bank processes the deposit the system automatically credits the client's account with receipt, provided the online system is up. ZIMRA has an integrated system which is linked with financial institutions which automatically process the customer payment into their account with ZIMRA. The customer has a unique identifier which is the Business Partner number.

If the online system is not up, the client's deposit will be received manual by cashiers. On customs transactions, clients must prefund the account to enable issuance of an assessment. Without prepayment made no assessment can be generated.

For customs collections from remote border post it may take 1-2 days for the revenue to reach a town with bank branches where the revenue may be deposited. The involved revenue amounts are insignificant.

Dimension 20.3 - Revenue accounts reconciliation

Complete reconciliation of assessment is done for assessments, collections, arrears and transfers to Treasury by ZIMRA on a daily and weekly basis and quarterly reports are also prepared: Score 'A'

ZIMRA runs online assessments where customers can now log on to their ZIMRA account and process their returns for assessment including uploading the supporting evidence and data for assessment.

Reconciliations are done daily and clients submit assessment through E-service platform and then deposits are done online. Clients are on self-assessments which are lodged through E-service platform for income tax, value added tax and payment is made to the bank via online platform. The Bank deposit slips are customized to ensure that taxpayers will indicate which of the tax heads they are paying and they are receipted online. Once the customers fill in their business partner numbers and account number, the amount is automatically posted to their respective accounts with ZIMRA. The accounts are updated online and the tax payers are able to check their balance.

Customs duties are prepaid to accommodate issuance of assessment. Every Friday a cash budget meeting is held, and the Authority present the revenue figures collected and transferred to the MOFED. MOFED confirms receipt during their revenue presentation. If there are variances, they will highlight them and the ZIMRA will investigate and address the challenge. Every month a cash analysis report is submitted to MOFED, which shows how the revenues have been allocated for a particular month.

Recent or ongoing reform activities

- None identified.

PI-21 Predictability of in-year resource allocation

Effective service delivery and execution of the budget in accordance with work plans requires that budgetary units receive reliable information on the availability of funds so that they can control commitments and make payments for nonfinancial assets, goods and services. This indicator assesses the extent to which the central Ministry of Finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and covers Budgetary Central Government. The period of assessment is for dimension 27.1 as at the time of assessment (November 2017) and for 27.2; 27.3 and 27.4 the last completed financial year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-21 Predictability of in-year resource allocation	C	Cash balances are consolidated on a daily basis. Cash flow forecasts are produced for the fiscal year but only partially updated. Reliable information on funds available for commitment is not provided to MDAs and significant in-year budgetary adjustments are done with little transparency. Dimensions combined by Method M2 (average).
21.1 Consolidation of cash balances	A	All cash balances are consolidated on a daily basis.
21.2 Cash flow forecasting and monitoring	C	A comprehensive cash flow forecast is produced for the fiscal year and updated monthly on the basis of actual revenue collections but do not take into consideration expenditure commitments and actual payments.
21.3 Information on commitment ceilings	D	Reliable information on funds available for commitment is not provided to budgetary units
21.4 Significance of in-year budget adjustments	D	Significant in-year budget adjustments to allocations took place in 2016 and were not transparent.

Dimension 21.1 – Consolidation of cash balances

All bank and cash balances are consolidated on daily basis: Score A.

Budgetary central government operations are managed through 60 bank accounts. On a daily basis Treasury bank accounts are consolidated by an officer responsible for all Treasury Accounts which are kept at RBZ and other financial institutions. A report, 'Zimbabwe Treasury Daily Government Position' is completed and sent to the Chief Accountant who checks the accuracy of the report on a daily basis after it has been updated. It is then circulated to all relevant stakeholders, who rely on the report for their day-to-day execution of duties and decision making.

There are five currencies treasury accounts which are denominated in Euro (EUR), South African Rand (ZAR), Great Britain Pound Sterling (GBP), the Botswana Pula (BWP) and the United States of America dollars (USD). These are maintained with RBZ. On a daily basis the cash position is known of how much funds are available. It also contains other balances with other commercial Banks such as Commercial Bank of Zimbabwe. These are also denominated in the same five major currencies above.

Dimension 21.2 – Cash flow forecasting and monitoring

A comprehensive cash flow forecast is produced for the fiscal year and updated monthly on the basis of actual revenue collections but do not take into consideration expenditure commitments and actual payments: Score C.

A cash flow forecast is produced for a given fiscal year. The forecast is adjusted with collections received during the year to make it a rolling forecast. Once the forecast has been produced it is adjusted with the actual receipts as the year progresses. Cash budgeting meetings are held on a weekly basis forecasting on how much is targeted for collection on a weekly and monthly basis. These meetings are held between MOFED and ZIMRA.

The revenue month-on-month cash flow forecasts for 2016 were done by the Revenue and Tax Policy department. They show the revenue breakdown by revenue type for all the revenues which are included in the revenue budget for the 2016 budget. These revenue forecasts are updated monthly with actual cash inflows as the year progresses.

Cash flow forecasts are not updated on the basis of actual cash outflows.

Dimension 21.3 – Information on commitment ceilings

Reliable information on funds available for commitment is not provided to budgetary units: Score D.

According to MOFED Budget Department, information on target expenditure also known as commitment ceilings is provided for at least three weeks in advance to those budgetary units who are supposed to plan their activities based on such information. This is contained in the Budget Call Circular for the given fiscal year.

Ideally, firm commitment ceilings should be communicated during the budget preparation period. However, when it comes to spending against set targets, funds are not always readily available throughout the year as and when they are required. The result is that funds are released based on cash availability, and it has been difficult for line Ministries to plan on which service items to

embark on until they get funds released from Treasury. In practice MDAs have planned and committed expenditure without knowing if and when funds to pay for them would be available. It has resulted in accumulation of additional expenditure arrears as at times line Ministries incur expenditure based on initially approved and communicated commitment ceilings (budgetary) only to find that the money is not available when payment is due to the suppliers.

Dimension 21.4 - Significance of in-year budget adjustments

Significant in-year budget adjustments to allocations took place in 2016 and were not transparent: Score D.

For FY2017 there was no mid-year fiscal policy review carried out. Such a review had been undertaken during each of the past three years. The 2016 Mid-Year Fiscal Policy Review Statement was presented to Parliament on 8th September 2016.

The Mid-Year Review took stock of budget implementation for the first six months of the year and explained a number of measures the Government would take to enhance revenue collection, control wage bill spending and prioritize ongoing projects and other expenditure initiatives related to external factors. However, the Mid-Year Review does not present any quantification of any of these measures as regards changes to the budget estimates for the last six months of the year e.g. in terms of revised budget projections by administrative and or economic classification, such revised estimates were provided only at the time of presenting the budget estimates for 2017 in December 2016. No supplementary budget was presented to Parliament for approval during the year. Considering the large deviations from budget for both revenue and expenditure – and at aggregate as well as compositional level – it is concluded that the in-year adjustments to the 2016 budget were not transparent.

Recent or ongoing reform activities

- None identified

PI-22 Expenditure arrears

Arrears are overdue debts, liabilities and obligations. They constitute a form of non-transparent financing, which can result in increased cost of providing services by the government as they may result in penalties being levied upon the government by service providers. On the other hand, it may result in government failing to provide essential services to citizenry due to suppliers withdrawing their services pressing for payment of amounts outstanding. This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It covers the Budgetary Central Government. The period assessed is for dimension 22.1 the last completed three fiscal years (FY2014, FY2015 and FY2016) whereas dimension 22.2 covers the situation as at the time of assessment (November 2017).

Indicator/Dimension	Score	Brief Explanation
PI-22 Expenditure arrears	D	Expenditure arrears (including debt repayment arrears) are very high and the system for monitoring the level and composition of arrears is deficient. Dimensions combined by Method M1 (weakest link).
22.1 Stock of expenditure arrears	D	The stock of expenditure arrears for the last three fiscal years has been on a sustained increase, and very high at more than 100% of the total expenditure for the fiscal year.
22.2 Expenditure monitoring	D	Data on expenditure arrears is compiled from time to time, but is incomplete and does not track liabilities on supply of goods and services from due payment date as no such date is officially defined.

Dimension 22.1 - Stock of expenditure arrears

The stock of expenditure arrears for the last three fiscal years has been on a sustained increase, and very high at more than 100% of the total expenditure for the fiscal year: Score D.

There is sustained rise of stock of expenditure arrears for the last three fiscal years. This is due to the fact of the old arrears balances which have remained unpaid coupled with current commitments which have also not been settled by the government. These amounts are owed by various line Ministries to domestic creditors and also to the external providers of loans.

As per 2016 Annual Budget Review statement issued, the total stock of domestic arrears owing to domestic creditors by various line Ministries was US\$1.07 billion as at 31 December 2016²¹. The amount owing with respect to external debt was US\$5.1 billion as at 31 December 2016, being for outstanding principal repayments and interest payments due. This brings the stock of arrears to US\$6.17 billion as at 31 December 2016. This was 125% of the expenditure of US\$4.92 billion for the fiscal year ended 31 December 2016.

Of the US\$5.1 billion external arrears due as at 31 December 2016, US\$642 million is owed to African Development Bank (AfDB), US\$1.4 billion to the World Bank, US\$294 million to the European Investment Bank and the balance is owed to other multilateral institutions as well as bilateral official creditors.

The arrears balance has been increasing as some of the current expenditures are not being settled as they fall due despite the cash budget approach that has been implemented which is not being followed up with definite action. External debt arrears are also on the increase as principal repayments due have not been settled in the last three years together with the interest due. Moreover, debt arrears to local creditors have been on the increase.

²¹ As many contracts have been entered without being registered in the PFMS, this amount could well be an underestimation, ref. 22.2 below.

Dimension 22.2 – Expenditure arrears monitoring

Data on expenditure arrears is compiled from time to time, but is incomplete and does not track liabilities on supply of goods and services from due payment date as no such date is officially defined: Score D.

A liability outstanding becomes an arrear from the due date it was supposed to be settled. If the contractual date of payment is exceeded by one day or more the amount is in arrears and must be recorded as such to allow monitoring and settlement. For payments of staff salaries and service of formal loan agreements the due date is clearly identified. However, according to the Ministry of Finance, in Zimbabwe there is no legislation, statute or contractual provisions for suppliers of goods and service to the government defining when a payment is due. MOFED has decided internally to set the due date as 90 days after receipt of invoice. This is not in line with international good practices on arrears monitoring which usually consider a period of 30-45 days from date of invoice to be a reasonable period, when contracts do not specifically define a different payment period. The result is underestimation of expenditure arrears on goods and services, compared to a system using good international practice. In particular it means that invoices for supply of goods and services - invoiced in the last quarter of a fiscal year but remaining unpaid – will only turn up as arrears in the first quarter of the next fiscal year. Thus, a spike in expenditure arrears will not trigger immediate action as the tendency under the current situation will be to wait for ninety solid days before it is noticed in the reports.

The government is running on a cash budget system but at the same time the PFMS is capable of capturing accrued expenditure which will not be paid during the respective fiscal year. But since many contractual commitments are being made outside the PFMS commitment control system (ref. PI-25.2) this system is not able to capture all payment obligations.

Monitoring of expenditure arrears on the basis of 90 days from date of invoice has been ongoing with annual data being generated, but not all types of expenditure in arrears are covered by the data. Reconciliations are not done to ascertain the correct position of expenditure arrears.

Recent or ongoing reform activities

- MOFED is in the process of compiling additional information on other expenditure arrears which have not been reported in order to have a much accurate position of the outstanding expenditure arrears. Currently a list of expenditure arrears emanating from utilities (water, rates, electricity, rentals and fixed line telephones) is being compiled by MOFED as a fiscal monitor on expenditure. There is work underway to establish inter-parastatals indebtedness and map out a way forward on clearing outstanding debts as well as ensure that future expenditure services are paid within due dates.

PI-23 Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are

included in the assessment of non-salary internal controls, PI-25. The institutional coverage is the entire central government including non-commercial parastatals. The period assessed is the time of assessment (i.e. November 2017) for first three dimensions and the last three completed years for the fourth dimension (FY2014, FY2015 and FY2016).

Indicator/Dimension	Score	Brief Explanation
PI-23 Payroll Controls	C+	Structural separation of functions between and within involved institutions establishes sufficient controls to ensure integrity of the payroll data of greatest importance. Payrolls updated monthly with few retroactive adjustments. Partial payroll audits of select ministries are conducted in the past three years. Dimensions combined by Method M1 (weakest link)
23.1 Integration of payroll and personnel records	B	Staff hire and promotion are controlled against approved establishment lists, and monthly payrolls are supported by full documentation of changes against the previous month's payroll data. However, data between the employing MDA, the budget approving MOFED and the payroll data and processing by PSC/SSB are exchanged manually.
23.2 Management of payroll changes	B	Payroll data is updated monthly about two weeks before payday. Retroactive adjustments are rare except for positions in remote locations under deconcentrated management structures.
23.3 Internal controls of payroll	B	Payroll controls are managed through segregated approval and data entry system, both between the entities involved and within each entity. The IT systems used have strong password protection, but manual transfers of data between institutions create risks of errors.
23.4 Payroll audit	C	Partial payroll audits have taken place during the last three years, but no comprehensive staff and employment audit across central government.

Background

The Public Service Commission (PSC) operates a human resource management system (called SPACE, based on SAP software) which covers all staff of MDAs under budgetary central government and maintains their personnel employment details. The Salaries Services Bureau (SSB) is an agency under PSC with the mandate of processing the payroll of all of MDA staff. SSB is using a payroll processing system called SPACE (Salaries of Police, Airforce, Civil and Education). With a few exceptions, non-commercial parastatals (as well as state enterprises and local authorities) manage their own payrolls. The Army – as opposed to the Air Force – also operates its own payroll system. Altogether PSC and SSB keep records and manage the payroll of 283,000 government employees, accounting for most CG staff. Each public entity has an approved organizational structure which specifies the number and grades of established posts.

Dimension 23.1 - Integration of payroll and personnel records

Staff hire and promotion are controlled against approved establishment lists, and monthly payrolls are supported by full documentation of changes against the previous month's payroll data. However, data between the employing MDA, the budget approving MOFED and the payroll data and processing by PSC/SSB are exchanged manually: Score B.

For all MDAs, staff hires (both permanent and temporary) as well as promotions must be justified by the hiring MDA on the basis of the approved organizational structure. PSC must confirm that there is indeed a vacant, established position and MOFED must confirm that there is funding in the budget for the hire/promotion in each case. The MDA submits information on new hires, promotions and transfers to SSB following PSC and MOFED approval. The communication between the MDA, MOFED and PSC/SSB is manual as MOFED, MDAs and PSC/SSB are not linked through human resource management systems; only PSC and SSB have shared access. SSB prepares the monthly payroll based on the previous month's payroll with any changes submitted by the MDAs up to two weeks before payday.

Dimension 23.2 - Management of payroll changes

Payroll data is updated monthly about two weeks before payday. Retroactive adjustments are rare except for positions in remote locations under deconcentrated management structures: Score B.

Personnel records are updated in MDAs on a daily basis with changes such as deceased employees, terminations, marriages (supported by source documents), promotions, retirements etc) and are sent to SSB. Other changes may relate to various mandatory and voluntary deductions (the latter e.g. for repayment of bank loans). Changes initiated from remote areas through district and provincial administrative offices – e.g. for school teachers - may take time to be reflected in the payroll. This has given rise to a suspense account that has to be cleared through reconciliations with retroactive adjustments – in some cases for up to six months. The number of staff under decentralized payroll management is substantial, but even if many such staff experience retroactive adjustments at some point, it happens usually during the initial months of employment or when changes to posting, promotions or voluntary deductions take place. For MDA headquarters staff retroactive adjustments are rare. Retroactive adjustments are also rare at NCPs as they have few employees in remote locations under deconcentrated management. No statistics on retroactive adjustments were available, and though such adjustments altogether are not common (less than 10%) they are estimated to affect more than 3% of staff.

Dimension 23.3 - Internal control of payroll

Payroll controls are managed through segregated approval and data entry system, both between the entities involved and within each entity. The IT systems used have strong password protection, but manual transfers of data between institutions create risks of errors: Score B.

There is clear separation of duties between the PSC/SSB, MDAs and MOFED for the various payroll activities. Authorization for engaging new employees is also done by two separate institutions; PSC and MOFED. Both are independent of the employing MDA. The separation of duties gives rise to delays in updating payroll changes taking place in the Ministries. Additionally, reconciliations are done on a monthly basis, with the SSB sending to MDAs reports from SPACE and MDAs verifying the accuracy of the data. At the level of PSC/SSB, access to SPACE is controlled by a password for each employee with definition of what functions each password gives access to. This creates an audit trail on all changes to personnel and payment data with details of the person who captured the data and the person who checked and approved the changes.

Dimension 23.4 - Payroll Audit

Partial payroll audits have taken place during the last three years, but no comprehensive staff and employment audit across central government: Score C.

In 2013 a comprehensive staff and payroll audit was undertaken by OAG covering state enterprises and parastatals only. No comprehensive audit of employment and payroll has taken place in recent years. Various systems contribute part of the audit function. The SSB has its own internal audit function in addition to internal audit work performed at MDA level by Ministry internal audit departments. In 2015/2016 payroll audits were conducted in the Ministry of Education which covers the sector with the largest number of employees. The PFMS at MDAs started taking-on their standing data based on SPACE records in 2016. At the end of the year, payroll reports are prepared which are sent to OAG. OAG will then audit the MDA data using data from the SSB and get explanations for any discrepancies.

Recent or ongoing reform activities

- Currently the Government is implementing PFM reforms under the Zimbabwe Reconstruction Fund. One of the activities under this program is to assist the government by ensuring the PSC records interphase with payroll records in the Ministry of Finance through linking of PFMS and HRMS, which are both SAP based.

PI-24 Procurement management

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The scope of the indicator covers the central government including extra-budgetary units and all procurement of goods, services, and civil works whether classified as recurrent or capital investment expenditure. The period assessed is last completed fiscal year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
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PI-24 Procurement	D+	No data is available on which to judge the extent the use of various procurement methods. No procurement information is consistently available on government websites. There is no provision for a review of complaints by the Executive, but otherwise the Administrative Court meets all elements of a well-established complaints mechanism. Dimensions combined by Method M2 (average)
24.1 Procurement monitoring	D	No databases on procurement exist.
24.2 Procurement methods	D*	No data is available on which to judge the extent to which various procurement methods are used for award of contracts.
24.3 Public access to procurement information	D	None of the six key procurement information elements are publicly available in full.
24.4 Procurement complaints management	A	All six key features of a procurement complaints mechanism are fulfilled.

Background

As at November 2017 (and throughout FY2016) the procurement function in Zimbabwe was governed by the Procurement Act 2/99 (Chapter 22:14) promulgated in March 1999. A new Act to replace Act 2/99 was approved by Parliament in 2016 but was not yet effective at the time of the assessment (ref. the section on Recent and Ongoing Reform Activities at the end of the PI-24 description). Assessment of PI-24 is therefore, based on Act 2/99, related regulations and actual implementation. The procurement 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 as amended 2015). 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.

Management and regulation of the procurement function are structured hierarchically with the State Procurement Board (SPB) at the top. In accordance with the Act, SPB is a body corporate, and thus capable of suing and being sued in its own name. The members of SPB are appointed by the President. The functions of SPB are stated in the Act as (a) conducting procurement on behalf of procuring entities, (b) supervision of procurement proceedings conducted by procuring entities, to ensure compliance with the Act, (c) investigations in terms of section 46.

In November 2015 the Procurement Regulations were amended to enhance accountability and responsibility in public procurement decision making, where Accounting Officers of procuring entities now award all contracts, subject to SPB’s No-Objection for formal tenders and SPB prior approval to use special tender procedures.

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\$500,000 and above for goods and services; US\$ 2,000,000 and above for works); informal tender procedure (\$10,000–500,000 for goods and services; \$10,000-2,000,000 for works); competitive quotations (less than \$10,000) and special tender procedure which may be justified according to six criteria, ref. Regulations section 7(2).

Dimension 24.1 - Procurement monitoring

No databases on procurement exist: Score D.

According to section 6 of the Procurement Regulations, SPB is required to monitor procurement operations across the public sector. SPB maintains records of all procurement which requires its administration or approval and Accounting Officers in the procuring entities routinely submits reports to SPB on procurement operations using informal (restricted) tenders. However, SPB has insufficient capacity to effectively monitor public sector procurement operations, and only conducts investigations on request. Its Audit Department is not functioning, so routine monitoring of appropriate use of procurement method and justification of non-competitive methods does not take place. Similarly, no capacity is available to generate databases which could reveal systemic procurement issues.

Dimension 24.2 - Procurement methods

No data is available on which to judge the extent to which various procurement methods are used for award of contracts: Score D*.

As no databases on procurement operations are maintained there is not data available for publication.

Dimension 24.3 - Public access to procurement information

None of the six key procurement information elements are substantially, publicly available: Score D.

Public access to procurement information is defined as posting on official websites²².

Element (1) partially fulfilled: The Procurement Act 1999 as amended and the Administrative Court Act 1979 as amended are both available on the Parliament's website and were published in the Government Gazette at the time of promulgation. The Procurement Regulations 2002 and their amendment of 2015 are not accessible on any government website. They were published in the

²² Ref. PEFA Framework 2016 page 68.

Government Gazette at the time they were issued. However, the Government Gazette is not available on the internet.

Element (2) not fulfilled: Procurement plans are not being prepared by procuring entities as this is not required by the current legislation. Thus, none are published.

Element (3) not fulfilled: Procuring entities publicize all tenders themselves. Bidding opportunities are routinely published in the Government Gazette and in newspapers (as required by legislation), but the Gazette is not available on government websites. Tenders are exceptionally uploaded on procuring entities websites. In the absence of government tender opportunities being easily accessible on Government websites, various private sector initiatives have been launched. A private website tendersonline.co.zw lists public tenders but access to details requires registered membership and it is unknown if the listing are complete. The Zimbabwe National Chamber of Commerce (ZNCC) is collaborating with Ministry of Industry in making government tender announcements available to ZNCC's members through ZNCC's website.

Element (4) not fulfilled: Information on contract awards are not being published.

Element (5) not fulfilled: No information is published on complaints and their resolution. However, the proceedings of the Administrative Court (ref. 24.4 below) are usually open to the public and the Court's decisions are accessible to legal practitioners. It is noted that the aggrieved party may, for confidentiality reasons, not always wish for publication of its registration of a complaint or the decision on resolution.

Element (6) not fulfilled: No procurement statistics are available to the public, as none are being generated.

Dimension 24.4 - Procurement complaints management

All six key features of a procurement complaints mechanism are fulfilled: Score A.

Full adherence to the indicator requires that complaints are reviewed by a body that

- (1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;
- (2) does not charge fees that prohibit access by concerned parties;
- (3) follows processes for submission and resolution of complaints that are clearly defined and publicly available;
- (4) exercises the authority to suspend the procurement process;
- (5) issues decisions within the timeframe specified in the rules/regulations; and
- (6) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).

Under section 43 of the Procurement Act 1999, 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 having committed an offence against the Procurement Act; or having been convicted of fraud or corruption.

Complaints are not reviewed at the procuring entity level; 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. In practice, the SPB acts as a first level of appeal, but this is not provided for in the law.

Element (1) fulfilled: The Court, as established by the Administrative Court Act 1979, 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. Lawyers normally represent appellants and SPB, making the proceedings exactly the same as those of a full-fledged court.

Element (2) fulfilled: The Court does not charge fees for submission of a complaint, but it is noted that the complainant is usually represented by lawyers, which makes the complaint resolution a rather expensive process to both the complainant and the government.

Element (3) fulfilled: The Court follows processes for submission and resolution of complaints that are clearly defined and publicly available. The court judges, lawyers, and assessors are not trained in procurement, but the judges have gained experience in procurement through practice of the procurement law.

Element (4) fulfilled: According to article 44 of the Procurement Act 1999, the procurement proceedings concerned shall be suspended for a period of seven days from the date on which the appeal was noted; and the operation of the procurement contract concerned shall be suspended for a period of seven days from the date on which the appeal was noted, where the contract entered into force before or during that period. The period during which procurement proceedings or the operation of a procurement contract are suspended may be extended by the president of the Administrative Court.

Element (5) fulfilled: Once the case is submitted to the Court, there is no time limit for the Court to make a decision, so any decision delay is within the law.

Element (6) fulfilled: Once the Court has issued a decision, it is binding on the parties. An appeal can be made to the Supreme Court.

Recent or ongoing reform activities

- A new Public Procurement and Disposal of Public Assets Act was approved by Parliament in 2016. As at November 2017, however, no effective date had been inserted and was pending issue of regulations, an exposure draft of which was published in October 2017 with deadline for comments by December 2017. The Act establishes a new Procurement Regulatory Authority (to replace SPB) with the main function to supervise public procurement

proceedings to ensure transparency, fairness, honesty, cost- effectiveness and competition. Ancillary functions include advising and assisting procuring entities, issuing directives and guidelines, maintaining databases on procurement, and registering bidders and contractors. The Act provides for responsibility for procurement to be devolved to procurement entities authorized by the Authority. The Act requires procuring entities to standardize their procurement documents and obliges them to prepare and publish annual plans of their procurement. Awards of contract shall be published within one month the award. An complaints procedure is defined which involved a challenge of procurement proceeding to the procuring entity, the decision of which can be appealed to the Authority before it is elevated to the Administrative Court.

- The reform will culminate in the establishment of an e-Procurement system. An e-Procurement Readiness Assessment was conducted in mid-2015 targeting Government, Private Sector, State Enterprises and Parastatals as well as Local Authorities. The SPB has developed a new interactive website which intends to address many of the deficiencies noted under 24.3 above. However, the launch of the website is put on hold pending decisions on the e-Government platform.
- The Government has launched an e-Government portal, which is supposed to include tender information, but no such information has been uploaded so far.

PI-25 Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditure and covers expenditure commitments and payments for goods and services, casual labor wages, and discretionary staff allowances. It includes a wide range of processes and types of payment across central government including segregation of duties, commitment control and payment controls. Effective internal control system plays a vital role across every PI in addressing risks and providing reasonable assurance on operations of Government. The institutional coverage includes Central Government including non-commercial parastatals. The period assessed is the situation as at the time of assessment (November 2017).

Indicator/Dimension	Score	Brief Explanation
PI-25 Internal controls on non-salary expenditure	D+	Internal controls de jure and system based controls are sound, but are undermined by de facto implementation and bypassing of the PFMS based controls. Dimensions combined by Method M2 (average)
25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process, but high frequency of non-compliance noticed through internal audit and external audit reports and absence of standard internal controls applicable across the Government, indicate the need for more precise definition of important responsibilities and the consequences of violations thereof.
25.2 Effectiveness of expenditure commitment controls	C	While system based expenditure commitment control system is in place, its effectiveness is largely undermined by the

		absence of mechanism to control commitments made outside the system
25.3 Compliance with payment rules and procedures	D	Payments are frequently non-compliant with the regular payment procedures, and exceptions are often not properly justified and authorized as brought out in internal and external audit reports

Background

The Public Finance Management Act 2009 provides the basis for internal control system in the Government. Section 78 of the Act empowers the Treasury to prescribe or issue instructions or directions to Ministries on financial management and internal control, amongst others.

