



Republic of Zambia



2011 Annual Progress Report

Analytical Report for Selected Sectors

Government of the Republic of Zambia
Ministry of Finance
Lusaka

Supported by:



ANNUAL PROGRESS REPORT

Analytical Report for Selected Sectors

2011

Table of Contents

1. Overview of Budget and programme performance	3
2. Key findings for selected sectors	6
2.1 Governance	6
2.2 Tourism	8
2.3 Education and Skills Development	9
2.4 Energy	10
2.5 Mining	11
2.6 Health	12
2.7 Environment	12
2.8 Disability and Development	13
2.9 Youth and Sport	13
2.10 Transport	14
2.11 Agriculture, Livestock and Fisheries	14
2.12 Regional Development	16
3. Conclusions	16

1. Overview of Budget and programme performance

This Analytical Report is complementary to the Sixth National Development Plan Annual Progress Report and provides further insights on budget and programme performance for selected sectors.

The first section highlights budget and programme performance for sectors which had complete programme and budget data. The second section is a narrative of key findings. The conclusion highlights key generic programme performance findings and recommendations.

1.1 Programme and Budget Performance

Data on budget and programme performance were superimposed and a graphical illustration reproduced in the Figure 1 below. The data showed that sector performance based on Key Performance Indicator (KPI) targets was below par. Out of the twelve sectors reflected in the graph, only one was able to meet more than 60 percent of the KPI targets. Only two sectors managed to meet 45 percent of the KPI targets.

