Fiscal Discipline and Budget Processes: Evidence from Zimbabwe

Noell Machinjike[1] & Wellington G. Bonga[2]

[1]*Independent Researcher, Zimbabwe.*

[2]*Department of Banking & Finance, Great Zimbabwe University, Zimbabwe*

Abstract: **Zimbabwe is one of the least fiscally performingcountries in Sub-Saharan Africa, with some fiscal outcomes for years 2009 to 2019 being unsatisfactory. The IMF 2020 Article IV consultation report on Zimbabwe suggested that fiscal and monetary slippages experienced in 2018 and 2019 resulted in macroeconomic imbalances in 2019 and greater part of 2020. The study adopted a qualitative approach to investigate the relationship between fiscal discipline and the budget processes in Zimbabwe. Informed by the fiscal illusion theory as well as the formative fiscal federalism theory, the study established that the growth in fiscal indiscipline in Zimbabwe leads to widening fiscal deficits, increased direct budget financing requirements on the domestic market and unsustainable debt profile. Fiscal indiscipline is driven by weak budget institutional frameworks, party institutionalisation and economic sanctions.To enhance fiscal discipline, strengthening and implementation of existing fiscal institutional frameworks and engagement of the international community on sanctions are necessary. Publication of agreed fiscal targets for credibility purposes may help. Promoting increased savings during booms for consumption smoothening in periods during periods of droughts, cyclones and pandemics is encouraged.**

Key Words: **Fiscal Deficit,Fiscal Discipline, Budget Process, Economic Development, National Budget, Public Debt, Zimbabwe**

JEL Codes: E02, E61, H73, H77, H83, K42

I. INTRODUCTION

Zimbabwe's development pathis known to be characterized by several barriers to both economic and social development (Nyoni and Bonga, 2018). Barriers such as weak institutional frameworks, lack or limited fiscal transparency and non-implementation of agreed policies have proved to be stumbling blocks for the country to realize its full potential and a threat in the attainment of its long term objective of becoming a middle income economy by the year 2030 (Taruwinga, 2019). Several studies have been conducted with a view of establishing the factors behind the limited growth and development in Zimbabwe (Tsaurai, 2018; Nerito, 2018; Matandare, and Tito, 2018; Chitongo*et al*., 2020). Economic activity in Zimbabwe has generally been characterized by a ten year cycle recession as explained by macroeconomic environments during the period 1999-2009 and then 2018-2019 (Calderon*et al.*,2019). Most of the challenges experienced during the recessions were largely attributed to issuance of treasury bills and utilization of the overdraft facility with the Reserve Bank of Zimbabwe (RBZ) as way of financing the huge fiscal deficits (McIndoe-Calder, 2018). The International Monetary Fund (IMF)Article IV consultation report of 2020 on Zimbabwe suggested that fiscal and monetary slippages experienced during the period 2018 and 2019 resulted in macroeconomic imbalances in Zimbabwe in 2019 and greater part of 2020 and could be a result of policy inconsistency.According to the October 2020 IMF Regional Economic Outlook on Sub Sahara Africa, the Covid-19 Pandemic[1]has also exposed institutional weaknesses in developing economies and Zimbabwe was singled out as having pronounced poor fiscal discipline. Outlook for the Zimbabwean economy remains gloomy as domestic vulnerabilities persists while COVID-19 pandemic poses new challenges (Bonga, 2020). In the absence of savings or contingency reserves, countries will be forced to go against planned budgets, leading to increased expenditures against limited revenues and increased debts. This will result in missed fiscal targets.

The fiscal positionsfor many countries in Sub Saharan Africa deteriorated to levels beyond the global financial crisis period of 2007/8 (Rjoub, *et al.,* 2017).Fiscal discipline entails that a government maintains a fiscal position that does not create macroeconomic imbalances but supports stability and economic growth (Hemming, Kell, and Mahfouz, 2002). In this case, governments have to avoid the need for excessive borrowing or accumulation of debts. Accumulation of unsustainable debts will result in the country failing to honour its obligations, which in turn results in growth in debt risks. Mahuni, Taru and Bonga (2020) indicated that China extends huge amounts of funds to Africannations, which often are not repaid, trapping African nations in a viciouscircle of debt.Countries with high public debt tend to grow slowly (Bonga, Chirowa and Nyamapfeni, 2015).Establishment of fiscal frameworks and institutions such as limits on fiscal deficits of debt levels assist in enforcing fiscal discipline on governments (Machinjike and Bonga, 2020). However, Blume and Voigt (2013) argue that such limits have the effect of

[1]Covid-19 is the severe respiratory syndrome coronavirus 29 SARS-CoV2 that was first reported in December 2019 in Wuhan in China. The virus spread quickly across the globe with high positive cases and death reported in the European Union and the United State of America. The Covid-19 first case was reported in Egypt on February 2020. The Covid-19 Pandemic was declared a public health emergency of international concern on 30 January 2020 and a pandemic on 11 March 2020 by the World Health Organization (WHO).

reducing budget transparency. Lack of transparency makes fiscal discipline and expenditure control harder to achieve. Hierarchical voting procedures that have been implemented in developed countries have enhanced fiscal discipline, particularly through reduction in checks and balances throughout the budget process (Aaskoven, 2018).

