REPUBLIC OF ZAMBIA

REPORT

of the

COMMITTEE

on

ESTIMATES

for the

FIFTH SESSION OF THE NINTH NATIONAL ASSEMBLY APPOINTED ON 18TH JANUARY, 2006

PRINTED BY THE NATIONAL ASSEMBLY OF ZAMBIA

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REPORT OF THE COMMITTEE ON ESTIMATES FOR THE FIFTH SESSION OF THE NINTH NATIONAL ASSEMBLY APPOINTED ON 18TH JANUARY 2006

***Consisting of*:**

Mr E M Hachipuka, MP (Chairperson); Mr R K Chulumanda, MP; Ms R C Chipampe, MP; Mr A O C Kalunga, MP; Mr M S Mulanda, MP; Mr J S Muleya, MP; Mr M W Mwale, MP; Mr P K Kalifungwa, MP; and Mr T K Nyirenda, MP.

The membership of the Committee was reduced to eight (8) following the appointment of Ms R C Chipampe, MP to a ministerial position.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee have the honour to present their report on their deliberations for the year 2006.

Functions of the Committee

2. The functions of your Committee are as follows:
   (a) to examine the estimates and Excess Expenditure Appropriation Bill;
   (b) to report on the economies, improvement in organisation, efficiency or administrative reform, consistent with the policy underlying the estimates, examine whether the money is well laid out within the limits of the policy implied in the estimates;
   (c) to suggest alternative policies in order to bring about efficiency and economy in administration;
   (d) to carry out regular examination and scrutiny on budgets, estimates and management thereof, and conduct budget hearings; and
   (e) to make recommendations in a report to the House for consideration and implementation in future budget estimates.

Meetings of the Committee

3. Your Committee held seven meetings during the year under review to consider submissions from Permanent Secretaries in three selected ministries and the Permanent Secretary (Budget and Economic Affairs) in the Ministry of Finance and National Planning.

Procedure Adopted by the Committee

4. During the course of their deliberations, your Committee considered both written and oral evidence pertaining to the budget estimates for 2006, in comparison to those for 2005, for the three ministries, the performance of the 2006 budget so far, as well as any constraints encountered or expected to be encountered in budget implementation during the year. The three Ministries were: Works and Supply; Communications and Transport; and Community Development and Social Services.

Operations of the Committee

5. Your Committee requested detailed memoranda from each of the Permanent Secretaries in the ministries whose budget estimates were under consideration as well as the Permanent Secretary (BEA). The Permanent Secretaries were later required to appear before your Committee to orally present their memoranda and to clarify any matters arising therefrom.

Your Committee's Report is in two parts: Part I lays out your Committee's recommendations with regard to the outstanding matters from the Action-Taken Report on your previous Committee's Report for 2005, while part II outlines the findings of your Committee with regard to the scrutiny of the 2006 budget estimates for the three ministries listed above.

PART I

CONSIDERATION OF THE ACTION TAKEN REPORT

6. Your Committee considered the Action-Taken Report which had been submitted in response to your previous Committee's recommendations in 2005. Your Committee's recommendations are summarised in the paragraphs set out below:

Para 7.0, page 2

REVIEW OF THE PERFORMANCE OF THE PUBLIC EXPENDITURE MANAGEMENT AND FINANCIAL ACCOUNTABILITY REVIEW (PEMFAR), MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) AND INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS)

7. Your previous Committee had received submissions from the Zambia Institute of Chartered Accountants (ZICA), the Catholic Centre for Peace, Justice and Development (CCJP) and the Ministry of Finance and National Planning about the performance of PEMFAR, MTEF and IFMIS. Based upon these submissions, your previous Committee made the following observations:

(i) IFMIS was a very complex programme and, if not properly handled, might turn out to be a white elephant as was the case in other countries;

(ii) there were very few officers who were trained and knowledgeable on how the budget preparation and application under Medium Term Expenditure Framework (MTEF) worked; and

(iii) currently, contraction of the national debt was done by the Ministry of Finance and National Planning without approval by Parliament.

In view of the above observations, your previous Committee had recommended that:

(i) there was need to train more officers to ensure that the operations of these applications were streamlined;

(ii) care must be taken in implementing the Integrated Financial Management Information System (IFMIS) so that the country did not spend huge amounts without getting good results; and

(iii) legislation be put in place to allow the Minister of Finance and National Planning to seek approval from Parliament before contracting any loans.

RESPONSE

In response, it was stated in the Action-Taken Report as set out below:

(i) A vigorous training programme was implemented for all Ministries, Provinces and other Spending Agencies (MPSAs) in 2003 and 2004 for all budget committees with a view to equipping them with the new budgeting principles and also to enable them conduct further training for their colleagues. However, for various reasons, which included change of employment and transfer, most of the persons trained had since left, thereby creating a vacuum that Government intended to fill through a training programme planned for the year 2006.

With regard to the Public Expenditure Management and Financial Accountability Review (PEMFAR) which had thirteen components under the programme, there was a provision under each component for capacity building, including training of key stakeholders in order to equip them with technical skills.

(ii) While appreciating the concern of your previous Committee regarding the complexity of the IFMIS programme implementation, caution had been exercised to ensure that all aspects which may hinder the successful implementation of the programme were addressed. Your Committee's attention was drawn to the following latest development on IFMIS.

The IFMIS technical review process had just been completed which had resulted in an improved technical specification and tender document. Further, the process of pre-qualification of firms for the IFMIS tender to identify the preferred bidder for the supply, installation, commissioning and implementation (through training and provision of preventive and

remedial maintenance) of a computerised, integrated financial management information system based on a turnkey approach had been completed.

A turnkey approach was where a supplier handed over a fully operational system, that is, the supplier had the full responsibility for the supply, delivery and installation of software, communications, systems training and documentation and for the maintenance of a complete system.

This option provided all the benefits of the previous option and in addition, provided distinct advantages to procuring a system in this manner rather than in fragments, which might not integrate properly. The aim was to have a single contract with one supplier on whom Government would rely to provide a complete system. The supplier may have one or more sub-contracts. As well as minimising the problems associated with systems integration, the arrangements would enable Government to avoid having to coordinate the activities of the various suppliers, thereby reducing risk to the project.

As a follow up on the technical review process, technical assistance had been sourced from DFID to provide support to document the Integrated Financial Management Information System business case, benefit identification and benefit management plan, risk analysis and a risk reduction strategy. The consultant had been engaged and had since commenced work.

The main objectives of this consultancy were to develop and document a business case and risk management plan for the Integrated Financial Management Information System project in order to:

- help guide:
  - the Integrated Financial Management Information System (IFMIS) tender evaluation process; and
  - the process of prioritising and planning for implementation of the Integrated Financial Management Information System (IFMIS) (and, where applicable, the wider PEMFAR programme of which the IFMIS formed a part).

- provide a basis for ensuring that:
  - the benefits of the project were identified and realised; and
  - the risks were identified and managed.

The consultancy was also aimed at advising on the next steps in establishing appropriate arrangements for maintenance and support of information and communications technology systems in Government.