Dimension 25.1 - Segregation of duties

Segregation of duties is prescribed throughout the expenditure process, but high frequency of non-compliance noticed through internal audit and external audit reports and absence of standard internal controls applicable across the Government, indicate the need for more precise definition of important responsibilities and the consequences of violations thereof: Score C.

Specification of segregation of duties is spread over series of documents. The IT related segregation of responsibilities is designed in PFMS (SAP-software based). PFMS profiles are given in terms of levels, i.e., parking, posting, release and payment. Beyond PFMS defined controls, there is no standard documentation applicable across the Central Government, establishing appropriate segregation of duties. There is no effective mechanism to ensure compliance with the instructions issued by the Treasury.

Internal audit units are embedded in the Ministries, and there is insufficient mechanism to review control weaknesses throughout the Central Government (ref. PI-26). External Audit reports indicate several control weaknesses, which repeat across different accounts and within the same account as well.

Central Government transactions are processed through PFMS and Treasury can view expenditure made at any given time. Any payments made outside the system is not allowed except for regional and international payments which are done through giving an instruction in writing to the bank.

Dimension 25.2 - Effectiveness of expenditure commitment control

While system based expenditure commitment control system is in place, its effectiveness is largely undermined by the absence of mechanism to control commitments made outside the system: Score C.

The expenditure commitment process of PFMS is active and functional. No commitment can be created within PFMS without budget availability. However, this control is largely undermined by the fact that line ministries are able to procure goods and services outside PFMS and bring it in the system when funds / budget are now available. This brings a problem in that manually issued

purchase orders can be honored in the same way as contracts that have been raised in PFMS. There is insufficient monitoring of arrears created, nor a credible system of identifying expenditure arrears. On capital projects first priority is supposed to be given to projects for which contractual commitments have already been entered. This is the requirement which Accounting Officers must adhere to according to the Budget Call Circular document from MOFED.

Government is not in a position to identify with reasonable accuracy all the contracts entered into by Government and the likely payment requirements in different future years, where these are outside the PFMS. Each Ministry is to submit a list of unpaid commitments to be taken into consideration for the forthcoming year's budget. The completeness of this list is undermined when these have been kept outside the PFMS.

At the same time budgetary commitment controls are overridden by cash availability. Ministry of Finance communicates expenditure controls during the budget preparation phase, but funds are not made available due to unavailability of cash. Line Ministries are left with a dilemma in terms of judging whether they will be able to go ahead with the commitment ceilings communicated during the budget preparation period. This has led to huge accumulation of arrears given this disconnect.

Dimension 25.3 - Compliance with payment rules and procedures

Payments are frequently non-compliant with the regular payment procedures, and exceptions are often not properly justified and authorized as brought out in internal and external audit reports: Score D.

The primary sources of assessment of whether payment rules and procedures are complaint in the country remain the internal audit and external audit reports. While basic controls relating to payments are usually complied with, key steps are missed as is demonstrated in the Auditor General's reports. For example, an audit observation indicating that a goods received register is not yet updated, while payment is made indicates potential partial compliance as regards payments.

Based on the OAG Annual Report for FY2016, of the 38 appropriation accounts (votes) audited, 15 had qualified audit opinions and 17 had unqualified opinion with material issues. In the same report of the total of 74 statutory funds accounts audited, 56 had material audit findings. Most of the findings relate to payment procedures being violated, without proper authorization taking place or no justification given. Such incidences underscore the fact that payment procedures are frequently non-compliant with the governing Treasury guidelines/directives and with the guidelines of the PFM Act Chapter 22:19.

Recent or ongoing reform activities

- Reactivating the system of Audit Committees, which are expected to focus on internal control aspects amongst others.

PI-26 Internal audit

Internal audit provides assurance that systems are operating to achieve government objectives efficiently and effectively. They contribute to budgetary outcomes by providing oversight and assurance and by timely recommendations to management regarding corrective action necessary when weaknesses are identified. This indicator assesses the standards and procedures applied in internal audit. The institutional coverage is all of central government operations. The period of assessment for dimensions 26.1 and 26.2 is the situation as at the time of assessment (November 2017), dimension 26.3 assesses the last completed financial year (FY2016) whereas dimension 26.4 covers the last completed three years (FY2014, FY2015 and FY2016).

Indicator/Dimension	Score	Brief Explanation
PI-26 Internal Audit	C+	Internal Audit units exist in all central government entities and cover all of the budgeted expenditure. Annual audit programs exist and the majority of programmed audits are implemented but are mostly focused on financial compliance. Satisfactory responses to Audit Reports are not frequent. Dimensions combined by Method M1 (weakest link)
26.1 Coverage of Internal Audit	A	Internal Audit is operational for all central government entities in line with the provisions of Section 80 of the PFM Act which governs their existence, scope and functionality.
26.2 Nature of audits and Standards applied	C	Internal Audit activities are primarily focused on financial compliance. To a lesser extent systems and operational audits are carried out as well as special investigations.
26.3 Implementation of internal audits and reports	C	The majority of planned audits for 2016 were completed during the year. Some audits are not done due to in-year reallocation of resources to special investigations and lack of resources to undertake all planned audits.
26.4 Response to internal audits	C	For the majority of entities audited by the internal audit section, management has provided written responses to audit issues raised. However, follow up by external audit in subsequent audit revealed that whilst some responses have been implemented, many others remained outstanding.

Background

Public Finance Management Act 2009 provides the basis for Internal Audit system in the Government. Section 80 of the Act empowers the Treasury to prescribe or issue instructions or directions to ministries on financial management and internal control, amongst others.

The functions of an internal auditor appointed shall be to monitor the financial administration and procedures of the ministry or reporting unit concerned to ensure that; proper accounting and bookkeeping transactions and procedures are carried out, proper accounting records are maintained, adequate internal checks and controls are observed, assets under the control of the ministry or reporting unit are properly accounted for, instructions and directions issued are complied with and generally, that requirements of the act are being observed. The internal auditor

shall also assess the cost-effectiveness of any projects undertaken by the ministry or reporting unit concerned.

In the performance of his or her functions in terms of subsection (2), an internal auditor; shall have free access at all reasonable times to any records, books, vouchers, documents and public resources under the control of the Ministry or reporting unit concerned, shall have direct access to the accounting officer of the Ministry or reporting unit concerned, may, without payment of any fee, cause search to be made in and extracts to be taken from any record, book, voucher or document under the control of the Ministry or reporting unit concerned, may call upon any officer in the Ministry or reporting unit concerned to give, and shall be entitled to receive without undue delay from that officer, any explanations and information he or she may require to enable him or her to perform his or her functions.

If at any time it appears to an internal auditor that any offence has been committed in relation to; the collection, receipt, custody, control or payment of public money and the receipt, custody, control, issue, sale, transfer or delivery of any State property; he or she shall immediately bring the matter to the notice of the Treasury, the appropriate accounting officer or receiver of revenue, as the case may be, and the Auditor-General.

Whenever an internal auditor has completed any internal audit programme, he or she shall prepare a report on the financial administration and accounting system in the Ministry or reporting unit to which he or she has been appointed, and may include in such report any instances of hindrance or obstruction he or she has encountered in the discharge of his or her duties, and shall transmit copies of such report to the accounting officer, the Treasury and the Auditor-General.

Dimension 26.1 - Coverage of Internal Audit

Internal Audit is operational for all central government entities in line with the provisions of Section 80 of the PFM Act which governs their existence, scope and functionality: Score A.

Currently, the Internal Audit functions exist in all line Ministries which receive appropriations from the Central Government by votes. For statutory funds, internal audits also exist where the statutory funds are established by an Act of Parliament and where the statutory funds are under a given line Ministry, the Internal Audit Function of the line Ministry concerned is responsible for providing internal auditing services to the fund.

The Internal Audit units are headed by the Chief Internal Auditor who reports to the Accounting Officer administratively and then functionally to an Audit Committee under the line Ministry where he/she is attached to. At the time of assessment, five Ministries were yet to appoint an Internal Audit Committee in addition to the thirty three Committees that were existing.

Treasury has the mandate to see that Internal Audit units are functions are functional across the line Ministries, departments and agencies. The Accountant General provides an oversight role of the functions of the Internal Audit function through the Accounting Services function which is headed by the Deputy Accountant General who reports directly to the Accountant General.

The Internal Audit manual was compiled and assembled centrally in AGD which is used to provide guidance and direction to all functional Internal Audit departments across line Ministry to ensure consistency of execution of the mandate.

For the revenue collecting agencies which are like ZIMRA, NSSA and Zimbabwe Manpower Development Fund (ZIMDEF), they all have functional Internal Audit units which are resident. This is in compliance with governing Acts for such entities. These entities have functional and properly constituted Board of Directors which has an Audit Committee as part of the Board Committees.

Dimension 26.2 - Nature of Audits and standards applied

Internal Audit activities are primarily focused on financial compliance. To a lesser extent systems and operational audits are carried out as well as special investigations: Score C.

The Internal Audit Manual prescribes the standards that are applicable to the Internal Audits that are to be carried out. All internal audits are to be carried out based on Internal Auditing Standards prescribed by the Institute of Internal Auditors.

The Chief Internal Auditors are members of the Institute of Internal Auditors (Zimbabwe) Chapter. There are currently one hundred and ninety IIA members who are within rank and file in the Central government units. Of these one hundred and fifty are sponsored by the Zimbabwe Reconstruction Fund (ZIMREF) and forty of them by African Development Bank (AfDB) under the Governance and Institutional Strengthening Project.

The international standards in use are very clear on the activities and focus of internal audit function that is to provide assurance on the existence, adequacy and functionality of effective and efficient internal control systems using risk based auditing methodologies. Currently from the reports that are generated by the Internal Audit units, their activities are focused primarily on financial compliance. Compliance with fund rules, budget rules and also other Acts to which the audited entities are required to comply with such as the Income tax Act and the NSSA Act to mention but a few.

Dimension 26.3 - Implementation of internal audits and reporting

The majority of planned audits for 2016 were completed during the year. Some audits are not done due to in-year reallocation of resources to special investigations and lack of resources to undertake all planned audits: Score C.

Audit plans are prepared across line ministries. From the statistics presented in the audit plan review of a sample, out of 12,206 audits planned for FY2016, 7,236 audits were completed in the same year under review, representing 59% completion rate.. The reasons given to this effect are that budgetary constraints have affected the execution of some audit programs planned during the year. In other words there is lack of financial independence for the Auditors as they are to rely on the appropriations of the line Ministries to which they are resident.

For some bigger line Ministries which are adequately resourced and have representation across various provinces of the country, the Internal Audit function has been able to cover much of the audit plans. Uncovered areas may be covered in the following audit cycle subject to reassessment of risk by the audit function. Ministries which are heavily dependent on the budgetary appropriations are most affected.

The reports are then distributed to the Accountant General, the Office of the Auditor General, and the Accounting Officer of the respective unit audited and the Principal Officer in charge of the unit being audited. For all the line Ministries, departments and agencies which have functional audit committees, the reports are also forwarded to those Audit Committees. In certain instances, for example in ZIMRA, the planned audits are not carried out in the year due to cases of special investigations which would reassign resources available to handle such cases. In the event that findings have repeat occurrence, the report is also distributed to the Thematic Public Accounts Committee of the Parliament (legislature).

Dimension 26.4 - Response to Internal Audits

For the majority of entities audited by the internal audit section, management has provided written responses to audit issues raised. However, follow up by external audit in subsequent audit revealed that whilst some responses have been implemented, many others remained outstanding: Score C

From the audit reports, there has been a marked improvement in management providing the written responses to issues raised by the Internal Audit. There have been reviews done to ensure that appropriate and timely written responses are provided by the units audited. These findings have to deal with matters like when, how and by who in the form of a matrix where management commit to address issues raised by the Internal Audit.

There have been incidences of repeat findings in subsequent audits despite management having committed to resolving raised issues. These gaps in implementation then resurfaced in the follow up carried out by external audit. The implementation gaps were attributed to lack of resources, where financial resources were required to implement audit recommendations. It has been further suggested that in such instances, management need to flag those limitations in implementing reforms to address raised audit issues.

The external audit reports have also identified such instances where responses have not been implemented as committed. There are now desk officers resident in the Ministry of Finance responsible for following up on management responses and implementation of reforms forming part of response action items.

Recent or ongoing reform activities

- Reactivating the system of Audit Committees which are expected to focus on internal control aspects.
- Finalization of Treasury Instructions and PFM Regulations.

Pillar VI. Accounting and reporting

PI-27 Financial data integrity

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants. This is an important part of internal control and a foundation for good information for management and for external reports that underpin aggregate fiscal discipline, strategic allocation of resources, and the efficiency of service delivery. This indicator assesses the extent to which central government bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. The assessment institutional coverage is the Budgetary Central Government (BCG) and the assessment period for dimensions 27.1, 27.2 and 27.3 are at the time of assessment (November 2017) covering the preceding twelve months and for dimension 27.4 the situation as at the time of assessment.

Indicator/Dimension	Score	Brief Explanation
PI-27 Financial Data Integrity	D	PFMS based access controls are effective to ensure financial data integrity. However, Bank reconciliations do not take place routinely every quarter at all line ministries. Suspense accounts have balances beyond 12 months. Advance accounts are not cleared timely and dates back even two or three years. Dimension scores combined by Method M2 (average)
27.1 Bank account reconciliation	D	Bank accounts for key treasury accounts are reconciled on a monthly basis, whereas in some line Ministries this is not consistently done even on a quarterly basis.
27.2 Suspense accounts	D	Suspense accounts have items which are more than 12 months old. This is indicative of items not cleared from suspense in a timely manner.
27.3 Advance accounts	D	Advance accounts have items which date back several years, indicating that advances are not cleared in a timely manner.
27.4 Financial data integrity processes	C	Financial data is kept in electronic systems such as PFMS, DMFAS and SPACE in which access and changes to records and data is restricted and recorded through segregation of access in line with duties through controlled passwords; whilst this creates an audit trail for users, audit trails for administrators are not available.

Background

Financial data integrity encompasses the extent to which proper, accurate, reliable books of accounts are maintained by an institution. This will ensure that the data is whole and complete and also aid the production of reliable and timely financial reports which would help users to understand how an organization has handled the funds placed under its jurisdiction and control.

For financial data integrity to prevail, an organization must be in a position to explain all financial records under its domain. This can be achieved if and only if processes, methods, systems and procedures surrounding the collection, processing, storage and retrieval of data are consistent, documented and understood by those who are charged with the process. Given that currently the processes for data processing, storage and retrievals are automated, there must exist enough controls which ensure that only authorized personnel are allowed to enter data records into the system through capturing, review, authorization, and committing data into the system. For this to function, appropriate authorization levels are required and access controls which are both automated and physical must exist to ensure that data is not corrupted.

In order to enhance data integrity all bank balances for public funds must be consistently reconciled, suspense accounts which are temporary accounts must be cleared in a consistent and timely manner and advance accounts must also be cleared in a consistent and timely manner. This has not been the case in ensuring that all expenditures for a particular period have been properly accounted for and classified. Where at times reconciliations have been carried some of them lacked required consistency levels and some continued to have reconciling items appearing for years.

The current Public Finance Management System (PFMS) which runs on SAP has automated controls available to ensure that access and changes to records are restricted to authorized personnel and all changes are captured in an audit trail, which is able to track who did what in the system at what time and that what they did was authentic. These reconciliations take place within the Accountant General's Department and also in line ministries and other departments which are run as commissions and drawing financial supporting from the CRF. According to the Auditor General's report for FY2016, system users have not been informed on implications for users of not following the ICT Policy in place and on any consequences for being non-compliant. Monitoring of acceptable system usage has not been done as required.

Dimension 27.1 - Bank account reconciliation

Bank accounts for key treasury accounts are reconciled on a monthly basis, whereas in some line ministries this is not consistently done even on a quarterly basis: Score D.

The Public Finance Management Act (Section 32-34) provides for the preparation of Financial Statements on a monthly, quarterly and yearly basis and that encompasses bank reconciliations as well. Section 36 subsection 6 (a) provides that every Accounting Officer shall keep or cause to be kept proper books of accounts. This entails that all bank accounts are properly reconciled and reconciling items cleared or fully explained on the reconciliation statement.

The consolidated revenue fund at Treasury level has five (5) bank accounts which are designated by currency type. These are domiciled with the Reserve Bank of Zimbabwe. The five currencies are United States of America Dollars (USD) the main account and currency, South African Rand (ZAR), the Pula (BWP), the Pound Sterling (GBP), and the Euro (EUR). These accounts are reconciled on a monthly basis.

There are other accounts with line ministries which are supposed to reconcile the bank accounts at line ministry level. Reconciliation with other line ministries has not been happening as per the

norm and per the provisions of the PFM Act despite the fact that these accounts are active. Some of the reasons for this phenomenon is the time it takes for other expenditure items to be acquitted by the staff where advances have been made. At the time reconciliations are made, a lot of reconciling items, which are taking longer periods to clear, will be apparent.

There is segregation of duties in the preparation of bank reconciliation from one who parks, posts and does payment runs in the PFMS as well as preparation of bank reconciliations. Once Bank reconciliations are done they are sent to a Senior Official who reviews and checks them.

Dimension 27.2 - Suspense accounts

Suspense accounts have items which are more than 12 months old. This is indicative of items not cleared from suspense in a timely manner: Score D.

In essence suspense accounts are temporary holding accounts which should be cleared once all information with respect to items in the suspense is made available. During the clearance process entries are transferred to their correct classification and this enhances accuracy of financial reports as all entries will be fully accounted for the period under review. In the event that items in suspense are not cleared this means that actual revenue or expenditure for the given period is not correct and accurate. That is why suspense accounts must be cleared as a matter of urgency. A growing and unchecked suspense account balance undermines data accuracy and completeness of financial reports.

At Ministry of Finance level suspense accounts are reconciled but there are open items due to missing documentation. In other line ministries such as MOPSE, there suspense accounts items which date back to prior years. The clearance of suspense accounts does not take place regularly due to lack of supporting documents.

Dimension 27.3 - Advance accounts

Advance accounts have items which date back several years, indicating that advances are not cleared in a timely manner: Score D.

Advance accounts arise from the fact that some of the work requires that staff or contractors receive funds in advance. When these moneys are paid to staff or contractors they are treated as advance. When the respective employee complete the assignment or the contractor delivers the works or suppliers, the advance will be regularized through presentation of documentary evidence for the actual expenditure and the expenditure will be transferred from the advance accounts to the respective expenditure line item account.

Reconciliation of advance should be cleared within six months but this is not being done due to lack of monitoring mechanisms in place and lack of training of the accounts personnel. Advance accounts have outstanding information which is dating back to years back from 2015 and beyond. This is indicating that advance accounts are failing to be cleared within the stipulated timeframes as contained in the PFM Act, section 29. Such advances must be used in the budget year to which the appropriation has been made.

Line Ministries which are affected by advances due to the nature of their processes include MOPSE and MOAMI whose officers are supposed to get into the field and do the work.

From the 2016 Auditor General's report on page 283 item 1.2 "Travelling and Subsistence Allowances", it was indicated that travel and subsistence allowances which should be advanced to staff of MOPSE were actually owing to staff as staff had used their own resources to carry out government work. A total of US\$93,212 was reported outstanding and some of it dating back to 2013.

Dimension 27.4 - Financial data integrity processes

Financial data is kept in electronic systems such as PFMS, DMFAS and SPACE in which access and changes to records and data is restricted and recorded through segregation of access in line with duties through controlled passwords; whilst this creates an audit trail for users, audit trails for administrators are not available: Score C.

Currently the system that is being used for financial data within Central Government is the Public Financial Management System (PFMS) an integrated IT system running on the SAP Platform. This system was used since 1999. The System is Modular based. 3 modules have been activated which are for Financial Accounting, Materials management (Procurement) and the Sales and Distribution module (for revenue management). Financial accounting module has the Assets Management (sub-module) and Funds Management module (covering the budgetary control process and execution).

Users are set up in the system with respect to their roles in the system. The unique identifier within the system is the Employee Code also known as the EC number. Processing can be done at various distributed centers but payments are centrally done. Users have specific roles which they are to do in the system such as capturing and parking transactions, authorizing, approving transactions and making payments.

Users log on into system using passwords which have minimum thread of eight characters which must contain alphanumerical syntax and special characters to enhance password strength. The system produces an audit trail. Users are prompted to change their password every one month and log-on is aborted at three unsuccessful log-on attempts. The system is also able to produce a report showing user profiles as at a particular point in time for review.

However, there was no user access matrix/document in place for assigning roles for PFMS administrators, management and users in order to ascertain whether assigned roles are consistent with job functions and that segregation of duties was observed. In addition, there was no evidence for logging and monitoring of administrators' activities. The PFMS Help Desk document for assigning user access at ministries did not detail the level of rights or privileges given to each job title to specify activities which can be performed by a user. Such issues tend to compromise the data integrity.

Similar security systems are found in the stand-alone SPACE system used by SSB for processing the government payroll and in the stand-alone DMFAS system used for recording and managing public debt.

There is no overall risk management framework or policy in place to assess and manage risk in Government financial operations.

Recent or ongoing reform activities

- The Accounting policy, PFM Act and Regulations, Draft Treasury Instructions and Audit manual have been updated and implemented in-order to ensure the integrity of financial data. A new Chart of Accounts is being implemented, in line with GFS 2014.
- Migration of the government sector to International Public Sector Accounting Standards (IPSAS) based on accrual basis accounting from current cash basis accounting.

PI-28 In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This covers the budgetary central government (BCG) operations and assessed on the last completed financial year i.e. FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-28 In-year budget reports	D+	There is no effective system for providing comprehensive, accurate and timely information on budget execution. Execution reports produced monthly only reflect economic classification and are issued with substantial delays. Dimension scores combined by Method M1 (weakest link)
28.1 Coverage and comparability of reports	D	In-year budget execution reports (CSFP) are produced monthly for budgetary central government but data classification allows comparison to the original budget only for economic classification.
28.2 Timing of in-year budget reports	D	In year-budget execution reports are produced monthly and issued within a period ranging between four to six months after the reporting month end.
28.3 Accuracy of in-year budget reports	C	Expenditure in the reports reflects the payment stage only. There are concerns about data quality which are not highlighted in the reports, but the reports are considered useful for monitoring purposes. No narrative description of budget execution is provided.

Background

The PFM Act section 34 provides for the preparation by the Accountant General of consolidated monthly financial statements which shall be published in the *Gazette*, within thirty days of the next succeeding month. Section 36 of the PFM Act provides for the content of the financial reports that should be produced.

MOFED through the Accountant General's Department has since 2013 produced monthly reports in terms of the Consolidated Statement of Financial Performance of the Consolidated Revenue Fund (CSFP) which are published on the website: www.zimtreasury.gov.zw.

MOFED's Fiscal Policy Department also prepares a quarterly report 'Treasury Quarterly Bulletin' which includes some highly aggregated information on revenue collection, expenditure and budget financing, but mainly concern developments in the real sector. Until 2016 a Mid-Year Fiscal Policy Review paper was also prepared. It has been replaced by the Annual Budget Review for 2016 and Outlook for 2017.

MOFED also prepares monthly Budget Outturn Reports, which are submitted to the International Monetary Fund (IMF) about two months after end of reporting period. These reports show revenue items received and expenditures classified on the basis of economic classifications and include bank balances, but are considered ad hoc and not the official in-year report.

Consequently, the CSFP is considered the regular and official in-year budget execution report as the basis for the assessment in this indicator.

Dimension 28.1 - Coverage and comparability of reports

In-year budget execution reports (CSFP) are produced monthly for budgetary central government but data classification allows comparison to the original budget only for economic classification: Score D.

The reports produced cover all the budgetary central government units (consolidated) and show actuals and budget estimates for the month as well as cumulative for year-to-date. Aggregates of economic classification are provided as well as more detailed breakdown of both revenue and expenditure items. Data by economic classification is comparable to the original budget estimates, even if the breakdown is not entirely identical. No information on administrative, functional or program classification is provided in the reports.

Dimension 28.2 – Timing of in-year budget reports

In year-budget execution reports are produced monthly and issued within a period ranging between four to six months after the reporting month end: Score D.

From the PFM Act reports must be produced on a monthly and quarterly basis. Production of reports with in line with the legal framework has not been the norm as the reports are not being produced in time. They are taking long to compile due to the fact that consolidation of reports is done outside the system as PFMS is producing reports which based on an accruals basis and the budget having been prepared on cash basis, ref. PI-29.

The CSFP are reportedly produced with a delay of typically 3-5 months after end of reporting period e.g. the Accountant General approved the CSFP for June during November. The reports are said to be uploaded on MOFED’s website immediately after approval, and it was noted that in mid-October 2017 the last report uploaded covered the period to March 2017. Reports for FY2016 have only been uploaded for the last three months of the year, so it is not clear to which extent reports for every month has in fact been produced during that year.

Dimension 28.3 – Accuracy of in-year budget reports

Expenditure in the reports reflects the payment stage only. There are concerns about data quality which are not highlighted in the reports, but the reports are considered useful for monitoring purposes. No narrative description of budget execution is provided: Score C.

Expenditures covered at the payment stage are reflected in the CSFP budget execution reports in order to align the actual expenditure to actual budget. There are concerns regarding data accuracy with respect to the manual conversion of accrual data from PFMS to the cash based CSFP report. Information on this issue and how the conversion is being made is not disclosed in the reports. Despite their deficiencies, the CSFP reports are useful for the internal monitoring of budget implementation, in particular from the perspective of aggregate fiscal discipline since the draft reports (and the raw data from PFMS on which they are based) provide a monthly picture of implementation progress by the main items of expenditure and revenue. The delays in producing and subsequently publishing the final versions – where all conversion issues are resolved – make the reports less useful for external stakeholders.

A narrative comment on budget execution is not included in any of the CSFP report, whether monthly, quarterly or six-monthly.

Recent or ongoing reform activities

- The MOFED and the line Ministries are currently in the process of implementing a New Chart of Accounts which is in line with GFS Manual 2014. This will help us to improve quality of reports. Implementation of new modules of the PFMS - like Business Planning and Consolidation and Business Intelligence - should also help to improve the timeliness of reports.

PI-29 Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. This covers Budget Central Government (BCG) unit. The period assessed is for dimension 29.1 the last completed fiscal year which is FY2016, whereas for dimension 29.2 it covers last annual financial report submitted for audit and for dimension 29.3 the last three years’ financial reports (for FY2014, FY2015 and FY2016).

Indicator/Dimension	Score	Brief Explanation
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PI-29 Annual Financial Reports	D	Annual Financial Statements are produced with substantial delays; they are not comparable to the budget, are disaggregated, do not capture assets and liabilities other than cash balances, and do not adhere to any formally adopted or disclosed accounting standards. Dimensions combined by Method M1 (weakest link)
29.1 Completeness of annual financial reports	D	Financial reports are prepared on an annual basis. They cover items of income, expenditure and cash balances but no other information on assets and liabilities. They are not comparable to the approved budget and are disaggregated.
29.2 Submission of reports for external audit	D	The financial reports for FY2016 were submitted for external audit more than nine months after the end of the fiscal year and excluded the report on the Consolidated Revenue Fund yet to be submitted to the Auditor General.
29.3 Accounting standards	D	The financial reports are not consistent with the country's legal framework, and the accounting standards used in preparing the financial reports are not disclosed.

