

THE DESIGN, PROCESS AND ACHIEVEMENTS OF ZAMBIA'S POVERTY REDUCTION STRATEGY PAPER

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Executive Summary

Progress with the implementation of the Zambian PRSP is disappointing.

Today, nearly two years after the adoption of the document in May 2002, only very limited funds have been allocated by the Zambian government (GRZ) to poverty reduction programmes and even less have been disbursed. Where funds have been disbursed it is not clear that the activities funded were the most urgent, the most effective or the most targeted of PRSP-related activities, or that the funds were used well (in 2003 the late disbursement of PRP funds were almost certain to result in inefficient spending). While it can be argued that the GRZ would have done more to implement the PRSP if only it had more funds, this argument is somewhat negated by budgetary overruns on non-PRSP items, which lead to a higher than planned deficit and high domestic borrowing in 2003, and contributed to the GRZ missing several macro-economic PRSP targets. In addition, many stakeholders outside of government are highly disappointed and concerned with its failure to establish an effective PRSP monitoring system. Therefore, if the first necessary condition for PRSP implementation is commitment by government, it would seem to be lacking.

However, all is not bad news. The question needs to be asked whether it would have been possible for the GRZ to make much progress with reorienting its activities to PRSP programmes if the commitment to do so had been present.

After all, the second necessary condition for successful PRSP implementation is the existence of a whole set of enabling institutions, from robust planning instruments to operationalise the framework at lower levels; through budgeting institutions conducive to the reprioritization of expenditures, management systems to coordinate various sources and uses of funds and sufficient human resource capacity of the right type at the right place to plan and carry out activities; to an effective monitoring and evaluation system to ensure accountability and enable correction in cases of disappointing results. In fact, it could be argued that without these enabling institutions commitment to implement the PRSP will waiver – commitment is not an absolute – it results from the right incentives, supported by the right enabling institutions:

The answer to this question is straightforward: even if the GRZ had entered the 2002 and 2003 fiscal years with full commitment to PRSP implementation, it would have been very difficult for it to have made much progress. To name a few factors:

- When the PRSP was completed the GRZ budget was still planned incrementally for the cost of running existing institutions over a one year planning horizon. The budget showed allocations to institutions by economic items, obscuring the use of funds and limiting options for reallocation.
- In addition, the budget as allocated did not match the actual costs of running institutions. Years of running a cash budgeting system had entrenched the practice of re-making the budget frequently during the fiscal year – actual spending was not determined by ex ante plans, but rather by the ex post sum of allocations made in year from available funds, possibly on the basis of factors that did not necessarily include pro-poor policy priorities.
- Planning instruments were therefore weak.
- The existing cost structure of government severely constrained reallocation to PRSP activities: as it were very little discretionary funds were ever available to implement any activities, once debt costs, personnel costs and overheads were paid. The underlying cost structure of government (eg the number and distribution of staff and the cost of accommodating them in government

- buildings), which arguably was not entirely pro-poor, could not be adjusted easily over the short-term planning horizon.
- The in-year expenditure and financial management systems were weak. Poor commitment control over several years prior to the PRSP left a high arrear overhang which needed to be cleared from available cash. At best public officials and civil servants were accountable for inputs (and even there accountability was limited legally, since expenditures could be authorized long after the fact), never for whether the funds were used with efficacy towards policy priorities. Very little systems were therefore in place to track outputs and outcomes.
- All of these factors occurred within and contributed towards an environment with rent-seeking by elected officials and civil servants.

It is in these respects that there is some cause for optimism as regards progress with PRSP implementation. The GRZ has made considerable progress in establishing enabling institutions.