Outputs

The Consultancy's main output would be a documented business case for the Integrated Financial Management Information System, which would include:

- identification of the main problems which the IFMIS was intended to overcome;
- identification (and where possible quantification) of the benefits which were expected to result from overcoming these problems;
- identification of which elements of the Integrated Financial Management Information System (IFMIS) (e.g. which modules) would deliver these benefits;
- estimating the times scales required to achieve the benefits;
- identification of who would be responsible for achieving the benefits;
- updating the current risk management strategy, which would involve conducting a stakeholder analysis, identifying the risks that the benefits would not be achieved and rating these risks in terms of likelihood of occurrence and extent of impact. The plan would also include measures for mitigating the risks, developed in consultation with the IFMIS project team system users, and arrangements for risk monitoring.

The IFMIS Project had good intentions with regard to the in-house systems Activity Based Budget (ABB) and Financial Management System (FMS). As part of preparatory work for IFMIS, there was need to improve the delivery of the in-house systems. The following steps would strengthen the Activity Based Budget, FMS and cash flow etc. as follows:

- increase the number of skilled staff to support the upgraded ABB and FMS;
- conduct intensive courses in the new technologies for developing systems;
- re-configure ABB and FMS into a client server based technology;
- deploy and implement server based ABB and FMS, using interactive applications; and
- deploy web-based client support using internet web client technology for Ministries, Provinces and other Spending Agencies in Government.

The benefits of using the new ABB, FMS and cash flow were:

- easy to share data for querying by all authorised staff;
- easy to define groups for functional operations;
- easy to extract data via the internet;
- more secure and fast data handling;
- reliable database;
- ability to manage bigger transaction volume;
- easy to administer and control, since it was centrally managed; and
- MPSAs of Government, would access the system using web browser such as the internet explorer.

The fact that the Integrated Financial Management Information System was the largest business critical system in Government meant that it should have very low failure rates and downtime and would, therefore, require exceptionally well-trained staff to maintain the system to meet these targets. To this effect, the IFMIS project team had embarked on a sensitisation programme to all targeted stakeholders on the implementation process of IFMIS and expectations from a human point of view.

The Integrated Financial Management Information System solution, therefore, would need to identify all the business problems in advance of implementation, making sure that solutions were identified, agreed and acted upon. There would be need to review processes and procedures to identify improvements that could be implemented in advance. There would also be need to ensure that those that were reliant on IFMIS implementation were acted upon as part of the implementation process.

(iii) Government had since accepted some of the recommendations made to the Constitutional Review Commission (CRC) regarding the role of Parliament in the process of debt (loans) contraction. Further, Government was reviewing the laws governing the contraction of loans and the management of debt with the aim of consolidating the various pieces of legislation in one comprehensive Act. The consolidated laws were, therefore, expected to provide for Parliamentary oversight in debt contraction.

OBSERVATIONS AND RECOMMENDATIONS

(i) – (iii) Your Committee note and close the matters.

CONSIDERATION OF SUBMISSIONS ON THE REVIEW OF THE 2004 BUDGET

Para 8.0, page 4

MAIN CONSTRAINTS IN THE 2004 BUDGET

8. Your previous Committee had heard that the major constraints, as far as the 2004 budget in general was concerned, were as follows:

(i) the limited resource envelope which could not accommodate or meet the ever-increasing expenditure needs of the Government; in addition, there was pressure to accommodate monthly funding requests from Ministries, Provinces and Spending Agencies (MPSAs), which far exceeded the resources generated on a monthly basis;

(ii) the timing of the budget approval shortened the period for project implementation or execution since the budget was presented to parliament and approved after the financial year had started; thus, it was difficult to conduct a fair review of the budget performance for such short period of time;

(iii) budget execution was inhibited by inadequate and late release of resources;

(iv) inadequate provision of counterpart funds to key programmes in the water and sanitation and housing sectors and also inadequate provision of funds for the restructuring of Councils, which had made it difficult for the Ministry of Local Government and Housing to undertake a retrenchment exercise involving all the 72 District Councils; a total of K110 billion was needed for the exercise as opposed to only K25 billion which was allocated and released in the budget;

(v) there was need to train Councillors to enable them to participate in decision-making; and

(vi) restrictive budgetary ceilings which often led to programmes that would have impacted positively on the community throughout the country not being undertaken.

Arising from the above review of the performance of the 2004 budget, your previous Committee had observed that the conflicting roles of the District Commissioners' office and vis-a-vis the Councils was making the implementation of the decentralisation policy very difficult. They recommended that:

(i) the conflicting roles between the District Commissioners' Office and the Councils should be addressed. The Council should be allowed to start handling all the budgeting processes at the district level, and there would be need to recognise the structure so that Councils would be able to cope with the new responsibilities.

(ii) releases against the Budget to Ministries should be done using an equitable formula and in accordance with the approved estimates.

RESPONSE

In response, it was stated in the Action-Taken Report that:

(i) with regard to the role of District Councils in budgeting, the Local Authorities already performed the function of preparation of estimates of revenue and expenditure in accordance with the Local Government Act Cap 281 of the Laws of Zambia. However, under the Decentralisation

Programme, the challenge was to harmonise and integrate the functions currently being performed by central Government at the district level. Therefore, the Ministry of Finance and National Planning intended to introduce the MTEF principles of budgeting process in order to build capacity for Councils to handle medium-term budgeting process starting with a pilot scheme of nine districts, one from each of the nine provinces. This would also strengthen public expenditure management systems at the local level.

(ii) the Government was currently implementing an Activity Based Budget. This entailed that various Government programmes had to be implemented at different times in a financial year and, therefore, different MPSAs required resources for these programmes/activities as and when they fell due and in accordance with the approved estimates.

OBSERVATIONS AND RECOMMENDATIONS

(i) Your Committee wish to be apprised as regards progress made so far towards decentralising the budgeting function to district level and progress on efforts to build the capacity of Councils to handle the medium-term budgeting process. They also wish to know what measures have been taken to address the conflicting roles of the District Commissioner's Office and the Council as regards budgeting at district level.

(ii) Your Committee note and close the matter.

TOUR REPORT

Para 9.0, page 6

9. Your previous Committee had toured the Provincial Planning Units in Kasama, Mansa and Chipata and observed that:

(i) there were no legal structures through which budget consultations could take place as the current structures of PDCC and DDCC lacked legal authority, whilst Members of Parliament and Councillors were not members of these Committees;

(ii) in the current regulations, the Ministry of Finance and National Planning had been given excessive powers in that budget allocations to line ministries were done at the discretion of the Ministry of Finance and National Planning.

Arising from these observations, your previous Committee recommended that:

(i) legislation must be put in place which would include Members of Parliament and Councillors as part of the consultative process through the PDCC and DDCC respectively;

(ii) the financial regulations should be tightened to allow for the Committee of Permanent Secretaries to superintend the disbursement of resources; and

(iii) the Minister of Finance and National Planning should urgently present a Budget Bill to Parliament.