The budget process can be viewed in relative terms, primarily based on area of interest. A public economist understands the budget process as the one that distributes strategic influences and creates or destroys opportunities for collusion due to the scarce resources in an economy (Eichengreen, *et al*; 1999). The intention of the budgeting process is to determine the main fiscal aggregates that are expenditures, revenues as well as the deficits. The process therefore, provides a solution to the allocation problem of spending and revenues. On the other hand, politicians view the budget as an opportunity to push a political agenda or objective (Standring, 2019). Relevant macroeconomic objectives that correctly transform the nation become unattainable when political agenda takes over. According to Oyakojo (2015), government budgeting is more political than technical; hence, the technical aspect of government budget involves the preparation of the budget in line with applicable laws.

A government's budget is a statement that reflects the government's income and expenditures for a financial period, usually a year. A well prepared and defined budget is critical for sustaining macroeconomic stability and economic growth in any economy (Costantini, 2017). Outcomes of a good budget will be seen through efficient resource allocation within the economy. As indicated by Bonga (2021), allocation and distribution of resources and enforcement of rules is the work of civilservants who are autonomous from politics.In this case, resources will be allocated to where they are needed most. For instance, for a country faced with inequalities, good policies should be aimed at addressing the inequality gaps. However, a poor policy will fail to put in place measures to cover such gaps or due to expected political outcomes, such issues will be ignored. A budget precisely outlines government goals and what it desires to achieve in that particular financial year. The Budget Statement becomes a legal issue by first passing it to be approved by the legislature (State) just like the process of events that any other government policy issued must pass through, thus in this sense, it is referred to as the budget process.

There are five stages of a budget process according to Chr. Michelseninstitute of Norway. The first stage relates to the political phase of it, where long term planning is executed. The second stage relates to the planning process by government led by the ministry of finance and economic development when the long term policies or plans are presented as annual budgets. Stage three is when the ministry of finance now further presents their draft to the parliamentwhere debates and votes come into the picture before approval. It is at this phase where the decision on how much to allocate each ministry is made. After approval, there is the fourth stage which is the implementation were the budget is put into effect. This is followed by the fifth stage called the *ex post* control stage. It relates to the monitoring and evaluation of the implementation stage which will culminate into review and amendments of the previous policies and plans.

In developing countries, the entire budget is produced in a closed-door-process and is dominated by the executive branch and the legislative approval occurs with little opportunity for debate for amendment (Huang, 2019). Worth noting are facts by Cammack (2007) who indicated that parliaments in Africa rarely initiate independent-minded legislation or reject policies coming fromthe president; instead they tend to rubber-stamp the initiatives. In support Bonga (2021) narrated that parliamentary weakness comes from the factthat politicians largely account upwards rather than downwards to their constituents.

Based on the assumption that the world we live is transparent and fair, it would mean that government budgeting would take the form of efficient distribution of resources to projects and policies that lead to anincrease in national welfare. Kayuni (2016) provided evidence which showed that the planning and formulation stage in Malawi's budget process provides misleading evidence pertaining to both revenues and spending. The author refers to this worst-case scenario as "theatre that masks the real distribution of revenue and spending".

Post the Asian financial crises, the IMF published guidelines to its code of good practices on fiscal transparency of 1998. This was due to the evidence that the budgetary process has real effect on the effectiveness of government fiscal discipline. But is this true for Zimbabwe? Does the budgetary process and its components have real effects on the fiscal discipline? If indeed this is the case what are the magnitudes of such effects?

1.1 Statement of the Problem

Zimbabwe has been overwhelmed by fiscal budgetary constraints. The country has been forced to run huge fiscal deficits which have been financed through issuance of treasury bills and utilization of the overdraft facility with the RBZ (McIndoe-Calder, 2018). This has destabilised the macroeconomic environment, pushing the economy into inflationary environment. Thisphenomenon has led to underdevelopment and rising poverty that is negatively affecting the country's hopes of recovering. Zimbabwe is regarded as one of the the least fiscally performing countries in Sub-Saharan Africa (Kapingidza, 2018) and according to Saunders (2020), Zimbabwe's fiscal outcomes over the period 2009 to 2019 have been disappointing. The WB and the IMF reports of 2020 suggest that Zimbabwe's problems are as a result of backtracking on policy positions. As a result, the country has failed to achieve some of its targets under various Staff Monitored Programs with the IMF (Misra and Ranjan, 2018). During the period 2014 to 2019, public expenditures in

Zimbabwe have constantly exceeded revenue collections, leading to widening fiscal deficits.

The important question then becomes; what are the sources of this fiscal indiscipline? Could this be deemed as a clear indication of ineffective budgeting process in Zimbabwe which has resulted in the country failing to attainthe desired outcomes? Different strategies such as fiscal rules have been instituted by the Government of Zimbabwe (GoZ) in an attempt to address issues of lack of fiscal discipline. However, these efforts are evidently insufficient to meet the current challenges in Zimbabwe. Lack of fiscal discipline is termed to be ticking time bomb which may have dire consequences for Zimbabwe if care and appropriate steps are not taken to tackle it.

1.2 Research Objectives

The study seeks to investigate the link between fiscal discipline and the budget processes in Zimbabwe.