Background

For public expenditure financial statements to be more meaningful they should be compared to the approved budgets for the year under review, which are adopted as Acts of Parliament covering the annual Finance Act (also known as the charging Act), and the annual Appropriation Act. This will ensure that they comply with section 17 (5) of the PFM Act (Chapter 22:19) (No. 11 of 2009), which states that the moneys appropriated shall be applied to the services detailed in the Schedule and more particularly specified in Estimates of Expenditure. Section 33 to 38 of the same Act also deals with the preparation of financial statements for the public entities and central government.

Section 37 of the PFM Act states that the financial statements required to be prepared in terms of this Act shall be prepared in accordance with generally accepted accounting practice. For applicable public purpose entities and all government institutions, the Government has adopted and is in the process of migrating to accrual based IPSAS, and this is planned to complete over the during next several years. These are for institutions which are not commercial in nature but are meant to provide services to the citizenry and the nation at large and are dependent on the Consolidated Revenue Fund (CRF) for funding. To ensure compliance, the preparing institution must ensure that it has complied with the provisions of the said pronouncements and not in part unless compliance will result in a material misrepresentation of component(s) of the financial reports. However, where there are valid grounds for non-compliance; these must be explained in the financial statements and disclosed as such.

Dimension 29.1 - Completeness of annual financial reports

Financial reports are prepared on an annual basis. They cover items of income, expenditure and cash balances but no other information on assets and liabilities. They are not comparable to the approved budget and are disaggregated: Score D.

The financial reports for BCG are produced with information such as expenditure, revenue and cash balances. A total of eight (8) consolidated financial reports are produced in addition to the appropriations accounts for each MDA/vote and they are sent to OAG for audit.

The Consolidated Statement of Financial Performance of the Consolidated Revenue Fund (CSFP), which is produced monthly by AGD and for the year in terms of the cumulative figures for the 12 months presented in the December monthly report, is part of the reports that are currently produced and the only one publicly available.

The Financial Statements include revenue, expenditure and cash balances as well as statement of cash flows. They exclude other essential information such as guarantees, loans, borrowings and any other assets and liabilities. The reports are so disaggregated that it is difficult for users to determine whether they include all the components of financial statements. The reports produced are based on economic classification only, whereas the budgets are based on administrative classification (and for selected MDAs also program classification). This makes comparison to the approved budget impossible.

Dimension 29.2 - Submission of reports for external audit

The financial reports for FY2016 were submitted for external audit more than nine months after the end of the fiscal year and excluded the report on the Consolidated Revenue Fund yet to be submitted to the Auditor General: Score D.

Reports which are supposed to be produced and sent to the Auditor General are not produced in time. This contravenes Section 35 subsection 3 of the PFM Act, which stipulates that ‘within three months after the end of each financial year the Accountant-General shall prepare and transmit to the Auditor-General, in such detail as the Accountant-General, after consultation with the Auditor-General, considers necessary, statements of accounts showing the transactions of the Consolidated Revenue Fund and the financial position of the State on the last day of that financial year’.

For FY2016 the appropriations accounts of individual MDAs were available timely for audit to be completed by May 2017, but only seven of the eight consolidated reports had been submitted to the Auditor General by mid-November 2017 (reportedly the 2016 Financial Reports were submitted on 19 September 2017). The remaining one on CRF was still outstanding and yet to be submitted. The CRF report takes time to complete due to the fact that the budgets are done on a cash basis and operating data is captured in the PFMS which uses accrual basis of accounting.

The reports are currently finalised on Excel spreadsheets to reverse all journal entries, which would have been accrued in the system, in order to comply with the cash basis of preparation used. Thus, reports from the PFMS are being reworked manually reversing all the accruals which would have been processed before comparisons can be done with the budget estimates. This has a bearing in that reports would not come out in time with cash balances, financial liabilities emanating from staff advances outstanding etc. complete and accurate until this reworking of entries has been completed (ref. reconciliation issues in dimension 27.1).

Dimension 29.3 - Accounting standards

The financial reports are not consistent with the country’s legal framework, and the accounting standards used in preparing the financial reports are not disclosed: Score D.

The financial reports currently produced do not conform to the any international financial report standard such as the IPSAS or the IFRS and IAS for the three years under review. More so, they are disaggregated and are not single-set financial statements which would allow completeness and consistency of information flow.

The CSFP, which has been produced showing income and expenditure for the last three years, only states that financial statements are prepared on a cash basis of accounting without detailed overview of how the cash basis of accounting is applied. It does not even explain how the reconciliation process is carried out to convert PFMS system reports to the cash based accounts.

Despite that the financial reports are not complying with any international accounting standards, there are currently no national standards which have been adopted to prepare such accounts. As a result the current financial reports prepared and submitted for audit do not conform to the provisions of the PFM Act. This matter has been raised in the reports by the Auditor General in the OAG 2016 Annual Report pages 54-55.

Recent or ongoing reform activities

A new Chart of Accounts has been adopted, effective January 1, 2018, and an Accounting Policy and Procedures Manual is being prepared. Efforts are being initiated to transition to accrual based IPSAS, which is expected to be a multi-year process until fully realized.

Pillar VII. External scrutiny and audit

PI- 30. External Audit

This indicator examines the characteristics of external audit. Reliable and extensive external audit is an essential requirement for ensuring accountability and creating transparency in the use of public funds. It contains four dimensions – one focusing on independence of external audit function and three focusing on audit of government’s annual financial reports. The institutional coverage includes constitutional provision, other legal provisions and audit reports on the financial reports of all Central Government entities including NCPs and is assessed on audit reports for the years FY2014, FY2015 and FY2016, except for dimension 30.4 which is assessed at the time of assessment (November 2017).

Indicator/Dimension	Score	Brief Explanation
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PI- 30 External Audit	D+	Weakness in independence of Auditor General in executing its budget and mechanism of follow-up undermines the overall effectiveness of the Auditor General despite good standing on compliance with ISSAIs, timely submission of Audit Reports and constitutional and legal provisions to ensure independence of Auditor General's appointment and removal. Dimension scores combined by method M1 (weakest link)
30.1 Audit Coverage and Standards	B	Financial reports of Central Government are audited by the Auditor General using ISSAIs; material risks and control issues are highlighted for most of the Government revenues and expenditure.
30.2 Submission of audit reports to the legislature	A	All of the Auditor General's annual reports for the last three fiscal years (FY2014, FY2015 and FY2016) were submitted to the legislature by the statutory deadline of June 30 and covered all appropriations and fund accounts submitted 1-3 months before issue of the respective annual report.
30.3 External Audit follow-up	C	Responses are not comprehensive or timely (indicated by the weaknesses recurring in successive years' audit reports) despite having a system in place where formal response was made by audited entities during 2014, 2015 and 2016 on the audit observations for which follow up is expected.
30.4 Supreme Audit Institution Independence	D	In view of significant de facto limitations on the Auditor Generals' budget allocation and execution process, though principles of independence are well established on other parameters like appointment & removal of Auditor General, planning & executing audit engagements, and access to records, documents and information.

Background

Part 5 of the Constitution of Zimbabwe Amendment (No.20) Act 2013 (Sections 309 – 313) provides for the creation and functioning of the Auditor General. Section 309 provides that the Auditor General shall audit the accounts, financial systems and financial management of all departments, institutions and agencies of Government, all provincial and metropolitan councils and all Local Authorities. This duty is further enunciated by section 5 of the Audit Office Act. The office of the Auditor General in affiliation with the International and regional organizations – INTOSAI and AFROSAI–E, endeavor to exchange ideas, knowledge and experiences with other countries for continuous improvement aimed at accountability in public sector.

Dimension 30.1 - Audit Coverage and Standards

Financial reports of Central Government are audited by the Auditor General using ISSAIs; material risks and control issues are highlighted for most of the Government revenues and expenditure: Score B.

The office of the Auditor General adopted the Regularity Audit manual prepared in 2010, which is aligned with the International Standards for Supreme Auditing Institutions (ISSAIs) issued by

the INTOSAI. Audits are conducted using the procedures under the Regularity Audit Manual and the complementary Quality Assurance procedures. Most of the Government revenues and expenditures of Central Government are covered by audit. To illustrate, the coverage, the Audit Plan of 2016 covered twenty-eight Ministries, eighty-four fund accounts, eight donor funded projects, fifty nine parastatals, sixty four contracted out parastatals, 91 contracted out local authorities and one audited local authority. The status of compliance with ISSAIs is reported as 90% as per the strategic plan of the Auditor General from 2016-2020. The internal quality assurance procedures and process sign-offs establish the degree of compliance with ISSAIs. However, there is no external validation of the quality of compliance with ISSAIs. Further, the degree of assurance of compliance with standards de jure is higher than de facto compliance, particularly regarding audit execution. Risk based audit planning is in place to determine the audit plan for the entire year.

Dimension 30.2 - Submission of audit reports to the legislature

All of the Auditor General’s annual reports for the last three fiscal years (FY2014, FY2015 and FY2016) were submitted to the legislature by the statutory deadline of June 30 and covered all appropriations and fund accounts submitted 1-3 months before issue of the respective annual report: Score A.

Section 10 of Audit Office Act requires the Audit report to be presented to Minister of Finance not later than June 30 of the subsequent year. The Audit Reports for the years FY2014, FY2015 and FY2016 were submitted to the Minister - and onward transmitted to the legislature - within 4 months of the deadline for MDAs to submit their financial reports to the Auditor General, as indicated in the table below.

Table 3-12: Timelines of audited financial statement submissions

Year	Date annual financial statement received by Auditor General	Date Auditor General’s annual report was submitted to legislature
2014	Various	June 23,2015
2015	Various	June 22,2016
2016	Various	June 19, 2017 ²³

While in all cases, Auditor General has been completing the audits within three months of the receipt of financial statements, if the statement were submitted within the statutory deadline, there were several cases where individual financial statements were not received in time for audit to be covered by the annual audit report. The audit reports indicated significant delays in some funds submitting the financial statements to audit within 60 days of the end of financial year (as required by Section 35 (6) (b) of the Public Finance Management Audit), which affects the expression of

²³ The Auditor General submitted the report to the Minister on 14 June 2017.

any opinion on the overall financial statements (e.g. the audit report on FY2016 notes that financial statements had not been submitted for 27 funds and other accounts by 26th May 2017). However, all ministerial appropriations account were submitted sufficiently timely to be covered by the annual audit report. The Annual Audit Report issued by the Auditor General is on the individual funds / accounts. There is no consolidated audit opinion issued by the Auditor General on the financial statements of the Government. Auditor General's reports merely identifies that the accounts need to be consolidated by the Accountant General. This can therefore be a scope exclusion and a limitation in the process. Audit of financial statements which were not submitted in time for the annual audit report is covered in the following year's annual report, if they are submitted in the meantime. This means that audit findings are submitted to the Minister and Parliament while they are still current, so timely action can be taken, but also that the annual audit reports are incomplete and may miss important elements – not least most of the statements of consolidated operations.

Dimension 30.3 - External Audit follow-up

Responses are not comprehensive or timely (indicated by the weaknesses recurring in successive years' audit reports) despite having a system in place where formal response was made by audited entities during 2014, 2015 and 2016 on the audit observations for which follow up is expected: Score C.

Auditor General has established a system where each of the audit observation reported in the Auditor's General report to the parliament includes responses of the management (executive / audited entity). Responses of the management included in the reports of 2014, 2015 and 2016 indicate that the responses are not comprehensive or timely. Many of the control weaknesses and limitations recur in subsequent reports of the Auditor General. Auditor General has a system of following up on the audit observations in the subsequent years' audit engagement.

Dimension 30.4 - Supreme Audit Institution (SAI) independence

In view of significant de facto limitations on the Auditor Generals' budget allocation and execution process, though principles of independence are well established on other parameters like appointment & removal of Auditor General, planning & executing audit engagements, and access to records, documents and information: Score D.

The Constitution of Zimbabwe and the Audit Office Act establishes the independence of the Auditor General regarding appointment and removal. Section 310 of the Constitution provides for the Auditor General's appointment by the President with the approval of the Parliament. Section 311 provides for the independence of the Auditor General and subject to legal provision. Section 313 establishes detailed provisions on removal to prevent arbitrary removal of the Auditor General by the executive. Auditor General can be removed only for physical or mental incapacity, gross incompetence or gross misconduct. The procedure triggers with the Finance Minister, with the concurrence of Parliamentary committee responsible for public accounts, informing the question of removal of Auditor General to the President. The President is required appoint a tribunal to enquire into the matter. If the tribunal recommends the removal of the Auditor General, the President must under the public seal to do. Section 8 of Audit Office Act provides for the powers

of the Auditor General to access records, documents and explanations in the discharge of the duties.

Auditor General is constrained de jure and de facto in management and execution of budget of the Auditor General. The budget allocations to the office of Auditor General are processed through the Ministry of Finance. The annual budget allocations to the Auditor General are not released in full, which is also a trend across the other line ministries and agencies. There is no predictability of the timeliness of budget releases throughout the year. The releases of budget to the Auditor General are indicated in the table below, which indicates substantial variations.

Table 3-13 Yearly budget releases by Ministry of Finance to the Auditor General

Year	2014	2015	2016
Revised Budget estimate (US\$)	4,133,000	4,572,079	4,130,000
Release from Ministry of Finance (US\$)	1,243,406	2,171,550	2,376,195
Employment component of release (US\$)	942,906	1,893,765	2,169,877
Operations component of release (US\$)	300,500	277,785	206,319
Variance	-70%	-5%	-42%

Table 3-14 Quarterly operations budget flows to Auditor General from Ministry of Finance

In US\$	2014	2015	2016
Quarter 1	63,000	7,989	39,970
Quarter 2	37,500	119,405	24,225
Quarter 3	65,000	38,771	51,145
Quarter 4	135,000	111,620	90,978

The low predictability of budget releases (while may have affected other line ministries as well) affects the ability of Auditor General to execute its budget and can have implications for execution of the Audit Plan. The Audit reports of 2014 and 2015 indicate that the audit coverage of provincial and district offices is not only related to risk based audit plan, but could be affected by the timely availability of resources. Auditor General made 47 outstation visits in 2013, 268 in 2014 and 498 in 2015. There is insufficient basis for decisions on the number outstation visits, but the predictability of both availability and timeliness of budget releases influences the Auditor General's work plan.

Audit Office Commission envisaged in the Audit Office Act, to deal with matters relating to appointment, disciplinary actions etc, relating to persons appointed to the office of Auditor General, has not yet been made effective.

Recent or ongoing reform activities

- The office of the Auditor General is implementing several reports supported by the PFM Enhancement Project under ZIMREF and other bilateral support interventions. The important ones include:
 - ✓ Self-assessment on compliance with ISSAIs using the iCAT tool
 - ✓ Use of ACL and Excel as CAATs
 - ✓ Audit of foreign missions, which were not taken up for several years
 - ✓ Development of mechanism for Auditor General to ensure quality of outsourced audits
 - ✓ Development of skills relating to audit of PFMS systems

PI-31 Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It contains four dimensions – one focusing on independence of external audit function and three focusing on audit of government’s annual financial reports. The institutional coverage is audit reports for Central Government including NCPs and is assessed for the last three completed fiscal years i.e. FY2014, FY2015 and FY2016.

Indicator/Dimension	Score	Brief Explanation
PI-31 Legislative scrutiny of audit reports	C+	Legislative scrutiny of audit reports is transparent and intensive with a limited extent of oral evidence hearings. However, follow-up of recommendations remains ineffective and the time taken to complete the scrutiny of audit reports goes beyond twelve months. Dimensions combined by method M2 (average).
31.1 Timing of audit report scrutiny	D	The process of Parliamentary scrutiny of the Auditor General’s Annual Report for the last three years has taken in average more than 12 months
31.2 Hearings on audit findings	C	Hearings undertaken by the Public Accounts Committee with responsible officers from audited entities cover about 20% of the entities that received qualified/adverse opinion or disclaimer of opinion.
31.3 Recommendations on audit by the legislature	C	Parliament (though its Public Accounts Committee) issues recommendation on the actions to be implemented by the executive. It also attempts makes limited follow up efforts through ministerial responses from relevant Ministries. However, in the absence of ‘Treasury Minutes’ the follow up is not effective.
31.4 Transparency of legislative scrutiny of audit reports	A	A high degree of transparency in the legislative scrutiny is reflected in public nature of all hearings, the Public Accounts Committee’s reports debated in the full chambers of

		legislature and publication of reports in the Parliament's website.
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Background

The Public Accounts Committee is the Post Audit Committee in the Parliament of Zimbabwe. It examines all reports of the Auditor General and makes recommendations. The reports of the Public Accounts Committees are discussed in the plenary of the National Assembly.

Dimension 31.1 - Timing of audit report scrutiny

The process of Parliamentary scrutiny of the Auditor General's Annual Report for the last three years has taken in average more than 12 months: Score D.

Table 3-15 below provides the details of the dates on which the OAG's Annual Audit Reports were received by the Parliament and the dates of completion of Parliamentary scrutiny. Scrutiny of the Auditor General's reports for FY2014 and FY2015 was in each case completed 15 months after the reports were received by Parliament²⁴. For FY2013 the process took about 20 months. For FY2016 PAC's review of the report was still ongoing at the end of November 2017, so the duration of the entire process could not be established for this assessment. Using data from the last three years for which the process has been completed results in an average process period of the scrutiny at 16-17 months.

Table 3-15 Time taken by Parliament to Scrutinize Audit Reports

Year covered by audit	Date of receipt of Audit Report	Date of completion of scrutiny by Parliament	Months taken from receipt to completion
2013	Approx January 2015	September 2016	About 20 months
2014	June 23, 2015	September, 2016	15 months
2015	June 22, 2016	September, 2017	15 months
2016	June 19, 2017	Not completed as at end of November 2017	n.a.

Dimension 31.2 - Hearings on audit findings

Hearings undertaken by the Public Accounts Committee with responsible officers from audited entities cover about 20% of the entities that received qualified/adverse opinion or disclaimer of opinion : Score C.

²⁴ The work of the PAC itself accounts for about 9 months out of the 15 months. Could add: August and December are lost due to Parliament's recess.

Table 3-16 below indicates the details of number Ministry Appropriations Accounts and Statutory/Retention Fund accounts with adverse and qualified opinion or disclaimer of opinion, and amongst them the number of cases where oral hearings were conducted. Data on audit of non-commercial parastatal accounts and related hearings was not available beyond the information covering statutory funds managed by the NCPs. The most complete statistics is available for FY2015 and shows that just over one fifth of entities with qualified/adverse opinion or disclaimer were called for and attended hearings. Data for the previous year suggest a lower percentage as the total number of hearings may include some state enterprises. Data concerning FY2016 was not available as the process of PAC scrutiny was not completed at the time of the assessment.

Table 3-16 Statistical Information on Hearings conducted by PAC

Year covered by audit	Number of Ministry Appropriations & Funds / Accounts with adverse / qualified / disclaimer	Number of hearings with responsible officials	Percentage
2013	41	N/A	N/A
2014	55	<11	<20%
2015	49	11	22%
2016	42	N/A	N/A

Data on audits and hearings of NCPs – beyond statutory funds – not available.

Data on audits and hearing of State Enterprises and Local Government accounts excluded.

Dimension 31.3 - Recommendations on audit by the legislature

Parliament (though the Public Accounts Committee) issues recommendation on the actions to be implemented by the executive; however, in the absence of ‘Treasury Minutes’ the follow up is not effective: Score C.

Parliament makes recommendations to the executive based on the Public Accounts Committee’s review of Audit Reports. Parliament also follows up on the recommendations through ministerial responses. The key mechanism of follow up is through the issue of ‘Treasury Minutes’ by Ministry of Finance consolidating the action taken. Treasury Minutes are not issues for the past several years, adversely affecting the follow up mechanism on the recommendations of the parliament.

Dimension 31.4 - Transparency of legislative scrutiny of audit reports

A high degree of transparency in the legislative scrutiny is reflected in public nature of all hearings, the Public Accounts Committee’s reports debated in the full chambers of legislature and publication of reports in the Parliament’s website: Score A.

In terms of parliamentary procedure, all hearings of the Public Accounts Committee are public. While very few members of public in practice participate in the sittings in Harare, the information about the hearing schedule and the accessibility to the public is widely publicized in the media. The reports of the committees and the parliament are published in the Parliamentary website and are accessible to the public. However, the website does not provide easy identification of the PAC

reports, which are published under a broad series of all the publications of Parliament. It is not easy to search for the PAC reports on the Parliament Website.

Recent or ongoing reform activities

- Parliament is implementing several reports supported by the Public Financial Management Enhancement project under ZIMREF and Multi-Donor program to support parliament. The important ones include:
 - ✓ Technical support arrangement under PFMEP with Public Accounts and Audit Board providing consultancy support to review Audit Reports and related products
 - ✓ Training and capacity building programs for parliamentary committees – Finance and Accounts Committee, Public Accounts Committee and Parliamentary Budget office
 - ✓ Development of customized tool kits for parliamentary committees
 - ✓ Extended sittings of committees
 - ✓ Reform measures to improve the issue of recommended actions by the legislature and implementation by the executive
 - ✓ Reform measures to improve the timeliness of examination of audit reports by the legislature

Chapter 4. Conclusions of the Analysis of PFM Systems

This chapter provides an integrated analysis on the basis of the information presented in the preceding Chapters 2 and 3 and presents overall conclusions on the performance of PFM systems. In particular, the analysis assesses how the performance of PFM systems may affect the government's ability to deliver intended fiscal and budgetary outcomes. The most important systemic weaknesses are identified in that respect.

4.1 Integrated assessment of PFM performance

This section presents the implications of the assessment for the seven pillars of PFM performance: budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit.

Pillar I: Budget reliability

The budget reliability indicators under this pillar do not directly assess PFM systems. Budget outturns are - at least partly - results of the performance of a combination of PFM systems, assessed by performance indicators under the other pillars.

A major concern is that expenditure execution data to assess the variance is not readily available (PI-2), since year-end budget execution reports are missing for FY2014 and FY2015 and do not include data by administrative classification even for FY2016 (ref. PI-28). The limited information available indicates that the GOZ budget is not implemented as planned. At the aggregate level revenue collection has consistently been 6-9% below budget (PI-3) suggesting inadequate analysis of the impact of revenue measures (ref. PI-15.1), whereas aggregate expenditure has been higher than budgeted during the three years assessed, particularly in 2016 (PI-1). At the more detailed level, outturn variance is moderate as regards items of revenue (PI-3.2), whereas there are large differences in the extent to which different expenditure items are implemented, resulting in high variance (PI-2.2). It should be noted that these findings only concern the consolidated central government budget and excludes significant extra-budgetary operations, ref. PI-6 below.

Pillar II: Transparency of public finances

Budget classification uses the basic administrative and economic classifications (PI-4) and budget documentation submitted to Parliament also includes only the most basic elements (PI-5) e.g. missing even the full-year actuals for the previous year – presumably for the same reasons that end-year budget execution reports are missing or incomplete.

The central government budget is deficient as a plan for government operations during the forthcoming year due to major elements of government revenue and expenditure operations not being reflected in the budget document (PI-6). While a process has been initiated to improve coverage of the budget documentation, financial operations of the many non-commercial parastatals, retention and statutory funds and donor funded projects are not comprehensively and clearly explained and these missing operations may well correspond to up to half of budgetary expenditure.

On the other hand, a framework for disclosing government objectives and targets for macro-fiscal and service delivery functions – as well as actual achievements - is existing and is being improved through gradual implementation of program based budgeting (PI-8). Transfers of funds to Local Authorities do not comply with legal provisions and the only transfers regularly done – for road works - are not transparent, so LAs have difficulties planning their annual operations (PI-7).

Fiscal information available to the public is very limited in scope (PI-9). While the Auditor General's reports are posted on the internet, this is only partially the case for the budget estimates – as the performance objectives and targets are included only in the hard copies to be collected from MOFED - and budget execution reports are not published timely, if at all (ref. PI-28).

Pillar III: Management of assets and liabilities

Public investments are managed through a set of very basic procedures, with economic analysis and full project-life costing mainly undertaken where financing is provided by external agencies, lack of clear selection criteria for projects that are included in the GOZ plans and budgets, and project execution monitoring missing a standard approach and a consolidated overview (PI-11). A system is in place for centralized recording assets in land and buildings, whereas other fixed assets are kept in fragmented and incomplete registers with no consolidation. Lack of consolidated overview is also the case for financial assets, although work is in progress on having annually updated information on assets held in state enterprises and by non-commercial parastatals (PI-12). There is an appropriate system in place for approving loans and loan guarantees, and appropriate records are kept. But debt reporting could be improved and the new medium-term debt management strategy is yet to be implemented (PI-13). Apart from debt sustainability analysis, which has been conducted, little is done to assess and report fiscal risks to GOZ (PI-10), especially at a consolidated level.

Pillar IV: Policy-based fiscal strategy and budgeting

Comprehensive macro-economic analysis is undertaken and used for debt sustainability analysis as well as for medium-term budget planning (PI-14), but methodology and results are disclosed to Parliament and the public only to a very limited extent, whilst sector analysis could be improved. Elements of a fiscal strategy (fiscal deficit and debt stock) are in place and their achievement are being reported on, but more could be done to analyze medium-term impact of proposed new revenue measures and expenditure policies (PI-15). Nevertheless, medium-term estimates (for three years) of all revenue and expenditure line items in the annual government budget has been a standard content of the annual budget estimates for several years and some major sectors have produced fully costed sector strategies, which indicate service delivery consequences of alternative budget allocations and thus inform budget estimates. However, there is no explanation of changes to outer year estimates in subsequent year's budget planning process (PI-16). The budget preparation process is set out on a detailed calendar for the later stages, whereas the earlier stages of the process are not well planned and subject to delays (PI-17). This has in recent years lead to late submission and approval of the budget by Parliament, which is left with a very short period to debate, negotiate amendment proposals and approve the budget (PI-18). The control by Parliament also appears very limited, given the extensive powers of the Minister of Finance to amend the

budget during execution and non-compliance in several years with provision for ex-ante approval of in-year supplementary budgets.

Pillar V: Predictability and control in budget execution

Revenue administration is quite effective, though the large amounts of outstanding arrears of taxes and social contributions with occasional write-offs undermine taxpayer discipline, and taxpayer education could be more service oriented by also focusing on taxpayer rights in addition to obligations (PI-19). The extensive use of self-assessment and payment through online access, and an electronic bank transfer system ensure that collections are transferred to the Treasury from ZIMRA without delay, are comprehensively reported and that taxpayer accounts are immediately updated and reconciled (PI-20). However, consolidated reporting is still not in place for the many statutory and retention funds.