RESPONSES

In response, it was stated in the Action-Taken Report that:

(i) the Government recognised the important role of the PDCCs and the DDCCs meetings of which Members of Parliament and Councillors were occasionally invited to attend; this institutional arrangement was important in the development process; therefore, Government was considering the possibility of legalising the existence of the two institutional arrangements through legislation, so as to give them legal power to interact with other Government entities and stakeholders;

(ii) as provided for under section (6), sub-section (2) of the Public Finance Act No. 15 of 2004, the Secretary to the Treasury is the Chief Executive Officer of the Treasury and the Chief Controlling Officer of the Government and exercises such functions as provided in the Act, or as may be authorised, in writing, by the Minister. The Secretary to the Treasury is responsible for, among other things, releasing of funds from the consolidated Fund for appropriations by Controlling Officers as stipulated in section (6), sub-section (3)(g); and

(iv) this concern was covered by the provisions of the Public Finance Act No. 15 of 2004.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

(i) Your Committee wish to be informed as regards progress made on efforts to legislate the existence of the PDCC and the DDCC.

(ii) Your Committee recommend that the Public Finance Act be amended so as to provide for broader consultation as regards release of funds for public programmes and projects.

(iii) In view of the above response on this matter, your Committee seek clarification as to whether the Government is committed to the enactment of a Budget Act.

PART II

SCRUTINY OF THE 2006 BUDGET ESTIMATES FOR THE MINISTRIES OF WORKS AND SUPPLY, COMMUNITY DEVELOPMENT AND SOCIAL SERVICES AND COMMUNICATIONS AND TRANSPORT

10. The objective of undertaking this scrutiny was to examine the broad policy positions underlying the estimates for the year 2006 in the Ministries of Works and Supply, Communications and Transport and Community Development and Social Services, and compare them to those for 2005. Through this exercise, your Committee also hoped to understand and appreciate the constraints, if any, which may hinder the effective performance of the three Ministries. In this light, your Committee, in their deliberations, sought to:

(i) appreciate the budgetary provisions for the three Ministries on a comparative basis for 2005 and 2006;
(ii) study the implementation of the 2006 budget by the three Ministries in the first quarter of the year;
(iii) appreciate the performance of the 2006 budget in the first quarter of the year as exemplified by progress made on key programmes and projects;
(iv) examine the objectives, operational procedures and efficiency of the programmes underlying the estimates;
(v) understand the justifications for the current budget estimates;
(vi) appreciate the constraints, if any, encountered or expected to be encountered during the year, that may impact on the performance of the three Ministries' budgets; and
(vii) study and understand any other issues incidental to the foregoing.

To assist them in their deliberations, your Committee invited the Permanent Secretaries of the three Ministries under discussion to submit briefs on the issues under deliberation. Your Committee also invited the Permanent Secretary (Budget and Economic Affairs) at the Ministry of Finance and National Planning to provide additional information to your Committee with regard to the budget estimates for the three Ministries for the year 2006.

Summary of findings

11. In summary, the following were your Committee's findings with regard to the pertinent issues they had raised, as outlined above, on the 2006 budget estimates for the three Ministries.

(I) MINISTRY OF WORKS AND SUPPLY

(a) Budgetary Provisions for 2005 and 2006 on a Comparative Basis

Your Committee learnt that the budgetary provision for the Ministry of Works and Supply in 2006 was K124,458,621,211 representing a reduction of 81.7% compared to

the 2005 figure of K681,792,493,678. The lower allocation in 2006 was largely attributed to the removal of Head 64/03 - Roads Department that had now been transformed into the Road Development Agency. This followed the implementation of the Road Transport Policy under which all road sector resources had been pooled together and were now being managed under the National Road Fund Agency and, as a consequence, these resources were now reflected under Head 21 - Loans and Investments in the Ministry of Finance and National Planning. This was in compliance with the National Road Fund Act. Your Committee were assured that these funds would be disbursed in accordance with the law only for road projects. No programmes under the Ministry of Finance and National Planning would benefit from this funding.

(b) Implementation of the 2006 Budget in the First Quarter of the Year 2006

It was submitted before your Committee that total releases for the Ministry of Works and Supply in the first quarter of 2006 amounted to K33,453,216,521 representing 26.9% of the total 2006 budget provision. The major component of these releases was directed towards the preparation of 2006 Presidential, Parliamentary and Local Government elections which amounted to K11,300,000 representing 34% of the first quarter releases.

On the whole, expenditure releases were quite conservative due to the fact that Government was operating on the basis of the Provisional Warrant, which mainly allowed for expenditures on operational items such as Salaries and Wages, Other Emoluments and General Administration programmes essential to ministry's operations prior to the approval of the budget by Parliament.

(c) Performance of the 2006 budget in the first quarter of the year as exemplified by progress on key programmes and projects

Due to the fact that the national budget was still in the process of being approved, not much progress could be made on key programmes and projects during the first quarter of 2006. However, a few key programmes and projects for the Ministry were funded as follows:

(i) Support to Institutions - Road Development Agency (RDA)

A total of K 2,883,333,334 was funded against the total budget allocation of K17,300, 000,000 as grant to the Road Development Agency (RDA) for their operations.

(ii) Roads Department Separation Package

An amount of K1,130,908,714 was released against the budget allocation of K12,439,996,856 for terminal benefits to the staff of the former Roads Department.

(iii) Transport Management

An amount of K2,000,000,000 was funded against the budget provision of K8,346,075,672 for payment towards outstanding bills for purchase of motor vehicles.

(iv) Second President's Residential House

A total of K 2,018,960,833 against the budget allocation of K2,017,410,000 was released towards the on-going construction of a residential house for the Second Republican President.

(v) Katima Mulilo Bridge Border Infrastructure

An amount of K1, 225,075,000 was released against the budget provision of K4,890,900,000 for construction of the Zambia Revenue Authority freight terminal at Katima Mulilo border post.

(vi) New Chirundu Bridge Infrastructure

An amount of K5,743,491,666 was funded against the budget provision of K16,707,500,000 for the completion of the passenger control building, construction of roads and sewerage disposal system at Chirundu border post.

(vii) 2006 Presidential, Parliament and Local Government Elections

A whole budget provision of K11,300,000,000 was released for procurement of printing machines in preparation for the tripartite elections.

(d) The Objectives, Operational Procedures and Efficiency of the Programmes Underlying the Ministry's Estimates for the Year 2006

Your Committee were informed as follows:

(i) O*bjectives of the programmes underlying the estimates for the year 2006* - these were drawn from the Ministry's Strategic Plan (2004-2007) and included the following:

- the review and develop appropriate policy and legal framework in order to facilitate effective private sector participation in the construction and maintenance of public infrastructure;
- effective management of Government property in order to ensure accountability;
- promotion of the standardisation in the type of vehicles, plant and equipment procured by Government in order to ensure compatibility and easy maintenance;
- facilitation of the construction and maintenance of public buildings in order to ensure adherence to set standards;

- establishment and maintainance of a comprehensive information management system on operations of the ministry in order to enhance decision making and information provision to end users;

- provision of quality printing services in order to facilitate smooth conduct of Government operations and generate revenue; and

- provision of office and residential accommodation to Government and VIPs in order to facilitate Government operations.

(ii) *Operational procedures of the programmes in the 2006 budget* - these were dictated by the existing laid down Government procedures and guidelines. This entailed ensuring that all Ministerial officials undertaking the programmes and projects adhered to:

a) Government financial regulations;
b) procurement procedures; and
c) the accounting guide.

(iii) *Efficiency of the programmes* – this lay in employing the following methods in the execution of the planned programmes and projects:

- Least Cost Method Approach: cheaper execution methods would be employed in the implementation of the programmes;
- prioritisation of the programmes to be executed: programmes of higher priority that is, programmes that would enable the ministry to achieve its objectives would have the first call on the releases; and
- the least time or most direct means of achieving the objectives/outputs would be employed.