1.3 Research Questions

The following questions guided the research;

- What are the determinants of fiscal indiscipline in Zimbabwe?
- Does the budget process influence fiscal discipline in Zimbabwe?
- What effect does lack of fiscal discipline has on the expected budgetary process outcomes in Zimbabwe?

1.4 Organization of the Study

To attain the study objectives, the paper is organized into five sections; the introduction, review of related literature section, study methodology, discussion of findings, and the conclusion and policy recommendations section.

II. REVIEW OF RELATED LITERATURE

The study was informed by the fiscal illusion theory propounded by Winer (1980) and Krogstrup and Wyplosz (2006) as well as the formative fiscal federalism theory propounded by Bradford and Oates (1971). The fiscal illusion theory proposes that fiscal discipline characteristics such as accountability and service delivery have an influence on the budgetary constructions. Fiscal illusion occur when government revenues are not entirely transparent or are not fully perceived by taxpayers, then the cost of government is seen to be less than it is. The fiscal federalism model tries to illustrate how the political factors influence the fiscal outcomes or fiscal discipline. The field of fiscal federalism studies how to divide responsibilities (including finances) among federal, state, and local governments to improve economic efficiency and achieve various public policy objectives.

For this study, the fiscal illusion theory present the identities of the fiscal discipline that most African countries including Zimbabwe fail to adhere to thereby leading to the record of budget deficits. Such identities are the budget institutions which are basically the rules and regulations which include numerical targets; procedural rules; and rules regarding transparency.

The fiscal federalism theory expound on the political factors of the budget process which causes a deficiency in the fiscal discipline in the case of most African countries. The principal political characteristics that are believed to affect fiscal discipline are budget institutions, the electoral budget cycle, party institutionalization, the number and size of parties, party discipline, and policy distance or ideological polarization. According to Altman (2001), budget deficits tend to grow before elections, forcing costly adjustments in the following year, the logic is that around election time, legislators have fewer incentives to cooperate with fiscal discipline and they prefer to avoid government taxes that might hurt their constituencies while increasing government spending in favour of potential voters. Near to that is the concept of neopatrimonialism which dominates African states. Neopatrimonialism is decorated corruption related to patrons and their allies (Bonga, 2021), and patrons are typically officeholders who use public funds or their position of power to build a personal following (Phiri and Edriss, 2013). In addition, Presidents also have little incentives to push for fiscal discipline, especially if after election time, a higher budget deficit might be somebody else's problem (IADB report, 1997).

According to Altman and Pérez (2002), the lower the number of parties (i.e., the larger the government's majority in Congress), the lower the transaction costs of redistributing and allocating fiscal resources for the president. The hypothesis comes from an extensive literature claiming that party fragmentation in the legislature tends to be inversely associated with the size of the president's party (Mainwaring and Shugart 1997, Linz and Valenzuela 1994). Thus, a president with a smaller party contingent or facing many legislative parties would have to compromise and distribute patronage and pork among the opposition in order to gather a legislative majority willing to pass her budget proposal.

Samuels (2000) and Amorim-Neto(1998) argue that it becomes more difficult to build consensus around the president's budget proposal when the president faces a polarized congress or when the president's policy position is significantly different from that of the mean legislator. The index of polarization is an indication of how the vote is dispersed from the center. Polarization reaches its maximum value (100) "when half of the vote goes to the right and half to the left; if all of the vote went to just one extreme, polarization would be zero (0) because the relative center would be at the extreme as well and there would be no dispersion" (Coppedge 1998).

The focus of most prior studies conducted in Africa and Zimbabwe were mainly on budgeting and economic growth or development relationship, only few studies related budgeting to fiscal discipline. Very few studies have bothered on investigating the relationship between fiscal discipline and budget process in Zimbabwe.

Dabla-Norris et al (2010) in a study titled "*Budget Institutions and Fiscal Performance in Low-Income Countries*" presented the multi-dimensional indices of the quality of budget institutions in low-income countries. The indices allowed for benchmarking against the performance of middle-income countries, across regions, and according to different institutional arrangements that deliver good fiscal performance. Using the constructed indices, the paper provided preliminary empirical support for the hypotheses that strong budget institutions help improve fiscal balances and public external debt outcomes; and countries with stronger fiscal institutions have better scope to conduct countercyclical policies. The study however did not establish the relationship between fiscal discipline and budgetary processes in Zimbabwe.

An article titled "*Budget Institutions and Fiscal Performance in Africa*" by Gollwitzer(2011) developed an index to measure the adequacy of the institutions, rules and procedures governing the budget process in 46 African countries. The index included the three stages of the budget process: negotiation, legislative approval, and implementation. At each stage, the quality of the budget process was measured along five criteria: centralization, rules and controls, sustainability and credibility, comprehensiveness, and transparency. The study found a wide dispersion in institutional quality across the continent. Furthermore, an empirical analysis based on Ordinary Least Squares and Instrumental Variables estimations shows that budget institutions have a disciplining effect on central government gross debt and on the overall and primary central government balance. The study however did not establish the determinants of fiscal discipline in Africa.