Cash balances in bank accounts are regularly consolidated, but appropriate cash management will require improvement in in-year cash forecasting which currently does not adequately incorporate updates to the expenditure side. This impedes effective mobilization of financing – also negatively affected by major debt payment arrears - and result in inadequate information to MDAs on funds available for expenditure commitment (PI-21). Payment arrears are at a very high level and include substantial amounts of both debt service arrears and arrears to suppliers of goods and services. The arrears monitoring system is deficient and suffers from lack of statutory or contractual specification of due date for payment to suppliers (PI-22). The high levels of arrears to suppliers and the inadequate monitoring are partly a result of bypassing of the PFMS commitment and purchase order module by many MDAs (PI-25.2), whereas internal control related to payment for provision of goods, services and on debt services are effective and include appropriate segregation of duties (PI-25.1 and 25.3). Regular payroll controls are also quite effective, whilst comprehensive staff and payroll audits have not been undertaken recently, so the risk of ghost workers is not eliminated.

Transparency of procurement operations is seriously deficient due to lack of data by which to monitor procurement at an aggregate level, and hardly any publicized information other than fragmented tender announcements (PI-24). Together with a high threshold for use of open tender and the above mentioned bypassing of the purchase order and commitment controls of PFMS, this features suggest a high risk of irregularities in procurement – which is confirmed by findings of the Auditor General. Whilst the internal audit function has been rolled out to all entities of central government, Audit Committees are not full established, audits are mostly compliance focused and implementation of audit recommendations is deficient, as findings often repeat themselves year after year (PI-26).

Pillar VI: Accounting and reporting

Financial data records are kept in various separate IT software systems with effective access control, but data integrity is undermined by delays in reconciliation of bank accounts and clearing of advance and suspense accounts (PI-27). In-year budget execution reports are produced monthly, but with substantial delays and have limited comparability to the original budget estimates (PI-28). Annual financial statements are up-to-date, but produced in a fragmented manner and not

adhering to any disclosed accounting standards. Submission for audit is timely for most appropriation accounts, but occurs with substantial delay for the eight statements of a consolidated nature (PI-29). The monthly budget execution reports are often not publicized, and the full set of annual financial statements is not published at all, ref. PI-9.

Pillar VII: External scrutiny and audit

External audit is well established with wide coverage across the public sector, timely submission of annual reports to Parliament and largely follow international standards (PI-30). A number of performance audits have also been undertaken in recent years (ref. PI-8.4). However, the independence of the Auditor General is limited, and responses to audit findings and recommendations are partial. Legislative scrutiny of audit reports is transparent and intensive with verbal evidence presented at hearings. However, the coverage of audited entities by hearings is limited and completion of Parliament's scrutiny process taken more than a year from receipt of the annual audit report (PI-31).

4.2 Effectiveness of the internal control framework

The Constitution of Zimbabwe (Amendment number 20) defines the qualifications of persons who are supposed to be appointed to key positions regarding Public Financial Management. One such key position is the Office of the Auditor General which is created based on Section 310 of the Constitution of Zimbabwe (Amendment Number 20). The person is to be chosen for his/her integrity and must have been qualified to practice as an Auditor for at least ten years. In Zimbabwe practicing Auditors are members of the accounting profession under the umbrella organization of the Public Accountants and Auditors Board (PAAB) and are to observe ethics and professionalism in their execution of their work. They are supposed to exhibit professional competence and due care. The incumbent Auditor General has been appointed based on the current constitutional provisions.

The PFM Act Chapter 22:19 section 9 provides for the appointment of the Accountant General who shall be answerable to the Secretary for finance or the Paymaster General. The Accountant General to be appointed shall be a senior professional accountant or auditor; and registered as a Public Accountant or Auditor in terms of the Public Accountants and Auditors Act [Chapter 27:12] for a period of not less than five years. The current incumbent has been appointed on the basis of the provisions of this act. He is responsible for the compilation and management of public accounts and the custody and safety of public resources. The Accountant General shall give instructions and directions to the Accounting Officer in each of the MDAs regarding the management of public accounts and custody and safety of public resources.

The assessment team was not in a position to carry out an evaluation of the management philosophy and operating style or the tone at the top other than establishing the adherence to the governing statutes. It was however noted that the Internal Audit function was yet to comply with the provisions of section 44 of the PFM Act Chapter 22:19 where Internal Audit is supposed to be under the direction and guidance of Audit Committees. Some MDAs were yet to set up Audit Committees and the Internal Audit function in those Units is reporting to Finance Directors

administratively and not to the Accounting Officer making the position subservient and not independent.

Risk assessment has not been thoroughly carried in other areas in terms of identifying risks, evaluating magnitude of impact, and identifying risk response mechanisms to deal with the incidence of risks. Most of the public corporations which carry much fiscal risks emanating from financing structures and guarantees are not producing accounts even with full disclosures that would allow risk assessment to be thorough carried out and evaluations completed. More so for revenue risks identified by the ZIMRA, there is no structured and documented approach of responding to the risks. A register which log risks identified is maintained by ZIMRA utilizing the robot approach for classifying severity/magnitude of impact and probability of occurrence. There is however no documented response to deal with revenue arrears.

Control activities such as bank reconciliations are being done piecemeal. Other MDAs are not consistently carrying out bank reconciliations. On the aspect of suspense accounts, it is taking a long time to clear entries as a result of information gaps. Some of the gaps are emanating from instances where Treasury pays directly to suppliers and documentation used is not given to the respective line Ministry to help them expunge their entries. Treasury does not operate a single account as some accounts are with the commercial banks. Aid agencies operate separate accounts different from Treasury as well.

There are no documented procedures in place to guide how monitoring of work done for service provided is to be carried out. Operating performance cannot be reviewed as no documented procedures exist in the budget documentation to define how the review is to be carried out and measurement units required to ensure effective evaluation is carried out. However effective system exists to allow authorization and approval using the Public Finance Management System with well-defined user roles in place within the system. However, PFMS does not cover entire government MDAs. Line Ministries are covered except for MOFA which has branches in different nations and some local authorities which are on manual system.

In certain instances information is made available to the public with regards to their tax obligations, registration, compiling and filing of returns, making payments. However critical information on the redress mechanism is not communicated to the tax payers for example; in the event of penalties being incurred taxpayers can apply for penalty waiver and proceed to settle their outstanding obligations together with interest due. This has led to the sustained increase in revenue arrears, the bulk of which are penalties for non-compliance. In terms of budget information, less is made available to the public and in the event it is made available it will be piecemeal. The budget blue book for example which contains the appropriations by vote is not easily available to the public in the government bookshop even at Ministry of Finance level. The one on the website does not show the revenue for the fiscus and has a lot of pages which are missing when compared to the exact printed copy which is housed within the Ministry of Finance. Certain reports which are supposed to be published by the Accountant General are either not published at all or published well past the relevance date.

The Accountant General is responsible for setting up a functional system for Public Financial management. There is no effective Internal Audit control function given the silo approach where

each and every line Ministry has their own Internal Audit team which report administratively to the Finance Directors of such MDAs and not the Accounting Officers as per findings by the Auditor General. The External Audit is carried out on a routine basis but at times due to lack of financial independence; their operations are hamstrung. There are also repeat audit findings which indicate that some of the management responses are not well thought or are made on a non-committal basis by the management giving such responses. A Management Response monitoring Unit has been set within the Accountant General department to follow-up on all responses that have been made. It is also responsible for ensuring that all audit items raised in management report are attended to showing who is responsible, when is the item supposed to be cleared and how is it going to be cleared.

4.3 PFM strengths and weaknesses

The extent to which the PFM systems enable achievement of the planned fiscal and budgetary outcomes is discussed below in term so the three main outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficient use of resources for service delivery.

Aggregate fiscal discipline requires that fiscal aggregates be delivered as planned, primarily as per the approved budget, but also including extra-budgetary operations. Aggregate budget outturns of GOZ show consistent underperformance on aggregate revenue estimates and – in FY2016 - expenditure was significantly above budget, leading to budget deficits far higher than budgeted in each year assessed. The effect of the very substantial extra-budgetary operations on aggregate fiscal discipline is not known due to lack of consolidated data, which increases the risk of unintended macro-fiscal impact of government operations on the national economy.

Well-functioning GOZ systems that support achievement of aggregate fiscal discipline include comprehensive macro-economic forecasting, setting of aggregate fiscal targets such as deficit and debt stock as well as medium term expenditure planning. Those system strengths, however, are undermined by weaknesses that in particular may include inadequate impact analysis of revenue measures, limited effectiveness in Parliamentary scrutiny of budget estimates and of budget execution, MDAs bypassing of budget execution controls built into the PFMS and thus accumulation of excessive payment arrears.

Strategic allocation of resources will be effective when available resources are allocated and used in line with government priorities aimed at achieving policy objectives. The key processes to achieve this outcome relate to the budget formulation process, budget execution including investment management and reporting on budget execution. High levels of compositional variance in budget outturns in 2016 – the only year for which data is available to assess this – indicate important issues that need addressing.

Strengths of GOZ in this respect includes medium-term budget planning with performance objectives and targets stated for all votes and functions, and comprehensive sector strategic plans for some of the largest service sectors such as education and health. Weaknesses in systems to support this outcome are found in the quite basic budget documentation, inadequate public access to budget information including lack of timely budget execution reports comparable to the approved annual budget. Also of concern are the large government operations not reported in the

budget or any other consolidated format and the limited effectiveness of Parliamentary oversight of budget execution.

Efficient service delivery requires use of available resources to achieve the optimal levels of public services, which are critical points of contact between citizens and government. Service objectives and targets set out in budget documentation combined with medium term budget planning support efficient service planning. However, large compositional variance in expenditure budget outturns suggest that shifts in priorities during the year lead to other some services being deprived of funding for the planned annual service outputs. Lacking transparency of procurement processes and inadequate investment selection criteria indicate high risk of value for money not being achieved from much of budgetary funding. Lack of public access to comprehensive information on budget planning and execution as well as inadequate implementation of audit recommendations suggest that accountability for use of public resources and delivery of services may not be as effective as desirable.

4.4 Performance changes since the 2012 assessment

The 2016 PEFA Framework upgrade was used to establish the current situation in Zimbabwe as a new baseline from which to assess progress going forward from 2017. The information collected for that exercise was at the same time used to assess change in systems performance change of GOZ during the six years from 2011 to 2017 by scoring the 2017 situation against the 2011 version of the PEFA Framework which was the basis for the 2011 PEFA assessment of Zimbabwe as part of the CIFA 2012 report. This allowed change over time to be assessed on 28 performance indicators with 71 individual indicator dimensions of government systems performance, as explained in detail in Annex 4.

The findings are that between 2011 and 2017:

- improvement in performance on 6 performance indicators were recorded,
- deterioration was found on 5 indicators,
- a mixture of improvement and deterioration without overall change on 3 indicators,
- no change identifiable on 13 indicators, whilst
- direction of change could not be determined for one indicator (transfers to Local Authorities).

Improvements were noted in the areas of

- Aggregate budget credibility of both expenditure and revenue – possibly as a result of hyperinflation during 2008-2010 having led to poor performance ratings in 2011;
- Budget planning and preparation (more medium-term sector strategies with comprehensive costing, improved budget call circular and enhanced scope of Parliamentary budget review, though the relevant indicators are also negatively affected by late budget submission and approval of the FY2017 budget)
- Revenue administration (improved use of IT and online systems for registration, self-assessment, revenue transfers to Treasury and reconciliation of taxpayer accounts)
- Annual financial reporting (reporting backlog eliminated)

- External audit (improved compliance with international audit standards and more timely scrutiny of audit reports by Parliament)

The areas of deterioration were:

- Increasing volumes of payment arrears and revenue collection arrears
- Poor effectiveness of commitment controls
- Increasing unreported government operations outside the central government budget (mainly by non-commercial parastatals)
- Timeliness and data concerns for in-year budget execution reports, possibly as a result of the current transition to a new chart of accounts.

Overall, these changes indicate some important improvements in systems performance and positive results of PFM reforms implemented, but also some important issues of concern. The improvements would in particular impact the government's ability to ensure that strategic allocation of resources in the budget estimates is in line with political priorities and that efficiency in the use of financial resources is improved through timely and audited financial statements. The areas of deterioration primarily impact the ability of government to maintain aggregate fiscal discipline, though they also have implications for strategic allocation of resources and efficiency in the use of financial resources.

Chapter 5. Government PFM Reform Process

This chapter discusses the government's overall approach to PFM reform and describes recent and ongoing reform initiatives to improve PFM performance.

5.1 Approach to PFM reforms

During the period 2002—2004 the government introduced the SAP software platform to effectively manage its public financial management system (PFMS). However, the ability of the PFMS system to adequately support the core functions of PFM was eroded during the 2007—2008 chronic hyperinflation period when the PFMS went out of use and PFM activities continued manually outside the system.

Currency and other economic stability measures were introduced in 2009. The new stable environment allowed users to capture transactions in the PFMS at Head Office and Provincial Offices. In 2011, the Government embarked on a 3-phased PFMS Roadmap 2012—2014 whose objective was to underpin an effective, efficient, accountable and transparent PFM system. The first phase was to have *Minimum Operating Standards* and the objective was to ensure that PFM processes of budget preparation, budget execution, and financial accounting and preparation are done in a timely manner. The second phase involved *Systems Upgrade and Effectiveness* aimed at increasing business processes and efficiency. The final phase was *Financial Governance* whose objective was to have a best practice that supports the strategic goals of the country. The effort to restore and stabilize PFMS has and continues to receive support from the Government, the World Bank, African Development Bank, and the United Nations Development Program.

In 2013, the government embarked on a PFM Roadmap (Action Plan). The objective was to provide a comprehensive plan to cover the whole PFM cycle incorporating seamlessly the PFMS roadmap and the policy recommendations in the Country Integrated Fiduciary Assessment (CIFA) 2012 report. The PFM Roadmap included the estimated cost and timelines for the completion of each of the activities included in its scope, and anticipated challenges if any. The roadmap aimed to give substance to a reform plan to improve PFM performance based on updating the CIFA recommendations in discussion with officials and quantification of resources needed for the necessary interventions. Challenges faced during the reform process include some PFM issues as well as a substantial number of economic challenges. In order to address the challenges, the Government launched the Medium Term Plan to continue the work that begun in Short Term Emergency Recovery Programme (STERP) I and consolidated by STERP II.

GOZ adopted a development strategy for efficient resource utilisation. The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET 2013-2018) contains fiscal reform measures that include the resolve to “Boost the efficient use of Government resources through timely reporting and strengthening the Public Finance Management Systems - Fiscal Reform Measures”. Its key result areas include to “Encourage efficient use of public resources, financial discipline and accountability at all levels of public resource mobilization and allocation”.

5.2 Recent and on-going reform actions

Government is continuing to undertake PFM-related reforms with support from various development partners including AfDB, DFID, the IMF, and the World Bank. An overview of development partner support to PFM reform during the past three years is offered in table 5-1.

Table 5-1 Ongoing and recently completed Development Partner support for PFM Reform

Project	Development Partners
Zimbabwe Reconstruction Fund (ZIMREF)	Administered by World Bank; funding by Denmark, European Union, Germany, Norway, State & Peace Building Fund, Sweden, Switzerland, United Kingdom
Capacity Building for Public Finance and Economic Management (CBPTEM); 2013-2017	AfDB
Governance and Institutional Strengthening Project (GISP); 2014-2017	AfDB
Institutional Support for State Enterprises Reforms and Delivery Project (ISERDP); 2017-2020	AfDB
Strengthening Institutions of Transparency and Accountability (SITA); 2015-2019	AfDB
Multi-Donor Support Project for Parliament and Office of the Auditor General; 2014-2017	UNDP, European Union, Sweden
Technical assistance in the areas of PFM reform (several short interventions annually), during 2014-2017 covering modernizing the payroll and human resource management systems, tax policy and administration, and increasing transparency in mining revenues	IMF, through AFRITAC-South and Fiscal Affairs Department

The main objective of PFMEP under the ZIMREF program is to improve control, transparency and accountability, and oversight in the use of public resources. It has four components as follows:

- 1) Financial Management and Accounting, which aims to improve financial reporting, strengthen fiscal controls, and enhance financial transparency.
- 2) Enhance Effectiveness of Internal Controls and Internal Audit, which aims to strengthen internal oversight and controls by enhancing effectiveness of internal audit to ensure compliance with rules and regulations and contribute to effective service delivery outcomes.
- 3) Enhance Accountability through Strengthening of External Audit, which aims to strengthen OAG to deliver high-quality audit products, on its enhanced mandate (as provided by the Constitution), which covers all MDAs, other public entities, and rural and urban local authorities.
- 4) Strengthening the Demand Side of Transparency and Accountability, which aims to strengthen transparency and accountability by enhancing Parliament's role in PFM,

PFMEP Management aims to provide the administrative and operational structure for the seamless management and coordination of implementation of project activities by the various component managers.

The project builds on earlier work supported by the World Bank that helped to resuscitate Zimbabwe's PFMS and accounting functions. Under that program, training and other support was provided to OAG and Parliament to help clear a long backlog of audit report reviews.

The project also help to expand and extend the PFMS including to some district offices, strengthen the regulatory framework for internal controls and provide support to demand side accountability institutions in Parliament and civil society.

The main counterparts for the implementation of the project are MOFED, Parliament of Zimbabwe, Office of the Auditor General and various line ministries.

PFMEP is a recipient executed PFM reform project, presently being implemented with funding provided by the Zimbabwe Reconstruction Fund (ZIMREF) administered by the World Bank. The goal of ZIMREF is to contribute to the strengthening of Zimbabwe's systems for reconstruction and development with a focus on stabilization and reform, development and poverty alleviation. ZIMREF is the key instrument for supporting the implementation of ZIM-ASSET. Donors to ZIMREF include Denmark, European Union, Germany, Norway, State and Peace Building Fund, Sweden, Switzerland and United Kingdom. ZIMREF supports both recipient-executed, Bank-executed and Hybrid projects under its four programmatic windows, namely, (1) Private Sector productivity and competitiveness; (2) Governance, efficiency and effectiveness of public expenditure; (3) Strengthening livelihoods and resilience; and (4) Analytical and advisory work.

ZIMREF is also supporting the Public Procurement Modernization Reforms, Public Investment Management reforms, reforms in State Owned Enterprises and parastatals.

In addition to ZIMREF support for PFMEP, a range of other projects financed by development partners are supporting – or have supported during the last three years – PFM reforms in parallel and coordinated with PFMEP. Most of the projects, however, cover reform and capacity building beyond PFM. E.g. two projects – in addition to PFMEP/ZIMREF – provide support to capacity building of Parliament in general, though they also cover Parliamentary scrutiny of the Government's budget proposals and of the OAG reports. One AfDB project (ISERDP) specifically focuses on integrating operations of state enterprises and non-commercial parastatals in the national planning and results-based budgeting system, as well as on review of actual performance of those entities. IMF has provided a range of discreet technical assistance inputs in selected areas, not least tax and other revenue issues.

A number of already accomplished improvements and ongoing initiatives supported by PFMEP and related projects are reflected in the 'Recent and Ongoing Reforms' paragraphs related to each of the performance indicator assessments in Chapter 3. These include e.g. bringing annual financial reports for Central Government up to date, developing regulations under the PFM Act, introducing a new chart of accounts and beginning the transition to IPSAS based accounting standards, creating

a baseline database for State Enterprises and Parastatals with annual updates, introduction of new PFMS modules, introducing program based budgeting across all MDAs and developing regulations under the new Public Procurement Act among many other initiatives. The challenge will be to pursue and complete these reforms – several of which are challenging technically and non-technically – in a way that yields the expected functional or performance improvements.

As part of the ongoing PFMEP reforms, it is important that a new strategy is developed to ensure that the various reform initiatives continue to be well coordinated and follow a realistic path and pace as the reforms progress in the new dispensation the country is in now.

5.3 Institutional considerations

MOFED - through efforts of the Permanent Secretary and Accountant General - is providing the necessary *government leadership and ownership* of the various ongoing PFM reforms funded by different development partners. The Project Management Unit within MOFED is providing the needed administrative support to all the projects in progress.

The Project Management Unit assists in *coordination across government and across development partners* on projects being planned and in progress to ensure there are no risks of duplication of funding of project activities or gaps in funding activities. This effort compliments the initiatives taken by the development partners themselves for example the World Bank and African Development Bank collaborate in this respect in PFMEP and State Enterprises and Parastatal reforms, either during missions or through video conference communication.

The reforms covered by PFMEP are taking into account *sustainability of the reform process*. There is engagement of consultants in all the activities where it is necessary because of lack of capacity in government. Additionally, the reform activities involve a lot of training of the government officers where capacity is weak or non-existent in the various government departments. This is evidenced by extensive training that had taken place and is ongoing in the AGD in PFMS skills, internal audit in AGD, in OAG and in Parliament.

Annex 1: Performance Indicator Summary for 2017 – Using 2016 PEFA Framework

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
Pillar I. Budget Reliability		
PI-1 Aggregate expenditure outturn	B	At 5.1%, 0.1%, and 23.1% for 2014, 2015, and 2016 respectively, actual aggregate expenditure for two of the fiscal years deviated less than 10% from the approved budget.
PI-2 Expenditure composition outturn	D	Although no contingency expenditures are made to unrealized reserves, composition variances for both administrative and economic classifications were high in the one year for which data was available. Dimension scores combined by Method M1 (weakest link)
2.1 Expenditure composition outturn by function	D*	Variance in expenditure composition by administrative classification was 30.2% in 2016, whereas no data was available for 2015 and 2014.
2.2 Expenditure composition outturn by economic type	D*	Variance in expenditure composition by economic classification was 25.6% in 2016 whereas no data was available for 2015 and 2014.
2.3 Expenditure from contingency reserves	D*	There is incomplete disclosure of the contingency vote in the financial statement as it is shown only as a memorandum item in the notes.
PI-3 Revenue outturn (M2)	D+	Revenue outturns have underperformed significantly during the last three years. Dimension scores combined by Method M2 (average)
3.1 Aggregate revenue outturn	D	At 91.5%, 93.7% and 91.0% respectively, aggregate revenue outturn was below 92% of originally approved revenue budget in two of the last three completed fiscal years
3.2 Revenue composition outturn	C	At 14.4%, 10.7% and 5.1% respectively, revenue composition variance was less than 15% in all of the last three completed fiscal years, but more than 10% in two of the years.
Pillar II. Transparency of Public Finances		
PI-4 Budget classification	C	The economic budget classification uses a hybrid of GFS 1986 and 2001 frameworks, combined with administrative classification, but does not fully comply with the requirement of COFOG.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-5 Budget documentation	C	<p>Budget documentation for FY2017 fulfills three basic elements (out of four) and three additional elements (out of eight).</p> <p>Basic elements fulfilled are:</p> <ul style="list-style-type: none"> • Forecast of the fiscal deficit • Current fiscal year's budget • Aggregate and detailed estimates <p>The three additional elements are:</p> <ul style="list-style-type: none"> • Deficit financing • Debt stock • Medium Term Fiscal Forecasts
PI-6 Central Government operations outside financial reports	D+	<p>Large amounts of central government financial operations take place outside the approved budget appropriations and are not reflected in any consolidated government reporting. However, most extra-budgetary funds and units submit financial accounts for audit in a timely manner.</p> <p>Dimension scores combined by Method M2 (average)</p>
6.1 Expenditure outside financial reports	D	Expenditure implemented and reported outside the central government's consolidated budget execution and financial reports amounted to at least 38% of central government budget expenditure in FY2016.
6.2 Revenue outside financial reports	D	Revenue collected outside the central government budget and not included in central government's consolidated budget execution and financial reports amounted to at least 50% of central government budget revenue in FY2016.
6.3 Financial reports of extra budgetary unit	B	33 out of 48 EBUs (non-commercial parastatals and NSSA). representing about 90% of their combined annual expenditure had submitted their accounts for audit within five months of end of the financial year.
PI-7 Transfers to subnational governments	D+	<p>The only current transfer to Local Authorities is from the Road Fund to Local Road Authorities. Amounts transferred are not determined by transparent rules and not disclosed to Local Authorities until after they have finalized their budgets.</p> <p>Dimension scores combined by Method M2 (average)</p>
7.1 Systems for allocating transfers	D	The criteria determining transfers to the individual Authorities are not transparent; the established formula for calculating allocations is not being used.
7.2 Timelines of information on transfers	C	Transfers to the Local Roads Authorities for the coming year are stated in Central Government's budget estimates which are issued after Local Authorities have finalized their budget plans.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-8 Performance information for service delivery	D+	A Results Based Budget framework is in place which provide performance targets and achievement mainly at activity and output level. Performance auditing is in its infancy and detailed information on resources provided to service delivery units is not available. Dimension scores combined by Method M2 (average)
8.1 Performance plans for service delivery	C	A Results Based Budgeting framework is in place for all MDAs and budget votes; but monitorable key performance indicators for outcomes and outputs were available only for nine MDAs representing less than 50% of total CG expenditure.
8.2 Performance achieved for service delivery	C	A set of activities and outputs during FY2016 were reported in the Blue Book for FY2017 for all votes, but do not show performance against targets set in advance for the year.
8.3 Resources received by service delivery units	D	The level of resources actually availed to service delivery units is not readily available during the course of the budget year and not reported in any end-year reports. No special studies of resource allocations for service delivery units have been carried out during the past three years
8.4 Performance evaluation for service delivery units	D	The Auditor General carries out performance audits to assess and evaluate the public service delivery at program level in a systematic way. So far only a few MDA programs each year have been the subject of such performance audits
PI-9 Public access to fiscal information	D	The government made available - in a complete and timely manner - only one of the five basic elements and one out of the four additional elements listed. The documents published were <ul style="list-style-type: none"> • Annual executive budget proposal documentation (basic) • Other external audit reports (additional)
Pillar III. Management of Assets and Liabilities		
PI-10 Monitoring of public corporations	D+	Disclosure of fiscal risks is very limited; no consolidated and quantified overview of risks to the budget exists. Whilst financial statements on most state enterprises are submitted reasonably timely for audit and in many cases published, substantial delays occur in the case for local authorities which do not publish their financial reports. Dimension scores combined by Method M2 (average)
10.1 Monitoring of public corporations	C	Two thirds of state enterprises (representing 93% of total enterprise expenditure) had submitted FY2016 financial statements for audit within 5 months of end of financial year; but less than half of the state enterprises (by weight) had published their audited financial statements within 9 months from end of financial year.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
10.2 Monitoring of subnational governments	D	Less than a quarter of local authorities submitted their financial statements for audit in a timely manner, and there is no evidence that any local authorities have published their annual financial statements for any recent year.
10.3 Contingent liabilities and other fiscal risks	D	There is no reporting of consolidated contingent liabilities or other fiscal risks for central government with quantification of the risks and likely implications for the budget estimates.
PI-11 Public investment management	D+	There is no formal standard system in place to act as a gate keeper, coordinate and oversee major investment projects. Dimension scores combined by Method M2 (average)
11.1 Economic analysis of investment proposals	C	Economic analyses are conducted for some major investment projects especially those that are funded by PPP/JV, Loans and Development Partners.
11.2 Investment project selection	D	There is no formal system in place for project identification, screening selection, and prioritization of all major investment projects prior to their inclusion in the budget.
11.3 Investment project costing	C	Projections of the total capital cost of some of the major investment projects, together with the capital costs for the forthcoming budget year are included in the budget documents but they are not comprehensively done
11.4 Investment project monitoring	C	Physical progress and costs of some of the major investment projects is monitored by implementing government unit, but it is not structured and there is no formal standard procedure and reporting template for monitoring.
PI-12 Public asset management	D	There are no comprehensive systems of managing and monitoring financial assets or non-financial assets of Government at a central level. Transfers and disposal of nonfinancial assets are well established in standing rules on assets. However, little information on disposals is included in budget, financial reports, or other reports. Dimension scores combined by Method M2
12.1 Financial asset monitoring	D	There is no central system for managing, monitoring and reporting on the financial assets as a total portfolio
12.2 Nonfinancial asset monitoring	D	A central register of Government land and buildings is kept by MOLGPWH, whereas other records of nonfinancial assets are fragmented and incomplete. No comprehensive information on holdings of any type of non-financial assets is publicized.
12.3 Transparency of asset disposal	D	Transfers and disposal of nonfinancial assets is covered by standing rules on asset disposal, but no consolidated information is available on such disposals, including the information of both acquisition and disposal values.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-13 Debt Management	B	Central government loans and issued guarantees are approved by a single authority and recorded and reconciled at least quarterly, using a comprehensive system. A debt management strategy has been established but is not yet public. Dimensions combined by Method M2
13.1 Recording and reporting of debt and guarantees	B	All loan and guarantee records are updated continuously and reconciled at least quarterly. Bi-annual reports on debt stock and debt service are presented to Parliament.
13.2 Approval of debt and guarantees	A	Constitution and the Public Debt Management Act require approval of and reporting on all government debt and guarantees through the Minister for Finance. These provisions have been respected since 2015.
13.3 Debt management strategy	D	As at November 2017, a debt management strategy had been officially established for the first time, but had yet not been made publicly available.
Pillar IV. Policy-based Fiscal Strategy and Budgeting		
PI-14 Macroeconomic and fiscal forecasting	C	Multi-year macro-economic forecasts are updated twice a year including alternative scenarios. Three year estimates of the revenue, expenditure and budget balance is presented in the budget submission to Parliament, but no alternative scenarios and only assumptions for the forthcoming budget year are presented. Dimensions combined by Method M2 (average)
14.1 Macroeconomic forecasts	C	Multi-year macro-economic forecasts are updated twice a year to inform the Budget Strategy and final budget formulation, but are presented in those documents only for the forthcoming budget year:
14.2 Fiscal forecasts	C	Three year estimates of the revenue, expenditure and budget balance is presented in the budget submission to Parliament, but includes underlying macro-economic forecasts and their assumptions only for the forthcoming budget year
14.3 Macro-fiscal sensitivity analysis	C	Macro-economic forecast scenarios are prepared annually with quantitative estimates of impact on the main fiscal variables, but are neither published nor included in budget documentation
PI-15 Fiscal Strategy	C+	Estimates of the fiscal impact of the major, new fiscal policy measures are prepared for the forthcoming budget year. A complete fiscal strategy which links legislated debt ceilings to medium-term fiscal targets has not been presented to Parliament, though some elements exist and their outcomes are reported on. Dimensions combined by Method M2
15.1 Fiscal impact of policy proposals	C	Estimates of the fiscal impact of the major, new revenue and expenditure policy measures are prepared, in most cases only for the forthcoming budget year

