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FISCAL MANAGEMENT IN ZIMBABWE

GIDEON ZHOU

Department of Political and Administrative Studies, University of Zimbabwe.
*Corresponding Author: Email- gideonzhou62@gmail.com

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Abstract- This article examines frameworks governing fiscal management in Zimbabwe. Frameworks are the proximate contexts within which fiscal processes are administered and regulated. Research findings suggest that while Zimbabwe has fairly elaborate fiscal frameworks and systems that are even comparable with those in the region, the political climate is disabling concerted efforts directed at resuscitating the economy and strengthening the management of the fiscal sector. Continued contestations over the implementation of the Global Political Agreement are sending conflicting signals to fiscal managers, stifling effort to re-open external lines of credit. Fiscal space for collecting revenue, financing critical public services, expenditure control, public auditing, external borrowing and debt servicing is severely strained. Some experiences in the revenue collection sector suggest processes that are shrouded in secrecy, raising fundamental questions about the extent to which all public revenues are flowing into the Consolidated Revenue Fund. Notwithstanding these challenges, the adoption of the "we eat what we kill" fiscal policy framework, the launch of the Zimbabwe Medium Term Plan 2011-2015 and the intention to set up the Zimbabwe Aid and Debt Management Office reflect concerted effort towards ensuring best practices in the management of public finances.

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Introduction

Sound fiscal management is the bedrock of socioeconomic development. The development efforts of a government are directly linked with the availability and efficient utilization of its fiscal resources. National fiscal systems need to be continually reviewed and strengthened to sustain their effectiveness in matters of revenue collection, expenditure control and debt servicing. A culture of fiscal restraint, accountability and transparency should underpin the planning, mobilization and utilization of public financial resources. The need for fiscal discipline is compelling in African socioeconomic settings where fiscal policy planning is generally undertaken under conditions of severe resource deficit. The need for this is even more compelling in Zimbabwe which is currently saddled with a national debt stock of US$10 billion (Budget Statement, 2012). Zimbabwe's national fiscal systems are yet to recover from the devastating effects of the post 2000 socio-politico-economic melt-down in the inflation rate reached an all historic level of 231 million percent (Central Statistical Office, 2009). Against this backdrop, an austerity-oriented fiscal policy framework based on the "what we gather is what we eat" philosophy was adopted at the formation of the Inclusive Government in 2009 (Budget Statement 2010, 15).

Fiscal Finance

Literature review suggests that fiscal finance has evolved over a long period, grafting theories, concepts, principles and precepts from a diverse range of disciplines, processes that lent a multi-disciplinary outlook to its study. The word fiscal is derived from fiscus, a Latin word used in reference to a "basket where the treasury of the Roman emperors was stored" (www.britannica.com). In its current usage, the term covers all funds that are collected by designated state institutions and paid into and out of the Consolidated Revenue Fund. The Consolidated Revenue Fund is thus the modern day national basket or purse of the state. This conception resonates with most definitions of fiscal finance which generally present it as the financial activities of governments and public authorities (Aronson, 1985; Musgrave and Musgrave, 1984; Buchanan, 1960; Shaw, 2005; Bailey, 1995; Pigou, 1982). Recurring throughout these definitions is the designation of the state as the domain of fiscal finance. The financial activities of the state are viewed as primarily revolving around revenue collection, expenditure allocation and control. Concepts such as public treasury, fiscal policy, public revenue, public expenditure, public borrowing and public debt animate the contemporary subject matter of fiscal finance.

Fiscal Management defined

Fiscal management, as conceptualized by Goel (1995,6) is a "systematized and specialized branch of knowledge of the rational techniques, principles and practices of raising, allocating and utilizing financial resources for the achievement of set national goals". Nigro and Nigro (1984,289) view it from a public administration and management perspective and thus presents it as essentially concerned with putting in place measures for planning, directing, controlling, organizing, coordinating, monitoring and supervising the revenue and expenditure activities of government. This perspective is also evident in works by Visser and Erasmus (2002), Shaw (2005) and Mikesell (2011) where explicit emphasis is on the institutions, systems, procedures and mechanisms by which governments receive revenue, expend money and exercise control through the budget. Also emerging from these definitions is that the long range pursuit of fiscal management is the promotion of socioeconomic welfare by institutionalizing and sustaining a culture of prudence, discipline, efficiency, equity, accountability and transparency in the management of the financial affairs of government. Concern with fiscal management issues is therefore a quest for excellence and best practices in national public administration systems.

Processes of Fiscal Management

Fiscal Policy Making

Fiscal policy is the heart of fiscal management. It provides the central framework for the mobilization, allocation and control of government financial resources (Shaw, 2005). Fiscal policy refers to the "use of taxation and government spending to regulate the aggregate level of economic activity" while monetary policies are measures which affect the supply of money and credit and the rate of interest" (Eshaq, 1983, 28). These conceptions of fiscal and monetary policy are consistent with definitions by Schiller (2003, 298), Collander (2004, 301), Musgrave and Musgrave (1984, 12), among other authoritative sources. Fiscal policy formulation is generally the responsibility of the ministries of finance, operating through specialized departments/divisions/units and also in consultation with line ministries, parliament, the private sector as well as bilateral and multi-lateral agencies. In parliamentary systems, ministers of finance or the Chancellor of the Exchequer (in the case in the United Kingdom), present and seek legislative approval on national budgets while in presidential systems such as the United States of America, presidents seek congressional approval on the budget (Moyo, 1992, 23-32).

