

## CHAPTER 7

# LESSONS AND RECOMMENDATIONS ON THE IMPLEMENTATION OF THE PRSP

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### 7.1 Main Observations

The cost of implementing the PRSP for the period 2002-2004 is estimated at K6.5 trillion (US \$1.3 billion) out of which K4.3 trillion (US \$870 million) or 67 percent is supposed to come from external sources and 33 percent or K2.12 trillion (US \$430 million) from domestic financing. This means that the successful implementation of the PRSP is primarily premised on Zambia maintaining a good relationship with its cooperating partners for the external resources to be released. However, in 2003, Zambia failed to conclude a new PRGF with the IMF largely due to the budget overrun which, consequently led to the withholding of programme aid by co-operating partners. The withholding of programme aid has negatively affected budget execution including spending on PRPs because most of the domestic resources have gone to external debt servicing and other constitutional expenditures. In addition, lack of a programme with the IMF has led to the delay in reaching the HIPC Completion Point. This means that Zambia has not yet been able to access the bulk of the debt relief estimated at US \$3.8 billion. In 2004, therefore, every effort must be made to get back on the PRGF programme and consequently reach the HIPC Completion Point.

Although the PRSP is supposed to be largely foreign financed, reporting on foreign financing of programmes from sector ministries was inadequate. As a result it has been difficult to provide an analysis of the donor financing. This calls for line ministries to improve on their data capturing information systems so that in the next progress report an accurate picture of what is going on in the sectors will be portrayed. Additionally, linking outputs to inputs was another area where the information provided was not sufficient. This could be explained by the fact that presentation, funding and reporting modules of the budget were not by activity, therefore, the money released was not tied to specific activities. However, in 2004, with the presentation of the Yellow Book and reporting systems in the ABB format it is expected that the reporting system will improve.

It has been noted that the total expenditures on PRPs during the period in this report are much higher than indicated. The reason is that this report focused mainly on programmes classified as PRPs in the yellow book ignoring those that have direct poverty reducing effort but classified under other lines like capital expenditure or grants. It is important that the future progress reports should focus not only on programmes classified as PRPs but also include all poverty reducing programmes by Government and Cooperating partners. However separate annexes for all poverty reducing expenditures were prepared for 2000, 2001, 2002 and 2003. Further, a similar exercise to prepare an annex for all poverty reducing expenditures for 2004 is underway.

The inputs from the line ministries into this progress report in most cases were poor, indicating that there is inadequate capacity in these ministries to conduct such analysis. Thus, there is need to build capacity in sector ministries.

Unclear guidelines on the use of PRSP funds especially on expenditures for administration, coupled with lengthy procurement procedures resulted in low absorption capacity. Furthermore, late disbursement of funds for PRPs contributed to the non-implementation of a number of programmes. For instance, in 2003, the first PRP disbursement was made in May 2003. The late disbursement of funds is partly attributed to the presentation of the budget in January which is only approved by March. There are proposals that the budget

should be presented in October which will allow Parliament to debate and approve the budget by December. Thus, implementation will begin in January. Furthermore, guidelines and procedures on the use of PRP funds as well as reporting need to be clear and simple. Officers dealing with PRP funds need to be oriented on the guidelines and procedures. The proposed structure under the SAGs will address these problems.

## **7.2 Other Findings**

Although the picture is mixed, the overall performance in the areas in which resources were disbursed indicates positive gains in terms of input (policy formulation) and output (products produced, such as number of kilometres of graded roads or schools rehabilitated). The resources that were disbursed were utilized fairly well. However, it is currently difficult to assess the impact of the various interventions in regard to actual reduction of poverty. In addition, and although an attempt was made, a comprehensive comparison of outcomes as opposed to the objectives, was found to be problematic due to the non-existence of a baseline. It is however planned, that a comprehensive comparison will be done in the second progress report.