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
15.2 Fiscal strategy adoption	C	Government has prepared elements of a fiscal strategy with qualitative objectives and quantitative targets for the forthcoming budget year, but a complete fiscal strategy which links legislated debt ceilings to medium-term fiscal targets has not been presented to Parliament
15.3 Reporting on fiscal outcomes	B	The Government has presented an Annual Budget Review for 2016 to Parliament; it reports on outcomes compared to the legislated debt ceilings and to the aggregate fiscal targets approved as part of the annual budget for the year
PI-16 Medium-term perspective in expenditure budgeting	D+	The budget includes estimates of expenditure for the budget year and the following two years, but they are not compared to the forward estimates of previous year's forecasts. Forward estimates are have weak links to sector strategic plans and are not guided by ceilings issued to sector ministries. Dimensions combined by Method M2 (average)
16.1 Medium-term expenditure estimates	B	The budget for FY2017 included estimates of expenditure for the budget year 2017 as well as forward estimates for 2018 and 2019 by administrative and economic classification:
16.2 Medium-term expenditure ceilings	D	The budget call circular for FY2017 did not include expenditure ceilings for FY2018 and FY2019
16.3 Alignment of strategic plans and medium-term budgeting	C	The majority of sector ministries prepare strategic plans, some of which are fully costed, and MTEF estimates are in most cases based on expenditure proposals drawn from these strategic plans
16.4 Consistency of budgets with previous estimates	D	The budget documentation provides no comparison of the proposed appropriations with the forward estimates for the same year in the previous year's budget submission
PI-17 Budget preparation process	B	The strategic phase of the budget process is not well defined. The Budget Call Circular is clear and comprehensive, but sector ministries are given very short time to prepare their detailed proposals. Budget submissions to Parliament allow for only 4-6 weeks for analysis, debate, negotiations and approval. Dimensions combined by Method M2 (average).
17.1 Budget calendar	C	An annual budget calendar exists, but is incomplete. It allows budget units only 2-3 weeks for preparation of their detailed proposals after receipt of the Budget Call Circular with ceilings
17.2 Guidance on budget preparation	A	A clear and comprehensive Budget Call Circular is issued to line ministries by MOFED, and includes ceilings for the forthcoming budget year approved by Cabinet.
17.3 Budget submission to the legislature	C	The Government submitted the annual budget proposals to Parliament more than one month but less than two months before the start of the budget year in two of the last three years

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-18 Legislative scrutiny of budgets	C+	Parliament reviews the complete budget submission which covers fiscal policies, medium-term fiscal forecasts and priorities, and it applies well-established procedures which include public consultations. However, the executive have extensive powers to change the budget in-year. Data on Parliament's approval of the Appropriations Acts have not been provided. Dimensions combined by Method M1 (weakest link)
18.1 Scope of budget scrutiny	A	Parliament reviews the complete budget submission covering fiscal policies, medium-term fiscal forecasts and medium term priorities as well as details of expenditure and revenue
18.2 Legislative procedures for budget scrutiny	B	Parliament has well-established procedures for review of budget proposals which were followed in 2016. The procedures include specialized review committees, technical support, and negotiation procedures.
18.3 Timing of budget approval	C	The FY2017 budget was approved by Parliament 5-6 weeks after the start of the budget year, whereas the budgets for FY2015 and FY2016 were passed before the start of the respective budget years.
18.4 Rules for budget adjustments by the executive	C	Clear rules are set out in the Constitution and the Appropriations Acts for budget adjustments authorized by the Minister of Finance without prior Parliamentary approval. They provide the Minister with extensive powers to reallocate funds between votes and to spend beyond the overall amount appropriated.
Pillar V. Predictability and Control in Budget Execution		
PI-19 Revenue Administration	C	Comprehensive information on revenue payers' rights and obligations is available online. Compliance risk is managed through adequate criteria for some revenue streams, whilst the majority of planned audits and investigations are executed during the year based on well documented procedures. Revenue arrears levels are high. Dimensions combined by Method M2 (average)
19.1 Rights and obligation for revenue measures	B	Updated information is freely available for users online and supplemented by print media and taxpayer education meetings, but the outreach programs appear mostly focused on payers' obligations rather than taxpayer rights.
19.2 Revenue risk management	C	Compliance risks for some revenues are assessed by partly structured and systematic approaches by entities collecting the majority of risks.
19.3 Revenue Audit investigation	C	The majority of planned audits and investigations are completed during the year using documented compliance control procedures.
19.4 Revenue arrears monitoring	D	The stock of revenue arrears as at 31 December 2016 was 75% of the total revenue collection and arrears which were more than 12 months as a percentage of total arrears were at 73%.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-20 Accounting for revenues	B+	Monthly consolidated reports on most of the revenue are prepared showing revenue breakdown by type. Daily transfers are made to the Consolidated Revenue Fund. Practically all transactions are posted daily to taxpayers' online accounts with ZIMRA so that taxpayers are able to reconcile accounts. Reconciliations are done by ZIMRA for collection arrears and transfers to treasury. Dimensions combined by Method M1 (weakest link).
20.1 Information on revenue collections	B	Monthly consolidated reports on most of the Central Government revenues are prepared by ZIMRA showing revenue breakdown by type, and submitted to MOFED.
20.2 Transfer of revenue collections	A	Revenue collections by ZIMRA - collecting most of Central Government revenue - are transferred daily into Treasury Accounts.
20.3 Revenue accounts reconciliation	A	Complete reconciliation of assessment is done for assessments, collections, arrears and transfers to Treasury by ZIMRA on a daily and weekly basis and quarterly reports are also prepared.
PI-21 Predictability of in-year resource allocation	C	Cash balances are consolidated on a daily basis. Cash flow forecasts are produced for the fiscal year but only partially updated. Reliable information on funds available for commitment is not provided to MDAs and significant in-year budgetary adjustments are done with little transparency. Dimensions combined by Method M2 (average).
21.1 Consolidation of cash balances	A	All cash balances are consolidated on a daily basis.
21.2 Cash flow forecasting and monitoring	C	A comprehensive cash flow forecast is produced for the fiscal year and updated monthly on the basis of actual revenue collections but do not take into consideration expenditure commitments and actual payments.
21.3 Information on commitment ceilings	D	Reliable information on funds available for commitment is not provided to budgetary units
21.4 Significance of in-year budget adjustments	D	Significant in-year budget adjustments to allocations took place in 2016 and were not transparent.
PI-22 Expenditure arrears	D	Expenditure arrears (including debt repayment arrears) are very high and the system for monitoring the level and composition of arrears is deficient. Dimensions combined by Method M1 (weakest link).
22.1 Stock of expenditure arrears	D	The stock of expenditure arrears for the last three fiscal years has been on a sustained increase, and very high at more than 100% of the total expenditure for the fiscal year.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
22.2 Expenditure monitoring	D	Data on expenditure arrears is compiled from time to time, but is incomplete and does not track liabilities on supply of goods and services from due payment date as no such date is officially defined.
PI-23 Payroll Controls	C+	Structural separation of functions between and within involved institutions establishes sufficient controls to ensure integrity of the payroll data of greatest importance. Payrolls updated monthly with few retroactive adjustments. Partial payroll audits of select ministries are conducted in the past three years. Dimensions combined by Method M1 (weakest link)
23.1 Integration of payroll and personnel records	B	Staff hire and promotion are controlled against approved establishment lists, and monthly payrolls are supported by full documentation of changes against the previous month's payroll data. However, data between the employing MDA, the budget approving MOFED and the payroll data and processing by PSC/SSB are exchanged manually.
23.2 Management of payroll changes	B	Payroll data is updated monthly about two weeks before payday. Retroactive adjustments are rare except for positions in remote locations under deconcentrated management structures.
23.3 Internal controls of payroll	B	Payroll controls are managed through segregated approval and data entry system, both between the entities involved and within each entity. The IT systems used have strong password protection, but manual transfers of data between institutions create risks of errors.
23.4 Payroll audit	C	Partial payroll audits have taken place during the last three years, but no comprehensive staff and employment audit across central government.
PI-24 Procurement	D+	No data is available on which to judge the extent the use of various procurement methods. No procurement information is consistently available on government websites. There is no provision for a review of complaints by the Executive, but otherwise the Administrative Court meets all elements of a well-established complaints mechanism. Dimensions combined by Method M2 (average)
24.1 Procurement monitoring	D	No databases on procurement exist.
24.2 Procurement methods	D*	No data is available on which to judge the extent to which various procurement methods are used for award of contracts.
24.3 Public access to procurement information	D	None of the six key procurement information elements are publicly available in full.
24.4 Procurement complaints management	A	All six key features of a procurement complaints mechanism are fulfilled.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
PI-25 Internal controls on non-salary expenditure	D+	Internal controls de jure and system based controls are sound, but are undermined by de facto implementation and bypassing of the PFMS based controls. Dimensions combined by Method M2 (average)
25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process, but high frequency of non-compliance noticed through internal audit and external audit reports and absence of standard internal controls applicable across the Government, indicate the need for more precise definition of important responsibilities and the consequences of violations thereof.
25.2 Effectiveness of expenditure commitment controls	C	While system based expenditure commitment control system is in place, its effectiveness is largely undermined by the absence of mechanism to control commitments made outside the system
25.3 Compliance with payment rules and procedures	D	Payments are frequently non-compliant with the regular payment procedures, and exceptions are often not properly justified and authorized as brought out in internal and external audit reports
PI-26 Internal Audit	C+	Internal Audit units exist in all central government entities and cover all of the budgeted expenditure. Annual audit programs exist and the majority of programmed audits are implemented but are mostly focused on financial compliance. Satisfactory responses to Audit Reports are not frequent. Dimensions combined by Method M1 (weakest link)
26.1 Coverage of Internal Audit	A	Internal Audit is operational for all central government entities in line with the provisions of Section 80 of the PFM Act which governs their existence, scope and functionality.
26.2 Nature of audits and Standards applied	C	Internal Audit activities are primarily focused on financial compliance. To a lesser extent systems and operational audits are carried out as well as special investigations.
26.3 Implementation of internal audits and reports	C	The majority of planned audits for 2016 were completed during the year. Some audits are not done due to in-year reallocation of resources to special investigations and lack of resources to undertake all planned audits.
26.4 Response to internal audits	C	For the majority of entities audited by the internal audit section, management has provided written responses to audit issues raised. However, follow up by external audit in subsequent audit revealed that whilst some responses have been implemented, many others remained outstanding.
Pillar VI. Accounting and Reporting		
PI-27 Financial Data Integrity	D	PFMS based access controls are effective to ensure financial data integrity. However, Bank reconciliations do not take place routinely every quarter at all line ministries. Suspense accounts have balances beyond 12 months. Advance accounts are not cleared timely and dates back even two or three years. Dimension scores combined by Method M2 (average)

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
27.1 Bank account reconciliation	D	Bank accounts for key treasury accounts are reconciled on a monthly basis, whereas in some line Ministries this is not consistently done even on a quarterly basis.
27.2 Suspense accounts	D	Suspense accounts have items which are more than 12 months old. This is indicative of items not clear from suspense in a timely manner.
27.3 Advance accounts	D	Advance accounts have items which date back several years, indicating that advances are not cleared in a timely manner.
27.4 Financial data integrity processes	C	Financial data is kept in electronic systems such as PFMS, DMFAS and SPACE in which access and changes to records and data is restricted and recorded through segregation of access in line with duties through controlled passwords; whilst this creates an audit trail for users, audit trails for administrators are not available.
PI-28 In-year budget reports	D+	There is no effective system for providing comprehensive, accurate and timely information on budget execution. Execution reports produced monthly only reflect economic classification and are issued with substantial delays. Dimension scores combined by Method M1 (weakest link)
28.1 Coverage and comparability of reports	D	In-year budget execution reports (CSFP) are produced monthly for budgetary central government but data classification allows comparison to the original budget only for economic classification.
28.2 Timing of in-year budget reports	D	In year-budget execution reports are produced monthly and issued within a period ranging between four to six months after the reporting month end.
28.3 Accuracy of in-year budget reports	C	Expenditure in the reports reflects the payment stage only. There are concerns about data quality which are not highlighted in the reports, but the reports are considered useful for monitoring purposes. No narrative description of budget execution is provided.
PI-29 Annual Financial Reports	D	Annual Financial Statements are produced with substantial delays; they are not comparable to the budget, are disaggregated, do not capture assets and liabilities other than cash balances, and do not adhere to any formally adopted or disclosed accounting standards. Dimensions combined by Method M1 (weakest link)
29.1 Completeness of annual financial reports	D	Financial reports are prepared on an annual basis. They cover items of income, expenditure and cash balances but no other information on assets and liabilities. They are not comparable to the approved budget and are disaggregated.
29.2 Submission of reports for external audit	D	The financial reports for FY2016 were submitted for external audit more than nine months after the end of the fiscal year and excluded the report on the Consolidated Revenue Fund yet to be submitted to the Auditor General.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
29.3 Accounting standards	D	The financial reports are not consistent with the country's legal framework, and the accounting standards used in preparing the financial reports are not disclosed.
Pillar VII. External Scrutiny and Audit		
PI-30 External Audit	D+	Weakness in independence of Auditor General in executing its budget and mechanism of follow-up undermines the overall effectiveness of the Auditor General despite good standing on compliance with ISSAIs, timely submission of Audit Reports and constitutional and legal provisions to ensure independence of Auditor General's appointment and removal. Dimension scores combined by method M1 (weakest link)
30.1 Audit Coverage and Standards	B	Financial reports of Central Government are audited by the Auditor General using ISSAIs; material risks and control issues are highlighted for most of the Government revenues and expenditure.
30.2 Submission of audit reports to the legislature	A	All of the Auditor General's annual audit reports for the last three fiscal years (FY2014, FY2015 and FY2016) were submitted to the legislature by the statutory deadline of June 30 and covered all appropriations and fund accounts submitted 1-3 months before issue of the respective annual report.
30.3 External Audit follow-up	C	Responses are not comprehensive or timely (indicated by the weaknesses recurring in successive years' audit reports) despite having a system in place where formal response was made by audited entities during 2014, 2015 and 2016 on the audit observations for which follow up is expected.
30.4 Supreme Audit Institution independence	D	In view of significant de facto limitations on the Auditor Generals' budget allocation and execution process, though principles of independence are well established on other parameters like appointment & removal of Auditor General, planning & executing audit engagements, and access to records, documents and information.
PI-31 Legislative scrutiny of audit reports	C+	Legislative scrutiny of audit reports is transparent and intensive with a limited extent of oral evidence hearings. However, follow-up of recommendations remains ineffective and the time taken to complete the scrutiny of audit reports goes beyond twelve months. Dimensions combined by method M2 (average).
31.1 Timing of audit report scrutiny	D	The process of Parliamentary scrutiny of the Auditor General's Annual Report for the last three years has taken in average more than 12 months
31.2 Hearings on audit findings	C	Hearings undertaken by the Public Accounts Committee with responsible officers from audited entities cover about 20% of the entities that received qualified/adverse opinion or disclaimer of opinion.

Current Assessment		
Indicators/Dimension	2017 Score	Description of Requirements Met
31.3 Recommendations on audit by the legislature	C	Parliament (through Public Accounts Committee) issues recommendation on the actions to be implemented by the executive. It also attempts makes limited follow up efforts through ministerial responses from relevant Ministries. However, in the absence of 'Treasury Minutes' the follow up is not effective.
31.4 Transparency of legislative scrutiny of audit reports	A	A high degree of transparency in the legislative scrutiny is reflected in public nature of all hearings, the Public Accounts Committee's reports debated in the full chambers of legislature and publication of reports in the Parliament's website.

Annex 2: Summary of Observations on the Internal Control Framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	<p>The Constitution of Zimbabwe (Amendment number 20) of 2013 establishes and provides for the qualifications, experience and characteristics of persons who are supposed to man the public institutions and the various organisations which have the mandate of handling public funds. The Public Finance Management Act Chapter 22:19 empowers the Treasury of MOFED to govern and control public resources.</p> <p>2. The control environment includes:</p> <ul style="list-style-type: none"> a) personal integrity and professional ethics of the management and other employees of the public entity; b) management policies and work style; c) organizational structure, ensuring segregation of duties, hierarchy and clear rules, rights, responsibilities and reporting lines; d) the policies and practices of human resource management and; e) the professional skills of employees.“ <p>The assessment team was not in a position to evaluate the overall personal and professional integrity and ethical values of management and staff. Observations on the other aspects of the control environment are provided below.</p>
1.2 Commitment to competence	<p>The issue of commitment to competence could not be ascertained by the assessment team during the field exercise. Whereas the senior positions and qualifications are clearly defined in the constitution for the office bearers, it was gathered that for the other levels of staff difficulties existed in recruiting qualified staff. It was noted that for some positions, communication of engagements were send to the Public Service Commission (PSC) and Salaries Service Bureau (SSB) when one has already settled for the position citing cases where some staff even after completing and passing the interviews would decide not take up positions.</p>
1.3 The “tone at the top” (i.e. management’s philosophy and operating style)	<p>There was no opportunity for the assessment team to comprehensively judge the management philosophy and operating style. A communications gap between senior management and operating staff was highlighted by one of the respondents.</p> <p>There was now an established and functional Management Response Monitoring Unit (MRMU), whose mandate was to review all audit responses from audited areas in terms of quality of responses such that they address and capture the what, when, how and by who facets in most audit issues raised. This unit also is tasked with making follow ups with management on timelines for implementing audit responses. OAG has also noted some marked improvements in taking audit issues seriously by the audited MDAs compared to the time past.</p>

Internal control components and elements	Summary of observations
1.4 Organizational structure	<p>There is clear organisational structure in existence for the Ministerial departments, including AGD. Some control measures do not have clear institutional linkages for example with respect to procurement management and monitoring. There is a new procurement law gazetted but the Act is not yet operational which have different limits in terms of what goes through competitive bidding and what must be acquired using competitive quotes. It is not yet clear of what would become of the previous department of the State Procurement Board (SPB) given that Ministries are now supposed to acquire their requirements.</p> <p>The Internal Audit function exists in silos within line Ministries and is not centrally controlled by someone as the Head of Audit. This function is very instrumental in the evaluation of operating effectiveness and systems and performance audits and making follow ups on the implementation of audit recommendations.</p>
1.5 Human resource policies and practices	No information was available to the assessment teams with respect to Human resource policies and practices.
2. Risk assessment	
2.1 Risk identification	<p>This is lagging behind as far fiscal risks which are posed by public corporations and parastatals. Reports by AGD indicated that most of the State Enterprises are not producing financial statements. Financial statements are very important in assisting the identification of potential risks posed to the Central Government by these public entities. At times these corporations borrow and guarantees are then provided on behalf of the Government by MOFED and in the absence of financial statements with full disclosure such information which is critical for risk identification is not readily available for policy making, evaluation and control.</p> <p>Risk identification has also been carried out for the country under IMF Article 4 Consultation, as contained in IMF Country Report number 17/196 issued on 19 June (page 28) 2017. On this PFM engagement the following risks were identified; reduced external funding including financial services by correspondent banks, failure to advance fiscal reforms, stalled re-engagement and structural reforms until after 2018 elections. All these risks were assessed as high in terms of likelihood of occurrence.</p> <p>In the area of revenue risk, there have been concerted efforts in identifying critical and key risks which affect revenue collections. Risk registers have been put in place which are updated monthly identifying critical risk issues, their likelihood of occurrence, impact and magnitude of loss in the event they are experience and risk responses mechanism on how to deal with such risks.</p> <p>However in the area of procurement risk identification is not documented in the absence of procurement databases. Where databases existed it would help identify risks by flagging those suppliers who would give rise to significant procurement risk</p>

Internal control components and elements	Summary of observations
	given past performance and track record and manage the risk downwards. (ref PI-24, PI-19.2)
2.2 Risk assessment (significance and likelihood)	Assessment of the magnitude of risk was found in the area of revenue collection (PI-19). Risk registers are maintained which itemise key risks identified and their likelihood. Such risks are then robot coded red, amber and green or blue depending on the severity of impact and likelihood of occurrence. Red colour being the most severe and highly likely and green being less likely and of minimal impact. This register is updated on a monthly basis as way of having a formal assessment of risk magnitude. No risk assessment of magnitude of risk has been reported on fiscal risk reporting for PI-10 with respect to subnational governments and parastatals. (ref PI-10 and PI-19)
2.3 Risk evaluation	No formal and explicit risk evaluation was identified by the assessment team. It was noted that in PI-10, that there was no risk evaluation carried out even for the public corporations (parastatals) and subnational governments (local authorities) which carries a significant amount of fiscal risk.
2.4 Risk appetite assessment	The level of risk appetite could not be judged by the assessment team.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	There are no documented plans and/or procedures in place on how to deal with revenue arrears (PI-19). Revenue arrears are an apparent issue which needs redress as they are continually increasing. The Auditor General Report (PI-30) identified that there were no audit committees in place across various line Ministries and this has not been addressed. Some have put in place the Audit Committees which are not entirely independent.
3. Control activities	
3.1 Authorization and approval procedures	<p>Authorisation and approval procedures are well established and defined. All the payments are centrally managed from the Ministry of Finance payment sides which fund the Paymaster General Accounts for the respective line Ministries to allow them to pay their services and good acquired based on their budget allocations.</p> <p>Even within MOFED, the Officer responsible for authorising payment is different from the one who approves the payment. At the same time, one can only access a single functionality in the system relative to his role which was predefined during user initiation in the PFM System. No one individual is accorded two roles which would make him/her complete the whole transaction alone in the PFM System.</p> <p>Moreover Treasury Instructions are sent to user departments/line Ministries and Agencies as standing Instruction to Officers, indicating precisely what they are supposed to observe as they initiate and process transactions.</p>

Internal control components and elements	Summary of observations												
	<p>However for those transactions initiated outside the system, these may escape proper scrutiny and review during authorisation process. Where everything happens through the system, it is easy to have a thorough approval process.</p>												
<p>3.2 Segregation of duties (authorizing, processing, recording, reviewing)</p>	<p>There is clear distinction of roles and responsibilities, which has been enabled by the existence of the Public Finance Management System. One officer is responsible for capturing and parking transactions, the other officer is responsible for reviewing the transactions and the other will approve and post into the system. There is clear segregation of duties and only collusion will render the system ineffective. However from 3.3 below, it can be found that having effective ICT System may fail to deliver the objective of using the same as an effective management and budget control tool. Despite, the system core functionality having reasonable grade, the Total System Strength (TSS) was fair. Overrides exist, where transactions are not initiated for processing from the system, but outside the system only to be brought into the system, once they have been fully executed. These will ordinarily give rise to budget overruns.</p>												
<p>3.3 Controls over access to resources and records</p>	<p>Every user in the System has unique roles and the PFM ICT Centre /Unit is responsible for creating users under defined roles. One cannot log on to the system and access the system when they have not been created in the system. Users are created based on their Employment Council numbers and they are supposed to access the system via password logging system. The password strength is such that it is alphanumeric and has special characters, which makes it possible. All their activities within the systems are logged onto an audit trail which would help to track who user actions in the system. In the event one terminates their employment with the government, user departments or line Ministries communicate with the PFM Unit to have the user removed from the system.</p> <p>However payroll and staff records are managed separately. Whereas line Ministries and Public Service Commission are responsible keeping the employee records, the Salaries Service Bureau (SSB) is responsible for maintaining the payroll records in a separate system called Space (Salaries for Police, Air force, Civil and Education).</p> <p>A Diagnostic Framework: How to Assess the Capacity of a Government’s Financial Management Information System as a Budget Management Tool: This paper, published as World Bank’s IEG Working Paper 2016/No.1, included the implementation of the FMIS (PFMS) in Zimbabwe in its assessment sample. <i>The overall assessment for Zimbabwe were as follows, ref. Table 3.1 and paragraph 3.11 of the paper</i></p> <table data-bbox="771 1648 1323 1816"> <tr> <td><input type="checkbox"/></td> <td>TSA Status</td> <td>Score 2 out of 10</td> </tr> <tr> <td><input type="checkbox"/></td> <td>FMIS Coverage</td> <td>Score 13 out of 25</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Core Functionality</td> <td>Score 26 out of 40</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Ancillary Features</td> <td>Score 8 out of 15</td> </tr> </table>	<input type="checkbox"/>	TSA Status	Score 2 out of 10	<input type="checkbox"/>	FMIS Coverage	Score 13 out of 25	<input type="checkbox"/>	Core Functionality	Score 26 out of 40	<input type="checkbox"/>	Ancillary Features	Score 8 out of 15
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<input type="checkbox"/>	Ancillary Features	Score 8 out of 15											