Fiscal policies are mainly enforced through national budgets. National budgets are the concrete manifestations of fiscal policy, providing policy signals (Wildavsky, 1986). In Within yearly national budgets, are explicit measures for the mobilization of revenue, control of expenditure, promotion of public welfare and the facilitation of economic growth, among others. However, socioeconomic stability and development cannot be entirely achieved through the manipulation of the fiscal arm. Fiscal policy measures have to be complemented by a strong monetary policy regime. As aptly captured by Musgrave and Musgrave (1984:17) "fiscal and monetary policies interact and complement each other in many ways". This emphasis on the interdependence of fiscal and monetary policies is also manifest in works by Erasmus and Visser (2002, 9) and Reynolds (1985, 128) where the effects of fiscal and monitory policies are generally viewed as mutually reinforcing. This conception reflects departure from the approaches of the pre 1960s where it was believed government could simply" fine tune the economy through judicious use of selective tax and expenditure changes (Auld, A.L and Miller, F.C, 1984, 240). Current consensus is that the stabilization of economic activity is a result of a combination of all or some aspects of both instruments. Fiscal policy provides the economic framework within which monetary policy operates. It has a direct bearing on the supply of money. Through the budget instrument, fiscal policy can either expand or restrict public expenditure. Fiscal policies can play a promotional role and lure investment to areas that may be lagging in terms of development. Tight monetary policies characterized by high interest rates can be used to restrict aggregate demand (institutional and individual borrowing and expenditures).

Revenue Collection

Revenue collection is one of the most basic functions of government. It is the central process through which government funding is ensured. Across the globe, governments are funded from diverse sources-with taxes as major sources of government revenue (Honohan, 2003; IMF, 2011). According to Fjeldstad & Moore (2008,1), by 2000, autonomous revenue authorities had been established in African countries that includes Mauritius (2005), Zimbabwe (2001), Gambia (2005), Malawi (1995), Tanzania (1996), Sierra Leone (2002), Uganda (1991), South Africa (1997), Kenya (1995), Ghana (1985), Ethiopia (2002) and Rwanda (1998). Notwithstanding these developments, revenue collection remains a major challenge in most African countries, with concerns that public welfare is generally sacrificed at the expense of increasing state revenue inflows (AFRODAD, 2011). Revenue collection should be sensitive to universally acknowledged principles of equity, ability to pay, convenience, economic efficiency and certainty. Balance should be struck between the imperatives of collecting adequate revenue and socioeconomic welfare.

Borrowing

Borrowing is a credit facility at the disposal of every government and entails government acquiring funds from either the domestic or external markets (ZIMMCOD, 2001; Bade and Parkin, 2003). Government budgeting is generally under deficit conditions. Within the domestic market, governments borrow from the banking and non-banking sectors through a cocktail of instruments that include treasury bills, securities, stocks, bonds and over-draft facilities with central banks. However the effectiveness of these borrowing instruments largely depends on variables such as the competitiveness of the coupon rate, the maturity period, the credibility of government as well as the state of the economy (Musgrave and Musgrave, 1984; Eshaq, 1983). For instance, where the coupon rate is perceived as low, the risk of having few takers (buyers) is very high. In highly unstable socio-politico-economic environments, investors usually insist on being hedged from inflationary pressures-especially where the returns on their investments are expected after a long period. The hyperinflationary environment that characterized Zimbabwe between 2002 and 2008 in which the inflation rate hovered around 231 million percent while prices changed within hours (Budget Statement, 2009)-provides a telling case of the difficulties associated with domestic borrowing in highly inflationary and politically polarized environments.

Governments also finance national activities from external borrowing. In fact offshore borrowing is a major source of balance of payments in most developing countries-though a highly contested source, with some scholars even linking it to the debt crisis currently bedeviling the developing world (ZIMCODD, 2001; Bond, 1998; Danso, 1990). Underlined in these debates is the need for fiscal authorities to scrutinize the source of aid, the grace period, the grant element of the loan, and interest rate as each invariably impacts on the extent to which the sourced funds will contribute to socioeconomic development. Governments usually seek long grace periods to ensure increased revenues before repayment begins, the argument being that the longer the grace period, the more developmental external financing is. Immediate repayments place instant burdens on the borrower. Bilateral sources which provide longer grace periods of 8 to 10 years are therefore more preferable to multilateral financial institutions which usually charge higher interests and immediate repayments (Eshaq, 1983).

However, whatever the source, government borrowing needs close monitoring because it is highly prone to abuse. Governments, like individual citizens have a propensity to over-borrow or even use borrowed funds in non-essential investments, scenarios that are generally linked with crowding out effects, debt serving problems and inflationary pressures on the domestic market (Blondal, 2003, ZIMMCOD, 2001, Mlambo, 1997). It is important to appreciate that the contribution of borrowed funds to national development also depends on the "absorptive capacity of the recipient country", a reference to the prevailing tax regimes, political stability and fiscal discipline within government (Eshaq, 1983:17).

