

# EVALUATION OF THE PUBLIC FINANCIAL MANAGEMENT SYSTEM OF ZAMBIA

## INFORGRAPHIC

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### WHAT IS PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)?

PEFA is a methodology for assessing public financial management performance. It provides the foundation for evidence-based measurement of countries' Public Financial Management (PFM) systems. A PEFA assessment measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes.

#### The PEFA assessments are based on the following dimensions:

- 1. Aggregate Fiscal Discipline:** This refers to the processes of budget approval and execution. It also represents the accuracy of budget estimates compared to actual releases as required by the sectors.
- 2. Strategic Allocation of Resources:** This refers to the sensitivity with which resources are allocated given the countries' comparative advantage and the sectors capability to fully utilize these resources.
- 3. Efficient Service Delivery:** This refers to the effectiveness of the planning and oversight mechanisms in service delivery coupled with internal and external controls aimed at improving PFM.

### THE SEVEN PILLARS

PEFA identifies seven pillars of performance in an open and orderly PFM system that are essential to achieving these objectives.

#### Pillar I: Budget Reliability

This refers to the extent to which government executes the budget as implemented and passed by the legislature. This is also measured by comparing actual revenue and expenditure with the original budget.

**Result:** The aggregate results show a reasonably good performance in achieving the fiscal outcome, but with respect to allocating resources and delivering services there is still room for improvement.

#### Pillar II: Transparency of Public Finances

This pillar refers to the implementation of the PFM system in providing the information to Ministries Provinces and Other Spending Agencies (MPSAs), the legislature and the public with regards to the budget processes and execution.

**Result:** Overall, performance for transparency is strong with relatively inexpensive avenues available for stakeholders to be more extensively informed on public expenditure and revenue issues. This has been as a result of Government's increased engagements with the public through the citizen's budget and transparency in delivery is important.

#### Pillar III: Management of Assets and Liabilities

This refers to the effectiveness in the management of assets and liabilities held by the Government through various MPSAs.

**Result:** Overall the assessment under this pillar has shown weakness in the management of assets and liabilities. Recommendations have been put forward to overhaul planning and monitoring arrangements and replace them with much stronger governance requirements on managers of public assets such as public corporation boards and local, municipal and provincial councils.

### THE SEVEN PILLARS CONT..



#### Pillar IV: Policy- Based Fiscal Strategy and Budgeting

According to the PEFA framework, this pillar is about whether the fiscal strategy and the budget are prepared with due regard to Government's fiscal policies, strategic plans, and adequate economic and fiscal projections.

**Result:** Overall this pillar's performance provides a strong basis for well-defined budget intent. The overall performance is strong and positive in the areas of Macroeconomic and Fiscal Forecasting (rated B), Fiscal Strategy (rated A) and Medium Term Perspective in Expenditure Budgeting (rated B) as well as Legislative Scrutiny of Budgets (rated B+).



#### Pillar V: Predictability and Control in Budget Execution

This pillar refers to the effectiveness of budget implementation through well-supported execution processes. This also refers to a system of effective standards and internal controls ensuring that resources are obtained and used as intended.

**Result:** The assessment of this pillar indicates that budget execution processes are not performing well enough in the constrained fiscal space to tightly maintain the approved resource allocations. As a result, MPSAs face challenges in receiving reliable quarterly spending profiles required to adequately manage their programs.



#### Pillar VI: Accounting and Reporting

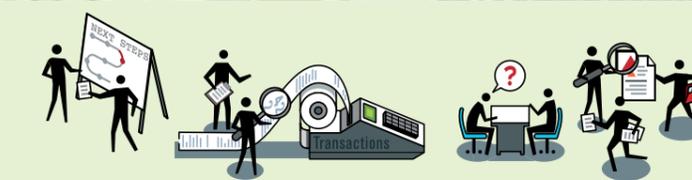
This refers to the timeliness, relevance, and reliability of reporting financial information required to support fiscal and budget management and decision-making processes.

**Result:** The assessment reveals that the conventional manual processes are limiting performance and that insufficient attention is being given to financial reporting. Financial data integrity was rated C with good internal control over access to the to the accounting records supported by audit trails.



#### Pillar VII: External Scrutiny and Audit

This pillar examines the scrutiny of the Government's PFM performance provided by the Auditor General's reports and Legislature's review. The enactment of a new law for the commission of the Audit provides for the oversight of the Auditor General's appointment and activities.



### CONCLUSION

- The PEFA report provides an evaluation of the Public Financial Management System of Zambia based on Public Expenditure and Financial Accountability (PEFA) Framework 2016. The report indicates areas where improvement is needed such as enhancing the processes of auditing and addressing the challenges that the office of the Auditor General faces.
- We also observe that Government has been making strides to improve PFM and some of the developments include establishment of the treasury section in the office of the Accountant General to enhance treasury management. The other stride has been the development and piloting of the electronic Government Procurement System (e GPS), which is an end to end automation of the procurement process to facilitate supplier registration, tender advertisement, bid submission and evaluation, and contract management.
- In view of the developments as indicated in the PEFA report, PMRC calls on Government to expedite the enactment of the National Planning and Budgeting Bill. In the same vein PMRC further calls for Government to expedite the revisions of the Public Finance Act and ensure that it is corrective to abusers of public funds. Finally, we call for strengthening of internal controls, as identified by the Auditor General's report. We believe that with these interventions, the country will be on a path towards an even more prudent financial management that will translate into development aspirations being met adequately.

### IMPROVEMENTS IN THE LEGAL AND REGULATORY FRAMEWORK FOR PFM

- The revision of the Public Finance Act to incorporate changes in the Amended Constitution of 2016 such as the requirement for supplementary budgets to be approved by the National Assembly before expenditure can be incurred. The Public Finance Act already provided for sanctions of staff involved in any financial misconduct.
- The Public Procurement Act (PPA) of 2008 is also undergoing revision to address weaknesses in the existing Act such as capping contract variation amounts, strengthening the appeals process for resolving procurement disputes.
- Establishment of audit committees in MPSAs and members sensitized on their roles in corporate governance and internal and external audits. The Audits Committee Handbook has also been updated and used to train audit committee members.