Internal control components and elements	Summary of observations
	<p style="text-align: center;"> <input type="checkbox"/> Technical Aspects Score 9 out of 10 <input type="checkbox"/> Total System Strength Score 58 out of 100 </p> <p>A review of the system scores suggests that having a fully functional FMIS in place alone is not a sufficient condition for it to serve as a good budget management tool. Some countries with good scores in functionality and technical aspects such as Ghana, Sierra Leone, and Zambia, continue to have mediocre overall ratings owing to, for example, an insufficient underlying policy environment (as reflected by the TSA), the coverage of the system and therefore the extent of its use, or the application of its controls. The same applies to Zimbabwe.</p> <p>(ref PI-23.1 and PI-27.4)</p>
3.4 Verifications	<p>Inspection is the most accepted practice for goods and services. Whilst for some selected projects, physical inspections are carried out, there is no formal standard documented procedure in place to define how the monitoring is to be carried out and what are the critical items that should be flagged or be confirmed to be okay during the verification process and exercise (ref project inspection PI-11.4) The implementing government unit or line Ministry is the one that carries out the inspection and monitoring for verification purposes</p>
3.5 Reconciliations	<p>Bank account reconciliations take place on a regular basis for the Ministry of Finance Bank accounts which include the Consolidated Revenue Fund and the Paymaster General Accounts which are used to fund line Ministries appropriations for activities. Suspense accounts reconciliations are however not being done on time with incidences of items staying on the reconciliations for quite a long period of time without being cleared for Ministries which are spread across the nation such as Ministry of Primary and Secondary Education and Ministry of Agriculture. Other Line Ministries where reconciliation is a challenge include the Ministry of Foreign Affairs, where the foreign offices keep records in hard files and would send data to home office for capture in the Public Finance Management System.</p> <p>The Budget is prepared on a cash basis and the PFMS in place is accruals based. Budgets are prepared based on administrative classification whereas the reports are prepared on economic classifications making comparisons and reconciliation between budgeted expenses and actual a challenging task. (ref PI-1, PI-2 and PI-28)</p>
3.6 Reviews of operating performance	<p>No performance information is included in the budget documentation to define how performance is going to be reviewed. There is also no systematic evaluation of service delivery and activities. There are not set standards which are defined to help evaluate the operating performance. (Ref PI-8).</p>
3.7 Reviews of operations, processes and activities	<p>The Auditor General’s reports for most of the MDAs and MOFED focus mainly on the financial performance. There are minimum reviews of processes, operations and activities. In the management reports, OAG flags out issues to do with procurement</p>

Internal control components and elements	Summary of observations
	<p>process and systems, governance issues and also the challenges in the reporting relationships between the Internal Audit function in line Ministries and departments which hinders its independence. These reviews will be better carried out in the event the recommendations of the Auditor General regarding the appointment of Head of Audit for Internal Audit function and the sorting the reporting relationship issues of this function.</p>
<p>3.8 Supervision (assigning, reviewing and approving, guidance and training)</p>	<p>From a financial management perspective clear guidelines are apparent with regards to assigning reviewing and approval of expenditures. Review of other documentation need to be improved. The Auditor General in her reports noted instances where reports were issued but not signed as an acknowledgement of review by the Accountant General as is required.</p> <p>Training is being carried out with staff with respect to using the New Chart of Accounts which is being implemented across various MDAs and to help users to appreciate the New Chart of Accounts which is in conformity with GFS 2014.</p>
<p>4. Information and communication</p>	<p>Tax payers have up to date information with respect their tax obligations, they are on self-assessment where they can submit their own returns online. However despite the existence of a fiscal tax court being available this information has not been readily made available to the taxpayer by ZIMRA which is very crucial for taxpayers. Such information will help taxpayers in the sense that once they are empowered on how they can apply for waiver of penalties, and make good their tax obligations, the Authority does not provide this information to the taxpayer.</p> <p>Fiscal impact information has not made available to the public by the government. Most of the information is prepared by the government is hidden from the public domain. (ref PI-9 and PI-19)</p>
<p>5. Monitoring</p>	
<p>5.1 On-going monitoring</p>	<p>The Accountant General is responsible for setting up a system to monitor the financial management and control systems, in order to ensure that they are functioning correctly and systems are updated. The Internal Audit is important to the monitoring system but currently they are in silos within line Ministries, and their positions do not give them the required independence in order for them to produce quality work. The recommendation from the External Audit 2015 was a recommendation of setting up an Internal Audit which would cut across line Ministries with the Head of Audit being in charge and auditors going to Line Ministries on a rotational basis. This has not been implemented and the situation is a reported in 2015. There was also mention of the setting up of Audit Committees across line Ministries so as to strengthen the Internal Auditor independence in a sense that he will report functionally to the Audit Committee and administratively to the Permanent Secretary.</p>

Internal control components and elements	Summary of observations
5.2 Evaluations	External Audit is conducted periodically. The latest period for External Audit evaluation was 14 June 2017. There has been a market improvement on line Ministries sending their reports for to the External Audit in line with the provisions of the Public Finance Management Act Chapter 22:19 Section 35. The Audit identified areas where controls were failing such as the procurement function where funds were lost due to weak controls being available. The Accountant General was still to sign the sign the Consolidated Revenue Accounts and some accounts still needed to be signed as well.
5.3 Management responses	AGD has set up Management Response Unit which tasked in ensuring that all management responses address the aspects on who is responsible to action item, timeframe (when) and the procedure to be implemented (how) and ensuring that follow ups are conducted with respect to the aspects identified. The Auditor General also noted instances where prior year audit issues remained unresolved as they were recurring in current year audit review. (ref PI-30)

Annex 3: Sources of information

Annex 3A: List of Stakeholders Consulted

NAME	POSITION	DEPARTMENT/UNIT
Ministry of Finance and Economic Development (MOFED)		
Daniel Muchemwa	Accountant General	Office of the Accountant General
Edwin Zvandasara	Deputy Accountant General	Office of the Accountant General
Raphael Bareyi	Deputy Accountant General	Office of the Accountant General
Masimba Mudzungairi	Deputy Accountant General	Office of the Accountant General
Rhoda Kubiku	Chief Accountant	Office of the Accountant General
Itayi Bangidza	Accountant	Office of the Accountant General
Elliam Mutshata	Accountant	Office of the Accountant General
George Marufu	Accountant	Office of the Accountant General
Joseph Choga	Accountant	Office of the Accountant General
E. F. Vela-Moyo	Director	Office of the Accountant General
Percy Takavarasha	Deputy Director	Recurrent Budget
Rumbizai Nyaniwe	Principal economist	Recurrent Budget
Brian Goredema	Chief Economist	Recurrent Budget
J.W Pfunye	Deputy Director	Capital Budget (PSIP)
Marcos Nyaruwanga	Economist	Capital Budget (PSIP)

Jonah Mushayi	Acting Director	Public Private Partnership
Sadwell Kanyoza	Director-PFMS	Public Financial Management Systems Unit
Melusi Tshuma	Economist	Revenue and Tax Policy
Trish Chiinze	Economist	Fiscal Policy
Auxillia Ndaona	Economist	Fiscal Policy
Georgina Shadaya	Economist	Fiscal policy
L. Tirivanhu	Director	Debt Office
J. Mafarikwa	Principal Director	Debt Office
B. Mburinga	Economist	Debt Office
Alister Kambamura	Economist	Debt Office
T. Masvaure	Acting Chief Accountant	Internal Audit
V. Mapeza	Chief Internal Auditor	Internal Audit
Naome Chimbetete	Program Manager	Program Management Unit
Denias Kagande	Procurement Specialist	Program Management Unit
David Munemo	Procurement	Program Management Unit
Bornface Chiyangwa	Budget & Finance Office	Program Management Unit
Ratidzai Machawira	M & E Specialist	Program Management Unit
Abigail Makoni	Programs Secretary	Program Management Unit
Tashinga Mhenyu	Programs Intern	Program Management Unit
Zimbabwe Revenue Authority (ZIMRA)		
Charles Jawe	Commissioner - IECTS	
Rose Chikonzo	Case Manager	
Misheck Govha	Head Technical	
Peacemore Maneya	Head Financial Accounting	
State Procurement Board (SPB)		
Kilford Jombe	ICT Executive	
Patrick Mushonga	Procurement Executive - Audit	
S. Mutanhourwa	Acting Principal Officer	
C. T. Neshamba	Director Finance & Human Resources	
Office of the Auditor General (OAG)		
Mildred Chiri	Auditor General	
Vongai Shiri	Director	
Jowas Mapika	Principal Admin Officer	
Angela Nyangani	Deputy Director	

Ministry of Agriculture		
A. Mudzinganyama	Chief Accountant	
Leonard Balami	CAE	
Welling Chaonwa	PAES,	Agritex
George Zaranyika	Accountant	DR & SS
A. Chirenjani	C.A	
U. Ushewekunze Obatolu	Principal Director	DLVS
E. Ngwarati	Director Finance	
Remigio Makoni	Deputy Director	
Bigy Narira	Deputy Director	HR
Leanson Tagara	Director	
Tirivanhu Koza	Deputy director	Mechanisation
Ministry of Higher and Tertiary Education		
Kenneth Zangira	Deputy Director	
Noah Munyoro	Accountant	
P. Mudzamiri	Director	
Ministry of Local Government		
E. N. Jones	Principal Director,	Local Government
S. Chirumarara	Deputy Director,	Local Government
M. Mazai	Director,	Local Government
C. Fundikira	Principal Accountant,	Rural Development
Masciline Mutinhima	Principal Accountant,	Rural Development
State Enterprise and Restructuring Agency (SERA)		
Edgar Nyoni	Executive Director	
Nation Bobo	Investment Analyst	
Ernest Mujongondi	Senior Investment Analyst	
National Social Security Agency		
Herbert Makuyana	Accountant	
Agribank		
Elfas Chimbera	Finance Director	
Salary Service Bureau (SSB)		
Mr. B. Chiuzingo	Paymaster	
S. Chitambara	Acting Paymaster	
Elias Jombe	Deputy Paymaster	

Stanley Mugavi	Accountant	
Public Service Commission (PSC)		
D. Jawi	Accountant	
M. Kadeze	D/Manager	
C. Muwuduri	General Manager	
E. Chigaba	General Manager	
Parliament of Zimbabwe		
Nesbert Samu	Programme Coordinator	
Luciah Nyawo	PAC Clerk	
Beverly Chinyama	M & E Officer	
National Association of Non-Government Organizations (NANGO)		
Leonard Mandishara	Acting Executive Director	
Busie Gomez	Social and Economic Policy Officer	
Ministry of Foreign Affairs		
Esther Tonderai Mudambo	Director Finance & Administration	
Ernest Dengu	Accountant	
Misheck Makuyana	Accountant	
Reuben Taipi	Accountant	
Richard Dozwa	Accountant	
City of Harare		
Benjamin Nhukaume	Director Finance	
Zimbabwe National Chamber of Commerce		
Sikhumbuzo Mpala	Accountant	
Ministry of Primary and Secondary Education		
Kaenda Mkwaila	Chief Accountant	
Dr. Arthur Makanda	Director	
Development Partners		
Clare Harris	Economic Adviser, DFID	
Germana Topolovec	Attachee, EU	
N.Taylor	Governance Head, EU	

Annex 3B: Sources of Information for each Indicator

Indicators	Source of Information
PI-1 Aggregate expenditure outturn	(a) Blue Books for 2014, 2015, 2016, (b) 'Outturns' for 2014, 2015, 2016 (Excel) (c) Consultations with the Accountant General Department
PI-2 Expenditure composition outturn	(a) Blue Book 2016, (b) Consolidated Statement of Financial Performance, Dec 2016 (c) 2016, Annual Budget Review for 2016 and 2017 Outlook (d) Consultations with the Accountant General Department
PI-3 Revenue outturn	(a) Blue Books 2014, 2015, 2016, (b) 'Outturns' for 2014, 2015, 2016 (Excel), (c) ZIMRA Annual report 2016 (d) Consultations with Accountant General Department (e) Consultations with ZIMRA (f) Consultations with Revenue and Tax Policy Unit (MOFED)
PI-4 Budget classification	(a) Blue Books 2016 and 2017, (b) Outturns for 2014, 2015, 2016 (c) Consultations with Recurrent Budget Department
PI-5 Budget documentation	(a) The Budget Speech as presented to the Parliament of Zimbabwe on 8 December, 2016 by the Minister of Finance and Economic Development. (b) The 2017 National Budget Statement, of 8 December, 2016. (c) Budget Estimates for the Year ending December 31, 2017 presented to Parliament by the Minister of Finance and Economic Development on Thursday, December 8, 2016. (d) The 2016 Mid-Year Fiscal Policy Review Statement, Presented to the Parliament of Zimbabwe on 8 September, 2016 by the Minister of Finance and Economic Development (e) Report of the Auditor-General for the Financial Year Ended December 31, 2015 on Appropriation Accounts, Finance Accounts, Revenue Statements and Fund Accounts, 15 June 2016. (f) Annual Budget Review for 2016 & the 2017 Outlook, 20 July 2017
PI-6 Central government operations outside financial reports	(a) SERA – SEP Performance Database 2011-2015 (b) Zimbabwe Public Expenditure Review 2017 Volume I Cross-Cutting Issues, World Bank March 6, 2017. (c) Consultations with the Accountant General (d) Budget Estimates on Statutory and Retention Funds for the Year ending December 31, 2017; MOFED (e) Public Financial Management Act 2009 (f) Report of the Auditor-General for the Financial Year Ended December 31, 2016 on State Enterprises and Parastatals
PI-7 Transfers to subnational governments	(a) Consultations with AGD, MOLGPWH, MOPSE, City of Harare. (b) City of Harare, Financial Statements for the year ending 31 December 2016 (c) 2017 Budget Speech and Proposals for City of Harare, released 29 th September 2016 (d) Blue Books for FY2016 and FY2017 (e) ZINARA Annual Report for the year ended 31 December 2015
PI-8 Performance information for service delivery	(a) Consultation with MOFED Budget Department, AGD, MOAMI, MOPSE, OPC (b) Budget Estimates Books for 2016 and 2017 (Blue Books) (c) Office of the Auditor General website www.auditorgeneral.gov.zw

Indicators	Source of Information
	(d) OAG: Value for Money Report on Environmental Monitoring of Mining Operations by Environmental Management Agency under the Ministry of Environment, Water and Climate, 15 July 2015 (e) OAG: Value for Money report on management of Basic Education Assistance Module, 8 September 2014
PI-9 Public access to fiscal information	(a) Budget Estimates for the Year ending December 31, 2016 (b) The 2017 National Budget Statement, of December 8, 2016 (c) Budget Strategy Paper for 2017 (d) Office of the Auditor General website www.auditorgeneral.gov.zw (e) MOFED website www.zimtreasury.gov.zw (f) Consultations with NANGO (g) International Budget Project: Open Budget Survey 2017 (h) Consultations with Fiscal Policy Department MOFED
PI-10 Fiscal risk reporting	(a) Consultation with the Accountant General (b) Report of the Auditor-General for the Financial Year Ended December 31, 2016 on State Enterprises and Parastatals (c) SERA – SEP Performance Database 2011-2015 (d) SERA website www.sera.co.zw/financial-statements/ (e) Report of The Auditor-General for the Financial Year Ended December 31, 2016 on Local Authorities (f) Selected LA and SEP websites (g) 2017 National Budget Statement, MOFED December 8, 2017
PI-11 Public investment management	(a) Blue Books for 2014, 2015, 2016 and 2017 (b) Feasibility studies, (c) Zimbabwe Public Investment Management Guidelines, MOFED, November 15, 2017, (a) Budget Call Circular for FY2017 (b) Consultations with Ministry of Higher Education and Ministry of Agriculture. (c) Consultations with Capital Budget and JV units, MOFED
PI-12 Public asset management	(a) Consultations with the AGD and MOLGPWNH (b) Asset records at MOLGPWNH
PI-13 Debt management	(a) Consultation with the Accountant General (b) Reports of the Auditor General on SEPs and Local Authorities (c) MOFED: Medium Term Debt Management Strategy 2017-2021, November 2017. (d) Debt Management Act 2015 (e) Reconciliations produced by the Debt Management Unit (f) Blue Books for FY2016 and FY2017 (g) Annual Budget Review 2016 and Outlook for 2017 (h) IMF: Zimbabwe—First and Second Reviews Under the Staff-Monitored Program; July 1 2014. (i) MOFED Public Debt Management Office: Procedures Manual 2017
PI-14 Macroeconomic and fiscal forecasting	(a) Budget Estimates for the Year ending December 31, 2017 (b) Budget Estimates for the Year ending December 31, 2016 (c) Budget Estimates for the Year ending December 31, 2015 (d) The 2017 National Budget Statement, of 8 December, 2016. (e) Pre-Budget Strategy Paper for 2017, Treasury, 6 October 2016. (f) 2018 Pre-Budget Strategy Paper, Treasury, 25 September 2017

Indicators	Source of Information
	<ul style="list-style-type: none"> (g) Public Finance Management Regulations, Statutory Instrument of 2014 [draft] (h) FPP_2017_for 2018 National Budget Alternative (Excel) (i) FPP_2017_for 2018 National Budget Baseline (Excel) (j) Fiscal Framework 2017-2020, 17 Nov (Excel)
PI-15 Fiscal strategy	<ul style="list-style-type: none"> (a) Budget Estimates for the Year ending December 31, 2016 (b) The 2017 National Budget Statement, of 8 December, 2016. (c) Pre-Budget Strategy Paper for 2017, Treasury, 6 October 2016. (d) 2018 Pre-Budget Strategy Paper, Treasury, 25 September 2017 (e) Public Finance Management Regulations, Statutory Instrument of 2014 [draft] (f) Public Debt Management Act 2015 (g) Quantitative impact of major proposed revenue measures for FY2017, MOFED Revenue and Tax Policy Department. (h) Medium Term Debt Management Strategy 2017 – 2021, MOFED July 2017 (i) Fiscal Framework 2017-2020, 17 Nov 2017 (j) IMF Country Report number 17/196 of June 2017
PI-16 Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> (a) Budget Estimates for the Year ending December 31, 2017 (b) Budget Estimates for the Year ending December 31, 2016 (c) Budget Estimates for the Year ending December 31, 2015 (d) The 2017 National Budget Statement, of 8 December, 2016. (e) Pre-Budget Strategy Paper for 2017, Treasury, 6 October 2016. (f) The National Health Strategy for Zimbabwe 2016-2020; Ministry of Health and Child Care. (g) Education Sector Strategic Plan 2016-2020; MOPSE (h) Public Finance Management Regulations, Statutory Instrument of 2014 [draft]
PI-17 Budget preparation process	<ul style="list-style-type: none"> (a) The Budget Speech as presented to the Parliament of Zimbabwe on 8 December, 2016 by Minister of Finance and Economic Development. (b) Budget Estimates for the Year ending December 31, 2017 (c) Budget Estimates for the Year ending December 31, 2016 (d) Budget Estimates for the Year ending December 31, 2015 (e) Budget Estimates for the Year ending December 31, 2014 (f) Treasury Budget Call Circular Number 9 of 2016, issued October 11, 2016. (g) Treasury Budget Call Circular Number 3 of 2017, issued September 25, 2017 (h) Budget Preparation Calendar Framework – MOFED Powerpoint, date and official status unknown. (i) Consultations with MOFED Budget Department, MOAMI, MOHTE
PI-18 Legislative scrutiny of budgets	<ul style="list-style-type: none"> (a) Zimbabwe's Constitution of 2013, as presented by constitute.org (b) Appropriations Act 2017 (c) PFM Act 2009 (d) Report Of The Portfolio Committee On Industry And Commerce; Vote 7; 2017 Post Budget Analysis; Parliament of Zimbabwe (e) Report of the Portfolio Committee On Environment, Water, Tourism And Hospitality Industry; 2017 Post Budget Analysis; Parliament of Zimbabwe. (f) Supplementary Estimates of Expenditure For the Year Ending December 31, 2015, Presented by the Minister of Finance and Economic Development on Thursday, 26 November, 2015 (g) Financial Adjustments Bill, 2014, Gazetted: 31st January 2014

Indicators	Source of Information
	(h) Consultations with staff of Parliament
PI-19 Revenue administration	(a) ZIMRA Risk Register for 2016. (b) ZIMRA Divisional Annual Report 2016, Domestic Taxes report, p. 21 (c) Consolidated Annual report for the year ended 31 December 2016 MOFED (d) ZIMRA Revenue Performance Report for 2016 (e) NSSA Annual Report – 31 December 2016. (f) Consultations with AGD, ZIMRA and NSSA. (g) www.zimra.co.zw (h) www.nssa.org.zw
PI-20 Accounting for revenues	(a) Weekly Cash budgeting Meeting 2017 (b) Revenue data by type September 2017 (c) Revenue data by type October 2017 (MOFED) (d) 2017 Revenue Analysis (e) www.zimra.co.zw
PI-21 Predictability of in-year resource allocation	(a) Zim Treasury Daily Government Position (16 & 17 November 2017) (b) Revenue cash flow forecasts – 2016 Fiscal year (c) 2016 Updated Cash flow forecast report (d) GOZ Expenditure targets-2016 Monthly targets (e) 2016 Mid-Year Fiscal Policy Review Statement (f) Consultations with Accountant General Department
PI-22 Expenditure arrears	(a) Consultation with MOFED and selected line Ministries (b) 2016 Annual Budget Review Statement and 2017 Outlook (c) Inter parastatals debt – November 2017
PI-23 Payroll controls	(a) Consultations with PSC, SSB, MOPSE, MOFA, OAG and MOFED (b) Summary payroll report from SPACE for October 2017.
PI-24 Procurement management	(a) Procurement Act (22:14) Acts 2/1999, 22/2001. (b) Procurement Regulations, Statutory Instrument 171 of 2002, as amended 2015. (c) Administrative Court Act Acts 39/1979, as amended to 2011. (d) Public Procurement and Disposal of Public Assets bill, 2016 (e) http://www.zim.gov.zw/public-procurement-reform (f) http://www.tendersonline.co.zw/mail.html
PI-25 Internal controls on non-salary expenditure	(a) Reports of the Auditor General 2014, 2015 and 2016 (b) Public Financial Management Enhancement Project’s Project Appraisal Document (c) Vote 1- OPC 2018 Call Circular (d) World Bank’s report on Assessment of fiduciary risks in the use of the country PFM system for investment lending projects (2015) (e) Internal Audit Manual (f) http://www.auditorgeneral.gov.zw/ (g) http://www.parlzim.gov.zw/
PI-26 Internal audit	(a) Reports of the Auditor General 2014, 2015 and 2016 (b) Public Financial Management Enhancement Project’s Project Appraisal Document (c) Public Finance Management Act (Chapter 22:19) (d) Audit Report – Ministry of Agriculture (e) Internal Audit Report - Ministry of Health (f) Audit Committee Appointment letters

Indicators	Source of Information
	<ul style="list-style-type: none"> (g) Audit Plan – Ministry of Sports, Arts & Culture (h) MOFED - 2016 Internal Audit Annual work Plan (i) MOFED - 2016 Internal Audit Budgets (j) MOFED – 2016 Internal Audit Procurement (k) 2016 Internal Audit Report - SERA (l) Internal Audit Manual (m) http://www.auditorgeneral.gov.zw/ (n) Interviews Internal Audit staff (Ministry of Finance and Economic Development) (o) Consultations with Internal Audit staff (ZIMRA)
PI-27 Financial data integrity	<ul style="list-style-type: none"> (a) Ministry of Finance Bank Reconciliation: BWP (b) Ministry of Finance Bank Reconciliation: GBP (c) Ministry of Finance Bank Reconciliation: USD (d) Ministry of Finance Bank Reconciliation: ZAR (e) Ministry of Finance Bank Reconciliation: EUR (f) Public Finance Management Act: Chapter 22:19 [Zimbabwe] (g) PFMS Userplus Roles in PRD. Note: this was extracted as at 21 November 2017. (h) Chart of Accounts Training Plan (i) Interview with Staff in the Accountant General’s Department and MOFED ICT Department
PI-28 In-year budget reports	<ul style="list-style-type: none"> (a) 2016 Outturn Final (MOFED) (b) Consolidated Financial Statements – October 2017 (MOFED) (c) Consolidated Financial Statements – November 2017 (MOFED) (d) Public Finance Management Act (e) Consolidated Financial Statements – December 2017 (MOFED) (f) Chart of Accounts (MOFED) (g) Consultations with Accountant General’s Department
PI-29 Annual financial reports	<ul style="list-style-type: none"> (a) Public Finance Management Act (Chapter 22.19) (b) December 2016 Consolidated Statements (MOFED) (c) Chart of Accounts (d) Consultations with Accountant General Department
PI-30 External audit	<ul style="list-style-type: none"> (a) Constitution of Zimbabwe (Amendment 20) 2013 (b) Audit Office Act 2009 (c) Reports of the Auditor General for FY2014, FY2015 and FY2016 (d) Audit Plan of Auditor General 2014, 2105 and 2016 (e) Strategic Plan of Office of Auditor General 2016 – 2020 (f) Public Financial Management Enhancement Project’s Project Appraisal Document (g) World Bank’s report on Assessment of fiduciary risks in the use of the country PFM system for investment lending projects (2015) (h) Regularity Audit Manual of OAG (i) http://www.auditorgeneral.gov.zw/ (j) http://www.parlzim.gov.zw/
PI-31 Legislative scrutiny of audit reports	<ul style="list-style-type: none"> (a) PAC analysis reports of OAG reports for FY2013, 2014, 2015 and 2016 (b) Sample Ministry Reports to the parliament recommendations (c) Attendance sheets of proceedings (d) http://www.auditorgeneral.gov.zw/ (e) http://www.parlzim.gov.zw/