Expenditure Control

Appreciation of public expenditure control demands prior understanding of what public expenditure entails. Public expenditures are costs generally incurred by governments in the discharge of their sovereignty duties and are either of capital and current nature (ZIMCODD, 2001, 4, Bailey, 1995, 49). They entail those outlays that directly increase the physical productive capacity of the economy and as such, include expenditures on projects such as roads, bridges, power generation, agricultural production, industrial expansion, and communication infrastructure. It is on this basis, that capital expenditures are deemed productive investments. Current expenditures, on the other hand, cover outlays of a recurrent, non-investment, non-discretionary and exhaustive nature (Eshaq, 1984, 28). Eshaq further breaks them into two streams, consumption and transfer payments, the former consisting of day to day expenses of central and local authorities in the form of administration, maintenance, employment and debt-related costs while the later take the form of subsidies, educational grants, state pensions, social benefits and gratuities to war veterans (Ibid: 31). Such transfer payments are usually made to lower-income groups in the form of unemployment benefits, sickness benefits, old-age pensions and other assistance schemes.

Against this conceptual backdrop, expenditure control involves the use of procedures and instruments by governments to supervise expenditure behaviors in various line ministries and departments with a view to inculcating and sustaining fiscal discipline and economy in the use of government funds (Bailey, 1995; Shaw, 2005). It is thus a dynamic process in which fiscal managers undertake periodic reviews of the strengths and weaknesses in their expenditure monitoring and control systems (Musgrave and Musgrave, 1984). Expenditure control seeks to reduce the costs that arise from inefficiency, fiscal indiscipline, wastage and duplication of activities, among others. There is therefore need to institute expenditure controls at both the macro and micro levels of government.

Public debt management

Unsustainable public debts remain matters of nagging concern to fiscal planners and managers in most developing countries, Africa among the hardest hit and reportedly having huge chunks of its national funds being siphoned out through debt servicing (Bade,1989; ZIMMCOD,200; Bond,2000); www.oecd.org/document/58). Public debt management as defined by Musgrave and Musgrave (1984, 156) is "a fine art which requires a shrewd appraisal of market prospects from a considerable time ahead". It is thus a long term process that entails monitoring the country's borrowing policy, scrutinizing the terms and conditions of new loans as these directly impact on existing debt structure and inflation trends within the local and global community. According to the www.imf.org/external/np/mfd/pdebt/2003, it is a strategy for managing the government's debt to ensure that their growth remains sustainable at both the macro and micro level. The need to manage national public debt is even more pressing in the case of Zimbabwe whose gross debt stock is currently around US$10 billion and posing serious threats to national economic recovery (Budget Statement, 2012). This debt is owed to the World Bank, the IMF and the African Development Bank and continues to grow due to payment areas as well as interest and penalty charges on existing payment areas. Efforts at engaging donor countries and multilateral agencies to reopen external lines of credit since the formation of the Inclusive Government are not performing as expected.

Public Audit

Public audit systems are central mechanisms through which accountability is enforced within state institutions. It is essentially a process of ascertaining whether a government department is spending allocated funds in accordance with legislative intent (Goel, 1995, 233). Public audits take the form of pre-audits, concurrent audits and post audits and in this way help to trace and make timely interventions where illegal, improper or incorrect payments have been made by a government department (Ibid: 234. While traditionally, the fixation of public audit was compliance, current emphasis is on using the public audit as an instrument of fiscal management, in particular improving efficiency and effectiveness. Public Audit adds value by examining and reporting what happened after the event as well as identifying best practices that should be adopted (www.public-audit-forum.gov.uk/popa.ht). As explained in this Public Audit Forum, sound public audit is best served when certain conditions are in place. These include the independence of public auditors, comprehensiveness of public audit, emphasis on value for money, and ability to avail audits to the public. Public audit independence is enhanced when it is statutorily guaranteed.

Appointment and financial structures should not restrict their independence. Comprehensive public audits relate to broader issues of corporate governance such as compliance with extant legislation, sensitivity to their statutory and ethical obligations to the public and stakeholders. The value for money principle exhorts considerations of economy, efficiency and effectiveness in the use of public resources.

The Frameworks of Fiscal Management

Fiscal management in Zimbabwe is executed through a cocktail of legal, institutional and fiscal policy frameworks. These provide internal checks and balances as well as defining the space within which fiscal activities are conducted at both the macro and micro levels of government. The term legal framework covers the constitutional and legislative provisions which proscribe and prescribe fiscal management within state institutions.

The Constitutional Framework

The basic legal framework of fiscal management in Zimbabwe is the national constitution. The constitution has specific provisions that relate to the management of the national fiscus. Section 101 of the Constitution of Zimbabwe provides for the establishment of the Consolidated Revenue Fund into which all revenues are paid and in this way provides the basis for the safe custody of all public revenues. Section 102 of the Constitution of Zimbabwe specifies the conditions under which withdrawals from the Consolidated Revenue Fund can be made. Section 103 (1) of the Constitution of Zimbabwe obliges the ministers of finance to prepare national budgets and present them before Parliament before or not later than 30 days after the start of each financial year. This provision designates ministers of finance as part of the fiscal management framework. Section 104 of the Constitution of Zimbabwe provides for the management of public debt, specifically outlining that all debt charges for which the Government is liable should be charged upon the Consolidated Revenue Fund. Section 105 of the Constitution of Zimbabwe provides for the establishment of the Office of the Comptroller and Auditor General to act as watchdog on matters dealing with public funds. This provision obligates the Comptroller and Auditor General to ensure the financial accountability of government ministries and public bodies. However, with the constitution making process currently underway, these constitutional provisions are set to change.