(e) The Justification for the Current Budget Estimates

Your Committee were informed that the justification of the current budget estimates lay in the fact that programmes for the current budget were anchored on the objectives of the Ministry of Works and Supply as reflected in the Fifth National Development Plan. It was explained that Government recognised infrastructure development as being symbolic of real economic growth, poverty reduction and employment creation. Emphasis had, therefore, been placed on infrastructure development in the Fifth National Development Plan. It was a known fact that infrastructure was the backbone of any country's socio-economic development. Industry, mining, agriculture, tourism and a host of other sectors required infrastructure to realise their potential.

The need for provision of printing supplies, construction of road and building infrastructure and maintenance of public office equipment were in themselves adequate justification for the Ministry's budget in order to deliver the required public services to

the people of Zambia. In fact, as a Ministry, the budget provision was not adequate and the budget ceiling given to the institution could not meet the people's expectations. There was an ardent appeal, therefore, that the provision in the Medium Term Financial Framework should be considerably revised to a higher level than was currently obtaining.

(f) Constraints, if any, Encountered or Expected to be Encountered During the Year, that may impact on the Performance of the Ministry's Budget

It was explained to your Committee that during the first quarter of the year, the Ministry's budget execution was mainly concentrated on administrative programmes due to the fact that the estimates had not yet been approved by Parliament. However, the performance was expected to improve during the remaining part of the year.

In any case, there were several other constraints which were being encountered and likely to be encountered in the course of the year, amongst which were the following:

- **Inadequate budget provision**

  Your Committee learnt that there was concern at the failure by the Ministry of Finance and National Planning to release funds in accordance with the activity-based budget, which had proved to be a major constraint in the Ministry's operations. In this regard, your Committee learnt that the Ministry's efforts to develop stringent maintenance initiatives and strategies for routine and periodic maintenance of public infrastructure and other assets were often constrained by inadequate budgetary allocations. The inadequate budget allocation in the medium term expenditure framework and delayed funding hindered the smooth management of contracts as they were tied to contract amounts and periods. There could not be sustainable road development without adequate budgetary provision and timely financing. Infrastructure, which had a lifespan after investment, required routine and periodic maintenance.

- **Late releases of capital funds**

  There had been a trend where the Ministry of Finance and National Planning always released funds for capital projects (for roads and buildings) in the last quarter of the year. This made it difficult for the Ministry to undertake many of its programmes as they required physical movement and most areas tended to be inaccessible during the wet months of the year. Coupled with the need to adhere to tender procedures, this contributed to delays in project implementation as projects could only commence in the ensuing financial year after the end of the rainy season.

- **Lack of capacity among contractors**

  Your Committee heard that most of the works undertaken by contractors, especially on feeder roads, had not been done to standard specifications. The local contractors' capacity to undertake quality works had been a major concern to the

construction industry as they lacked investment potential in new capital equipment. It was stated that the Ministry would endeavour to improve on supervision of contractors so as to reduce the incidence of poor workmanship, particularly on road projects.

- **Setting of budget ceilings by the Ministry of Finance and National Planning**

This inhibited the capacity of the Ministry to effectively and comprehensively provide financial resources for the programmes under their portfolio. There was a call for improved communication and consultation between the budget office and the Ministry so that all stakeholders could appreciate and understand the basis for the ceilings.

- **Non-release of funds/under-funding to priority projects/programmes**

Your Committee learnt that in some cases, even where the Ministry of Works and Supply made provisions for certain projects which they considered as priorities, the Ministry of Finance and National Planning did not release any funding for these to be implemented or they were severely under-funded. As there was no consultation between the budget office and the line Ministries before releasing any funds, the disbursements tended to be arbitrary, and not in line with the line ministries' priorities. The Ministry of Works and Supply was no exception in this case. The Katima Mulilo project was a case in point. The Ministry of Works and Supply had prioritised the project in 2005, but no funds were released for the project by the Ministry of Finance and National Planning for the whole year. Similarly, the Ministry of Works and Supply considered the Chirundu border infrastructure construction a priority project as completion of the project was expected to have a significant positive impact on the levels of revenue collected. However, the funding of the project by the budget office had not reflected the importance of the project to the national economy. The project had been seriously under-funded, resulting in it exceeding the projected completion date.

- **Lack of consultation in the planning process**

Your Committee noted that it was apparent to line ministries that there was no systematic approach to or consultation in planning on the part of the budget office. For example, in the 2006 estimates, there was no provision for training programmes. This meant that previously funded training programmes, which were on-going, would have to be suspended for lack of funds. This was counterproductive and should have been subjected to consultations with concerned line ministries as to the way forward.

- **Other related concerns**

Your Committee learnt that there was lack of performance by the Ministry because most of its budgetary allocations went towards offsetting accrued debt. The debt for road contractors and consultants was a major hindrance to the execution of infrastructure rehabilitation and development. There was no tangible progress made on most projects. The total amount owed to contractors and consultants stood at K342.6 billion, of which K118.1 was paid by the close of 2005. Your Committee also learnt that the Government had decentralised the procurement of Government vehicles, except for personal to holder vehicles, which model was still standard and procurement was centralised. All other Government vehicles were procured by individual line ministries. Unfortunately, this meant that there were sometimes very large price variations and maintenance of some models of vehicles was very costly. The Ministry of Works and Supply had proposed that standardisation of models be reintroduced and enforced. Cabinet was yet to respond to this proposal.

(II) MINISTRY OF COMMUNICATIONS AND TRANSPORT

a) Budgetary Provisions for 2005 and 2006 on a Comparative Basis

Your Committee were informed that the budgetary provision for the Ministry of Communications and Transport in 2006 was K44,404,705,589 representing a 38.2% increase compared to the 2005 figure of K32,130,344,339.

b) Implementation of The 2006 Budget in The First Quarter of The Year 2006

Total releases for the Ministry of Communications and Transport amounted to K4,657,796,548 during the first quarter of 2006. This represented 10.5% of the total 2006 budget allocation for the Ministry. This poor performance was attributed to the fact that Government was operating on the basis of the Provisional Warrant which mainly allowed for expenditures on operational items such as Salaries and Wages, other Emoluments and General Administration programmes essential to sustain Government operations prior to the approval of the budget.

c) Performance of The 2006 Budget in The First Quarter of The Year as Exemplified by Progress on Key Programmes and Projects

Your Committee were also informed that due to the fact that the national budget was still in the process of being approved, not much progress could be made on key programmes and projects during the first quarter of 2006.

However, a few key programmes and projects for the Ministry were funded as follows:

(i) Grant for Road Transport and Safety Agency

A total of K1,886,226,666 was released against the budget allocation of K11, 317,360,000 as grant payment to the Ministry for the operations of the Road Transport and Safety Agency.

(ii) Rehabilitation of Airports

A total of K300,000,000 was released against the budget allocation of K5,754,842,765 for the year. Of this amount, K200,000,000 went towards the Solwezi Airport (out of a total allocation of K340,000,000) while K100,000,000 went towards the Kasama Airport (out of a total allocation of K 300,000,000).