Planning

- In two sectors robust planning instruments are used at the centre, both in line with the PRSP. In Health the development of a strategic plan pre-dated the PRSP, but was taken up in the document. In education, the development of a strategic plan occurred within the framework of the PRSP. In health robust planning instruments right down to village level have been institutionalized.
- In the two provinces visited – Copperbelt and the Southern Province – there is evidence that the PRSP is being used to frame a revival of planning activities. In both cases, the methodology is based on instruments developed by and capacity built by Zamsif (ie making use of existing institutions). Progress is made through institutional analyses, a rapid assessment of poverty, through to district poverty reduction strategies and annual operational plans. The institutions are much better developed in the Southern Province, where GTZ has supported processes. In the pilot district – Kazanghula – the resulting DPRSP clearly links to the national refined indicator framework (see below under Monitoring and Evaluation). Other districts are currently working towards replicating this.
- The District and Provincial Development Coordination Committees were operational in the provinces and districts visited: they played a critical role in allocation what little funds were made available under the PRP programmes to projects at district level. Both monitoring efforts initiated (see below) at district levels place their structures and activities within the context of the PDCCs and DDCCs, opening up the possibility of operationalising the critical link between planning and monitoring as (if) more funds become available.

Budgeting

- Progress has been made with the implementation of a MTEF, opening up the possibility of a medium term planning horizon for the reallocation of funds. While at this point it is only the medium term fiscal framework that has been published, medium term institutional allocations are available (done by MoFNP on the basis of the existing actual cost structure **and** policy priorities) and will be used in subsequent rounds.
- The 2004 Budget was planned and allocated on an activity basis. The effect of this was clearly felt throughout the system. In Parliament questions were asked about uses of funds which did not seem priority – eg it would have been difficult to question the repair of the swimming pool at President House if it were obscured in allocations to personnel and other recurrent items. At line ministry, provincial and district level comments were made about the thinking required to relate costs to activities, and to prioritise activities. On the face of it, it would seem that a good start has been made: activity-based

budgeting (ABB) is not merely about producing a document – it may yet turn into an effective budgeting institution for management by results.

- Adjustments have already been made in allocations in the Yellow Book to reflect better the underlying cost structure of government – this heightens the possibility of meaningful public debate that may bolster government's ability to adjust the underlying cost structure over time in line with income and priorities, should it wish to do so.
- The GRZ through the Ministry of Finance is building further enabling budgeting institutions for PRSP implementation. Ministry officials have called the PRP programmes only an interim instrument for PRSP implementation. – the aim is to mainstream the PRSP through the full budgeting system. Currently ministry officials are tagging PRSP related activities in the new ABB – this will enable government and stakeholders to track with much greater ease the reallocation of resources throughout the budget, rather than just through the PRPs, which in any case is the instrument for allocating HIPEC funds, which may be contained within the PRSP, but does not necessarily equal it. (Such a system is reminiscent of the Ugandan Poverty Action Fund – a virtual budgeting instrument for the implementation of the Poverty Eradication Action Plan throughout the Ugandan MTEF. If successful, the Zambian case would go one step further: the Ugandan budget is not activity based, which makes it more difficult to manage for results.)

Budget execution

- An interim financial management information system is in place, and seems to have improved financial management. Currently GRZ officials are changing the coding in the interim system to align budget execution to the ABB – thereby possibly further entrenching it in the system.
- A commitment control system is in place, addressing the further accumulation of arrears. This too is linked to the ABB.
- At line ministry, provincial and district level there is evidence of heightened awareness of accountability. One official bore witness to his resolve not to sign payment vouchers unless they are coded to an activity that is in the budget and unless they have been cleared in the commitment control system. His fear was exposure, in line with other officials that have been exposed elsewhere.
- The availability on time of Auditor General's reports is a vast improvement over the late reports of the late 1990s and early 2000s.

