



Zimbabwe Economic
Policy Analysis and
Research Unit

POLICY BRIEF

Fiscal Transparency and Accountability

within the Context of Devolution in Zimbabwe

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INTRODUCTION

Devolution brings with it increased demand for transparency and accountability in the use of public resources allocated and disbursed to lower tiers of government. Furthermore, prioritisation of devolution infrastructure projects and decision making on the use of the intergovernmental fiscal transfers funds will now involve a broader spectrum of stakeholders beyond the public officials. Views of the business community, civil society organizations, and local/community leadership have to be taken on board. However, these stakeholders who have had little or no access to information on public financial management in the past will be demanding more information to inform their decisions. Thus, the easy accessibility and user friendliness of information will determine the quality and depth of stakeholder engagements in the devolution implementation processes. Timely sharing of relevant information will facilitate informed decision making and oversight by a broad spectrum of stakeholders with interest in devolution matters.

Transparency can be defined as the unrestricted access to timely and reliable information on decisions and performance whereas accountability refers to mechanisms to report on the usage of public resources and consequences for failing to meet stated performance objectives (United Nations, 2004).¹ World Bank (2001)² also noted that, accountability on the other hand, is the degree to which local governments have to explain or justify what they have done or failed to do to the citizens. Fiscal transparency is but one of the essential ingredients in a system for oversight, accountability, participation and sanction in pursuit of good economic management practices, and cannot survive or become effective on its own. The reason for enforcing accountability measures is to avoid or minimise abuse of power by authorities through the provision of checks and balances.

Generally, many economic theorists and practitioners agree that fiscal transparency has large and positive effects on fiscal performance including energizing the oversight activities of Parliaments (Kopits and Craig, 1998; Alt and Lassen, 2003 and Economic Commission for Africa, 2005). In this regard, increasing the levels of transparency and accountability at the central Government and also by the Executives managing the affairs of Local Authorities and the Secretariats of the Provincial and Metropolitan Councils will go a long way in enhancing the implementation of devolution. Globally, there has been an increase in interest and action with respect to transparency, participation, and accountability in fiscal decision making in recent years.

¹United Nations (2004), Public Sector Transparency and Accountability in Selected Arab Countries: Policies and Practices, ST/ESA/PAD/SER.E/71, <https://publicadministration.un.org/publications/content/PDFs/E-Library%20Archives/2005%20Public%20Sector%20Transp%20and%20Accountability%20in%20SelArab%20Countries.pdf>, accessed 5 March 2020

²World Bank (2001), Administrative Decentralization, <http://www1.worldbank.org/publicsector/decentralization/admin.htm>, accessed 2 March 2020

The three tiers of government and state owned enterprises are expected to adhere to the principles of transparency and accountability through making information available and accessible in formats/media that are user friendly. They are also expected to be accountable with regards to the use of public resources entrusted to them and be answerable for their acts of commission or omission. Historically, local authorities have been accountable mainly to the central government through the Ministry of Local Government, Public Works and National Housing than to the citizens within their jurisdictions. The implementation of the devolution agenda is expected to increase citizen participation in local governance issues and the obligations for local authorities to be more accountable to citizens. Local authorities' proximity to citizens should inevitably promote more targeted government actions and improved levels of transparency and accountability in the use of public resources than a centralised systems. As some fiscal responsibilities are devolved to lower tiers of government, new fiscal risks also emerge hence the need for enhanced transparency and accountability. However, Oduor (2015) argued that devolution may not immediately lead to more accountable government at the county level in Kenya hence the need to strengthen the voice of citizens to hold their leaders accountable. Clarity of functions of different tiers of government makes it easier for the tier to be accountable to the citizens (Smoke, 2015).

Strengthening rules and capacities to disclose budget information at all levels of government, complemented by the national media's watchdog role can further foster a culture of transparency. In addition, addressing capacity constraints that may militate against adherence to transparency and accountability at all tiers of government is critical which may require a comprehensive capacity building programme to capacitate institutions that foster government transparency and accountability to citizens. Making information available to the public that does not understand it defeats the aims of fiscal transparency and accountability hence ensuring fiscal literacy of citizens by government and civil society organisations may be critical to ensure that the availed information is understandable. Furthermore, the media can be an effective ally in sparking debate among the general public and eliciting responses from the government on issues of fiscal transparency and accountability. Strengthening citizens' capacity to engage in setting of development and infrastructure project priorities; resource allocation discussions and decision making will provide checks and balances in the use of devolution funds. Elected local leaders also constitute an important building block to enhancing accountability at central, metropolitan and local government which is critical under devolution to ensure that local elected representatives represent the will of the citizens. Citizens should however, ensure that the elected leaders should push the former's priorities not the agenda of their political parties they represent.