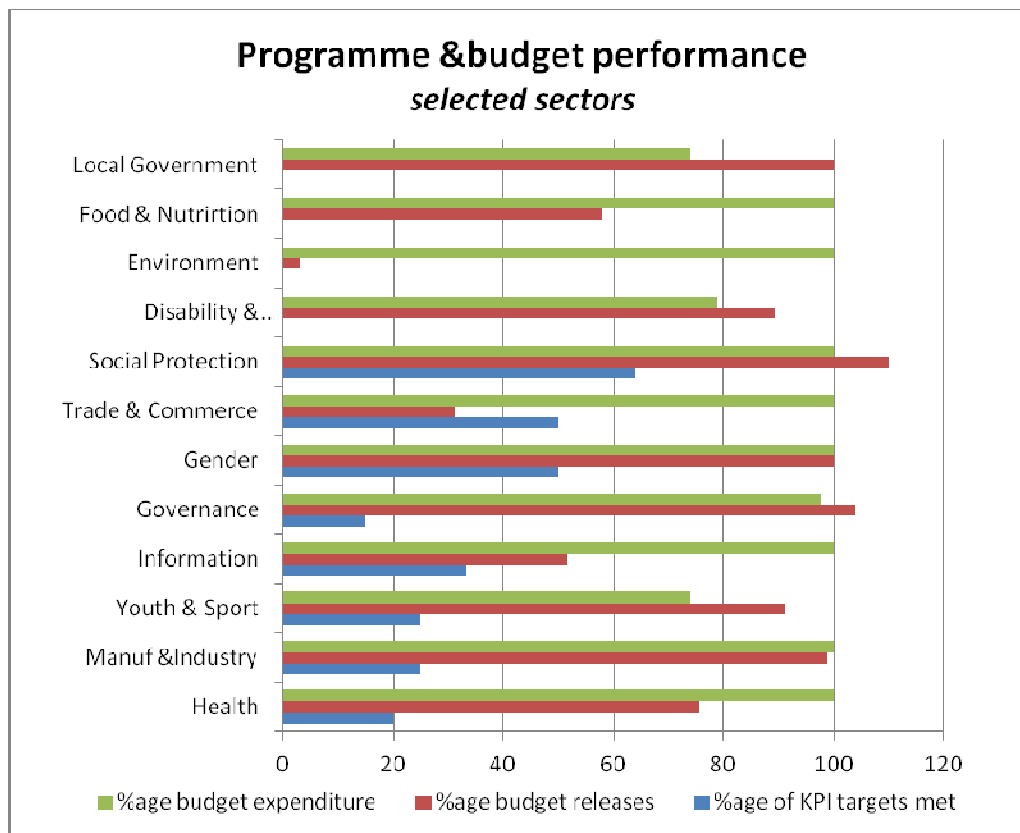


Figure 1

Data on budget performance showed that 14 out of the 23 sectors had more than 75 percent of their annual budget released (Table 1). There were only two which had between 60-75 of their budgets released, while seven had less than 60 percent of their budgets released. Almost all, except three sectors reported having spent at least 75 percent of released resources (Table 2). This being

contrasted with the poor programme performance where only 2 out of 22 sectors met their KPI targets (Table 3).

Overall, mining, science and technology and water supply and sanitation were the best performing sectors. The Mining sector met all their KPI targets while Science and Technology and Water Supply and Sanitation met at least 80 percent of their KPI targets.

Table 1
Releases as percentage of annual budget

Sector	Budget	Releases	Percentage budget releases
	K' billions		
>75%			
Energy	319.065	538.011	168.6
Regional development	94.3	124.6	132
Social protection	90.88	100.28	110
Governance	1290.7	1,340	103.8
Roads	3,044	3,094	101
Science & technology	9.52	9.52	100
Gender	14.7	14.7	100
Housing	1.8	1.8	100
Child, youth and sport	14.8	13.5	91.2
Water and sanitation	25.39	22.8	89.7
Disability	9.6	8.6	89.5
Natural resources	10.7	9.51	88.8
Tourism	35.6	31.4	88.2
Health	927.1	700.9	75.6
60%-75%			
Local Government	5.25	3.9	74.3
Agriculture	250.5	151.9	60
< 60%			
Food and Nutrition	11.1	6.2	58
HIV and AIDS	45,860	23,983	52.3
Information & communication	0.62	0.32	51.6
Commerce and trade	3.5	1.1	31
Mining	2	0.46	23
DMMU	58.32	11.05	18.8
Environment	66.8	2.1	3.1

Table 2
Expenditure as percentage of releases

Sector	Releases	Expenditure	Percentage budget expenditure
	K' Billions		
> 75 %			
DMMU	11.05	68.27	618
Tourism	31.4	31.4	100
Agriculture	151.9	100	100
Manufacturing	3.65	3.65	100
Gender	14.7	14.7	100
Environment	2.1	2.1	100
Mining	0.46	0.46	100
Commerce and trade	1.1	1.1	100
Information & communication	0.32	0.32	100
Food and Nutrition	6.2	6.2	100
Social protection	100.28	100.28	100
Health	700.9	700.9	100
Governance	1340	1309.2	97.7
HIV and AIDS	23,983	21,631	90
Disability	8.6	6.8	79
Roads	2,365.20	1,635.3	76
Child, youth and sport	13.5	10	74
60%-75%			
Local Government and Decentralisation	3.8	3.8	74
Regional development	124.6	80.4	64.5
Science and technology	9.52	15.69	65
< 60 %			
None			

Table 3
Percentage of KPI targets met

Sector	Total No. of KPI targets	No. of KPI targets met	Percentage of KPI targets met
>75			
Mining	6	6	100
Science and Technology	7	6	85.7
Water Supply and Sanitation	5	4	80
60%-75%			
Tourism	6	4	66.7
HIV/AIDS	5	3	60
< 60 %			
Social Protection	11	7	64
Agriculture	10	5	50
Trade and Commerce	4	2	50
Gender	4	2	50
Natural Resources	4	2	50
Health	5	1	20
Information Services	3	1	33.3
Manufacturing and Industry	4	1	25
Youth & Child Development	4	1	25
Governance	13	2	15
Road transport	12	1	8
Disability and Development	3	0	0
Energy	6	0	0
Environment	3	0	0
Food and Nutrition	3	0	0
Housing	2	0	0
Local Government & Decentralization	8	0	0