Observable improvements in inputs and outputs, though they may be, there are some clear areas of concern. The Progress report has identified several constraints, obstacles and other rigidities towards the creation of significant impact resulting from the implementation of the Poverty Reduction Programmes (PRP's). Some of these are as follows:

### ***a) Inadequate Disbursement***

The results of the report show that there was a problem with the disbursement of resources budgeted for PRPs. Less than a third of the intended disbursements were effected in 2002 and the flow of these disbursements was sporadic. The result was that project implementation was delayed, causing costs to escalate and, for projects which had started, to remain incomplete. One of the reasons, among several, for inadequate disbursements was due to the existence of other competing interests, which were able to exert greater pressure on the budget. In addition, it is important to note that the implementation of the PRSP, in the Zambian case, preceded the development of the Medium Term Expenditure Framework (MTEF). This development may have resulted in poor releases due to the lack of specific targeting of the budget towards PRPs programs that could have made stronger demands in order to effect disbursements.

### ***b) Absorption Capacity***

Findings indicate that, in some cases where disbursements were effected, there existed inadequate capacity to utilize the money immediately. The money remained in the banks, unutilized for long periods of time, depriving other programs and projects that may have had the capacity to efficiently utilize it. The reasons for this lack of absorption are many and vary from program to program and from district to district. Common among them, however, is the lack of information regarding timing of disbursements, inadequate provision of capital equipment to facilitate implementation of infrastructure works and long and complicated tender procedures.

### ***c) Process of Identifying Programs/Nature of Consultation***

The report indicates that the nature of consultations, (all intended beneficiaries) in terms of identifying programs to be undertaken in the year, were too broad and was considered in many instances as detrimental to the efficient and effective implementation of projects. In order to take into account political balancing and equitable distribution of resources, it was found that the resources were thinly spread, resulting in incomplete projects. In addition and since the pattern of give and take was not consistent, it had become

very difficulty to predict the flow of disbursed resources. The implication of this development was that effective planning of large projects and extensive programs were seriously impaired.

#### ***d) Monitoring and Evaluation***

The first impression given by the findings of the report was that the capacity for poverty monitoring and evaluation was weak, since the Central Statistical Office (CSO) was unable to provide data that could be used in assessing the revised indicator system developed for the PRSP. The revised indicator system used a system based on four values: Input, Output, Outcome and Impact, which need to be tracked both in the short term and long term. The data was not available for both the immediate indicators as well as the long-term output and impact indicators. In addition, a baseline had not been sufficiently developed due to the fact that only one year of implementation had elapsed. In terms of monitoring, which is supposed to be carried out by implementing institutions, it was found that the five (5%) percent of PRPs disbursements to be used for the purpose was inadequate. The main reason for the inadequacy stemmed from the fact that no prior monitoring and evaluation capacity had been established. In order to address the issue of data, Government has allocated K5 billion under the PRPs to enable CSO carryout a comprehensive survey in 2004.

### **7.3 Other Remedies**

The findings of the report have already led to the initiation of efforts aimed at addressing some of the obstacles. These are efforts aimed at enhancing the entire implementation process as well as creating greater capacity towards monitoring and evaluation. For example, twelve (12) Sector Advisory Groups (SAGs) have been established to assist line ministries and local administration identify the most viable programs and projects to be implemented. The SAGs will also assist in the process of, consultations, implementation, Monitoring and Evaluation. The composition of the SAGs is very broad and includes civil society, the private sector, and the cooperating partners. They will be meeting 'in-house' at least once a month and with other SAGs, together with the Ministry of Finance and National Planning every quarter. These meetings will be held in order to report and assess the process of implementation.

In addition to the above stated measures, a Cabinet Committee on development has been re-launched so as to provide a forum at which Cabinet can quickly obtain monthly and quarterly reports on the implementation of PRSP. Cabinet has done this in order to create a mechanism by which budgetary and implementation problems can be detected early, with the view of having them rectified before any serious structural problems develop. In addition, it has been agreed that only Cabinet will authorize diversion of any money in the budget. This agreement will especially protect Poverty Reduction Programmes. Overall, the enhanced political commitment towards budget discipline in 2004 should assist to prevent PRPs funds from being diverted. From the shortcomings observed in the PRSP Progress report, Government recognizes the need to constantly evaluate its performance and rededicate itself to ensuring the realization of the full potential of the nation's greatest asset: the Zambian people.