(iii) Monitoring of Poverty Reduction Programmes

An amount of K12,500,000 against the budget allocation of K112,500,000 was funded for monitoring of Poverty Reduction Programmes in the transport sector and in particular on the vessel on Lake Bangweulu.

(iv) Government Communications Flight

A total amount of K237,965,854 against the budget allocation of K1,427,795,000 was released to facilitate operations of the Government Communications Flight.

(v) Rehabilitation of Harbours

An amount of K50,000,000 was released against the allocated of K300,000,000 for rehabilitation of harbours.

(vi) Draft Meteorology Policy

An amount of K61,483,333 was released against the budgetary allocation of K245,000,000 for the completion of the draft document.

(vii) Feasibility Studies for Mpulungu Marine Meteorology Station

A total of K33,333,334 was released against the budgetary allocation of K199,676,000 during the first quarter.

Other key programmes and projects that did not receive any funding included the following:

- New Railways Development Programme (which included the Chipata-Mchinji railways project).
- Rehabilitation of Canals and Waterways.

- Policy Co-ordination Programme (which included the corridor coordination projects).
- Procurement of a vessel (for Lake Mweru).

d) The Objectives, Operational Procedures and Efficiency of The Programmes Underlying the Ministry's Estimates for The Year 2006

(i) *Objectives of the programmes underlying the* estimates *for the year 2006* -these drew largely from the Ministry's Strategic Plan (2004-2007) and included the following:

- the development and monitoring of the implementation of appropriate policies and guidelines in order to foster the development of sustainable communication, transport and meteorology sectors;

- the promotion of private sector participation in the construction, installation and maintenance of infrastructure and the provision of services in the communication, transport and meteorological sectors in order to stimulate economic growth;

- the initiation and updating of the legal framework relating to communications, transport and meteorological sectors in order to effectively regulate the sectors in accordance with the current economic dispensation;

- the promotion of bilateral and multilateral cooperation in the communications, transport and meteorological sectors in order to facilitate the free movement of people and goods, provision of services and exchange of information;

- the establishment and maintainance of an integrated and effective management information system for effective decision-making and dissemination of information;

- the enforcement of regulations and the monitoring of activities of the sectors to ensure the provision of quality, efficient and safe communication, transport and meteorological services; and

- the effective provision of internal administrative and logistical support services in order to improve efficiency in the performance of the Ministry's core functions.

(ii) *Operational procedures of the programmes in the 2006 budget* – these were dictated by the existing Government laid down procedures and guidelines. This entailed ensuring that all officials in the Ministry, in undertaking the programmes and projects, adhered to:

(a) Government financial regulations;
(b) procurement procedures; and
(c) the accounting guide.

(iii) *Efficiency of the programmes* – this lay in the fact that the Ministry would utilise labour-intensive methods in the execution of the planned programmes and projects, which was more cost effective as opposed to capital-intensive methods, without compromising on the achievement of the intended goals or outputs.

e) The Justification for Current Budget Estimates

Your Committee learnt that the following was the justification for some of the programmes that had been provided for in this year's budget.

(i) Computerisation of Road Licensing Systems

The provision was required to pay for contractual obligations for the computerisation of the road licensing system that was being managed by the Road Transport and Safety Agency.

(ii) New Railways Development

The provision was required to meet costs for studies on the construction of railway links between Chipata and Mpika, and Chingola and Solwezi. This followed the emergence of mining activities in the North-Western Province.

(iii) Feasibility Study of the Chipata/Mchinji Railway Line

The provision was required to pay for the Government contribution in the construction of the railway line, which had been taken over by a private company.

(iv) Rehabilitation of Airports

The provision was required to pay for renovation of terminal buildings, rehabilitation of telecommunications equipment and other related costs to be incurred at various airports across the country.

f) **Constraints, If Any, Encountered or Expected to be Encountered During The Year, That May Impact on The Performance of The Ministry's Budget**

During the first quarter of the year, the Ministry's budget performance was hampered by the fact that the national budget had not yet been approved by Parliament and, as explained above funding was restricted. However, it was expected that this would improve during the remaining part of the year.

Nevertheless, the following expected constraints might affect the operations of the ministry:

(i) delays in restructuring of the Ministry (Treasury authority had not yet been granted for the restructuring to be done);

(ii) lack of adequately and appropriately qualified staff and the continuing brain drain meant that the few qualified staff were working under very stressful conditions so as to meet the targets;

(iii) lack of equipment and inadequate office space and buildings, especially for the Ministry's provincial offices;

(iv) the effects of the transition from the Road Traffic Commission into the Road Transport and Safety Agency;

(v) limited resources to execute all the planned programmes; for example, the Kasama Airport project had been allocated only K15 billion completion of the Chipata-Mchinji had been allocated K34 billion; it was, therefore, unrealistic to expect that these projects could be completed within the planned time period;

(vi) the budgetary ceilings set by the Ministry of Finance and National Planning were often too low and unrealistic. Although there had been an improvement in the levels of funding releases in 2005 as compared to previous years, releases had still not reached 100% of approved funding; and

(vii) the release of funds was erratic, which compromised the ability of the Ministry to implement the planned programmes.

(g) Any other relevant information

Your Committee learnt that most other routine programmes were partially funded but could not be implemented because the funded amounts were not adequate to complete with implementation.

(III) MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

(a) Budgetary Provisions for 2005 and 2006 on a Comparative Basis

Your Committee were informed that budgetary provisions for the Ministry of Community Development and Social Services for the years 2005 and 2006 had been K66,178,271,245 and K63,227,758,835 respectively. The allocation appeared to have dropped in absolute terms but as a proportion of the total budget, it had been maintained at 0.6 percent in both years.

(b) Implementation of the 2006 Budget in the First Quarter of the Year 2006

Total releases for the Ministry of Community Development and Social Services in the first quarter of 2006 amounted to K15,022,698,575 representing 23.8% of the total 2006 budget provision for the Ministry.

On the whole, expenditure releases were quite conservative due to the fact that Government was operating on the basis of the Provisional Warrant, which mainly allowed for expenditures on operational items such as Salaries and Wages, Other Emoluments and General Administration programmes essential to ministry's operations prior to the approval of the budget.

(c) Performance of the 2006 Budget in the First Quarter of the Year as Exemplified by the Progress on Key Programmes and Projects

Due to the fact that the national budget was still in the process of being approved, not much progress could be made on key programmes and projects during the first quarter of 2006. However, a few key programmes and projects for the Ministry were funded as follows:

(i) Food Security Pack Program

A total of K2,500,000,000 was released against the budget allocation of K15, 000,000,000 to facilitate funding towards the Food Security Pack Programme.

(ii) Women's Development Programmes

An amount of K173,084,324 was released against the budget allocation of K1,038,505,946, being provision for grants, installation of hammer mills, procurement of three hammer mills, production of three TV documentaries, departmental review meetings, workshop on management of women's programmes and monitoring and evaluation trips for the Food For Assets programme.

(iii) Non Formal Education and Skills Training

An amount of K131, 332,224 was funded against the budget provision of K787,993,340 for the production of literacy teaching and learning materials, translation of literacy materials into Braille, payment of literacy instructors' allowances, training for instructors, procurement of overhead projector, and monitoring and evaluation trips.