Legislative Frameworks

These constitutional provisions are supported by a raft of legislative instruments that includes the Public Finance Management Act (Chapter 22:19), the Audit Office Act (2010), the Appropriation Act, the Finance Act (Chapter 23:05) and the Incomes Tax Act (Chapter 23:06). The Public Finance Management Act was enacted on 2 April 2010 to repeal and replace the Audit and Exchequer Act (Chapter 22:03) and the State Loans and Guarantees Act (Chapter 22:13). The Audit and Exchequer Act (1996) had provided for the management and control of pubic monies and state property while the State Loans and Guarantees Act regulated the borrowing and administration of State loans and the issuance of guarantees by Government (National Budget Statement, 2010, 162-163; www.//blog-pfm.imf.org/pfmblog/2009/10). The Public Finance Management Act, as outlined in the Budget Statement (2010:163), seeks to strengthen the fiscal framework by clarifying the roles and responsibilities of various players, putting in place rigorous reporting requirements, enhancing the corporate governance framework, extending coverage to public enterprises, local authorities, and joint-venture companies, among others. The Public Finance Management Act in this way provides the broad framework of fiscal management in Zimbabwe.

The Audit Office Act of 2010 (which replaced the Audit and Exchequer Act of 1996) specifically relates to the Office of the Comptroller and Auditor-General which it seeks capacitate to “effectively discharge its mandate and facilitate Parliamentary oversight over the management of public resources” (Ibid: 164). The Act spells out in detail the role of the Comptroller and Auditor General as well as the penalties that should be enforced in the event of lack of compliance. It also specifies how the Public Audit Office relates to other government departments such as the ministry of finance, parliament, Comptroller and Auditor General, Treasury, Receivers of Revenue and the central bank. The Comptroller and Auditor General is designated as the guardian of the national purse, is authorized to audit all public accounts, safeguard public accounts, and to prepare reports on the exchequer account.

Fiscal management in Zimbabwe is also regulated through the Finance and Expropriation Acts. Each fiscal year has its own Finance Act which specifically authorizes the minister to raise revenue through the various tax measures proposed in the national budget. The Appropriation Act stipulates sums of money which ministries are allowed to spend in the ensuing fiscal year. Once the funds are released, it is up to Permanent Secretaries as Chief Accounting Officers of ministries to institute proper controls and ensure that the funds are spent in accordance with the original intended purposes.

In addition to these constitutional and legislative frameworks are a number of statutory instruments that are issued from time to time under the authority of the Audit Act. These include the Audit and Exchequer Regulations which designates all accounting officers and receivers of revenue as well as providing in detail their operational procedures. Treasury Instructions are detailed instructions issued by the Treasury in connection with day to day financial administration of government departments. They relate to the collection, receipt, custody, control and issue of public moneys. Treasury circulars are also issued from time to time by the Treasury to deal with particular needs at local level. Within each ministry are Accounting Officers’ Instructions which are issued for the particular needs of the issuing authority. The ministry of finance issues quarterly treasury bulletins updating stakeholders on macroeconomic developments and progress on the implementation of national budgets.

However, despite this fairly comprehensive legal framework, compliance with treasury regulations has generally been low note across, with even claims of violations of the Audit and Exchequer Act (Chapter 22:03) with such impunity “as if law did not exist at all” (Parliamentary Debates, Volume 31, No.8, 13 October, 2004 p: 423). The Report also refer to cases in which parastatals and local authorities received funds from the Central Bank under the Productive Sector Facility without producing up-to date audited financial statements and even the approval of the responsible minister of finance as stipulated in the then Audit and Exchequer Act (Ibid: 425). In her First Quarter Report of the 2009 financial year, the Comptroller and Auditor General, Mildred Chiri, referred to gross abuse of state resources involving misappropriation of vehicles, cash and fuel coupons by top government officials (www.theindepependent.co.zw.../24085-audit).

Institutional Fiscal Frameworks

The institutional framework denotes government ministries and departmental bodies which provide the administrative, implementation and supervisory framework within which the fiscal management is undertaken. How these institutions are constituted invariably has a bearing on their capacity to undertake their fiscal mandates.

Ministry of Finance

The ministry of finance is the nerve-center of the fiscal management system in Zimbabwe. It plays critical roles in national fiscal and economic planning. It has a legal constitutional mandate to manage the finances of the central government and other ministries' expenditure and staff appointments (Section 103(1) of the Constitution of Zimbabwe). The ministry deals with the formulation and administration of fiscal policy which it executes through specialized departments. In formulating fiscal policy, ministries are expected to consult widely with all relevant stakeholders in order to come up with bids that are truly reflective of sectoral financial needs. Once these bids are submitted to Treasury officials, they are then consolidated into the national budget. It should be noted that closed door intensive consultations between Treasury officials and bidding ministries takes place before a consolidated budget proposal is produced, ministries being asked to justify their bids where they are questionable (Moyo, 1992; www.zimtreasury.org/). Around October of each year, the ministry of Finance presents the budget statement in Parliament followed by intense debates on the budget. Once accented to by the President, enabling Acts in the form of Appropriation and Finance Acts are passed. The Appropriation Act authorizes the spending of public money whilst the Finance Act gives effect to the collection of revenues by the State. With the Finance Act and Appropriation Acts in place at the commencement of the year, ministries are empowered to spend up to the limits detailed in the Budget Estimate.