Government has also recognized the need for a sharp fiscal adjustment and the need to implement policies that will lead to macroeconomic stability and growth and ultimately lead to poverty reduction. The Government hopes to increase the share of spending on PRP, s to 2.5 percent of GDP by 2006. The budget for 2004 is anchored on the premise that the empowerment of the Zambian people must be the only reason for all development endeavors. This will secure sustained and broad-based developments, which will great wealth, reduce poverty and raise living standards of all the citizens.

To meet these challenges, Government has proposed amendments to the Medium Term Expenditure Framework (MTEF) in which it seeks to revise the macroeconomic framework for 2004-2007 as indicated in Table (2.4).

With the above premise in mind, in the 2004 budget, the government has focused expenditures on areas that will directly involve and benefit the Zambian people and curb waste within the public sector. Government will endeavor to observe prudence in expenditure to ensure that the limited resources are directed at priority investments, which will reduce poverty and create wealth.

The preparation of the PRSP in Zambia preceded the development of the MTEF. The MTEF has now been developed and its first year of implementation is 2004. The 2004 budget has been formulated in the context of the MTEF for 2004-2006, thus placing the annual budgeting cycle in a more strategic context. All spending agencies have used the ABB procedures to explicitly link their budget allocations to service delivery and outputs. The budgeting process has been made more transparent and in this regard, the 2004 budget provides much more information which will allow for transparency and accountability. The SAGs participated in the consultative meetings that fed into the 2004 Budget. In addition, the new 'Funding Profile Schedule' takes into account of the consultative process and has designed a system, which will ensure disbursements are done in accordance to the annualized profile, rather than towards any other consideration that budget office may have had. It is firmly planned that the implementation of the MTEF will have a positive effect on budgetary commitments and especially towards the allocation of PRPs.

The development of Zambia's first MTEF, the MTEF 2004-2006, went through a rigorous consultative process premised on the experience from the PRSP consultative process and the findings of the PRSP Progress report. With the benefit of experience from the PRSP consultative process, the process of developing the MTEF 2004-2006 was made faster than it would have been. Proper definitions of programmes and activities were achieved in the MTEF through the lessons learnt in the implementation of the PRSP. Nevertheless, there have been hurdles that have caused the delay in the publishing of the document. These hurdles are at formulation and operationalisation level.

The formulation of the MTEF 2004-2006 used the Activity Based Budgeting (ABB) system to come up with estimates for MPSAs. Thus the Yellow Book for 2004 is in ABB format. With the new Chart of Accounts and the new Commitment Control systems that were adopted in 2003, the ABB software that had been developed prior to 2003 had to be retooled. This was done, but improvements had to be made as the budgeting went on during the year. In order to be able to do funding for the ABB based 2004 Budget items, the funding module was also developed. These processes which include training of staff has delayed the final implementation of the MTEF.

Before the MTEF 2004-2006 could be presented to Parliament, the Parliamentarians debated far reaching issues related to consultations and viability of the Budget Estimates that was presented in the 2004 Budget. The parliamentarians made changes which had an impact on the indicative allocations in the Green paper for 2004 to 2006. The MTEF 2004-2006 would therefore, only be finalised when the consultations were completed. As the 2004 Budget was approved by Parliament by the first week of April, 2004 the firmed up estimates for 2004 will only be completed at the end of April and will thereafter be a basis for updating the 2004-2006 MTEF.

In addition to MTEF process, is the development of the Integrated Financial Management and Information System (IFMIS) and the Commitment Control System (CCS), both housed under the Public Expenditure Management and Financial Accounting Reform (PEMFAR). The institutionalization of these initiatives will contribute towards greater effectiveness in implementing Poverty Reduction Programs.