2. Key findings for selected sectors

2.1 Governance

Although the Governance sector was well funded, with the percentage of the budget released being estimated at 103.8% in 2011, this did not translate into equally positive programme performance (Figure 2). For instance, although the Human Rights Commission received K11.5 billion, only two

activities were carried out: preparation of a report on the Convention for the Elimination of all forms of Discrimination against Women (CEDAW) and investigation of human rights cases. Despite the full disbursement of the allocated budget to the Human Rights Commission, the agency only managed to investigate 35 percent of human rights cases. Further examination of programme performance within the sector showed that the Auditor General's Office achieved their target despite receiving only 40 percent of the budget. This may indicate over-budgeting, or low setting of the targets.

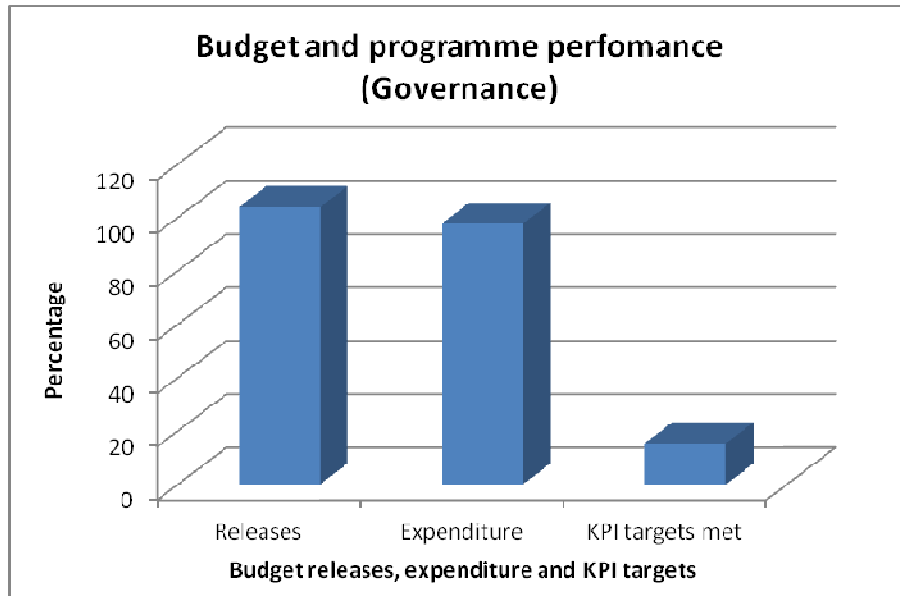


Figure 2

The sector recorded notable achievements in infrastructure development, exemplified by the construction of 42 local courts throughout the country, procurement of vehicles, and continued construction of Constituency Offices. However, the sector also faced challenges ranging from limited access to justice to low citizenry participation in the electoral process. The programme performance constraints were further manifested through the inability to clear a backlog of court and human rights related cases; reduction in voter turn-out from 70 percent in 2006 to 53 percent in 2011; low rate at which cases were disposed of; and persistently high remand – convict ratios.

It ought to be recorded that these problems were consistently reported during the FNDP period. It is imperative that the sector devises strategies for comprehensively resolving these shortcomings during the SNDP period. Developing a *Governance Sector Strategic Plan* would be a good starting point, as it will facilitate a rethink of strategies.

The sector managed to meet only one out of the five Key Performance Indicators (KPIs). This may reflect differing priorities in reality, inappropriately defined KPIs and/or limited allocation of resources to SNDP programmes. The Governance SAG should reflect on this poor performance, and revise the KPIs and/or ensure the alignment of budget/activities to the SNDP.

The information on KPI 4 (number of corruption cases investigated by the Anti Corruption Commission) in the APR differed from that reported in the Performance Assessment Framework (PAF). The PAF

Target was 55 percent for 2011, while the corresponding Target in the SNDP was 100 percent. The PAF reported that 57 percent of cases had been investigated, while the APR estimated this proportion to be 35 percent. This mismatch reflects coordination problems in the GSAG, and needs to be resolved. The challenge of submitting correct and adequate data could also be caused by lack of appropriate knowledge management and/or management information system.