Debrun and Kumar (2007) researched about the role of fiscal institutions in enhancing fiscal discipline in their article called "*The Discipline – Enhancing Role of Fiscal Institutions: Theory and Empirical Evidence*". Using a dynamic model of fiscal policy, the study observed that institutions lack credibility unless the costs to avoid them are high. According to the study, a combination of complete budgetary transparency and strong democratic accountability are enough to establish credibility. The study also established that governments can use institutions competence signals to increase chances of being re-elected and in the process reduces proclivity for unsustainable fiscal deficits. The study conducted empirical tests on the effectiveness of institutions and the results stress that due attention be given to simultaneity bias as disciplined governments are more likely to institute and adopt strict rules. The study was however not conclusive on the communications between various institution and recommended further exploration of the features of the political system to establish its effect of fiscal discipline.

Masson and Dore (2002) reviewed the experience of fiscal adjustment undertaken in 1994 in West African Economic Monetary Union countries to establish the framework for a regional convergence of national fiscal policies. The study proposed a structural deficit that corrects for movements of both the business cycle and terms of trade. The study established that though the fiscal deficit worsened in 1998-2001 in some countries because of terms of trade deterioration and unfavourable movements in the business cycle, convergence stalled even when corrected for these factors. The study also observed that meeting fiscal deficit targets in the future will be facilitated by a favourable external environment but, in any case, will require a higher revenue ratio and downward pressure on government wages as shares of GDP. However, the study did not establish the relationship between fiscal discipline and the budgetary processes in Africa.

The current study however investigated the relationship between fiscal discipline and the budget process in Zimbabwe.

III. METHODOLOGY

The study adopted a qualitative approach to investigate the relationship between fiscal discipline and the budget processes in Zimbabwe. The study used purposive sampling to target officials from Ministry of Finance and Economic Development (MFED), CZI, Chamber of Mines (CoMZ), RBZ, Parliament of Zimbabwe (PoZ) and academics from University of Zimbabwe (UZ). The targeted group is assumed to be well acquainted with the subject as they possess the qualities deemed appropriate. According to King *et al*., (2018), purposive sampling, also called judgement sampling is the deliberate decision to choose participants after consideration of the qualities that the participant possess in attempting to respond to the research questions. Table 1 below shows the study assumptions and justifications of the chosen population in relation to fiscal indiscipline and budget processes in Zimbabwe.

Table 1: Justification for the Chosen Population

Trade Sector	Justification and Assumptions on knowledge of Fiscal discipline and Budget Process
MFED	The MFED is directly involved in the budgeting process as well as implementation of agreed government policies, projects and programs.
CZI	CZI is an affiliation of companies that are directly and indirectly affected by the fiscal policies in different was as tax payers as well as consumers for services provided by government institutions.
CoMZ	CoMZ is an affiliation of mining houses and are directly and indirectly affected by the fiscal policies in different was as tax payers as well as consumers for services provided by government institutions, hence their views are critical for the study.
RBZ	The Banker to government, policy advisor and complements the fiscal policy with an objective to stabilise the macroeconomic environment, hence their views on fiscal discipline and budget process are critical for the study.
PoZ	The PoZ approves the budgets and oversees the implementation of all government policies, projects and programmes. They are equally concerned with the fiscal

	outcomes hence their importance in the study.
UZ	Academics are also critical in that they have an understanding of some underlying theories of which their participation will assist in confirming the applicability of the existing theory on the subject being investigated.

A questionnaire was employed to get responses from the targeted institutions. An electronic survey was employed through the Survey Monkey to thetargeted participants[2]. Surveys conducted through the use of electronics are easy and quick to distribute to participants and require working with the internet (Kopel*et al.,* 2020). The questionnaire had fourteen (14) questions inclusive of demographics which were critical in testing reliability of responses.

The researcher used a thematic analysis approach to analyse the data obtained from the questionnaire. This involved identifying patterned meaning across the data set that provided an answer to the research questions being addressed.In this study, the researchers took the preliminary analysis consisting of themes from findings back to the participants to solicit their views of the written analysis as well as indicating what was missing.

3.1 Discussion of the Survey Questions

The survey has the demographics section to assist in capturing the characteristics of the targeted population (Rojas-Méndez, *et al.,* 2017). Demographics questions included age, marital status, sex and level of education. The demographics assisted in checking the reliability of responses, quality of responses and the distribution of participants. Shannon-Baker (2016) argues that well-structured demographics questions in a survey assist the researcher with meaningful and actionable results which can be the basis for decision making. Questions 1- 4 in the survey questionnaire represent demographic questions.

Reliability of responses as well as their quality can be assessed through establishing the workplaces of the participants. Therefore, trade sector specific questions related to work place or sectors as well as experience were asked. Question 5 and 6 covers workplace and trade sector of the participants.

In order to establish the effects of fiscal indiscipline on expected budgetary process outcomes in Zimbabwe, participants had to respond to question 7 of the survey. Question 7 gave participants options to choose from as possible answers for the effects of fiscal indiscipline on the expected budgetary process and outcomes in Zimbabwe. The options were derived from previous literature and these included: missed targets due to unplanned expenditures; growth in domestic and external debt; worsening fiscal position; poor service delivery; overtaxing of the economy to cover up for unexpected or unaccounted expenditures; misappropriation of public finances; inefficient use of public resources; lack of transparency and accountability; abuse of tax incentives; and low tax morale.