(iv) Food for Assets (PUSH)

A total of K674,950,990 was released against the budget allocation of K4, 026,978,669 for the provision of grants, monitoring and evaluation of the Food for Assets Programme.

(v) Folklore and Intangible Heritage

An amount of K95,582,340 was released against the budget provision of K573, 494,035 for the provision of grants to the N'cwala and Kuomboka ceremonies, for the purchase of computers for processing of cultural inventory database, preparation of arts and cultural inventory and for the promotion of folklore and intangible heritage.

(iii) Arts and Cultural Infrastructure

An amount of K166,666,666 was released against the budget provision of K1, 000,000,000 for the following activities:

- award of contracts for commencement of the Cultural Pavilion construction in the Lusaka Show grounds;
- award of contracts, for the Management Committee and source counterpart funding for Maramba Cultural Village;
- payment for security services and on-going construction for Kapata and Masala Cultural Villages;
- preparation of architectural plans, site plans, bill of quantities and tender procedures for Zambezi Cultural Village; and
- monitoring of construction of Masala Cultural Village.

(v) International Cultural Cooperation

An amount of K83,333,334 was released against the budget provision of K500, 000,000 for the commencement of SADC Mono Music festival preparation and the establishment of a Joint Permanent Commission.

(vi) Public Welfare Assistance Scheme

An amount of K1,782,704,282 was released against a budget provision of K10,605,316,604 for Public Welfare Assistance Scheme for districts and monitoring of the same activity.

(vii) Care for the Aged

An amount of K37, 397,016 was released against the budget provision of K224, 382,098 towards the provision of grants to the old people's homes.

(a) The objectives, operational procedures and efficiency of the programmes underlying the Ministry's estimates for the year 2006;

(i) Objectives

- **Food Security Pack Programme**

The programme was designed to assist poor but viable farmers through the provision of farming inputs. The Ministry had sub-contracted the Programme Against Malnutrition (PAM) to implement the programme in close collaboration with the Ministry. The allocation to this programme had been reduced significantly on the understanding that some of the previous beneficiaries would not require further assistance and could be weaned off.

- **Women's Development Programme**

  The programme was aimed at assisting women to undertake various developmental programmes and projects that would help reduce poverty.

- **Non-Formal Education and Skills Training (Adult Literacy)**

  This involved teaching adults and the youth, especially women, how to read, write and do simple arithmetic.

- **Food For Assets**

  This involved the use of labour-based techniques as a way of building capacity of targeted vulnerable communities as well as providing temporary employment to counter the effects of the high unemployment situation in the country.

- **Micro Financing Programme**

  The Ministry provided micro financing to the poor through the National Trust Fund for the Disabled, Africa Housing Fund and Micro Bankers Trust.

  - The National Trust Fund lent to groups of persons with disabilities.
  - The African Housing Fund was aimed at providing decent housing units and provided loans to the identified vulnerable members of the community.
  - The Micro Bankers Trust provided group lending to poor and vulnerable small-scale entrepreneurs. As a result of efficient targeting and collection of loan repayments under this scheme, grants had been reduced and more money had been allocated to other programmes within the Ministry.

- **Public Welfare Assistance Scheme**

The Public Welfare Assistance Scheme was a programme aimed at assisting the incapacitated poor identified by the communities throughout the country. The Ministry intended to complete the decentralisation of the programme to community level in the remaining nine districts, namely: Namwala, Lusaka, Ndola, Chiengi, Mungwi, Milengi, Chilubi, Mpongwe and Mpulungu. Moreover, the pilot cash transfer scheme had been extended to Petauke and Kazungula following the success of the pilot project in Kalomo district.

- **Street Children**

This involved taking street children off the street to places of rehabilitation and safety.

- **Care for the Aged**

The Ministry provided grants to homes for older persons such as Maramba, Chibolya and Mitanda old people's homes and it was in the process of developing the policy on care for the aged.

- **Arts and Cultural Infrastructure Development**

The Ministry was responsible for the provision of arts and cultural infrastructure in order to provide venues for production, training and marketing of cultural goods and services for job and wealth creation. The Ministry had prioritised the construction of Maramba Cultural Village in Livingstone, Zambezi Cultural village in Zambezi, Yuka Cultural village in Mongu and the Show Pavilion in the Lusaka Show grounds in order to enhance cultural tourism.

- **Folklore and Intangible Heritage**

The programme was designed to promote and safeguard Zambia's folklore and intangible heritage for national identity and prosperity. The Ministry provided professional guidance to the cultural associations and grants to sixty five (65) traditional ceremonies. The Ministry also undertook documentation of ceremonies for archive purposes and establishment of a cultural inventory.

- **International Cultural Co-operation**

The programme was designed through the International Treaties, Agreements and obligations of creating mutual world peace through inter-cultural dialogue and networking.

(ii) Operational Procedures

These were dictated by the existing Government laid down procedures and guidelines. This entailed ensuring that all officers in the Ministry undertaking the programmes and projects adhered to:

a) Government financial regulations;
b) procurement procedures; and
c) accounting guide

(iii) Efficiency

Your Committee were informed that the efficiency of the programmes lay in employing the following methods in the execution of the planned programmes and projects:

a) Least Cost Method Approach: cheaper execution methods would be employed in the implementation of the programmes;

b) prioritisation of the programmes to be executed: programmes of higher priority, that is programmes that would enable the ministry to achieve its objectives, would have the first call on the releases; and

c) employment of least time or most direct means of achieving the objectives/outputs.

(b) The justification for current budget estimates

The justification of the current budget estimates lay in the fact that programmes for the current budget stemmed from the objectives of the Ministry of Community Development and Social Services drawn from the Fifth National Development Plan. These included the following underlying objectives:

- empowerment of low capacity poor and vulnerable groups such as female headed households, orphans and other vulnerable children, persons with disabilities and unsupported elderly persons;
- provision of transfers to incapacitated poor people; and
- promotion and preservation of culture.

(c) Constraints, if any, Encountered or Expected to be Encountered During the Year, that may Impact on the Performance of the Ministry's Budget

During the first quarter of the year, the Ministry's budget execution was mainly concentrated on administrative programmes due to the fact that the budget had not yet been approved by Parliament. However, this was expected to improve during the remaining part of the year. Nevertheless, your Committee were informed that the following were some other constraints that were likely to affect performance of the budget:

- **Budget ceiling limitations**:

Your Committee learnt that in general, the budget for the Ministry fell far short of what would be required to make a meaningful impact on the targeted beneficiaries. Highlighted below were some critical areas that would serve as an example of the implications of the budget limitations.

- **Food Security Pack**

The ceilings provided in the budget could not cater for a large number of beneficiaries, despite the overwhelming demand for the pack in all districts in the country. Allocating low funding to a programme of this magnitude would result in not providing a full pack and reaching a lower number of beneficiaries. This would result in low production, poor recoveries and overall food insecurity.

Increased funding for the food security pack was a priority in this funding term so as to address the needs of vulnerable groups who had just come from a very poor seasonal harvest and were food insecure.

- **International Cultural Cooperation– 2006 SADC Mono Disciplinary Festival of Music**

Zambia, as a member of the SADC Committee of Culture, Information and Sport, had committed itself to hosting the SADC Mono Disciplinary Festival of Music. This important cultural programme was expected to bring together 280 musicians and officials from the 14 SADC countries, as well as 250 local artists to perform in Livingstone, Lusaka and the Copperbelt. The event was also targeted at Tourists from the SADC Region and other African, European and American Tourists. It was estimated that the event would attract at least 150,000 tourists to Zambia during the month of July and August, 2006.