The low level of achievement of KPI targets needs an urgent review.

2.2 Tourism

The Tourism sector was identified as one of the priority sectors of the SNDP. However, this was not matched with adequate budget allocations to the sector. For instance, while the sector had a planned SNDP budget of K41.9 billion, only K 31.6 billion (representing 75 percent of the planned budget) was released. Furthermore, out of the planned seven SNDP programmes, only three were funded.

The sector was able to meet four out of the six KPIs. The achievement may have been facilitated by support from the private sector and Cooperating Partners.

One of the KPIs that were not met is *length of stay for tourists in the country* (KPI 6). The planned number of days was 7, but on average visitors stayed for 6 days. This necessitates a rethink of strategies to increase the number of days tourists spend in the country. More importantly,

Out of the planned 7 SNDP programmes, only 3 were funded.

funding to the *Product Quality* programme, which directly impacts on KPI 6 need to be raised. During 2011, the programme only received a third of the budget and the *Product Development and Research* programme was not funded.

The management of the sector was sub-optimal, with the diversity of sub sectors posing coordination challenges. Since several ministries are responsible for varying aspects of Tourism Development, better coordination efforts are required.

2.3 Education and Skills Development

The budget for the Education and Skills Development sector was not aligned with the SNDP. This made it difficult to analyse budget execution and to track outputs against the budget. Underfunding of some key education programmes persisted. For instance, *Infrastructure Development* and *Equity* were allocated 15 percent and 20 percent of the budget respectively.

Performance of the *Skills Development* subsector was undermined by the disproportionately high budget allocations for dismantling of arrears, which left very little for programme implementation and thus adversely impacted performance.

The sector recorded improved outputs, such as rising enrolment ratios at various level of the education system (Figure 3). This mainly arose from the cumulative effects of infrastructure development programmes that were implemented over time. This had positively impacted on access to education. However, quality of education services remained a persistent challenge.

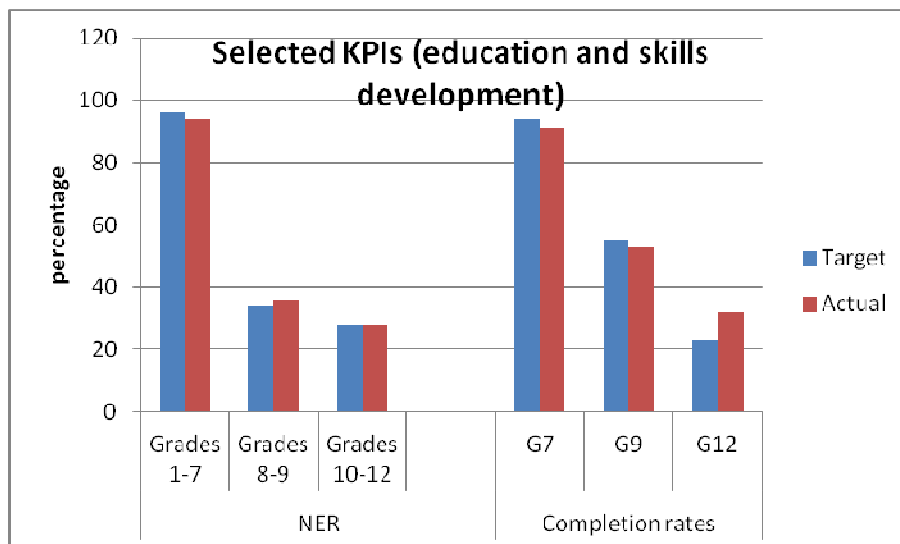
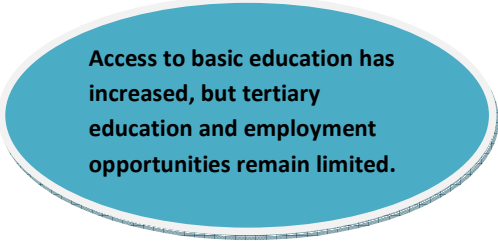


Figure 3

The poor quality outturn was in part a reflection of limited funding to pertinent programmes. For instance, quality focussed programmes such as *Teacher Education* and *Development and Materials* were allocated 53 percent and 23 percent of the budget respectively, thus limiting the extent of materials acquired.