Question 8 of the survey is an inquiry on the kind of relationship that exists between fiscal indiscipline and budget performance in Zimbabwe. Participants had an option to select from the following: growth in fiscal indiscipline leads to growing fiscal deficits; growing fiscal indiscipline has led to increased direct budget financing requirements on the domestic market; growing fiscal indiscipline is directly linked to unsustainable debt profile; and fiscal indiscipline is indirectly linked to low tax morale and underperforming tax revenue. The provided options were borrowed from other country experiences and the study seek to check on their applicability to Zimbabwe.

Question 9 and 10 in the survey relates to the determinants of fiscal indiscipline in Zimbabwe. Question 9 have options gathered from previous studies for participants to choose from. The options included the following as determinants of fiscal indiscipline: weak budget institutional frameworks; the electoral budget cycle; economic sanctions; party institutionalization; the number and size of parties; party discipline; and policy distance or ideological polarization. Question 10 is an inquiry on the extent to which fiscal discipline is affected by exogenous factors such as drought, cyclones, pandemics and other natural disasters. A study by Bonga (2020) indicated that Zimbabwean economic situation has on its own caused great impact on the welfare of its citizens including the working class and fragile states are never in a position to manage disasters. Such unpreparedness will cause mismanagement of funds and hence fiscal indiscipline. Respondents are presented with a scale to rank their responses.

Questions 11 – 14 relates to the budget process and fiscal discipline. Based on literature, question 11 sought to establish the extent to which the budget process influence fiscal discipline in Zimbabwe using a scale Rank 1 (lesser) to 10 (greater). Literature has established that the inability to resolve conflicts between competing claims on public finances during the budgeting process affect expected budget outcomes. Therefore question 12 sought to establish if the same can be said on fiscal discipline in Zimbabwe. A scale is also used for this question, 1 (lesser) to 10 (greater). Question 13 sought to understand if the budgeting process in Zimbabwe has assisted in determining the main fiscal aggregates. Question 14 is an inquiry on whether the budget processes influence fiscal discipline in Zimbabwe.

IV. PRESENTATION AND DISCUSSION OF RESULTS

An electronic questionnaire was distributed to key informants deemed relevant for the task.A total of 160 responses were obtained, of which 119 questionnaires were correctly completed giving a completion rate of 74.4%. Participants to the survey were required to highlight their gender and 59.41% were males while 40.59% were females. Males participated more in the survey than their female counterparts. The

[2] Survey link https://www.surveymonkey.com/r/W9LLHRD

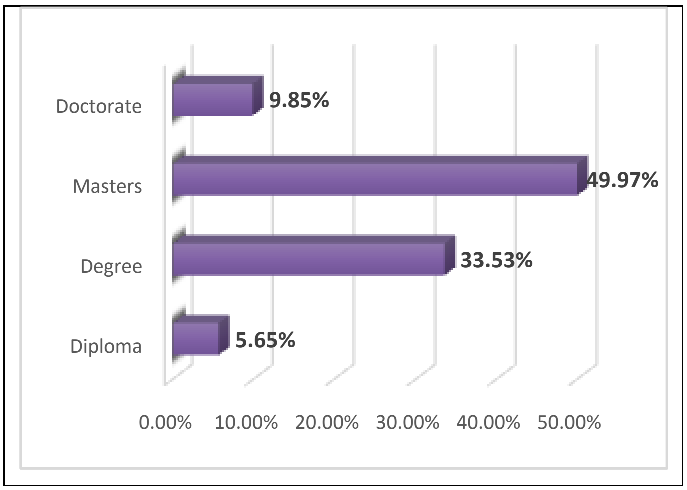
distribution of participants by gender, however, is assumed to have no impact to the results of the study.

Participants were also asked about their age of which 4.5% highlighted that they were in the 18-25 age group, 33.88% were in the 26-35age group, 43.84% in the 36-45 age group and 17.79% were 45 and above. The majority of the participants were aged between 26 years and 45 years. The study chose the legal age to participate in the survey, and every age group has been represented. There is no strong assumption for which age group has more trusted results than the other.

On marital status 68.44% were married, 27.97% were single and 3.59% were either divorced or widowed. Every possible status is represented in the survey. No strong assumption for the responses obtained from the different classes, only that the classes are all represented.

The level of education was divided into fourcategories. The distribution is shown in Figure 1 below;

Figure 1: Distribution by Education Status



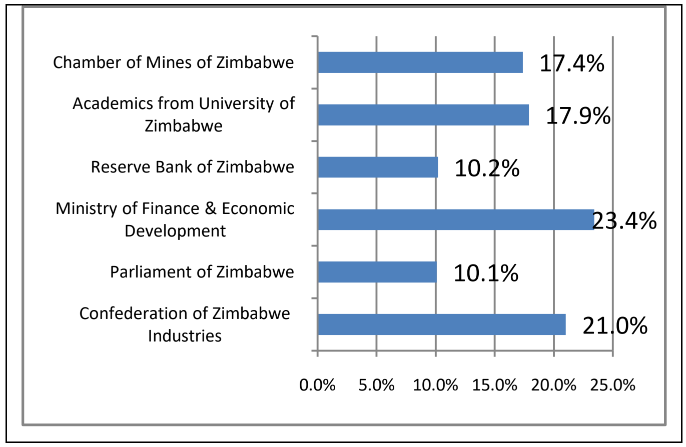
Source: Survey Results

Those with diploma as their highest qualification were 5.65%, degree 33.53%, masters 49.97%, and doctorate 9.85%. From the distribution of the participants the study is assured of getting reliable responses as the level of awareness of the majority of the participants is embraced.