Annex 4. Comparison of 2011 and 2017 Assessments - Based on 2011 Framework

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
A. PFM-OUTTURNS: Credibility of the Budget				
PI-1 Aggregate expenditure outturn compared to original approved budget	D	B	Aggregate expenditure outturn for two of the three completed fiscal years was within 10% range from the approved budget. The 2017 assessment has deviations of 5.06%, 0.11%, and 23.08% in 2014, 2015, and 2016, respectively.	Performance has improved. The 2011 assessment had deviations of NR, 7.6%, and 48.8% for the 3 years 2008, 2009, and 2010 respectively.
PI-2 Composition of expenditure outturn compared to original approved budget	NR	NR	Dimensions combined by Method M1	No change. Issues with data availability and large compositional variance persist.
(i) Extent of the variance in expenditure composition during the last 3 years, excluding contingency items.	D	NR	There is a huge variance of expenditure deviation in 2016 of 30.2% which is twice a threshold of 15% and no data for the other two years.	No change. Also data problems in 2011 for one year and large variance in the other two years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last 3 years.	NR	NR	There is no full disclosure of the contingency vote in the financial statement as it is shown only as a memorandum item the notes	No change. No amounts charged to contingency reserve in 2009 and 2010 but no data for 2008.
PI-3 Aggregate revenue outturn compared to original approved budget revenue outturn	D	D	At 91.5%, 93.7% and 91.0% respectively, aggregate revenue outturn was below 92% of originally approved revenue budget in two of the last three completed fiscal years	Improvement. Deviations were much higher in 2008-2010.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(i) Actual domestic revenue collection compared to domestic revenue estimates in the original approved budget.				
PI-4 Stock and monitoring of expenditure payment arrears	C+	D	Dimensions combined by Method M1	Apparent deterioration in the amounts of arrears, whilst monitoring system appears unchanged.
(i) The stock of expenditure payment arrears (as a percentage of the actual total expenditure for the corresponding fiscal year) and any recent change in the stock.	C	D	The stock of expenditure arrears for the last three fiscal years has been on a sustained increase, and very high at more than 100% of the total expenditure for the fiscal year.	Deterioration. Listing of expenditure arrears for 2011 was incomplete. It excluded capital repayments for external and domestic debt which were in arrears. But the amount of non-debt arrears has increased from 4% to 22% of total expenditure.
(ii) Availability of data for monitoring of the stock of expenditure payment arrears.	B	D	Data on monitoring expenditure arrears is compiled from time to time but is incomplete and does not track liabilities from the due payment date.	Score for 2011 appears over optimistic as the situation does not appear to have changed.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
<p>PI-5 Classification of the budget</p> <p>(i) The classification system used to formulate, execute, and inform about the central government budget.</p>	C	C	The budget classification still uses a mixture of GFS 1986 and 2001 frameworks which does not fully comply with the requirement of GFS/COFOG. Economic classification is being bridged to a GFS consistent standard.	No change
<p>PI-6 Comprehensiveness of information included in budget documentation</p> <p>(i) Number of the nine information benchmarks listed below that are included in the budget documentation most recently issued by the central government</p>	B	B	<p>Six of the nine key elements are provided in the budget documentation to the legislature</p> <p>Elements fulfilled: #1, 2, 3, 4, 7, 8 Not fulfilled elements: #5 – financial assets not included #6 – FY2015 actuals not shown in same format as budget estimates #9 – impact of new revenue measures are not quantified</p>	No change
<p>PI-7 Extent of unreported government operations</p>	D+	D	Dimensions combined by Method M2	Deterioration due to increasing amounts of unreported NCP operations.
<p>(i) Level of extra-budgetary expenditure (other than donor-funded projects), which is unreported, that is not included in fiscal reports.</p>	B	D	Extra-budgetary expenditure - other than donor financed projects – which is executed by NCPs and not included in central government budget or budget execution reports, amount to about 25% of total BCG expenditure.	Deterioration. The amounts of extra-budgetary operations appear to have increased dramatically from 2% in 2011.
<p>(ii) Income and expenditure information on donor-funded projects that is included in fiscal reports.</p>	D	D	Reporting of donor funded project support is incomplete and not at all included in budget execution reports.	No change from 2011.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
PI-8 Transparency of intergovernmental fiscal relations.	Not applicable due to no transfers being made to LAs	D+	Dimensions combined by Method M2	Change cannot be established. There were no transfers to LAs reported in the 2011 assessment.
(i) Transparent and rules based system in the horizontal allocations among lower level governments of unconditional and conditional transfers from higher level government (both budgeted and actual allocations)	As above	D	The criteria determining transfers to the individual Authorities are not transparent; the established formula for calculating allocations is not being used.	As above
(ii) Timeliness and reliable information to lower level governments on their allocations from higher level government for the coming year.	As above	C	Transfers to the Local Roads Authorities for the coming year are stated in Central Government's budget estimates which are issued after Local Authorities have finalized their budget plans.	As above
iii. Extend to which unconsolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.	Not rated [but should have been rated since the above explanation is not valid for this dimension]	D	There is no consolidated reporting on overall government sector operations	Change cannot be established due to lack of assessment in 2011.
PI-9 Oversight of aggregate fiscal risk caused by other public sector institutions.	C	D+	Dimensions combined by Method M2	No change apparent

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(i) Extent of government monitoring AGAs and PEs.	C	C	All (by expenditure materiality) autonomous government agencies (NCPs) and state enterprises submit audited financial statements annually, but an annual consolidated overview report is not produced.	No change apparent.
(ii) Extent of government monitoring SN (urban and rural local bodies) governments' fiscal positions.	C	D	Financial statements of a large number of local authorities are not up to date. There is no consistency in the financial reporting framework by subnational governments. Some use IFRS while others claim to use IPSAS. Reports are submitted to MOLGPWNH with substantial delays. No consolidated financial overview is being produced.	No change apparent. Allocation of score for 2011 may have been too optimistic
PI-10 Public access to key fiscal information (i) Number of the six elements listed with public access.	D	D	The government makes available to the public only two documents that is the annual budget documentation and the external audit reports.	No change
C. BUDGET CYCLE				
C(i) Policy-Based Budgeting				
PI-11. Orderliness and participation in the annual budget process	B	B	Dimensions combined by Method M2	No overall change, but budget call circular has improved whereas timeliness of budget approval by Parliament has deteriorated.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(i) Existence of and adherence to a fixed budget calendar	C	C	An annual budget calendar exists, but is incomplete. It is issued only 2-3 months prior to budget submission to Parliament and allows MDAs 2-3 weeks to prepare detailed estimates following receipt of the Budget Call Circular.	No apparent change
(ii) Clarity/ comprehensiveness of and political involvement in the guidance on the preparation of budget submissions	C	A	A clear and comprehensive Budget Call Circular is issued to line ministries by MOFED after approval by Cabinet, and includes ceilings for the forthcoming budget year for both capital and recurrent expenditure.	Improvement. Budget Call Circular has become more comprehensive and now includes ceilings for capital expenditure.
(iv) Timely budget approval by the legislature or similar mandated body	A	B	Parliament approved the budget before the start of the budget year for FY2015 and FY2016, but 5-6 weeks into the budget year for FY2017.	Apparent deterioration caused by delay in approving the FY2017 budget.
PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting	C	C+	Dimensions combined by Method M2	Improvement due to costing of at least two major sector strategies.
(i) Preparation of multiyear fiscal forecasts and functional allocations.	C	C	Forecast of fiscal aggregates, as well as details of revenue and expenditure estimates (by administrative and economic classification) are provided for the budget year (FY2017) and the following two years. There is no comparison of the budget year estimates with the forward estimates of the previous year's aggregates or MTEF and consequently no explanation of the differences.	No change

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(ii) Scope and frequency of DSA.	B	B	A Debt Sustainability Analysis covering both external and domestic debt has been undertaken during the last three years as a basis for the draft Medium-Term Debt Management Strategy (July 2017).	No change.
(iii) Existence of sector strategies with multiyear costing of recurrent and investment expenditure.	D	B	Both the Primary & Secondary Education sector and the Health sector have fully costed sector strategies for 2016-2020 (with several funding scenarios). They represent 23+8=31% of primary expenditure. More sector strategies exist and are current, but the extent of costing is not evidenced.	Improvement. At least two major sectors have prepared strategies with full costing.
(iv) Linkages between investment budgets and forward expenditure estimates.	C	C	Due to the lack of costed sector strategies the links between sector strategies and investment budgets remain weak, but major investments in the budget have usually been mentioned in sector strategies prior to inclusion in the budget.	No change apparent.
C(ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities	B	B	Dimensions combined by Method M2	No change
(i) Clarity and comprehensiveness of tax liabilities	B	B	ZIMRA collects all tax revenue. Comprehensive information is available on ZIMRA's website explaining the tax laws and liabilities, which are due by a tax payer, as well as most procedures.	No change.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(ii) Taxpayers' access to information on tax liabilities and administrative procedures	B	B	Information is available on ZIMRA website on tax liabilities and administrative procedures of what tax payers are to do to update their records on website. Taxpayer education events are conducted by ZIMRA but tend to omit taxpayer rights.	No change
(iii) Existence and functioning of a tax appeals mechanism.	B	B	The appeals mechanism exists but it is not known by the majority of tax payers how to go about the process of appeals i.e. non-satisfactory access.	No change
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	C	Dimensions combined by Method M2	Improvement (despite reduced score); self-assessment now being done online and registrations have also moved to the online platform.
(i) Controls in the taxpayer registration system.	C	B	Tax payers are now registering online and are on self-assessment	Improved from last assessment due to system development
(ii) Effectiveness of penalties for non-compliance with registration and tax declaration	B	D	Most of the tax penalties which are charged to non-compliant tax payers are not collected. The bulk of them are forming the revenue arrears.	No change apparent. The 2011 assessment was overly optimistic.
(iii) Planning and monitoring of tax audit programs	C	C	Majority of audits are completed within the year under review.	No change.
PI-15 Effectiveness in collection of tax payments	D+	D+	Dimensions combined by Method M1	No overall change. Faster transfers of revenue to Treasury and

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
				faster update and access to taxpayer accounts, offset by higher level of tax payment arrears.
(i) Collection ratio for gross tax arrears.	D	D	Stock of tax arrears at 73% of total tax collections for the year.	Deterioration. Arrears up from 51% in 2010. Penalty loading mechanism in place is worsening the situation as eventually most of the penalties are not collected but waived.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.	B	A	Daily transfers are made to Treasury bank accounts and other transfers to agencies.	Improved due to daily transfers being done. Credit given to online improved online banking systems.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury.	A	A	Reconciliations done on a daily basis in line with daily transfers being process to Treasury CRF account.	No change. But taxpayer accounts being updated automatically and available online.
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	D+	Dimensions combined by Method M1	No change apparent.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(i) Extent to which cash flows are forecast and monitored.	B	C	Cash flow forecast for revenues adjusted quarterly and that of expenses done on an annual basis.	No change apparent. 2011 assessment has been optimistic and over rated.
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D	D	Information provided on short notice at time horizon of less than three weeks. Compounded by shortage of cash resources and communication is done as and when cash becomes available	No change
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MPSAs.	D	D	Ad-hoc adjustments are done in an inconsistent and less transparent manner.	No change
PI-17 Recording and managing cash balances, debt and guarantees.	B	B+	Dimensions combined by Method M2	Improvement in control of borrowing and issue of guarantees.
(i) Quality of debt data recording and reporting	C	C	All loan and guarantee records are updated continuously and reconciled at least quarterly, but there is concern that the debt records are not complete as regards parastatals. Bi-annual reports on debt stock and debt service are presented to Parliament.	No change.
(ii) Extent of consolidation of the government's cash balances	A	A	Cash balances are reconciled on a daily basis.	No change
(iii) System for contracting loans and issuance of guarantees.	C	A	Constitution and the Public Debt Management Act require approval of and reporting on all government debt and	Improvement, following introduction of the Public

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
			guarantees through the Minister for Finance. These provisions have been respected since 2015.	Debt Management Act 2015.
PI-18 Effectiveness of payroll controls	C+	C+	Dimensions combined by Method M1	No overall change apparent.
(i) Degree of integration and reconciliation between personnel records and payroll data.	C	B	Staff hire and promotion are controlled against approved establishment lists, and monthly payrolls are supported by full documentation of changes against the previous month's payroll data. However, data between the employing MDA, the budget approving MOFED and the payroll data and processing by PSC/SSB are exchanged manually.	No change apparent. 2011 score appears low.
(ii) Timeliness of changes to personnel records and the payroll	A	B	Payroll data is updated monthly about two weeks before payday. Retroactive adjustments are rare except for positions in remote locations under deconcentrated management structures.	No change apparent. Possible difference in perceptions of the frequency of retroactive adjustments.
(iii) Internal controls of changes to personnel records and the payroll	C	B	Payroll controls are managed through segregated approval and data entry system, both between the entities involved and within each entity. The IT systems used have strong password protection, but manual transfers of data between institutions create risks of errors.	No change apparent. 2011 score appears low.
(iv) Existence of payroll audits to identify control	C	C	Partial payroll audits have taken place during the last three years, but no comprehensive	No change apparent.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
weaknesses and/or ghost workers			staff and employment audit across central government.	
PI-19. Competition, value for money, and controls in procurement	D+	NR	Dimensions combined by Method M2	No change. Dimension 19(iv) appears underrated in 2011; dimension(ii) is rated differently but the factual information is largely the same.
(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework.	C	C	The legal and regulatory framework fulfils criteria (i), (ii) and (iii) but not the remaining three criteria.	No change. The amended procurement regulations of 2015 do not change the performance on any of the six criteria.
(ii) Use of competitive procurement methods.	D	NR	No information is available on which to assess performance. No comprehensive procurement audits have been undertaken by internal or external auditors in recent years. The Auditor General has reported numerous and significant cases of procurement rules being disregarded.	No apparent change
(iii) Public access to complete, reliable and timely procurement information.	D	D	The only procurement information that is readily made available to the public is the notification for bidding opportunities on a contract by contract basis. Note that the 2011 PEFA Framework did not define public access as posting on official websites.	No change.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(iv) Existence of an independent administrative procurement complaints system.	B	A	All seven key features of the complaints reviewing body (the Administrative Court) are fulfilled.	No change. It is not clear why the 2011 assessment considered element (v) – suspension - as not fulfilled.
PI-20. Effectiveness of internal controls for non-salary expenditure	C+	C	Dimensions combined by Method M1	Deterioration. Downward change in effectiveness of commitment controls.
(i) Effectiveness of expenditure commitment controls.	B	C	Expenditure commitment controls exist and are functional at SAP level, but grossly undermined by contracts committed outside the system	Apparent deterioration due to many contracts entered without PFMS issued purchase order.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	C	Internal controls and rules exists and are relevant	No change
(iii) Degree of compliance with rules for processing and recording transactions.	C	C	Compliance for majority of transactions exceptions brought to light in audit reports	No change
PI-21. Effectiveness of internal audit	C+	C+	Dimensions combined by Method M1	No change
(i) Coverage and quality of the internal audit function.	C	C	Internal Audit is operational for all central government entities but IA activities are primarily focused on financial compliance with systems and operational audits undertaken to lesser extent.	No overall change. Improvement in coverage of IA function but the focus on compliance remains.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(ii) Frequency and distribution of reports.	B	B	Reports distributed as and when audit is completed. The reports are distributed to the Accountant General, the Office of the Auditor General, and the Accounting Officer of the respective unit audited and the Principal Officer in charge of the unit being audited	No change apparent.
(iii) Extent of management response to internal audit findings.	C	C	Partial responses to findings have been the case given that some issues responded to surface in subsequent audits or during the external audit	No change
C(iii) Accounting, Recording, and Reporting				
PI-22. Timeliness and regularity of accounts reconciliation	C	D	Dimensions combined by Method M2	No change apparent.
(i) Regularity of bank reconciliations	B	D	Treasury bank accounts reconciled monthly but line Ministries reconciliations failing to be reconciled either monthly or quarterly.	No change apparent. 2011 score was probably overly optimistic
(ii) Regularity of reconciliation and clearance of suspense accounts and advances.	D	D	Suspense accounts remaining uncleared over a lengthy period extending more than two years. Advance accounts have old items still to be cleared as well	No change
PI-23 Availability of information received by service delivery units. (i) Collection and processing of information to demonstrate the resources that were actually received	D	D	The level of resources actually availed to service delivery units is not readily available during the course of the budget year and not reported in any end-year reports. No special studies of resource allocations for service delivery units have been carried out during the past three years	No change

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
by most common frontline service delivery units.				
PI-24. Quality and timeliness of in-year budget reports	A	D+	Dimensions combined by Method M1	Deterioration in timeliness and data quality of reports.
(i) Scope of reports with regard to coverage and compatibility with budget estimates	A	D	Reports produced not comparable to original budget estimates as only economic classification is captured. Expenditure captured only at the payment stage.	No apparent change. 2011 score appear too optimistic as no significant changes have been identified.
(ii) Timeliness of the issue of reports	A	D	In year-budget execution reports are produced monthly and issued within a period ranging between four to six months after the reporting month end.	Deterioration, possibly due to transition problems with change to new chart of accounts.
(iii) Quality of information	A	C	There are concerns about data quality which are not highlighted in the reports, but the reports are considered useful for monitoring purposes.	Deterioration, possibly due to transition problems with change to new chart of accounts.
PI-25. Quality and timeliness of annual financial statements	D	D+	Dimensions combined by Method M1	Improvement in finalizing annual financial statements.
(i) Completeness of the financial statements	D	C	Financial reports are prepared on an annual basis. They cover items of income, expenditure and cash balances but no other information on assets and liabilities.	Improvement. Final accounts have been prepared and audited for FY2015 and partially for FY2016. In 2011 no final statements for any of the three preceding years.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(ii) Timeliness of submission of the financial statements	D	D	The financial reports for FY2016 were submitted for external audit more than nine months after the end of the fiscal year and excluded the report on the Consolidated Revenue Fund yet to be submitted to the Auditor General.	Improvement. Financial statements are up to date though still submitted with significant delay within the year following.
(iii) Accounting standards used	D	D	The financial reports are not consistent with the country's legal framework, and the accounting standards used in preparing the financial reports are not disclosed.	No change
C(iv) External Scrutiny and Audit				
PI-26. Scope, nature, and follow-up of external audit	C+	C+	Dimensions combined by Method M1	No change in overall, though compliance with ISSAIs improved.
(i) Scope/nature of audit performed (including adherence to auditing standards).	C	B	Central Government entities representing over 75% of total expenditure and revenue are audited following ISSAI.	Improvement, due to compliance with the ISSAIs and clearer accountability for quality assurance following implementation of regularity audit manual
(ii) Timeliness of submission of audit reports to legislature.	A	A	Audit Reports on financial statements are tabled before legislature within 3 months of their receipt	No change; the Auditor General continues to ensure timely submission of Audit Reports
(iii) Evidence of follow up on audit recommendations.	C	C	Audit findings are followed up with mechanism as depicting recurrence of similar observations in subsequent reports	No change. Despite improvements in audit follow-up mechanism, comprehensiveness and

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
				timeliness of follow up still have fundamental limitations.
PI-27. Legislative scrutiny of the annual budget law	C+	D+	Combined by means of method M1	Despite improvements in scope and procedures for budget review, the score has been reduced due to late budget submission in 2016.
(i) Scope of the legislature's scrutiny.	C	A	Parliament reviews the complete budget submission covering fiscal policies, medium-term fiscal forecasts and medium term priorities as well as details of expenditure and revenue.	Improvement. Medium-term (3-year) estimates of revenue and expenditure, deficit and financing are submitted to and debated by Parliament.
(ii) Extent to which the legislature's procedures are well established and respected.	A	A	Parliament has well-established procedures for review of budget proposals which were followed in 2016. The procedures include arrangements for specialized review committees, technical support and negotiation procedures.	Improvement but no higher scoring is possible, though permanent technical support and public consultation arrangements have been introduced since 2012.

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(iii) Adequacy of time for the legislature to provide a response to budget proposals on both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).	C	D	In 2016 the budget proposals (for FY2017) were submitted to Parliament on 8 December i.e. less than one month before the start of the budget year.	No significant change. The 2011 Framework covers only the last year's budget submission. In 2015 and 2014 the submission took place in November i.e. more than one month before start of the budget year.
(iv) Rules for in-year amendments to the budget without ex ante approval by the legislature.	C	C	Clear rules are set out in the Constitution and the Appropriations Acts for budget adjustments authorized by the Minister of Finance without prior Parliamentary approval. They provide the Minister with extensive powers to reallocate funds between votes and to spend beyond the overall amount appropriated. It is not clear if the rules were adhered to for FY2016.	No change.
PI-28. Legislative scrutiny of external audit reports	D+	D+	Combined by means of method M1	Deterioration due to reduced extent of hearings, while other aspects are largely unchanged.
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last 3 years).	D	D	Scrutiny of the Auditor General's annual report by Parliament has taken more than 12 months in average during the past three years.	No significant change

Indicators/Dimension	2011 Score Using 2011 PEFA Framework (Previous Assessment)	2017 Score Using 2011 PEFA Framework (Current Assessment)	Explanation of Score in the Current Assessment	Explanation of Change
(ii) Extent of hearings on key findings undertaken by the legislature.	A	C	In-depth hearings by PAC with the accounting officers of audited entities take place to a limited extent (less than 20% of entities receiving qualified or adverse audit opinion).	Significant deterioration in the coverage of entities by PAC hearings
(iii) Issuance of recommended actions by the legislature and implementation by the executive.	B	B	Actions are recommended to the executive and some of which are acted upon	No change

Annex 5. PEFA Assessment Management Organization

Oversight Team – PFM Steering Committee:

Chair:

- Chair: Daniel Muchemwa, Accountant General (MOFED)
- Co-Chair: Srinivas Gurazada, Senior Financial Management Specialist, World Bank

Members:

- Mr. Churu, Principal Director, MOFED-budget/expenditure department;
- Clare Harris, Economic Adviser, DFID;
- Germana Topolovec, Attaché, EU;M. Krook, Sweden/SIDA;
- Christian Beddies, IMF Fiscal Affairs Department.

Assessment Managers:

- Edwin Zvandasara, Deputy Accountant General
- Srinivas Gurazada, Senior Financial Management Specialist, World Bank

Assessment Team Members:

- Government team led by Mr. Edwin Zvandasara, consisting of:
 - Mr. Bareyi, - Accountant General's Department
 - Ms. Shiri – Office of the Auditor General,
 - Mr. Samu – Parliament,
 - Mr. Nyaruwanga – PSIP Capital Expenditure Budget Unit,
 - Mr. Mukurazhizha – Revenue,
 - Mr. Mudonhi – Legal Advisor,
 - Mr. Mareya – ZIMRA,
 - Mr. Chuzu – Fiscal Policy,
 - Mr. Mutanhaurwa – State Procurement Board.
- World Bank team led by Srinivas Gurazada, Sr Financial Management Specialist and consisting of:
 - Frans Ronsholt, International PEFA Expert,
 - Sonny Mabheju, PFM expert,
 - Isaac Kurewa, PFM Expert,
 - MacDonald Nyazvigo, Finance Expert,
 - Francis Zulu, Public Financial Management Analyst
 - Marko Kwaramba, Economist

Technical backstopping provided by Cem Dener (Lead Governance Specialist), Ziv Chinzara (Economist), Joseph Olaore Oladeji (Parliament Expert), S.M. Quamrul Hasan, Sr. Procurement Specialist and other domain experts.

Training on PEFA methodology to the PEFA Assessment team and wider stakeholders was provided by Lewis Hawke, Head of PEFA Secretariat and Martin Jones Bowen from PEFA Secretariat.

Review of Concept Note:

- Review conducted: September 22 – October 6, 2017
- Final Concept Note approved: November 2017, dated November 10, 2017

Invited reviewers who submitted comments:

World Bank:

- Pazhayannur K. Subramanian (Lead Financial Management Specialist GG020),
- Dmitri Gourfinkel (Sr Financial Management Specialist GG022),
- Anjani Kumar (Senior Procurement Specialist)
- Francesca Recanatini (Senior Economist)
- Johannes Herderschee (Senior Economist GMF 13)

Others:

- Government of Zimbabwe
- European Union
- IMF
- Embassy of Sweden
- PEFA Secretariat

Review of the Assessment Report

- Draft report (dated 12 February 2018) referred for peer review on 21 March.

Invited reviewers who submitted comments:

- Government of Zimbabwe May- June , 2018
- IMF, 30 March, 2018
- DFID, 8 May, 2018
- EU, 8 May, 2018
- PEFA Secretariat, 27 April, 2018
- WB: Dmitri Gourfinkel (Sr Financial Management Specialist GG022), 22 March, 2018

- WB: Anjani Kumar (Senior Procurement Specialist), 27 March, 2018
- WB: Leah April (Senior Economist), 26 March, 2018
- WB: Johannes Herderschee (Senior Economist GMF 13), 27 March
- WB: Gert Van Der Linde (Lead Financial Management Specialist) 10 April, 2018

World Bank decision review: 28 March, 2018

Revised report (dated 4 June 2018) distributed to peer reviewers for confirmation and final comments

Endorsement of Final Draft by Government-Donor Oversight Team: June 2018

Issue of PEFA Check: [TBD].