For instance, in the ECCDE & Primary sections, only 10,341 against the required 750,000 text books were acquired. Similarly, in the Secondary section, only 9,965 against the required 200,000 text books were procured.

The performance of the sector was further impacted by the implementation of non-SNDP programmes, which led to the diversion of resources away from planned activities. For instance, it was noted that the planned construction of 2,000 classrooms using the Community Mode did not take place as resources were diverted towards the construction of 43 secondary schools. While the sector recorded improvements in access at primary and secondary school levels, the corresponding access to tertiary education continued to be a challenge.

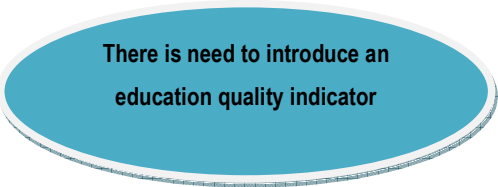
A blue oval callout box with a white border containing text.

Access to basic education has increased, but tertiary education and employment opportunities remain limited.

2.4 Energy

In the energy sector, the budget allocation was skewed towards two programmes: rural electrification and management of petroleum sector (Figures 4 and 5). It is worth noting that while the rural electrification programme had been running for the past five years, it has never been evaluated. The need for evaluating this programme is reinforced by the persistently low level of rural electrification which manifests in limited access to electricity by the rural households.

The management of the fuel sector is beset by inefficiencies which are reflected in perennial fuel shortages and coordination difficulties among the agencies involved in procurement, marketing and sell of fuel. Given the management challenges in the sector, it is difficult to justify the unplanned allocation of K267.65 billion to the management of petroleum programme. The non-attainment of the any of the KPIs further renders credence to this observation. The apparent sub-sector inefficiencies necessitate a management and governance audit.

A blue oval callout box with a white border containing text.

There is need to introduce an education quality indicator

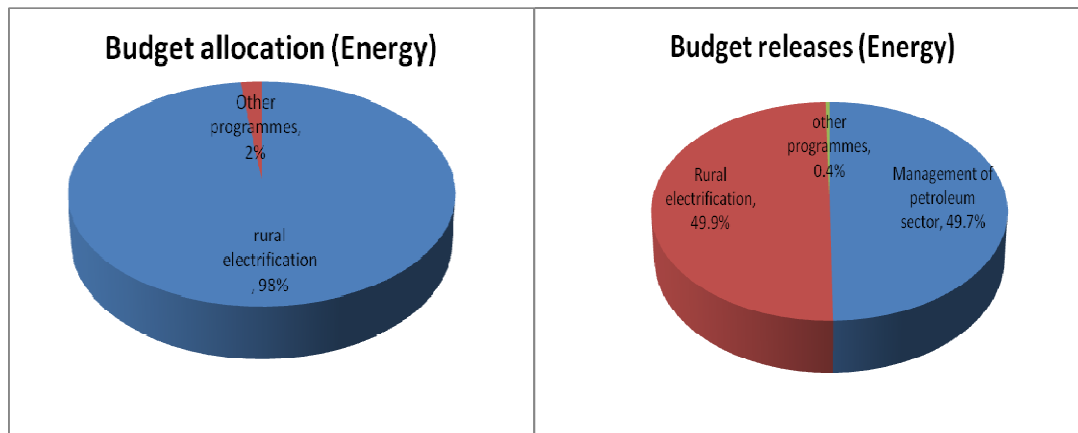


Figure 4

Figure 5

The sector reported a wide range of mini-hydro projects spread across the country. However, majority of these projects were at preliminary stages (feasibility, design works, memo) and should have been correctly reported as such. While the sector takes responsibility for the delayed completion of these projects, the failure by the

Government to facilitate adjustment of tariffs so that they are cost-reflective has had an adverse impact on investment in the sector. Current prices are not attractive for the private sector.