Open data policies can entrench transparency and enhance co-responsibility in areas such as public procurement, fiscal and budget transparency, development planning and broader public policy and decision making within the context of devolution. Improving fiscal transparency can also create significant economic benefits as private sector gets real-time information on government plans and envisaged devolution programmes and projects.

Equipped with the right information, private investors will be in a position to make informed investment decisions, based on evidence, as they assess risks and opportunities presented by the devolution projects. Improving transparency in project information, contracting and procurement processes will also reduce the cost of corruption in business transactions.

METHODOLOGY

The discussion paper explore the extent to which the principles of transparency and accountability are key in the implementation of devolution. The paper is anchored on the premise that the three tiers of government are key custodians of the welfare of the citizens through the provision of public and infrastructural services. The study's specific objectives are as follows:

- Assess the extent to which fiscal transparency and accountability principles are being adopted in the implementation of devolution;
- Identify the existing legal and institutional frameworks that are expected to foster transparency and accountability in Zimbabwe;
- Promote debate and discussions on the role of fiscal transparency and accountability in achieving the devolution objectives; and
- Draw lessons on how to improve fiscal transparency and accountability under devolution from other country experiences.

The paper is based on a desk review of existing literature and document review of the pillars of transparency and accountability, the legislative frameworks that foster transparency and accountability in Zimbabwe and also drawing lessons from other country experiences.

KEY FINDINGS

The paper notes that devolution brings with it increased demand for transparency and accountability in the use of public resources allocated and disbursed to lower tiers of government. Furthermore, prioritisation of devolution infrastructure projects and decision making on the use of the intergovernmental fiscal transfers funds will now involve a broader spectrum of stakeholders beyond the public officials. In this regard views of the business community, civil society organizations, and local/community leadership have to be taken into consideration. This presents a change in the governance framework within the three tiers of government with requisite demand on new capacities and fiscal information/data to facilitate deeper citizen engagements in development planning and priority setting. This is a distinct break with the past where the broad spectrum of stakeholders had little or no access to

information on public financial management. Hence, timeous sharing of relevant information will facilitate informed decision making and oversight by a broad spectrum of stakeholders with interest in devolution matters.

It was noted in the paper that transparency and accountability are interrelated and mutually reinforcing concepts without which it would be difficult to call public sector entities to account. However, the main challenges for Zimbabwe have been on the implementation and enforcement of the provisions of the legislative frameworks. It can be argued that generally Zimbabwe has the necessary policy framework to enhance transparency and accountability. Section 298 of the Constitution of Zimbabwe provides the principles of public finance management and the Public Finance Management Act Chapter 22:19 has provisions on fiscal reporting particularly Part IV which provides guidelines on the preparation and tabling of financial statements by central government and the general public sector related entities. Further, Part VIII of the Public Finance Management Act provides for the appointment of auditors to monitor the financial administration and procedures of the ministry or reporting unit concerned to ensure that proper accounting standards are maintained in compliance with the country's laws and international standards. This is in line with section 308 of the Constitution of Zimbabwe which seeks to safeguard public funds and assets. In addition, the Urban and Rural Councils Acts provides guidance on the types of levies and charges the Rural District and Urban Councils can charge. Further, they have provisions on the appropriate use of funds, auditing, restrictions on borrowing and they are expected to be amended in line with the devolution agenda to facilitate transparency and accountability. However, timeous submission of audited financial statements is still a challenge among local authorities as evidenced by only three local authorities that submitted audited financial statements in 2018, which shows gross violation of transparency and accountability to the citizens. Generally, transparency and accountability diminishes if financial statements are not timeously prepared, audited and presented for public scrutiny.

Other issues raised by the Office of the Auditor General include maintaining of multiple bank accounts by a majority of Councils with bank reconciliations which are not up to date; local authorities not adhering to the prescribed 30:70 employment cost to service delivery ratio; and revenue loss through inadequate/ lack of controls on sale of stands, lease agreements and shop licences and lack of proper debt management practices and incomplete records. Furthermore, some Councils had no lease agreements for their rented properties and in some instances some local authorities had no databases for shops licences. Some local authorities produce financial reports compliant with the International Public Sector Accounting Standards (IPSAS) accrual standards, while others are unable to compile basic income statements. There are also some inconsistencies in applying good practices in procurement and auditing and there are also cases of failure to adhere to tender procedures (World Bank, 2017). This is despite the fact that the Public Procurement and Disposal of Public Assets Act outline the procurement procedure to ensure accountability. Hence, the drafting of the procurement record, public procurement plans should be published for all the three tiers of government.