On working experience, 2.59% of participants indicated that they were students, 29.57% had a work experience of between 0-5years, 35.29% had a 5-10 working experience, 32.57% had working experience of more than 10 years.

The study attained it's objectives of having representation from all the trade sectors. The distribution of participants is presented in Figure 2 below:

Figure 2: Distribution of Participants By Trade Sector

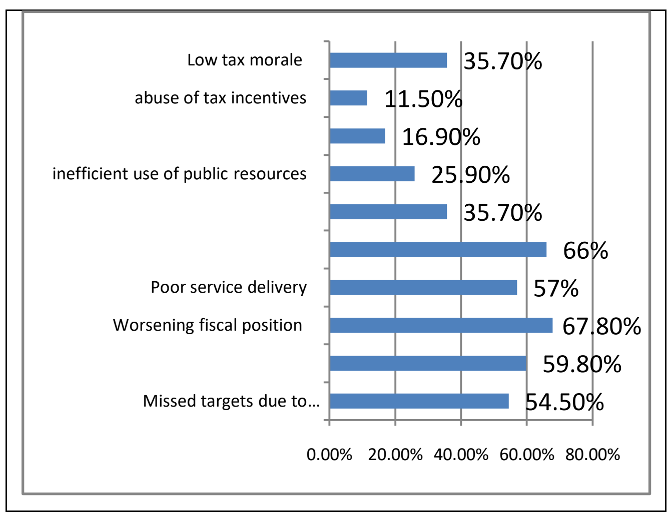


Source: Survey Results

Therefore, the views are coming from every sector, though some sectors are more represented than others. MOFEDhas 23.4% representation, being the highest number of participants followed by the CZI with 21.0%. A 17.9% representation came from the UZ, 17.4% from the CoMZ, 10.2% from RBZ and 10.1% from the PoZ.

Q7: What effect does lack of fiscal discipline have on the expected budgetary process and outcomes in Zimbabwe? For this question a lot of factors were obtained from literature for participants to choose. 119 participants correctly answered this question. The responses are presented in Figure 3 below;

Figure 3: Lack of Fiscal Discipline and the Expected Budgetary Process Outcomes

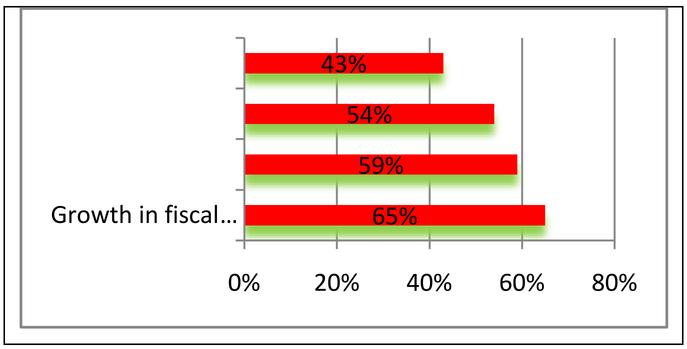


Source: Survey Results

Figure 3 above show that the results of the study are in agreement with the fiscal illusion theory and findings by Fortunato and Loftis (2018) that lack of fiscal discipline has a significant effect on the expected budgetary process and expected outcomes. As indicated by the survey results, worsening fiscal position (67.80%), Overtaxing of the economy to cover up for unexpected or unaccounted expenditures (66%), growth in domestic and external debt (59.8%), poor service delivery (57%) and missed targets due to unplanned expenditures (54.5%) were identified by the respondents as the outcomes of lack of fiscal discipline in Zimbabwe. Other outcomes that had been provided which can be classified as not significantly caused by lack of fiscal discipline in Zimbabwe included low tax morale (35.7%), misappropriation of public resources (35.7%), inefficient use of public resources (25.9%), lack of transparency and accountability (16.9%) and abuse of tax incentives (11.5%).

*Q8: What kind of relationship exists between fiscal indiscipline and budget performance in Zimbabwe?*Possible relationships identified from existing literature were presented as options for participants to choose from.