While the three decades saw concerted effort by the ministry of finance to instill fiscal discipline, exhortations for zero tolerance to unbudgeted expenditures in 2003, adoption of target-based cash-flow management systems which required ministries to operate within their vote allocations in the late 1990s, the introduction of Public Finance Management Systems in 1999, their impact was low note. Unbudgeted expenditures and supplementary budgets almost assumed permanence in the late 1990s. In the post 2000 era, political expediency assumed preponderance over rational fiscal decisions and actions. In fact the ministry lost its budgetary and supervisory control. Line ministries, local authorities and parastatals violated treasury regulations with impunity (Zimbabwe Parliamentary Report, Volume 31, No. 8, 13 October 2004:423). Under the hyperinflationary environment that ensured between 2000 and 2008, year-long fiscal planning became an impossible as the value of local currency declined on a daily basis. Its loss of supervisory control was further compromised by the involvement of the central bank into quasi fiscal activities, scenarios that saw the central bank extending its jurisdiction into the traditional fiscal roles of the ministry of finance. While with the formation of the Inclusive Government in 2009, a relatively stable and predictable socioeconomic climate prevailed, fiscal space remained severely strained as external support has not been forthcoming (Budget Statement, 2012). Unfolding scenarios since the formation of the Inclusive Government also raise fundamental questions on the extent to which the finance ministry is in control over all national revenue collection processes in the country. At issue are revenues from the Chiadzwa diamond mining activities in the Marange area of Manicaland, a potential national cash cow. Review of statements by the minister of Finance as reflected national budget statements since assuming office in 2009, suggest suggests that some of the funds from the Chiadzwa diamond mining activities were not being deposited into the Consolidated Revenue Fund (Budget Statement, 2010; 2011). In the 2011 Mid Term Budget Review Statement, the minister lamented that "despite the huge production at the diamond mines, only US$103,9 million export shipments were accounted for during the first half of 2011… no payment was received by the Treasury for income earned between January and June 2011" (www.newsday.co.zw/article/2011-10-18). The Diamond Revenue Bill which is currently under formulation, if adopted and fully enforced, will go a long way in creating a proper legal framework dealing with the audit trail of all diamond activities. The Bill seeks to regulate and control the mining of and dealing in diamonds. Revenue inflows from this potential cash cow can only improve when mining activities are conducted in a transparent and accountable manner. The Approval of approval of a Zimbabwe Accelerated Arrears, Debt and Development Strategy (ZAADS) in 2010, the launch of the Medium Term Plan (MTP) in 2011 and the proposed setting up of the Zimbabwe Aid and Debt Management Office (ZADMO), if keenly followed, may strengthen economic recovery and debt management (Zimbabwe Medium Term Plan, 2011-2015; Financial Gazette, 21-27 July, pp: C2 and C4). ZAADS seeks to facilitate re-engagement of all creditors and the international community on arrears clearance, among others while ZADMO seeks to co-ordinate the implementation of the debt strategy. Zimbabwe is currently in debt stress, saddled with a total debt stock of US $10 billion. The Medium Term Plan seeks to transform the economy, reduce poverty, create jobs, maintain macroeconomic stability and restore the economy's capacity to produce goods and services competitively by 2015.

The Zimbabwe Revenue Authority

In line with developments across the world in the 1990s, revenue collection in Zimbabwe is the responsibility of an autonomous revenue authority, the Zimbabwe Revenue Authority (ZIMRA) which was established in 2001 as a successor to the Department of Customs and Exercise. The revenue Authority draws its legal and operational authority from an Act of Parliament, the Revenue Authority Act (Chapter 23:11). Its responsibilities include assessing, levying and collecting revenue from various taxes in the country. These include the Pay as You Earn (PAYE), corporate tax, capital gains tax, duty tax, resident shareholders tax, Value Added Tax, and stamp duty, among others. Each tax head has its own enabling Act, all enforced through ZIMPRA. These comprise the Incomes Tax Act (Chapter 23: 06), the Capital Gains Tax (Chapter 23: 01), the Finance Act (Chapter 23:04), the Value Added Tax Act (Chapter 23: 12), the Estate Duties Act (Chapter 23: 02), the Customs and Excise Act (Chapter 23: 02) and the Mines and Minerals Act (Budget Statement, 2012, www.zimra.co.zw).

ZIMRA also issues and controls tax revenue certificates, administers regulations pertaining to import and export control exchange. Since its formation, ZIMRA has had a history of surpassing revenue, with Value Added Tax, Customs Duty and Individuals Tax among its highest performing revenue heads (targets (Budget Statements 2005, Budget Statements 2011; The Herald, 16 June 2010). This however needs to be approached with caution as it may be a case of an institution that has over the years been setting low and easily achievable targets. ZIMRA has since its formation been facing serious revenue leakage through smuggling, under-invoicing, under-declarations at its border posts. However, the introduction of highway patrols in an effort to prevent transit fraud through electronic cargo tracking system that uses electronic seals and transmitters is a welcome development. The passing of the Zimbabwe Border Post Authority Bill aimed at instituting mechanisms to ease congestion and delays at the borders will also go a long way in preventing revenue loss.

The Reserve Bank of Zimbabwe

The Reserve Bank of Zimbabwe is the monetary arm of the ministry of Finance, responsible for monetary policy planning. It is the financial advisor to the Government on policies concerning banking, financial matters and resource mobilization. As is the case with most central banks, the Reserve Bank of Zimbabwe has the sole authority to issue bank notes, control the value of currency, supply money, monitor interest and exchange rates, act as the banker to government, monitor and operate the deposit accounts of Governments, among others. The RBZ also receives and disburses moneys on behalf of central government as well as carrying out exchange and remittance transactions. In line with these mandates, the central bank maintains two major accounts of Government, the Exchequer Account (Revenue Account) and the Paymaster's General Account (Expenditure Account) - accounts which form the Consolidated Revenue Account.