Despite having established internal audit functions for all line ministries which receive appropriations from the Central Government by votes, the Government's implementation of the recommendations of the Auditor General's Office, the supreme audit institution in Zimbabwe, on fiscal reporting and internal control covering the period 2014-2018 are very limited (International Monetary Fund (IMF), 2020). The adverse issues and irregularities noted by the Auditor General's reports including recommendations to address these anomalies have not been given the due attention that they deserve by Parliament or addressed by the respective public entities.

It was also noted that the issues of regular and timely data dissemination as required by the Public Finance Management Act are of critical importance to enhance transparency and accountability in all the three tiers of government as the devolution agenda is rolled out. The Government of Zimbabwe is not complying with some legal requirements in respect of public financial management and fiscal reporting. Currently the Government publishes the budget execution reports and monthly consolidated financial statements but there is limited or no regularly published information on extra-budgetary funds or state-owned enterprises. This notwithstanding, systems of internal control and internal audit are weak, thus creating many opportunities for financial irregularities and corruption. State owned enterprises are expected to publish annual financial statements but the information is limited and untimely (IMF, 2020). Despite the Public Finance Management Act requiring public entities to submit quarterly and annual reports to the Ministry of Finance and Economic Development, many state owned enterprises have not observed this requirement which violates transparency and accountability of public entities. Moreover, many transactions occur outside the automated public financial management information system and no penalties are applied to ministries, departments and agencies that do not comply despite this being not permitted by the provisions of the Public Finance Management Act.

CONCLUSION AND RECOMMENDATIONS

Transparency and accountability are interrelated and mutually reinforcing concepts. Without transparency it would be difficult to call public sector entities to account. Moreover, transparency would be of little value if there is no accountability. The existence of both conditions is a prerequisite to effective, efficient and equitable management in public institutions. Thus, the study recommends the following:

- a. Adverse issues and recommendations from the Auditor-General's reports need to be followed through by Parliament and addressed by the respective public entities if the principles of transparency and accountability are to be adhered to. The adverse issues raised keep recurring without redress and there is limited evidence that the Auditor General's recommendations are taken seriously.

- b. The issue of regular and timely data dissemination as required by the Public Finance Management Act is of critical importance to enhance transparency and accountability at central and local government. Enforcement of the constitutional and legal provisions in respect of financial reports, internal controls and audits are critical. Hence, there may be need to impose sanctions on ministries, departments, agencies, provincial and metropolitan councils and local authorities and/or officials who fail to submit audited financial reports. There is also need to introduce data dissemination dates and follow those dates for publishing regular and timely fiscal information to ensure that the three tiers of government are accountable to the citizens of Zimbabwe.
- c. Need to accelerate the roll-out of the financial management information system to local governments to enhance transparency and accountability. Fiscal discipline should be enforced to ensure that no public expenditure is undertaken outside the public financial management information system to ensure correct determination of the budget deficit.
- d. Transparency policies/initiatives could be fashioned in a way that is consistent with the national context, policy priorities and strategic actions to be taken in order to achieve greater public sector integrity and accountability in the implementation of the devolution agenda.
- e. The legislative framework to foster fiscal transparency and accountability in Zimbabwe has been outlined, the question is to what extent are these frameworks being adhered to and implications of the obtaining practices to the successful implementation of devolution. The discussion paper notes the need to adhere to the legislative framework to enhance transparency and accountability.
- f. Short comings in the revenue and expenditure administration by local authorities including deficits in financial and administrative systems and services delivery need to be addressed to enhance the implementation of devolution programmes and projects within local authorities.
- g. Adoption of an open budget process that cascades across all tiers of Government will facilitate effective participation by diverse stakeholders in the budget formulation and implementation processes.
- h. Citizens may need instruments to enforce accountability. This may include word of mouth by expression of their views through public meetings, use of community radios, citizen report cards and complaint and appeals boards through community based organisations. Enhancing capacity of civil society organisations may be necessary to give them technical expertise to mobilize and educate the public on public policies and programmes. This may in turn enhance the capacity of citizens to serve as a check upon public sector performance.
- i. On procurement, the drafting of the procurement record and public procurement plans should be published. There may be also need to introduce e-procurement, and establish an online procurement database to for all the three tiers of government to ensure transparency and accountability.

rdgraphix + 263 772 403 625

Zimbabwe Economic Policy Analysis and Research Unit

 55 Mull Road, Belvedere, Harare, Zimbabwe

P. O. Box CY 244

Causeway, Harare

 Tel: +263 242 778 423 / 785 926/7

 Email: administration@zeparu.co.zw

 Website: www.zeparu.co.zw

 Twitter: @ZEPARU1

 Facebook: @ZEPARU.page