Figure 4: Relationship Exists Between Fiscal Indiscipline and Budget Performance

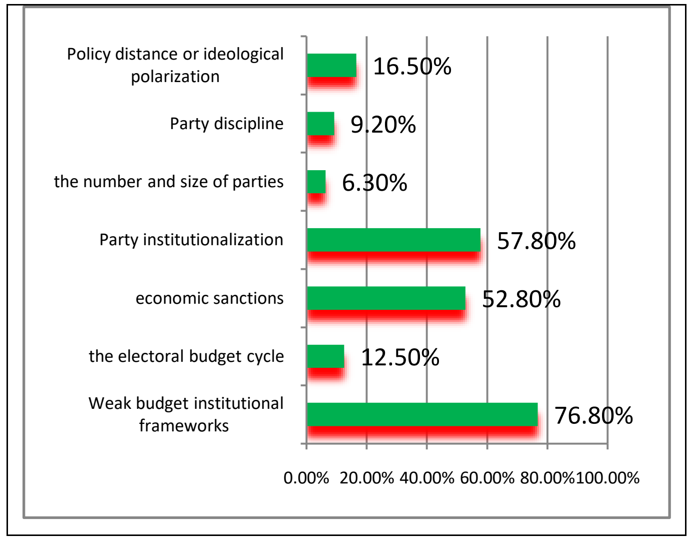


Source: Survey Results

Survey results in Figure 4 above confirm to findings by Smith et al (2019) that growth in fiscal indiscipline leads to growing fiscal deficits, increased direct budget financing requirements on the domestic market and unsustainable debt profile. According to results presented in Figure 3 above, participants acknowledged relationship between growth in fiscal indiscipline and fiscal deficits (65%), growing fiscal indiscipline and increased direct budget financing requirements on the domestic market (59%) and growing fiscal indiscipline and unsustainable debt profile (54%). The participants revealed that there exists a weak indirect relationship between fiscal indiscipline and low tax morale and underperforming tax revenues (43%). This finding points to the issue that ensuring fiscal discipline is critical for Zimbabwe if the country is to entertain hopes of having sustainable fiscal deficits as well as debts. Although the study established a weak relationship between fiscal indiscipline and low tax morale as fiscal discipline issues can start to have an influence on tax compliance.

Q9. What are the determinants of fiscal indiscipline in Zimbabwe? Please tick where applicable. 119 participants correctly responded to the question. Some of the options were identified from literature from which participants choose their responses from. The economic sanctions option was included on the basis of the inconclusive debate about the effects of sanctions on Zimbabwe. The GoZ has always blamed sanctions for failure to meet some of its targets while the United States has always blamed corruption for failure to attain the fiscal targets. Responses to question 9 are presented in Figure 5 below:

Figure 5: Determinants of Fiscal Indiscipline



Source: Survey Results

The study sought to find out the determinants of fiscal indiscipline in Zimbabwe. As observed in Figure 4 above, there are three variables that participants identified as the main drivers of fiscal indiscipline in Zimbabwe. These included weak budget institutional frameworks (76.8%), party institutionalisation (57.8%) and economic sanctions (52.8%) and the finding is in line with Akongwale and Mathur-Helm who concluded that weak budget institutional frameworks tend to influence fiscal indiscipline in SSA. Other determinants such as policy distance or ideological polarisation (16.5%), the electoral budget cycle (12.5%), party discipline (9.2%) and the number and sizes of parties (6.3%) were found not to have a significant impact. Therefore, fiscal indiscipline in Zimbabwe is driven by weak budget institutional frameworks, party institutionalisation and economic sanctions. Therefore, policy makers must put effort in addressing these factors in order to enhance fiscal discipline in Zimbabwe.

Q10. To what extent is fiscal discipline affected by exogenous factors such as drought cyclones and pandemics? [Rank 1 being lesser - 10 being greater]. 118 participants answered the question providing their own opinion on where exogenous factors such as drought cyclones and pandemics rest on the scale as per this function. An average score of 5.7 was obtained. This shows that exogenous factors such as drought cyclones, pandemics and other natural disasters can have a significant effect on fiscal discipline in Zimbabwe. This confirms to findings by Miao (2018) that fiscal plans are always affected by natural disasters.

Q11. To what extent does the budget process influence fiscal discipline in Zimbabwe? [Rank 1 being lesser - 10 being greater]. 119 participants responded to the question providing their own expert opinion on the extent to which budget process influence fiscal discipline in Zimbabwe. An average score of 8.03 was obtained, confirming that the budget processes influences fiscal discipline in Zimbabwe. This finding is in line with Tesche (2019) who concluded that budget processes and frameworks were the critical pillars for fiscal discipline in the European Union.

*Q12: In your view, to what extend does failure to resolve conflicts between competing claims on public finances during the budgeting process affect fiscal discipline in Zimbabwe? Indicate on the scale.*Using a scale of 0 (lesser) to 10 (greater), 117 participants strongly responded to the question. An average score of 6.8 was obtained. The score is closer to 10 than to 0. This shows that participants are in agreement with Jimenez (2019) that failure to resolve conflicts between competing claims on public finances during the budgeting process affect fiscal discipline.

Q13. Has the budgeting process in Zimbabwe assisted in determining the main fiscal aggregates (Expenditures, Revenues and Fiscal deficits)? Tick where applicable [Yes, No, To some extend]. 119 participants responded to this question. 58% of the participants are of the view that the main fiscal aggregates are determined by the budgeting process while 37% of the participants are of the opinion that the fiscal aggregates are not determined through the budgeting process. However, 5% think that to some extent they are determined by the budgeting process.

Q14. Can the budget process influence fiscal discipline in Zimbabwe? Tick where applicable Yes, No, To some extend]. 119 participants responded to this question. 78% of the participants are in agreement with existing literature that the budget process can influence fiscal discipline in Zimbabwe. However, 22% of the respondents do not believe that the budget process influence fiscal discipline in Zimbabwe.

V. CONCLUSION AND POLICY RECOMMENDATIONS

The study adopted the primary method of research to investigate the relationship between fiscal discipline and the budget processes in Zimbabwe. The IMF and WB reports of 2020 suggest that the fiscal and monetary slippages of 2018 and 2019 resulted in the 2019/2020 macroeconomic instability. Therefore, establishment of fiscal frameworks and institutions such as limits on fiscal deficits of debt levels assists in enforcing fiscal discipline on governments (Machinjike and Bonga, 2020). The budgeting process is believed to enhance the strengthening of fiscal frameworks and institutions. The study created an electronic questionnaire to obtain responses from key informants who were strategically identified for informed responses that would enable policy derivation. The targeted respondents were from the MOFED, CZI, CoMZ, RBZ, PoZ and academics fromUZ.