The post 2000 era saw the RBZ moving from of its traditional mandates, indulging in quasi-fiscal and off budgetary activities, justifying these interventions on the basis of offsetting shortages of foreign currency and need to finance priority projects of the government (Monetary Policy Statement, 2004). This saw the RBZ directly sourcing foreign currency for parastatals and local authorities under the Parastatal and Local Authorities Re-Orientation Program (PLARP) and directing the financing of agricultural activities (inputs, equipment) under the Productive Sector Support Facility (Monetary Policy Statement, 2006). While the intention may have been noble in view of the then prevailing hyperinflationary environment, these interventions impacted negatively on fiscal policy formulation. Besides, generating tension between the fiscal and monetary arm, they made it increasingly difficult to reconcile the revenue and expenditure branches of the budget (Financial Gazette, July 21-27, 2011). By end of 2008, inflation levels had reached stratospheric levels, the value of the Zimbabwean dollar changing over a matter of hours.

In terms of functional activities, the Reserve Bank currently casts a pale shadow of its former self. The replacement of the valueless Zimbabwean dollar with the United States of America dollars and the South African rand in 2009 rendered most of its core traditional functions redundant. It is no longer printing the currency and also lost its control over money supply. The central bank is currently debt-ridden, scenarios that saw it resorting to selling its non-core assets. The central bank is also accused of having "raided" foreign currency accounts (mostly of civil organizations and corporate entities) to fund quasi fiscal activities between 2004 and 2008 (www.zimonline.co.za, Comptroller and Auditor General Report, 2008). Notwithstanding these challenges, the monetary authority has since returned to its core business as outlined in its enabling Act, the Reserve Bank of Zimbabwe Act.

The Office of the Comptroller and Auditor General

The Audit Office Act of 2010 (which replaced the Audit and Exchequer Act of 1996) specifically relates to the Office of the Comptroller and Auditor-General which it seeks capacitate to "effectively discharge its mandate and facilitate Parliamentary oversight over the management of public resources" (National Budget, 2012: 164). The Act spells out in detail the role of the Comptroller and Auditor General as well as the penalties that should be enforced in the event of lack of compliance. It also specifies how the Public Audit Office relates to other government departments such as the ministry of finance, parliament, Comptroller and Auditor General, Treasury, Receivers of Revenue and the central bank. The Comptroller and Auditor General is designated as the guardian of the national purse, is authorized to audit all public accounts, safeguard public accounts, and to prepare reports on the exchequer account.

The Office of the Comptroller and Auditor General is an integral component of the fiscal management systems of Zimbabwe. The Office derives its legal existence from sections 105 and 106 of the Constitution of Zimbabwe and is empowered to act as a watchdog on public funds. The Audit Office Act (2010) which replaced the Audit and Exchequer Act (1996) provides detail on the specifics of its powers, functions, and penalties and how it relates to other government departments. Its core functions include ensuring regularity, compliance, accountability and value of money in the use of government finances by auditing and safeguarding all public accounts, preparing reports on the exchequer account and reporting to the public through Parliament on how public funds that are appropriated to the various government ministries are utilized.

However, the effectiveness of the Office of the Comptroller and Auditor General in the execution of its mandates has over the years been severely compromised by lack of resources and power to make its findings public. Its annual reports are not taken seriously by both the executive and the parliament. Follow-up investigations of public officials named in its reports are low note (Comptroller and Auditor Reports, 2006, 2009). Its operational independence is severely compromised by the nature of its appointments and financial relationships with government ministries and bodies it is auditing. The Office directly falls under the ministry of finance and reports to parliament through this parent ministry. It does not have an independent budgetary vote. A Second Special Report on the Public Accounts Committee on Parastatals tabled in Parliament on 13 October 2004 refers to a general display of nonchalant attitude among government ministries, parastatals and local authorities towards the submission of audited Annual Reports to parliament and flagrant violations of Section 44 of the Audit and Exchequer Act, with some institutions having received loans from the Reserve Bank even though they had not submitted their Audited Financial Statements despite clear specification in the Audit and Exchequer Act (Chapter 22:03) that "no designated corporate body may-borrow money temporarily or otherwise without the approval of the appropriate minister" (The Parliamentary Debates, Volume 31, No.8, 13 October, 2004 p:410-428). The Committee further noted that some financial statements done by contracted auditors were sent to the Reserve Bank without the Comptroller and Auditor–General having seen them (Ibid: 416)

Parliament

Parliaments are integral elements of the management of public funds. They are the institutional mechanisms through which fiscal disciple and accountability is instilled within government ministries and departments. They have a mandate to assist ministers of finance in implementing and monitoring measures announced in the Budget. In both parliamentary and presidential systems, parliaments exercise the power of authorization. They authorize yearly expenditures by passing enabling legislation such as Appropriation Bills which when accented to and signed by the President, specify the funds which ministries are authorized to spend in a given fiscal year. By passing enabling legislation, parliaments give authority to the Executive and officials in the Public Service to manage funds within a legal framework. Through their power of oversight, which includes formal control mechanisms of reporting, inspection and authorization, the legislature ensures that public expenditure allocations are used only for purposes initially approved.