It is difficult to justify the release of K268bn against a planned budget of K0.95bn especially when none of the KPIs targets were met.

Despite the budget having been significantly increased, the Sector did not meet any of the KPI targets. This could have been caused by the over-concentration of funding to the Petroleum Management Sub-sector. The electricity generation programme was adequately funded. However, the activities for this programme are undertaken by ZESCO, which is not allocated resources from the national budget. Given this anomaly, there is need to establish how the budget resources for power generation are utilised.

2.5 Mining

The budgetary allocations, releases and expenditure for the Mining sector were very low. However, despite these budgetary constraints, the sector met all their targets. This could raise questions about the appropriateness of the chosen targets and responsibilities within the sector.

The current KPIs mostly reflect activities of the private sector. In order to capture effects of the public sector, there may be need to include indicators that reflect the role of Government in the sector. For instance, although there is a widely held view that the mines are underreporting their production levels and therefore, not paying the commensurate taxes, the capacity of the Government to monitor the sector has remained low. The sector could consider adopting an indicator that would measure the effectiveness of Government programmes for capturing and validating production levels in the sector.

The mining sector faced budget constraints, but was able to meet all the KPIs targets.

2.6 Health

Given the recent financing challenges experienced in the health sector, the SNDP made provision for implementation of the Social Health Insurance (SHI). Accordingly, the SHI programme had the highest allocation, with the whole budget amount being released. Despite the excellent budget performance, the sector did not reflect outputs realised under this programme.

An examination of the budget for the sector showed that it was tilted towards curative care services, despite the predominance of preventable conditions. The health system has continued being curative oriented, thus limiting the amount of resources for preventive services, which could positively impact more people.

The curative care bias of the health sector needs review.

2.7 Environment

The budget for the sector showed a concentration on forestry-related activities, which diverted resources from the implementation of other key programmes such as *Pollution Control*. There was a high concentration of donors in the sector, whose contribution accounted for 91.6 percent of the budget. This may have a bearing on programme priority setting in the sector.

In terms of overall performance, the sector's operations were constrained by the lack of a legal framework. The sector was not able to meet any of the KPIs. The poor state of peri-urban water and sanitation facilities needs to be urgently addressed. The overall poor performance of the sector was further reflected in the latest MDG report, which indicated that the country was not likely to meet MDG targets on the environment.

2.8 Disability and Development

In terms of budget execution, the sector fared well with 4 out of 5 programmes having expended 100 percent of the releases. The outturn of total expenditure against releases was 79 percent.

Although the sector was well funded, with 93 percent of its budget being released, none of the KPI targets were met. A fundamental concern in this sector is the lack of an effective institutional mechanism for co-coordinating various methods of empowering PWDs. Currently, there is no effective coordination and resources are thinly spread, with limited impact.

There is need for affirmative action on disability issues to facilitate mainstreaming. One way of doing this is through domesticating the United Nations Convention on the Rights for Persons with Disabilities (UNCRPD).

2.9 Youth and Sport

Despite receiving 91.2 percent of its budget and the programmes being aligned to the SNDP, the overall performance of the Sector was unsatisfactory. Firstly, it was unclear why no infrastructure development programmes were undertaken despite funds being disbursed.

Secondly, the performance of the *Skills Development and Empowerment* programme was unfavourable. Progress was only registered on one KPI related to the number of campaigns conducted on child and youth rights. The Target for the other three KPIs was not met.