Monitoring and evaluation

- The Sector Advisory Groups (SAGs) have been resurrected to monitor on-going implementation of the PRSP. (They may even be allocated a role in budgeting, but it is not yet clear what this would be.)
- A refined national indicator framework has been developed with the help of GTZ. It limits indicators per sector progressively through inputs, outputs, outcomes and impact.
- There are several initiatives progressing to implement this framework. A new monitoring and evaluation unit has been established in the economic management and planning division of the MoFNP: this unit is currently putting in place a nationwide structure of provincial level monitoring and evaluation secretariats comprising existing planners in the provinces. The secretariats are tasked with inventorying all projects in their jurisdictions, and will in future monitor project implementation. At national level the new unit acknowledges the need to monitor the refined indicator framework, but it is not yet clear on how it would do so, beyond utilizing the SAGs. The unit also now includes the poverty monitoring and analysis unit that used to operate from ZAMSIF – when integration is complete it may broaden the focus of the unit from project input and output monitoring to more broad-based outcome and impact

monitoring. In the Southern Province a pilot is underway, supported by GTZ, to operationalise the refined indicator framework (and link it to planning at district level). Monitoring teams were formed to do a rapid assessment by collecting data from line ministries at district level – the first results are currently returning, but have been said to be disappointing. It is not clear how these teams, if replicated at a national level, would link to the project monitoring database.

- The CSO has progressed in its plans to develop a PRSP-supportive national statistical system: its plan includes the utilization of national level data to monitor inputs and outputs (supporting existing strong M&E systems, learning from best practices and replicating in other PRSP sector ministries) and reorienting its own instruments to monitor outcomes and impact

Donor coordination

- If the PRSP is seen as an instrument not only to coordinate government activities towards poverty priorities, but also to coordinate donor activities, the recent progress as regards donor harmonization must be seen as positive. However, as is widely acknowledged, it is early days as yet as regards the harmonization of funding instruments and procedures. However, amongst the donors interviewed, there is commitment to reorient their interventions – ie the substance of what they fund – to align with the PRSP.

In conclusion, it is today much more possible for the GRZ to increase funding to PRSP implementation and slightly more possible to monitor its effective use towards PRSP objectives than it was at the adoption of the PRSP. It is thus in the economic governance arena that major progress was made.

This is not to say that there are no problems within the progress made.

- A strong central, well placed structure to coordinate PRSP implementation is missing. The effect of this shortcoming is most clearly illustrated by the existence of several visions (and initiatives) to monitor and evaluate PRSP implementation – even within one unit at the centre. While both the ‘monitoring secretariat’ and ‘monitoring team’ visions of PRSP monitoring have merit, neither of these have particularly strong links to central level line ministry systems of monitoring and evaluation for their own management purposes.
- Implementation is fragmented in other ways too: the fragmentation of the poverty alleviation programmes of the Ministry of Community Development and Social Services across the PRSP sectors and SAGs, and the fragmentation of funding for similar programmes across different ministries is taking its toll.
- While progress with Public Expenditure Management is laudable in terms of the establishment of instruments, it is not yet clear by what process those instruments will be used, or whether the institutional arrangements surrounding them will be effective. For example, what will the involvement of Cabinet be in decision-making; what information will be public and when; who will make which decisions at which level and when and by which rules? All these questions are critical in determining the effectiveness of the new instruments to improve public expenditure management.
- The review team would like to note a concern with the misalignment of the emphasis placed on operationalising the PRSP at district level in terms of planning, while in reality power and resource allocation is highly centralized in Zambia: it would seem that resources put towards better operationalising at national level in the most critical line ministries may have been more conducive to better implementation sooner.

- The slow use of PRP funds when disbursed is indicative of the lack of underlying capacity to spend resources and deliver public goods and services. This may be related to procurement systems, lack of funds to cover operational costs (ie transport for agricultural extension services) or poor skills on the ground. However, while improvements in the top level public expenditure and public financial management systems will create pressure for the skills to develop and will highlight the problems on the ground, there remains a mammoth task to build the capacity of the state to deliver.

It is important to highlight separately the progress made in the education and health sectors.