Section 103 of the Constitution of Zimbabwe obliges the Minister of Finance to prepare and present the National Budget to Parliament before or 30 days after the start of each financial year. This constitutional provision also obliges parliament to control all the public funds payable into or out of the Consolidated Revenue Fund. The parliament operates through various committees that include the Public Accounts Committee, Budget Committee as well as portfolio committees. The PAC is an investigating parliamentary Committee which undertakes post financial audits and operates in liaison with the Comptroller and Auditor General in identifying irregularities in government ministries. Its main purpose is to ensure that parliamentary grants for each financial year have been applied for which they were intended. Where there are issues of unnecessary wasteful expenditure, the matter is brought to the notice of the Comptroller and Auditor General. PAC Reports are debated in Parliament with ministers required to reply in Parliament on issues raised in the Report. Ministers are also obliged to make certain undertakings in a bid to improve the ministry's performance.

The 1990s witnessed visible efforts towards strengthening of parliament in national fiscal management. In 1996 a Parliamentary Reform Committee was established to strengthen its oversight functions and by 2000, Parliamentary Portfolio Committees had been set up to shadow the activities of government ministries. Parliamentary Portfolio Committees are empowered to summon everyone (except the Head of State) to appear before them and give oral evidence on oath. They are also empowered to conduct fact-finding visits without hindrance.

The Budget Committee, one of the twelve parliamentary portfolio committees, participates in the review of budget drafts, making recommendations to the Minister of Finance regarding these draft Budgets. It also monitors the implementation of the budget through review of budget performance on a quarterly. Since the setting up of this parliamentary Committee, public participation (citizens, political parties, business organizations, civil society, etc) in both the pre- and post stages of the budgetary process has visibly widened (Poverty Reduction Forum, 2003; Report on the 2004 Budget (S.C 30, 2004).

Notwithstanding their visibility in pre and post budget formulation processes, the political will to investigate and enforce their findings has remained low side. The legislature is overshadowed by the executive, with recommendations from the Public Accounts Committees and Portfolio Committees generally ignored by ministers (The Financial Gazette, July 21-27, 2011). A highly polarized political environment, especially after 2000, also compromised the inclusiveness, transparency and responsiveness of the budgetary process as partisan considerations hold sway over objective monitoring of the public finance activities of the nation. This is worsened by increased reliance on parliamentary whipping whereby members of the legislature are obliged to toe the party line when debating on any motions raised in parliament. For instance, in the 2011 Budget Vote, the Chief Whips of all three parties in the inclusive government coerced their members to support the budget despite concerted effort by MPs across the political divide to block the budget vote.

The Office of Permanent Secretary

The Office of permanent secretary is a key institution in the management of public finance. It is an integral aspect of the public expenditure control systems of the country. It has to instill fiscal restraint and discipline within ministries under its administrative jurisdiction. In Zimbabwe, the stewardship of the governmental financial control is vested in the Office of the Permanent Secretary. As Chief Accounting Officers of their ministries, permanent secretaries have responsibility for the overall administration of funds under in the ministry, however being accountable for all financial activities to the Treasury (Ministry of Finance), the Auditor General's Office and parliament. Once the Finance and Appropriation Acts are in place at the beginning of each fiscal year, ministries are empowered to spend up to the limits detailed in the fiscal year Budget Estimates. Each Chief Accounting Officer is obliged to institute proper controls to ensure that the funds under his ministry are spent in accordance with their original intents and in this way curb wasteful expenditure. If during the course of the year it appears that all the funds provided will not be sufficient to carry the ministry through to the end of the year, permanent secretaries, as chief accounting officers, are empowered to apply for extra funds from Treasury. Chief Accounting Officers also have power to transfer funds within subheads under their Vote through the virement action, though this excludes the salaries vote. Permanent Secretaries, as chief accounting officers of their ministries, also issue out Accounting Officers' instructions to guide their officers when facilitating certain transactions. In pursuit of financial accountability, Chief Accounting Officers are required to prepare year-end financial statement giving details of the manner in which they expended funds under their control. The financial statements are then subjected to an independent audit by the Comptroller and Auditor General. However, as noted in previous sections, submission of financial statements for auditing has been low note (Parliamentary Debates Report, Volume 31, No.8, 13 October, 2004, 423). The reporting set-up of Permanent Secretaries as Accounting Officers is also somewhat obscure. While they interact and give advice to their ministers, they however do not directly report to their responsible ministers as they report directly to the deputy Chief Secretary to the Office of the President through the Public Service Commission. They may be summoned to appear before the Public Accounts Committee and can also be directed by Treasury (Ministry of Finance) to issue departmental instructions to their officers. Equally worthy noting is that since ministers are political appointees, Chief Accounting Officers are always subjected to striking a balance between politics and their day to day financial administration.

Public Finance Management Systems

Zimbabwe introduced the Public Finance Management System in government ministries in 1999 (Budget Statement 1998). These are a networked computer based system in which government ministries carry out their accounting and financial transactions. They enable Treasury to have access to all line ministries' management information and be able to control, monitor and supervise management of public funds. The system is managed centrally at the Treasury through Central Computing Services which is responsible for the government's computer requirements. Prior to this, public expenditure matters were managed through the Central Payments Office, a system that was generally associated with delays in processing payments were often experienced. The Public Finance Management System therefore to redress these delays as well as ensuring that government expenditures are managed within the limits consistent with revenue inflows and borrowing capacity. As a computerized system, Public Finance Management System ensures that individual ministries manage their budgets effectively, efficiently and economically.