There appears to be inertia regarding collection of data in the sector and/or monitoring and evaluation challenges. The sector failed to provide data on a number of KPIs for example, the number of people actively participating in sport. The sector is urged to improve on its data collection and collation capacities for future performance assessments.

It has been established at various fora that youth unemployment is one of the most serious challenges currently facing the country. It is of essence that the sector devices innovative strategies for timely dealing with the youth employment and empowerment challenges. Current programmes being implemented by the sector such as the *Youth and Child Empowerment* are not adequate to tackle the current youth problem. Coordination of various institutions concerned with youth development

programmes is of the essence. The collaboration should cover the public, civil society and the private sectors.

2.10 Transport

Information on budget performance showed that while the sector was given 101 percent of the budgeted resources, only 76 percent was spent. The low level of expenditure could reflect the peculiarities of 2011, whereby the threshold for procurement of services was revised downwards and control measures were introduced which required that all contracts be reviewed by the Attorney General before they could be signed.

While the performance on rehabilitation of paved roads was fair at 62%¹, the routine maintenance of paved roads was above target by 27%. The worst performance was with respect to rehabilitation of unpaved roads, where only 37.6% of the target was met. These statistics might reflect a bias towards urban areas. The over-performance with regard to the maintenance of paved roads could have arisen as a result of more resources being allocated and/or setting targets at low levels.

The rapid decline in cargo transportation from 5, 179,289 in 2009 to 105,565 in 2011 is disconcerting. This could have been explained by reduction in non-traditional exports arising from the stoppage of flight to Zambia by some airlines.

Despite the country being landlocked, there is no evidence that due importance is attached to other modes of transport, such as railway and maritime which have potential to alleviate pressure on the road sector. It is imperative that the rail and maritime sectors are improved in order to save roads from further deterioration.

2.11 Agriculture, Livestock and Fisheries

The Agriculture, Livestock and Fisheries sector registered growth of 7.7 percent and contributed 19.4 percent to GDP during 2011. Despite the positive overall performance, the budget allocation was skewed towards two programmes: Farmer Input Support Programme (FISP) and the Strategic Food Reserve Agency (FRA). The original budget for the Ministry in 2011 was K 866.63 billion, against the total releases of K2, 849.26 billion, resulting in an over-performance of 329 percent. The over-

¹ Ideally, this analysis should also measure number of kilometres covered to allow for more accurate comparisons. However, this was not possible due to data challenges.

performance was mainly on account of supplementary funding to the (FISP) and the FRA. The approved budget for FISP and FRA represented about 73 percent of the total approved Ministry budget (Figure 6). The releases for the two programmes represented 90% of the total releases.

Due to high budget releases and respective expenditure for FISP and FRA, core development drivers of the sector – crop diversification and productivity improvement, irrigation development, livestock development and productivity improvement, fisheries development – could not meet the set targets

The approved budget for FRA and FISP represented 73% of the total budget for the ministry.

Despite the importance of this sector to diversification away from mining, the percent of non-traditional exports were estimated at 41 percent in 2010. That lack of updated statistics is an indictment on the commitment to the diversification drive.

Other indicators of poor performance include the lacklustre performance with regard to extension services (out of the planned construction of 32 camp houses, only 2 were completed and only 13 of the 41 camp houses earmarked for rehabilitation were done). Furthermore, construction of livestock breeding centres, disease free zones, livestock service centres and regional livestock laboratories were delayed or not initiated.