Annex 6. Data Tables

Annex 6A Calculation Sheet for PFM Performance Indicators PI-1, PI-2.1 and PI-2.3

Data for year =	2016		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
administrative or functional head						
Office of the president and cabinet	179,936,000	223,013,213	220,521,931	2,491,282	2,491,282	1%
Public Service, Labour and Social Welfare	174,835,000	79,961,560	214,270,362	(134,308,802)	134,308,802	63%
Defence	358,065,000	446,319,801	438,829,280	7,490,521	7,490,521	2%
Finance and Economic Development	215,269,000	259,938,383	263,824,558	(3,886,175)	3,886,175	1%
Agriculture, Mechanisation, Irrigation Development	145,091,000	772,178,832	177,817,377	594,361,455	594,361,455	334%
Health Care	330,789,000	321,314,576	405,400,971	(84,086,395)	84,086,395	21%
Primary and Secondary Education	810,431,000	850,699,478	993,229,867	(142,530,389)	142,530,389	14%
Higher and Tertiary Education, Science and Technology Development	307,645,000	273,850,823	377,036,666	(103,185,843)	103,185,843	27%
Home Affairs	395,372,000	438,326,505	484,551,157	(46,224,652)	46,224,652	10%
Justice, Legal and Parliamentary Affairs	108,762,000	103,322,917	133,294,095	(29,971,178)	29,971,178	22%
Public Service Commission	496,405,000	493,586,957	608,372,918	(114,785,961)	114,785,961	19%
Debt Service: Interest Bill	110,000,000	120,172,906	134,811,335	(14,638,429)	14,638,429	11%
Local Government, Public Works and National Housing	44,640,000	44,671,823	54,708,891	(10,037,068)	10,037,068	18%
Parliament of Zimbabwe	20,255,000	21,080,124	24,823,669	(3,743,545)	3,743,545	15%
Environment, Water and Climate	34,242,000	44,625,992	41,965,543	2,660,449	2,660,449	6%
Transport and Infrastructure Development	39,937,000	22,392,891	48,945,094	(26,552,203)	26,552,203	54%
Foreign Affairs	36,995,000	32,709,762	45,339,503	(12,629,741)	12,629,741	28%
Welfare Services for War Veterans and Former Political Detainees	21,826,000	12,681,599	26,749,020	(14,067,421)	14,067,421	53%
Youth, Indigenous and Economic Empowerment	19,801,000	28,993,727	24,267,266	4,726,461	4,726,461	19%
Industry and Commerce	17,465,000	29,923,297	21,404,363	8,518,934	8,518,934	40%
21 (= sum of rest)	132,239,000	282,465,214	162,066,511	120,398,703	120,398,703	74%
allocated expenditure	4,000,000,000	4,902,230,380	4,902,230,380	-	1,481,295,608	
interests						
contingency						
total expenditure	4,000,000,000	4,902,230,380				
aggregate outturn (PI-1)						122.6%
composition (PI-2.1) variance						30.2%
contingency share of budget						0.0%

Annex 6B Calculation of Variance for PI-2.2 Expenditure composition outturn by economic type

Data for year =		2016					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Recurrent Expenditure							
Employment cost	2,236,698,000	2,274,152,564	2,750,546,440.7	-476,393,876.7	476,393,876.7	17.3%	
Goods and Services	228,545,000	328,480,041	281,049,849.5	47,430,191.5	47,430,191.5	16.9%	
Current Transfers - Domestic	1,191,223,000	1,310,862,043	1,464,888,949	-154,026,906	154,026,906	10.5%	
Current Transfers - Foreign	28,534,000	37,969,132	35,089,266	2,879,866	2,879,866	8.2%	
Capital Expenditure	257,361,000	860,481,086	316,485,901	543,995,185	543,995,185	171.9%	
Long term loans and investment	57,639,000	106,996,253	70,880,712	36,115,541	36,115,541	51.0%	
Total expenditure	4,000,000,000	4,918,941,119	4,918,941,119	0	1,260,841,566		
composition variance							25.6%

Annex 6C Calculation Sheet for Revenue composition outturn – PI-3

Data for year =	2014					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	1,406,138,000	1,549,082,225	1,286,648,123	262,434,102	262,434,102	20.4%
Taxes on payroll and workforce			-	-	-	
Taxes on property			-	-	-	
Taxes on goods and services	1,811,250,000	1,489,512,930	1,657,334,780	(167,821,850)	167,821,850	10.1%
Taxes on international trade and transactions	430,000,000	351,225,833	393,459,741	(42,233,908)	42,233,908	10.7%
Other taxes	184,660,000	129,426,790	168,968,083	(39,541,293)	39,541,293	23.4%
Social contributions						
Social security contributions	12,464,000	5,773,218	11,404,842	(5,631,624)	5,631,624	49.4%
Other social contributions			-	-	-	
Grants						
Grants from foreign governments			-	-	-	
Grants from international organizations			-	-	-	
Grants from other government units			-	-	-	
Other revenue						
Property income	115,699,000	110,577,130	105,867,206	4,709,924	4,709,924	4.4%
Sales of goods and services	131,411,000	118,611,464	120,244,042	(1,632,578)	1,632,578	1.4%
Judicial fines	21,484,000	4,775,032	19,658,347	(14,883,315)	14,883,315	75.7%
Transfers not elsewhere classified			-	-	-	
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			-	-	-	
Sum of rest	6,894,000	10,908,707	6,308,166	4,600,541	4,600,541	72.9%
Total revenue	4,120,000,000	3,769,893,329	3,769,893,329	(0)	543,489,134	
overall variance						91.5%
composition variance						14.4%

Data for year =	2015					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	1,577,750,000	1,396,207,652	1,477,734,095	(81,526,443)	81,526,443	5.5%
Taxes on payroll and workforce			-	-	-	
Taxes on property			-	-	-	
Taxes on goods and services	1,649,000,000	1,699,414,605	1,544,467,452	154,947,153	154,947,153	10.0%
Taxes on international trade and transactions	390,000,000	344,897,173	365,277,323	(20,380,151)	20,380,151	5.6%
Other taxes	180,000,000	108,241,198	168,589,534	(60,348,336)	60,348,336	35.8%
Social contributions						
Social security contributions	10,700,000	3,098,567	10,021,711	(6,923,145)	6,923,145	69.1%
Other social contributions			-	-	-	
Grants						
Grants from foreign governments			-	-	-	
Grants from international organizations			-	-	-	
Grants from other government units			-	-	-	
Other revenue						
Property income	88,100,000	55,030,272	82,515,211	(27,484,939)	27,484,939	33.3%
Sales of goods and services	84,868,000	108,825,604	79,488,092	29,337,512	29,337,512	36.9%
Fines, penalties and forfeits	2,500,000		2,341,521	(2,341,521)	2,341,521	100.0%
Transfers not elsewhere classified			-	-	-	
insurance and standardized guarantee			-	-	-	
Sum of rest	7,082,000	21,352,932	6,633,062	14,719,870	14,719,870	221.9%
Total revenue	3,990,000,000	3,737,068,002	3,737,068,002	0	398,009,069	
overall variance						93.7%
composition variance						10.7%

Data for year =	2016					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	1,408,729,000	1,262,333,428	1,281,368,231	(19,034,803)	19,034,803	1.5%
Taxes on payroll and workforce			-	-	-	
Taxes on property			-	-	-	
Taxes on goods and services	1,710,845,000	1,605,187,606	1,556,170,443	49,017,163	49,017,163	3.1%
Taxes on international trade and transactions	368,700,000	272,855,002	335,366,466	(62,511,464)	62,511,464	18.6%
Other taxes	115,726,000	98,081,323	105,263,411	(7,182,089)	7,182,089	6.8%
Social contributions						
Social security contributions	130,087,000	137,163,835	118,326,058	18,837,777	18,837,777	15.9%
Other social contributions			-	-	-	
Grants						
Grants from foreign governments			-	-	-	
Grants from international organizations			-	-	-	
Grants from other government units			-	-	-	
Other revenue						
Property income	22,357,000	31,121,254	20,335,742	10,785,511	10,785,511	53.0%
Sales of goods and services	81,704,000	84,589,670	74,317,282	10,272,388	10,272,388	13.8%
Fines, penalties and forfeits			-	-	-	
Transfers not elsewhere classified			-	-	-	
insurance and standardized guarantee			-	-	-	
Sum of rest	11,852,000	10,595,997	10,780,481	(184,484)	184,484	1.7%
Total revenue	3,850,000,000	3,501,928,114	3,501,928,114	(0)	177,825,681	
overall variance						91.0%
composition variance						5.1%

Annex 6D List of Major Investment Projects

Sector	Implementing Agent	Name Of Project	Project Status	Total Project Cost	SOURCE OF FUNDING				
					Fiscal Resources	Own Resources	Development Partners	Loan Financing	JV/PPP
				US\$ mill	US\$ mill	US\$ mill	US\$ mill	US\$ mill	US\$ mill
Energy	Zimbabwe Electricity Supply Authority	Hwange 7 & 8 Expansion	Financial close stage	1,489	10	105		1,314	59
	Zimbabwe Electricity Supply Authority	Kariba South Extension	Nearing Completion	533		179		354	
	Zambezi River Authority	Batoka Hydro Power Station	Preparatory Stage	2,400			2,400		
Transport and Communication	Ministry of Transport and Infrastructure Development	Harare - Masvingo - Beitbridge Road	Financial close stage	984	246				738
	Ministry of Transport and Infrastructure Development	Victoria Falls International Airport	Completed	150				150	
Water and Sanitation		Gwayi Shangani Dam Construction	Under implementation	122	122				
	Ministry of Environment, Water and Climate	Tokwe Murkosi Dam Construction	Completed	300	300				

		Kunzvi Dam Construction	Preparatory Stage	600				Equity Financing	Equity Financing
Telecommunications	Transmedia and Zimbabwe Broadcasting Corporation	Broadcasting Digitalisation Migration Project	Under implementation	173	173				
	Tel-One	Tel-One - Upgrading Programme	Under implementation	98				98	
Health	Ministry of Health and Child Care	Construction of two District Hospitals	Feasibility studies completed	120			120		
Agriculture	Ministry of Agriculture, Mechanisation and Irrigation Development	Tokwe Murkosi Irrigation Development	Preparatory Stage	200	200				
GRAND TOTAL				7,169	1,051	285	2,520	1,916	797

Annex 6E Data on Non-Commercial Parastatals

Name of Parastatal	Financial data 2015 (US\$'000)			Audit status as at 31 May 2017			
	Gross Income	Total Expenditure	Transfers from Government	Accounts 2016 audited	Accounts 2016 submitted for audit	Accounts 2015 audited	Accounts 2015 submitted for audit
Agricultural Marketing Authority	2,873	1,745	38	Yes	Yes	Yes	Yes
Bindura University	21,418	18,783	13,687	No	Yes		
Broadcasting Authority of Zimbabwe	984	1,277	176	No	No	No	Yes
Chinhoyi University of Technology	25,495	27,493	15,677	No	Yes	Yes	Yes
Competition and Tariff Commission	2,476	1,523	266	No	Yes	Yes	Yes
Consumer Council of Zimbabwe	312	355	289	No	Yes	Yes	Yes
Deposit Protection Corporation	9,003	1,690	-	No	Yes		
Environmental Management Authority	20,043	23,003	2,218	No	No	Yes	Yes
Forestry Commission	10,928	11,325	4,998	No	No	Yes	Yes
Great Zimbabwe University	36,697	34,930	18,100	No	Yes	Yes	Yes
Harare Institute of Technology	13,959	13,377	9,835	No	Yes	Yes	Yes
Insurance and Pension Commission	1,353	1,298	-	No	Yes	Yes	Yes
Lotteries and Gaming Fund	1,771	1,520	-	No	No		
Lupane State University	10,349	10,963	9,886	No	Yes		
Medical Control Authority	4,146	4,095	-	No	No	No	Yes
Midlands State University	64,118	59,679	24,527	No	Yes	Yes	Yes
National Aids Council	41,944	39,962	-	No	Yes	Yes	Yes
National Arts Council	974	1,091	541	No	No	Yes	Yes
National Biotech Authority	1,129	871	-	No	Yes	No	Yes
National Economic Consultative Forum	441	399	397				
National Gallery of Zimbabwe	1,277	1,224	962				
National Incomes and Pricing Commission	194	250	194	No	Yes	Yes	Yes
National Indigenization and Economic Empowerment Board	2,313	3,861	-	No	No	Yes	Yes
National Social Security Authority	445,641	428,979	0	Yes	Yes	Yes	Yes
National University of Science and Technology	37,070	40,784	24,658	No	Yes		
Pig Industry Board of Zimbabwe	1,007	956	35	No	No	Yes	Yes
Postal and Telecommunications Regulatory Authority	28,698	20,381	-	No	Yes	Yes	Yes
Radiation Protection Authority	2,482	2,673	464	Yes	Yes	Yes	Yes
Research Council of Zimbabwe	812	769	551	No	Yes	Yes	Yes
Scientific and Industrial Research and Development Council	8,298	10,139	6,671	No	Yes		
Securities and Exchange Commission	1,244	1,652	-	Yes	Yes	Yes	Yes
Tobacco Industry & Marketing Board	12,564	7,929	-	No	Yes	Yes	Yes
Tobacco Research Board	11,948	11,189	-	No	Yes		
Traffic Safety Council	8,201	5,107	-	No	Yes		
University of Zimbabwe	80,486	83,709	56,112	No	Yes	Yes	Yes
Zimbabwe Academic and Research Network	813	1,189	360	No	No	No	Yes
Zimbabwe Council of Higher Education	2,475	2,392	1,061	No	Yes	Yes	Yes
Zimbabwe Energy Regulatory Authority	11,675	8,576	-	No	Yes	Yes	Yes
Zimbabwe Institute of Public Administration and Management	2,993	2,115	-	No	No	No	Yes
Zimbabwe Investment Authority	1,415	1,406	326	No	Yes		
Zimbabwe Manpower Development Fund	48,826	42,359	-				
Zimbabwe National Family Planning Council	14,069	15,241	6,316	No	Yes		
Zimbabwe National Road Administration	184,280	138,982	-	No	Yes	Yes	Yes
Zimbabwe National Statistic Agency	10,846	10,846	4,249	No	No	No	Yes
Zimbabwe Open University	29,437	27,752	19,129	No	Yes		
Zimbabwe Parks and Wildlife Management Authority	29,502	28,897	722	No	No	Yes	Yes
Zimbabwe Revenue Authority	128,886	121,117	113,960	Yes	Yes	Yes	Yes
ZIMTRADE	2,596	2,422	-	No	Yes		
Grand Total	1,380,457	1,278,271	336,405				

Annex 6F Data on State Enterprises

Name of State Enterprise	Financial data 2015 (US\$'000)			Audit status 5 months after end of FY				Publication	
	Gross Income	Total Expenditure	Dividend paid to Government	Accounts 2016 audited	Accounts 2016 submitted for audit	Accounts 2015 audited	Accounts 2015 submitted for audit	2016 audited accounts	website
Agricultural and Rural Development Authority	2,811	6,307	0	No	No	No	No		
Agricultural Bank of Zimbabwe	29,920	36,219	0	Yes	Yes	Yes	Yes		
Air Zimbabwe	32,879	61,737	0	No	No	No	No		
Allied Timbers	10,693	14,874	0	No	No	No	Yes		
CBZ Holding	279,010	238,125	469	Yes	Yes	Yes		Yes	own
Civil Aviation Authority Zimbabwe	33,534	37,115	0	Yes	Yes	Yes	Yes	Yes	SERA
CMED	32,665	35,120	0	No	Yes	Yes	Yes		
Cold Storage Commission	3,534	9,080	0	No	No	No	No		
Grain Marketing Board	43,879	99,964	0	Yes	Yes	Yes	Yes		
Hwange Colliery Company	68,146	173,736	0	Yes	Yes	Yes		Yes	own
Industrial Development Corporation Zimbabwe Group	99,483	109,317	0	Yes	Yes	Yes		Yes	own
Infrastructure Development Bank Zimbabwe	14,886	19,939	500	Yes	Yes	Yes	Yes	Yes	SERA
Minerals Marketing Corporation of Zimbabwe	10,933	17,930	2,990	No	Yes	Yes	Yes		
National Handicraft Centre	59	104	-	No	No	No	No		
National Handling Service	6,911	13,552	0						
National Oil Infrastructure Company of Zimbabwe	110,916	88,279	3,513	No	Yes	Yes	Yes		
National Pharmaceutical Company	13,061	7,150	0	No	Yes				
National Railways of Zimbabwe	93,389	148,144	0	Yes	Yes	Yes	Yes	No	
NetOne	115,113	117,256	0	No	Yes	Yes	Yes	No	
New Ziana	1,286	1,158	0	No	No	No	No		
People's Own Savings Bank	35,244	27,336	313	Yes	Yes	Yes	Yes	Yes	SERA
Petrotrade	111,674	110,153	0	No	Yes	Yes	Yes	No	
Powertel	26,079	26,628	0	No	Yes	Yes	Yes		
Printflow	5,024	8,172	0	No	Yes	No	Yes		
Rainbow Tourism Group	30,850	31,984	0						
Small Medium and Enterprise Development Corporation	649	2,510	0	No	No	Yes	Yes		
TelOne	148,549	138,628	0	Yes	Yes	Yes	Yes	Yes	own
Transmedia Corporation	2,696	1,803	0	No	Yes				
ZESA Enterprises	16,109	25,694	0	No	Yes	Yes	Yes		
ZESA Holdings Private Limited	30,652	28,059	0	No	Yes	Yes	Yes		
Zimbabwe Broadcasting Corporation	18,193	20,304	0	No	No	No	No		
Zimbabwe Electricity and Transmission Company	885,154	996,628	-	No	Yes	Yes	Yes	No	
Zimbabwe National Water Authority	61,188	74,441	-	No	Yes	Yes	Yes		
Zimbabwe Posts	25,286	35,001	0	No	No	No	Yes		
Zimbabwe Power Company	494,230	475,139	-	No	Yes	Yes	Yes	Yes	own
Zimbabwe United Passenger Company	19,128	22,543	0	No	Yes	Yes	Yes	Yes	SERA
Zimpapers	42,277	40,090	-						
Grand Total	2,956,089	3,300,219	7,785						

Annex 7 Central Government Entities

Annex 7A Detailed list of Ministries, Departments and Parastatals

MINISTRIES	DEPARTMENTS	PARASTATALS
Ministry of Agriculture, Mechanisation and Irrigation	<ul style="list-style-type: none"> • Agricultural Education And Farmer Training • Economics And Markets • Finance And Administration • Human Resources • Audit Unit • Agricultural Technical And Extension Services (Agritex) Department 	<ul style="list-style-type: none"> • Agribank • GMB • ARDA • ARC • ACFD • FDT • PIB • CSC • TIMB • TRB • AMA
Ministry of Defence	<ul style="list-style-type: none"> • Department of Policy, Public Relations and International Affairs • Department of Finance and Human Resources • Department of Procurement Research and Administration • Internal Audit 	
Ministry of Energy and Power Development	<ul style="list-style-type: none"> • Petroleum • Power Development • Policy And Planning • Energy Conservation and Renewable Energy • Finance, Human Resources and Administration • Legal Services • Internal Audit 	<ul style="list-style-type: none"> • ZESA • NOCZIM • SAAP • ZRA • REA • ZERA
Ministry of Environment, Water and Climate	<ul style="list-style-type: none"> • Environment and Natural Resources Management • Water Resources Planning and Management • Climate Change Management • Meteorological Services Department • Legal Services • Finance, Human Resources and Administration • Internal Audit 	<ul style="list-style-type: none"> • Parks and Wildlife Management Authority • Forestry Commission • Environmental Management Agency • Allied Timber Zimbabwe • Zimbabwe National Water Authority
Ministry of Finance and Economic Development	<ul style="list-style-type: none"> • Accountant General; • Debt Management Office; • Fiscal Policy and Advisory Services; • Expenditure Department; • Revenue Department; • Domestic and International Finance; • Finance, Administration and Human Resources; • Implementation and Control of Expenditure Unit; • National Economic Conduct Inspectorate; • Zimbabwe Statistical Agency; • Internal Audit; and • Legal Services • Programme Management Unit (PMU) 	<ul style="list-style-type: none"> • Reserve Bank of Zimbabwe • Zimbabwe Revenue Authority (ZIMRA) • Infrastructure Development Bank of Zimbabwe (IDBZ) • Zimbabwe Economic Policy and Research Unit (ZEPARU) • Insurance and Pension Commission • Securities Commission • DPC • POSB
Ministry of Foreign Affairs	<ul style="list-style-type: none"> • Asia and the Pacific • Europe and the Americas • Multilateral Affairs (Political) • Multilateral Affairs (Economic) • Policy and Research • Training • Protocol • Legal • Consular • Human Resources • Finance and Administration 	

Ministry of Health and Child Care	<ul style="list-style-type: none"> • Curative Services • Preventive Services • Planning, Monitoring and Evaluation • Finance and Administration • Public Relations 	<ul style="list-style-type: none"> • ZNFPC • MCAZ • HPA • NATPHARM • NAC • ZIMCHE • RPA • SAZ
Ministry of Higher and Tertiary Education, Science and Technology Development	<ul style="list-style-type: none"> • Human Resources • Administration and Finance • Manpower Planning and Institutional Development • National Council • UNESCO • SDEQA • Science and Technology 	<ul style="list-style-type: none"> • CUT • ZOU • BSU • MSU • LSU • GZU • NUST • UZ • HIT
Ministry of Home Affairs	<ul style="list-style-type: none"> • Head Office • ZRP • Department of Registrar General • Department of Immigration • Statutory bodies and Commissions • Forensic Science • Department of ICT 	
Ministry of Industry and Commerce	<ul style="list-style-type: none"> • Enterprise Development • International Trade • Research and Domestic Trade • Standards Development and Quality Assurance • Finance, Administration and Human Resources • Legal • Audit. 	<ul style="list-style-type: none"> • Industrial Development Corporation • Zimbabwe Iron and Steel Company • Olivine Industries • Zimbabwe International Trade Fair Company • NOIC • IDC • PETROTRADE • ZIMTRADE
Ministry of Information, Communication Technology, Postal and Courier Services	<ul style="list-style-type: none"> • Finance, Administration and Human Resources • Legal • Audit • RIDM • ICT Services • Policy Coordination, Development and e-Government 	<ul style="list-style-type: none"> • ZARNET • ZIMPOST • TELONE • NETONE • POTRAZ
Ministry of Justice, Legal and Parliamentary Affairs	<ul style="list-style-type: none"> • Attorney General's Office • Zimbabwe Prison Services • Community Service • Legal Aid Directorate • Law Development Commission • Policy and Legal Research • Internal Audit • Finance and Administration • Human Resources • Pre-Trial Diversion • Council for Legal Education • Constitutional & Parliamentary Affairs • Deeds, Companies & Intellectual Property • Inter-Ministerial Taskforce 	
Ministry of Lands and Rural Resettlement	<ul style="list-style-type: none"> • Land Acquisition and Transfers • Resettlement and Planning Development 	
Ministry of Local Government, Public Works and National Housing	<ul style="list-style-type: none"> • Urban Local Authority services • Rural Local Authority services • Traditional Leadership Support Services • Physical Planning services • Civil Protection services • Architectural Services • Engineering Services • Quantity Surveying 	<ul style="list-style-type: none"> • ZUPCO

	<ul style="list-style-type: none"> • Construction and Maintenance • Valuation and Estates Management Services • National Housing and Social Amenities 	
Ministry of Media, Information and Broadcasting Services	<ul style="list-style-type: none"> • Media Liaison • Content Development and Production Services • Rural Communication Services • Urban Communication Services • International Communication Services • Finance, Administration, Human Resources and Internal Audit • Broadcasting Services • Transmission Services • New Agency Services • Books Services • Training (Media, Information and Film) • Archival material Storage and Retrieval • Licensing and Regulatory Services 	<ul style="list-style-type: none"> • ZBC • TRANSMEDIA • PRINTFLOW • KINGSTONS • ZMC
Ministry of Macro-Economic Planning and Investment Promotion	<ul style="list-style-type: none"> • Finance, Administration, Human Resources • Policy Planning • Economic Modelling • Investment Promotion 	<ul style="list-style-type: none"> • ZIA • ZIMSTAT • SEZ
Ministry of Mines and Mining Development	<ul style="list-style-type: none"> • Mining Promotion and Development • Zimbabwe Geological Survey • Engineering • Metallurgy • Finance, Administration • Human Resources • Legal • Audit • ICT 	<ul style="list-style-type: none"> • ZMDC • MMCZ • Hwange Colliery • ZCDC • Coal-fuel • Marange resources
Ministry of Primary and Secondary Education	<ul style="list-style-type: none"> • Disciplinary Services • Finance, • Administration • Human Resources 	<ul style="list-style-type: none"> • ZIMSEC
Ministry of Public Service, Labour and Social Welfare	<ul style="list-style-type: none"> • Finance & Administration • Human Resources • Labour Administration • Legal • Manpower, Planning and Development • Social Welfare 	<ul style="list-style-type: none"> • Zimbabwe Institute of Public Administration and Management (ZIPAM) • Premier Service Medical Aid Society (PSMAS) • National Social Security Authority (NSSA) • NAP • IPEC • Securities and Exchange Commission • State Board Procurement • National Handling Services • NIEE • Research Council of Zimbabwe • ZIMDEF • NECF
Ministry of Rural Development, Promotion and Preservation of National Culture and Heritage	<ul style="list-style-type: none"> • Arts Culture and Heritage • Traditional Leadership • Rural Development • Finance and Administration • Human Resources • Audit • Legal Services 	<ul style="list-style-type: none"> • National Museums • National Arts Council • National Gallery of Zimbabwe
Ministry of Small and Medium Enterprises and Cooperative Development	<ul style="list-style-type: none"> • Business Development Services • Cooperatives • Finance and Administration • Human Resources • Internal Audit • Press Statements • Technical Services 	<ul style="list-style-type: none"> • SEDCO • SERA • NIPC •

	<ul style="list-style-type: none"> • Research and Policy Development • Resource Mobilisation and Project Development 	
Ministry of Sports and Recreation	<ul style="list-style-type: none"> • Indigenisation • Economic Empowerment • Finance and Administration • Human Resources • Youth 	<ul style="list-style-type: none"> • SRC • Lotteries and Gaming Board
Ministry of Tourism & Hospitality Industry	<ul style="list-style-type: none"> • International Tourism Directorate • Policy, Research, Planning and Development Directorate • Domestic Tourism Directorate • Finance, Administration and Human Resources Directorate • Audit 	<ul style="list-style-type: none"> • ZTA • CAAZ
Ministry of Transport and Infrastructural Development	<ul style="list-style-type: none"> • Department of Finance & Administration • Air Transport Management • Department of Human Resources • ICT • Department of Internal Audit • Department of Legal Services • Department of Inland Waters Control • Department of Roads • Department of Rail Services • Vehicle Inspectorate Department (VID) • Road Motor Transportation (RMT) • Central Vehicle Registry (CVR) 	<ul style="list-style-type: none"> • NRZ • CAAZ • AIR ZIMBABWE • ZINARA • Traffic Safety Council of Zimbabwe • CMED • RMS
Ministry of Women Affairs, Gender and Community Development	<ul style="list-style-type: none"> • Women Affairs • Gender • Community Development 	
Ministry of Youth, Indigenisation and Economic Empowerment	<ul style="list-style-type: none"> • Indigenisation • Economic Empowerment • Finance and Administration • Human Resources • Youth 	<ul style="list-style-type: none"> • Zimbabwe Youth Council

Annex 7B Budgetary Units of Central Government

Office of the President and Cabinet
Parliament of Zimbabwe
Public Service, Labour and Social Services (PPB 2017)
Defense
Finance and Economic Development
Audit Office
Industry and Commerce
Agriculture, Mechanisation and Irrigation Development (PPB 2017)
Mines & Mining Development
Environment, Water and Climate
Transport and Infrastructural Development
Foreign Affairs
Local Government, Public Works and National Housing (PPB 2017)
Health and Child Care (PPB 2017)
Primary and Secondary Education (PPB 2017)
Higher and Tertiary Education, Science and Technology (PPB 2017)
Youth, Indigenisation and Economic Empowerment (PPB 2017)
Home Affairs
Justice, Legal and Parliamentary Affairs (PPB 2017)
Information, Media and Broadcasting Services
Small and Medium Enterprises and Cooperative Development
Energy and Power Development
Women Affairs, Gender and Community Development (PPB 2017)
Tourism and Hospitality Industry
Information Communication Technology, Postal and Courier Services
Lands and Rural Resettlement
Judicial Services Commission
Public Service Commission
Sport and Recreation
Macro-Economic Planning and Investment Promotion
Welfare Services for War Veterans, Former Political Detainees, Restricttees and War Collaborators
Rural Development, Promotion and Preservation of Culture and Heritage
Council of Chiefs
Human Rights Commission
National Peace and Reconciliation Commission
National Prosecuting Authority
Zimbabwe Anti-Corruption Commission
Zimbabwe Electoral Commission
Zimbabwe Gender Commission
Zimbabwe Land Commission
Zimbabwe Media Commission
Debt Service: Interest Bill
Pension
Other Constitutional and Statutory Appropriations

Source: National Budget Speech 2017