The implementation of PFMS system started on a phased approach and had by 2004 been rolled out to all ministries (Budget Statement, 2006) It is housed in the Ministry of Finance and links all government ministries through a Wide Area Network to allow for constant monitoring of the ministries as well as ensuring that they account for funds previously disbursed to them. The system addresses delays in processing payments by ensuring that a purchase order is generated only if there are funds in the budget line. Under this system, payments of creditors are decentralized to line ministries. The system closely controls spending within budgetary limits. Treasury has access to all line ministries and is thus in a position to control, monitor and supervise management of public funds. This ensures that payment is guaranteed and suppliers are paid on time. The adoption of the Public Finance Management Act in 2010 is therefore a positive development in strengthening public finance management systems in Zimbabwe. However, Public Finance Management Systems have their own drawbacks. Their success is heavily dependent upon successful continuous functioning of the computer system. PFMS have to be constantly monitored to ensure that there are no breakdowns. In the event of breakdowns, no transactions will be generated from the system. In Zimbabwe their effectiveness has also been compromised by an erratic electricity supply system. In Zimbabwe, their effectiveness has also been severely compromised by frequent blackouts in electricity. The brain drain that hit Zimbabwe in the post 2000 era also had another toll on the enforcement of public finance management systems.

Concluding Remarks

The fiscal management systems of any country can hardly be meaningfully analyzed outside the prevailing socioeconomic, legal and institutional frameworks. They provide the macro and proximate contexts within which fiscal management is administered and regulated at all levels of government. Frameworks can either enable or disable fiscal management practices. While fiscal management in Zimbabwe is undertaken within a fairly comprehensive constitutional, legislative, institutional and policy framework that is even comparable to those in the region- the political will to enforce extant frameworks remains low note. The political environment has remained stressed and polarized along party lines, scenarios that are disabling the enforcement of sound fiscal management practices. Continued contestations over the implementation of the Global Political Agreement are stifling protracted efforts by fiscal and economic authorities to resuscitate the economy-with efforts directed towards attracting vote of credit financing a major casualty. It is even communicating conflicting signals to fiscal managers at various levels of government.

The fiscal space is generally stressed as efforts at engaging donor countries and multilateral agencies to reopen external lines of credit since the formation of the Inclusive Government are yet to yield the expected balance of payment support. For instance, while the 2010 National Budget had hoped to raise US$810 million from co-operating partners, by the end of the financial year, only close to US$3 million had been received, thereby compromising most planned capital development projects. Zimbabwe's total debt stock is currently around US$10 billion and is posing serious threats to national economic recovery. The debt is owed to the World Bank, the IMF and the African Development Bank and continues to grow due to payment areas, interest and penalty charges.

Unfolding scenarios suggest that the Treasury is yet to exercise control over the entire public revenue sources. Official clarity is yet to emerge on the extent to which revenue inflows from the Chiadzwa diamond mining activities in the Marange area of Manicaland are flowing into the Consolidated Revenue Fund. This uncertainty raises concern that some government transactions may be executed outside the public finance systems of the country.

While the Zimbabwe Revenue Authority, the sole agent responsible for the administration of tax revenue has since its formation in 2002 been reported as always surpassing set revenue targets- this needs to be viewed with extreme caution as claims of deep-seated corruption in the form of smuggling, under-invoicing and under-declaration continue to shadow its operations. The introduction of highway patrols and use of electronic cargo tracking systems, if fully enforced, will go a long way in preventing transit fraud.

State organs which are constitutionally authorized to ensure accountability within state departments are generally poorly constituted in terms of funding, manpower, skills and power base. They are legally and politically powerless to enforce executive compliance with their observations and recommendations. There is low note follow-up on issues of financial irregularities highlighted in reports by the Public Accounts Committee and Comptroller and Auditor General.

Notwithstanding these challenges, the constitution making process that is currently underway in Zimbabwe is set to strengthen the legal frameworks of fiscal management. Relations with International Financial Institutions such as the IMF and the World Bank have slightly thawed, with technical assistance in the areas of tax policy, administration, payment systems, banking and supervision and central banking governance being provided (IMF, 2009). Technical assistance by the IMF to Zimbabwe which was suspended in 2002, resumed in 2009 following the creation of the Inclusive Government.

A series of measures were also taken by the ministry of finance and related ministries to stabilize the economy and promote economic growth, scenarios that saw the economy slowly picking soon after the formation of the inclusive government, inflation falling from 231 million percent to around 4 percent by end of the 2011 fiscal year (*Budget Statement*, 2012).

State hospitals, clinics, schools, colleges and universities that were generally operating at half mast reopened, public employees being paid in foreign currency. The relaxation of exchange controls removed the need to access foreign currency from the parallel market-creating incentives for money to circulate in the official channels.

There was also visible effort by the Minister of Finance to review the structure and role of the central bank as well as ensuring separation between fiscal and monetary policy. By April 2012, the Public Finance Management Act, the Reserve Bank of Zimbabwe Act, the Audit Office Act had been adopted. The Reserve Bank of Zimbabwe has since recoiled from quasi-fiscal activities to its core functions as provided for in the Reserve Bank of Zimbabwe Act.

The launch of the Medium Term Plan in 2011, approval of a Zimbabwe Accelerated Arrears, Debt and Development Strategy (ZAADS) in 2010, the setting up of the Zimbabwe Aid and Debt Management Office (ZADMO), if keenly enforced, may strengthen economic recovery and debt management. ZAADS seeks to facilitate re-engagement of all creditors and the international community on arrears clearance, among others. ZADMO seeks to coordinate the implementation of the debt strategy. Zimbabwe is currently in debt stress, saddled with a total debt stock of US $10 billion.

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