In view of the above, the Ministry required K1.5 billion to go towards board and local transportation of music bands and accompanying officials. However, only K500 million had been allocated to the Ministry under the International Cultural Cooperation vote. The limited allocation of resources to this programme had also impacted negatively on the Ministry's capacity to fulfill bilateral and multilateral cultural obligations. For example, Zambia owed the International Centre for Bantu Civilisation (CICIBA) 600,000 Euros in arrears. As a result, Zambia was not benefiting from available project funding to arts and culture and had difficulties in accessing technical assistance from cooperating partners to support the cultural sector which had a lot of potential to contribute to the economic development of the country.

- **Women's Development Groups**

The Ministry had drawn lessons from the 2005 budget when it received K1.3 billion for Women's Development Programmes. Most Women's Groups applied for funds for farming inputs, and projects such as goat rearing, piggery and poultry. The Ministry received over 1,500 applications for such support between 2004 and 2005, and managed to assist 750 clubs with grants of K2 million each. Towards the end of 2005, the Ministry had over 900 pending groups requiring similar assistance. Apart from the grants, the beneficiaries also required enhanced entrepreneurship training and other skills to enable them manage their projects effectively. This, in turn, enhanced sustainability, thereby contributing to poverty reduction. The Ministry had estimated that it would require at least K2, 602,000,000.00 in 2006 for this programme.

- **Late release of funds from MoFNP**

Late release of allocated grants from the Ministry of Finance and National Planning had in the past led to late implementation of planned activities. For example, the success of the Food Security Pack programme depended on timely distribution of inputs. However, your Committee were also informed that unexpected natural disasters such as floods may affect the recoveries under the Food Security Pack programme.

- **Lower staffing levels until restructuring takes off**

The current staffing levels were very low, particularly at district level, and this negatively affected the pace at which programmes were being implemented. However, this was expected to change in the second quarter as the Ministry was currently undergoing restructuring.

- **Lack of linkages between the Ministry of Community Development and Social Services and Ministry of Education**

This was likely to affect coordination and implementation of the Non-Formal Education and Skills Training (Adult Literacy) programme as the programme required technically competent handling in order to be effective.

(IV) ISSUES ARISING FROM THE SUBMISSION BY THE PERMANENT SECRETARY (BUDGET AND ECONOMIC AFFAIRS)

12. The Permanent Secretary (BEA), Ministry of Finance and National Planning raised issues of a general nature which may hinder the performance of the three ministries' budgets for 2006. These are summarised in the proceeding paragraphs.

- **Proposed Budget Act**

Your Committee were informed that there were plans to initiate some legislation dealing with budgetary matters along the lines of the proposed Budget Act. However, not much work had been done to this end. It was submitted that some proposals had been made of possible issues to be included in the legislation by various interested parties, which include the Parliamentary Committee on Reforms and Modernisation. However, as a Budget Act would inevitably have constitutional implications, there was need to allow the constitutional review process to be concluded before undertaking further consultations and consolidating the proposal, so that the new Act could encompass any constitutional changes.

- **Inadequate funding to Government Programmes**

In addition, your Committee were informed that one of the greatest challenges faced by the budget office in its work was the scarcity of resources available for implementation of Government programmes. In many cases, lower than projected revenues or unforeseen pressing needs on the Treasury (such as disaster mitigation) that could not be adequately covered by the budgetary provision and/or catered for by the contingency component brought even greater pressure to bear. This resulted in failure to finance some Government programmes in full or not at all. Consequently, the Ministry of Finance and National Planning under the medium-term expenditure framework and activity-based form of budgeting had been emphasising the need for Ministries to focus on achieving a few of its set objectives at any particular time. This was meant to ensure that Government enhanced service delivery and thus facilitated economic development. It would be a waste of resources for any Ministry to spread its resources among too many activities and not be able to complete any of its projects due to inadequate financing.

- **Late Release of Funds**

As regards the failure by the Ministry of Finance and National Planning to release funds to various activities timely, your Committee were informed that this arose due to inadequate revenue receipts. It was explained that just as the budgeted expenditures were for the whole year, the revenues were also received in small amounts over the period of a year, and not at once. In view of this problem and the attendant difficulties encountered by line ministries in implementing programmes/projects towards the end of the year, the budget office had requested that all line ministries submit expenditures profiles at the beginning of every quarter, showing their priority expenditures for that quarter so that these could be funded as early as possible during any given quarter. This would mean that if certain ministries had very large urgent activities in a particular quarter, ministries that did not have urgent expenditures would have to forego their funding for that quarter so as to facilitate funding of the urgent expenditures of the other ministries. It was also stated that, generally, the levels of funding had improved significantly since 2004, although they had still not reached 100%. There was, however, a remarkable improvement on the fuel levy where there had been 100% releases over the past few years.

- **Criteria Used to Set Budget Ceilings**

As regards how budgetary ceilings were arrived at, it was explained to your Committee that the major determinants of the ceilings were prevailing national priorities and availability of resources. In short, the budget ceilings should and did reflect the ranking of any given ministry's activities vis-à-vis the achievement of national priorities. It was emphasised that it was not the ministry or institution in itself that warranted the allocation of a particular ceiling, but rather the Ministry's mandate and the importance of its activities to overall national priorities as identified and agreed upon (most of the national priorities would be spelt out in the Fifth National Development Plan). Your Committee heard that once national priorities had been identified, the onus was on the Ministry of Finance and National Planning to ensure that those line ministries whose mandate would most directly and most positively impact on the achievability of the national priorities were accorded higher ceilings than those whose mandate would not, in line with available resources. In view of the brevity of resources in Zambia, this was not an easy task. The duties of the Ministry of Finance and National Planning were compounded by the fact that it had become apparent that some ministries were unwilling to accept reduced ceilings during years when their activities, while important and necessary, did not fall in the category of national priorities. It was emphasised that the Ministry of Finance and National Planning did not dictate how the line ministries should allocate resources among various programmes and activities but merely gave the overall ceiling as a guide for budgeting purposes.

- **Impact of the Appreciation of the Kwacha on Budget Performance**

As to whether the budget office had undertaken an analysis to evaluate the impact of the appreciation of the Kwacha on the 2006 budget, particularly in view of the fact that about 27% of the budget would be externally financed, your Committee learnt that a comprehensive analysis of the impact of the appreciation of the Kwacha had not yet been carried out. On the prospect of an increase in the trade turn-over in the wake of the

appreciation of the Kwacha and if this would make up for any exchange losses incurred on the external financing through an increase in import duty collections, your Committee were informed that as the revenue collection information relating to the first quarter was yet to be analysed, it was not possible for the budget office to state categorically if there had been such an increase. This notwithstanding, your Committee were informed that generally, projects may suffer as a result of the reduction in the Kwacha values of the donor inflows, but the Government may also enjoy some respite owing to the reduced Kwacha outlays that would be required for amortisation and interest payments on dollar denominated public debt. It was also anticipated that further debt relief from the IMF and World Bank missions, which were expected in the country soon, would help cushion this possible negative effect of the appreciation of the Kwacha.