- Both these sectors have succeeded in putting in place effective planning, programming, budgeting, implementing and monitoring systems in line with the PRSP. In fact valuable best practice lessons may be exported from these sectors to elsewhere in government. Some of the factors highlighted by interviews are the administrative commitment of top officials, coordinated donor support and sector specific administrative and budgeting reforms. Whichever way, it should be acknowledged that beyond the PRPs, the implementation of the PRSP through the bulk of resources spent by government and development partners in these sectors, have resulted in improved service delivery in line with the PRSP. While it can be argued that this progress would have been made with or without the PRSP, it is important to note that the direction of change may very well have been in the opposite direction.

The increased participation by organized civil society should also be seen as a positive outcome. In a nutshell, in terms of broader economic governance, Zambia is not the same place it was prior to the PRSP. The PRSP drafting process and the willingness of civil society to engage with the process and organize itself, has shifted the 'way of doing business' for government in Zambia. It has facilitated the growth of voice in the system, which could contribute progressively towards development through better service delivery. It should however be noted that civil society's experience of PRSP implementation has been largely negative: whereas it was included in drafting processes, it felt itself excluded from the final document, from prioritization within available funds and from the monitoring of implementation. The HIPC monitoring team may be seen as positive here, but there was some frustration from within the team that the cooperation with government has not been as smooth as may have been wished: funding was slow and not in accordance with the original agreement. The existence of the team and the availability of the first reports may have positive spin-offs: it is yet too early to tell. (There is however a question about the trade-off between being involved and being able to hold government to account that civil society has not yet entirely thought through.)

The overall positive assessment of the participative nature of the PRSP drafting process may need review for a next iteration: consultation took the often tried and rarely entirely successful form of drafting by technical experts at central level and a consultation with stakeholders on an existing document at provincial level with some attendance by districts. A more thorough (and politically more binding) process may be to start right at village level with consultation as an input to drafting – at the very least it would improve political accountability for implementation to the electorate. The participation of organized civil society at national level in the drafting cannot be seen as replacing participation by the poor at grass roots.

The status, purpose and format of the PRSP need some considered thought. There are several comments regarding this:

- How does the PRSP align with other planning instruments, including the (T)NDP, the MTEF, sector plans and district plans?
- Is the PRSP a framework of priorities for poverty alleviation, somewhat resource constrained, within which on an annual basis the MTEF and other planning instruments will finally prioritise within actual resources available, or is it entirely resource-constrained and prioritized right from the start?
- How and where is the trade-off between comprehensiveness and prioritization to be made? Will the PRSP poverty alleviation sectors, and activities only within those sectors (and therefore be a sub-set of a broader national plan), or will it include all sectors, but mainstream poverty alleviation within all in order to orient all of government spending more towards the poor?
- How will electoral risk to the PRSP be managed? The comment was made by several sources that the PRSP receives much less attention in the current administration, because it is seen as belonging to the previous one. How can the institutional arrangements for its planning and implementation be established to manage this kind of risk?

There is evidence that some thought is being given to these issues at national level.

Abbreviations

ABB	Activity-based Budget
AIDS	Acquired Immune Deficiency Syndrome
BESSIP	Basic Education Sector Support Investment Programme
CSO	Central Statistical Office
CSPR	Civil Society for Poverty Reduction
DDCC	District Development Coordination Office
DFID	United Kingdom Department for International Development
GDP	Gross Domestic Product
GTZ	Gesellschaft für Technische Zusammenarbeit
HIPC	Highly Indebted Poor Country
HIV	Human Immune Deficiency Virus
IMF	International Monetary Fund
MoFNP	Ministry of Finance and National Planning
MOU	Memorandum of Understanding
NGO	Non-Governmental Organisation
PDCC	Provincial Development Coordination Committee
PEMFAR	Public Expenditure Management and Financial Accountability Report
PRGF	Poverty Reduction Growth Facility
PRP	Poverty Reduction Programmes
PRSP	Poverty Reduction Strategy Paper
RAMCOZ	Roan Antelope Mining Corporation of Zambia
SWAP	Sector Wide Approach
TNDP	Transitional National Development Plan
UNDP	United Nations Development Programme
ZAMSIF	Zambia Social Investment Fund

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