

## **PUBLIC FINANCE MANAGEMENT (PFM): FREQUENTLY ASKED QUESTIONS**

### **What is Public Finance Management?**

- ❖ Public Finance Management (PFM) basically deals with all aspects of resource mobilization and expenditure management in government. Just as managing finances is a critical function of management in any organization, similarly public finance management is an essential part of the governance process.
- ❖ PFM entails the development of policy and legislation, the creation and capacitation of an institutional framework in conjunction with systems to enable sustainable, efficient, effective and transparent management of public finance. Transparency International assists governments to strengthen public financial management by offering technical assistance and research.

### **Why is Public Finance Management necessary?**

- ❖ Public Finance Management is a vital component of self-determined and sustainable development. Through a country's budget development strategies are put into practice. The transparent management of these budgets is an integral part of good governance and democratic accountability. The participation of all stake-holders in the development process and the reduction of poverty are only possible if the above-mentioned tenets of transparency and accountability are in place.
- ❖ The rising aspirations of people are placing more demands on financial resources. At the same time, the emphasis of the citizenry is on value for money, thus making public finance management increasingly vital.
- ❖ Public finance matters for development. In Zimbabwe, poor public financial management systems represent a major constraint on our ability to turn high-level policy ambitions into real-life outcomes. Unless we raise money fairly, execute credible spending plans and account for the use of taxpayer funds, Zimbabwe will continue to struggle to deliver the economic, social and political change their citizens expect.

### **What are the key elements of a Public Finance Management system?**

There are three (3) broad elements of Public Financial Management:

1. Allocation of Finances
  - Determining what we spend our money on or invest our money in – this aspect includes the budgeting process which ought to involve citizens as key stakeholders.
  - Resource allocation is a process and strategy involving a country deciding where scarce resources should be used in the production of goods or services.
2. Controlling Resources
  - This aspect is concerned with the elimination of waste, fraud, corruption or theft.
  - It helps the government to become more accountable to citizens and gain their respect and confidence through the efficient use of resources.
3. Financing Decisions

- Helps the government prepare itself for long-term financial sustainability.

### **Does Zimbabwe have a Public Finance Management system?**

- ❖ Yes, Zimbabwe does have a public finance management system with a fairly encompassing policy and legislative framework which includes but is not limited to:
  - The Constitution of Zimbabwe,
  - The Public Finance Management Act,
  - The Procurement Act,
  - The Exchange Control Act,
  - The Audit Office Act,
  - The Finance Act,
  - The African Development Bank (Membership of Zimbabwe) Act,
  - The Housing and Building Act,
  - The Money Laundering and Proceeds of Crime Act,
  - The Capital Gains Tax Act,
  - The Customs and Excise Act and,
  - The Income Tax Act
- ❖ Zimbabwe also has an enabling institutional framework to execute and offer oversight for the above-mentioned pieces of legislation including:
  - The Office of the President,
  - The Parliament of Zimbabwe,
  - The Comptroller and Auditor General,
  - The Zimbabwe Revenue Authority,
  - The Judiciary,
  - The Cabinet of Zimbabwe,
  - The Minister of Finance and Economic Development and,
  - Accounting Officers and receivers of revenue.

### **Can the Zimbabwean Public Finance Management system be improved?**

- ❖ Yes. Although Zimbabwe has an encompassing legal and institutional framework, it is not living up to the expectations of the Constitution or the people of Zimbabwe. This is evident from reports by the Auditor-General signifying a weak public finance management system and Zimbabwe's public sector continuously scores poorly on Transparency International's Corruption Perception Index. This is because there are high levels of impunity and a lack of adherence to the PFM in place. The key recommendations for improvement are as follows:
  - Gazetting of Public Finance Regulations to operationalise the Public Finance Management Act,
  - Enacting legislation to enforce of Principles of Public Administration and Leadership (including governance) as per the Constitution and,
  - The most important recommendation is that there needs to be transparent management of budgets and expenditure, good governance and democratic accountability of duty bearers for Zimbabwe to have a meaningful PFM system.