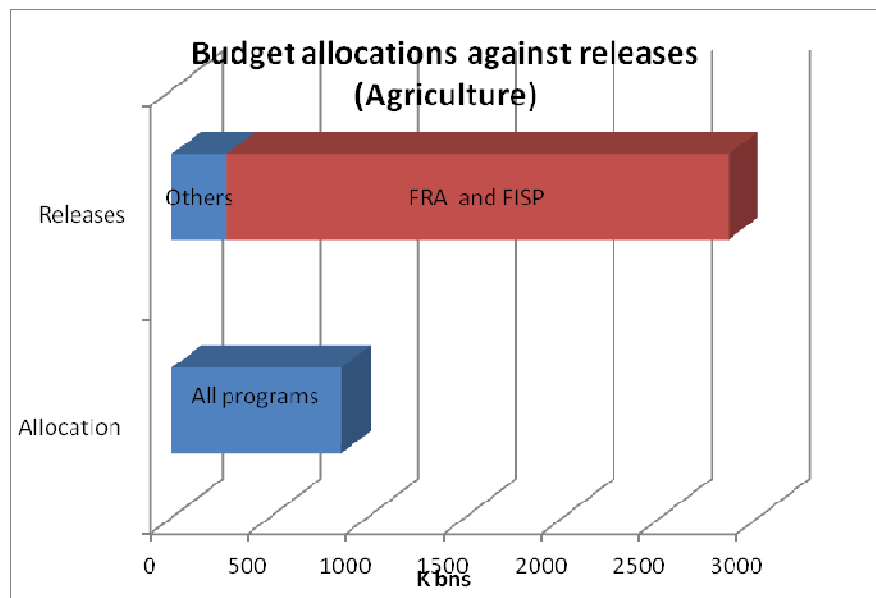


Figure 6

2.12 Regional Development

The M&E framework for the SNDP was not adequately elaborated to allow for performance of specific SNDP programmes at the provincial level. This was attributed partly to the dual implementation and reporting mechanisms involving provincial administration and sector ministries at the national level. Sector ministries set their own targets and implemented programmes in provinces without harmonising their targets with those of the provinces. The current planning and budgeting processes do not provide space for matching of programmes between Sector Ministries and Provincial Administrations.

3. Conclusions

Misalignment of budgets to the SNDP

In order to ensure effective implementation of planned programmes, it is imperative that budgets are aligned to SNDP programmes. However, the review showed that budgets were not fully aligned to SNDP programmes. Improving the alignment of budgets to SNDP programmes will not only ensure programme effectiveness, but also assure integrity of the Plan. In addition, the tendency by some Cooperating Partners to fund programmes outside national Plans also adversely impacts on the integrity of the Plans.

Results based management

Analysis of available data clearly demonstrates a mismatch between programme and budget performance. While budget performance was above par, programme performance was unsatisfactory. It is important to shift focus from reporting on outputs to ingraining emphasis on outcomes and impacts. In the medium to long term, methods for tying sector funding to desired outcomes/impacts ought to be developed.

Rewards and penalties for sector performance

A review of programmes across all sectors unveiled a consistent picture of underperformance over the years. The low effective uptake of recommendations from Annual Progress Reports is a source of concern, which should be urgently addressed. One possible way of improving the uptake of results is to introduce a system of rewards for good performance and penalties for poor results. Such a system could be institutionalised through tying funding to performance.

In addition, better methods of monitoring performance should be introduced in the sectors. In this regard, the proposed introduction of monthly monitoring meetings in the ministries will go a long way in addressing this concern. Each sector would need to agree on key development programmes, for which progress would be reported during monthly review meetings.

Ensuring equity of resource allocation

The report unveiled skewed resource allocations to specific programmes. The Agriculture and Energy sectors, where over three quarters of the budget was allocated to two programmes are classical examples of this pattern. It is important that allocations are in favour of programmes with a demonstrable positive impact on livelihoods. Given the pervasiveness of poverty in the country, it is of essence that due attention is paid to adequately funding programmes with high potential for positively impacting on the majority of the poor.

Improving monitoring and evaluation systems

The data challenges were consistently recounted across the sectors. These challenges ranged from the paucity of data, to collation and analysis difficulties. It is important that these are resolved so that sector decisions are evidence based. The data challenges were also identifiable through the inconsistencies between SNDP programmes and achieved outputs. This reflected a wide problem of underdeveloped Monitoring and Evaluation Systems across sectors, which needs to be urgently resolved. To this end, the imminent Government-wide Monitoring and Evaluation system will be valuable.