The study concludedthe following:

- Fiscal indiscipline in Zimbabwe is driven by weak budget institutional frameworks, party institutionalisation, economic sanctions and exogenous factors such as drought cyclones, pandemics and other natural disasters.
- Policy distance or ideological polarisation, the electoral budget cycle, party discipline and the number and sizes of parties have no effect on fiscal indiscipline in Zimbabwe.
- Budget processes influence fiscal discipline in Zimbabwe.
- Failure to resolve conflicts between competing claims on public finances during the budgeting process affect fiscal discipline in Zimbabwe.
- The budgeting process in Zimbabwe has assisted in determining the main fiscal aggregates which includes total expenditures, revenues and the fiscal deficits.
- Outcomes of fiscal indiscipline in Zimbabwe included overtaxing of the economy to cover up for unexpected or unaccounted expenditures, growth in domestic and external debt, poor service delivery, and missed targets due to unplanned expenditures.
- Thegrowth in fiscal indiscipline in Zimbabwe leads to growing fiscal deficits, increased direct budget financing requirements on the domestic market and unsustainable debt profile.

In order to enhance fiscal discipline in Zimbabwe, the study recommends the following:

- Strengthening the implementation of existing fiscal institutional frameworks in Zimbabwe;
- Building credibility and trust through publication of agreed fiscal targets such as fiscal deficit which will have been determined through the budget process. To ensure attainment of such fiscal targets, some sanctions or penalties can be instituted and included in the Public Finance Management Act such that it becomes binding and ensure that the targets are attained;
- Improve on the budgeting process to ensure that they become effective in enhancing fiscal discipline. This should entail capacity building for all the budgeting process stakeholders, particularly the parliamentarians who are responsible for approving the budgets;
- Review of the budgeting process with an objective of identifying weaknesses and challenges of the Zimbabwean budgeting process for possible interventions and improvement;
- Saving of resources during commodity boom times which can be used to smoothen expenditures during periods of droughts, cyclones and health pandemics; and

- Engagement of the international community with a view of reviewing sanctions imposed on the country.

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APPENDIX A: QUESTIONNAIRE

(A) *Demographics*

1. Sex [Male, Female]
2. Age [18-25, 26-35, 36-45, 46+]
3. Marital Status [Single, Married, Divorced/Widowed]
4. Education level [Diploma, Degree, Masters/PhD]

(B) *Trade Sector*

5. Which sector are you from? [Ministry of Finance and Economic Development, CZI, Chamber of Mines, Reserve Bank of Zimbabwe, Parliament of Zimbabwe, University of Zimbabwe]
6. Work Experience [0-5 years, 5-10 yrs, 10+ years]

(C) *Lack of fiscal discipline and the expected budgetary process outcomes in Zimbabwe*

7. What effect does lack of fiscal discipline have on the expected budgetary process and outcomes in Zimbabwe? Please Tick where applicable
    - Missed targets due to unplanned expenditures
    - Growth in domestic and external debt
    - Worsening fiscal position
    - Poor service delivery
    - Overtaxing of the economy to cover up for unexpected or unaccounted expenditures
    - Misappropriation of public finances
    - inefficient use of public resources
    - lack of transparency and accountability
    - abuse of tax incentives
    - Low tax morale
8. What kind of relationship exists between fiscal indiscipline and budget performance in Zimbabwe? Please tick where applicable and justify
    - Growth in fiscal indiscipline leads to growing fiscal deficits
    - Growing fiscal indiscipline has led to increased direct budget financing requirements on the domestic market
    - Growing fiscal indiscipline is directly linked to unsustainable debt profile
    - Fiscal indiscipline is indirectly linked to low tax morale and underperforming tax revenue

(D) *Determinants of fiscal indiscipline in Zimbabwe*

9. What are the determinants of fiscal indiscipline in Zimbabwe? Please tick where applicable
    - Weak budget institutional frameworks;
    - the electoral budget cycle;
    - economic sanctions;
    - Party institutionalization;
    - the number and size of parties;
    - Party discipline; and
    - Policy distance or ideological polarization.
10. To what extent does fiscal discipline affected by exogenous factors such as drought cyclones, pandemics and other natural disasters? Scale, Rank 1 (lesser), 10 (greater)

(E) *Budget process and fiscal discipline in Zimbabwe*

11. To what extend does the budget process influence fiscal discipline in Zimbabwe? Scale, Rank 1 (lesser), 10 (greater)
12. In your view, to what extend does failure to resolve conflicts between competing claims on public finances during the budgeting process affect fiscal discipline in Zimbabwe. Scale, Rank 1 (lesser), 10 (greater).
13. Has the budgeting process in Zimbabwe assisted in determining the main fiscal aggregates (Expenditures, Revenues and Fiscal deficits)? Tick where applicable [Yes, No, to some extend]
14. Can the budget process influence fiscal discipline in Zimbabwe? Tick where applicable [Yes, No, To Some Extend].