- **Monitoring of Public Programmes and Expenditure**

As regards the capacity of the Ministry of Finance and National Planning to monitor the expenditure of public funds and implementation of public programmes, your Committee were informed that the office of the Accountant-General within the Ministry was responsible for overseeing public expenditure and ensuring accountability of all public funds. In this regard, the Accountant General received various accounting reports and returns from all ministries, provinces and spending agencies. However, your Committee noted that the monitoring of actual projects was rather weak, though the Ministry was making a deliberate effort to enhance the capacity of its Planning Department to carry out monitoring activities. These functions would, in fact, be provided for under the Fifth National Development Plan (FNDP).

- **Poor Work Culture, Communication and Coordination**

It was also revealed to your Committee that the poor work culture prevailing among public service workers as well as poor communication and coordination among ministries and departments contributed to inefficient and ineffective implementation of many Government programmes.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

13. Your Committee note the submissions and make the observations and recommendations set out below:

(a) It is a major source of concern that many Government programmes and projects could not take off during the first quarter of the year due to lack of funding as the national budget had not yet been approved by Parliament. In this regard, your Committee reiterate the need for the Government to follow up the initiation of appropriate legislation which can facilitate approval of the national budget before the commencement of the financial year to which the budget relates.

(b) Your Committee are concerned over the length of time it has taken to conclude preparation of the Fifth National Development Plan (FNDP). They reiterate that it is

necessary for the plan to be concluded expeditiously so that all the line ministries' plans and programmes can be based on the overall national priorities identified in the FNDP. This will result in improved coordination of development activities, as well as better focused monitoring of the performance indicators for the achievement of the agreed goals and objectives.

(c) Your Committee are also concerned at the failure by a number of ministries to implement critical developmental programmes due to inadequate funding. They are particularly worried that even poverty reducing programmes and activities under the Ministry of Community Development and Social Services, which can directly benefit the poorest in the country, are not adequately funded. They note that this is often caused by inadequate revenues collected by the Treasury compared to the numerous competing national needs. Your Committee, therefore, emphasise the need for increased revenue collections, particularly on the non-tax front. In this regard, they call upon the Permanent Secretary (BEA) to explore and implement innovative non-tax revenue measures which will contribute to a broader revenue base for the country.

(d) Your Committee are also seriously concerned over the issue of under funding to various programmes and projects because in some cases this has resulted in projects costing far much more than originally planned due to interest charges and other contractual penalties. This is particularly true of the Ministry of Works and Supply. It has also, in other cases, resulted in foregone earnings. An example is the case of the Chirundu border infrastructure, which could have led to substantial improvement in Government revenue collections had the project been completed timeously. They, therefore, strongly recommend that such projects be commenced only after funding up to completion stage has been secured. Your Committee also note that the success or failure of some key programmes in the Ministry of Community Development and Social Services is largely dependent on the timely availability of the requisite funding. The Food Security Pack is one such programme. As long as funding for this programme is tardy, inputs will not be distributed in a timely manner and the envisaged harvests will not be attained; the funds would, therefore, be wasted.

(e) Your Committee find the late or non-release of funds to projects prioritised by the line ministries unacceptable. They commend the initiative by the Ministry of Finance and National Planning aimed at enhancing liaison between the line ministries and the budget office. They, further, prod the budget office to ensure that the ministries' priorities are taken into account in the release of funds at all times. This is the only way ministries, such as the Ministry of Works and Supply, will be able to effectively perform their role as regards developmental projects which will be of benefit to the Zambian people. In this light, your Committee reiterate the need for close consultation between the Ministry of Finance and National Planning and line ministries with regard to general economic planning in order to effectively provide the requisite financing for development programmes identified as priorities by the line ministries who are in close consultation with the people in their day-to-day operations. Your Committee, further, wish to strongly advise the Permanent secretary (BEA) to undertake serious and meaningful consultations in an effort to ensure that

all Permanent Secretaries clearly understand and appreciate the factors that influence the criteria for setting budget ceilings by the Ministry of Finance and National Planning. They also re-emphasise their earlier view that the process of disbursement of public funds should be more transparent than is currently the case. They recommend that, if it is necessary, legislative measures should be taken to facilitate such a process.

(f) Related to the issue of inadequate funding, your Committee note that a number of Ministries have complained of shortage of staff to enable them to effectively carry out their approved programmes. Your Committee, therefore, urge the Government to quickly source funding to enable it take measures to arrest the problem in order to ensure that the Government retains qualified technical staff to effectively implement Government programmes. They note that all the Government's plans, and the Public Sector Reform Programme, one of whose major objectives is to improve public service delivery, will come to naught if the line ministries do not have appropriately qualified technical staff to implement their programmes. In this vein, the delayed completion of the restructuring of the Ministries of Community Development and Social Services and Communications and Transport are a matter of grave concern to your Committee. They strongly recommend that the process be completed expeditiously so as to enable the two ministries to each have a full complement of qualified staff that can effectively fulfill their respective mandates.

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(g) Your Committee welcome the information that the construction of the Chipata-Mchinji Railway line will finally commence in the not too distant future. They applaud the Government for taking such a bold and decisive stand, despite the considerable financial outlays that will be required on the project and the apparent disinterest therein by the donor community. Your Committee reiterate that it is the Government's duty to undertake development projects, and the lack of donor interest in a particular project should not deter the Government from performing this duty. They strongly encourage the Government to forge ahead with the project in a focused manner, so as to ensure that the project is completed in record time for the wider socio-economic benefit of the Zambian community. They, further, emphasise the need for the Ministry of Communications and Transport to supervise and ensure that the highest quality standards are upheld during construction of the railway line so that the benefits of the resources expended can be fully enjoyed by the nation in the long term.

(h) As regards the repeated concerns about poor work culture among public workers, your Committee agree that this is a matter of serious concern. They call for a review of the Government regulations with a view to making them more stringent, in addition to other measures to help resolve the problem. In the same light, your Committee strongly advise the Government to improve on records management in the public sector in a bid to improve efficiency and effectiveness of Government operations.

(i) Your Committee note that the issue of lack of capacity among local contractors, is a source of serious concern, particularly in road construction. This results in wastage of

the very scarce national resources as the same projects have to be redone several times over. However, they note that the onus is on the Ministry of Works and Supply not to allow substandard work to proceed unchecked. Your Committee strongly recommend that the Ministry should develop stringent supervisory guidelines to ensure the highest quality standards in order to attain value for money from the scarce national resources available. In addition, your Committee stress that stern disciplinary action should be taken against any public officer who causes or allows the loss of public funds through failure to undertake prudent supervision of a contract.

(j) Your Committee welcome the proposal by the Ministry of Works and Supply to centralise the procurement of Government vehicles and to standardise Government motor vehicle models. They are confident that Government will consider the proposal favourably in order to ensure compatibility and reduce maintenance costs. They look forward to a progress report on this matter.

Your Committee will await progress reports on all these matters.

CONCLUSION

14. In conclusion, your Committee wish to express their gratitude to you, Sir, for the guidance rendered to them throughout their deliberations. They are indebted to the witnesses who appeared before them and tendered both written and oral submissions and briefs which assisted your Committee in coming up with the informed recommendations that are contained in this report. Your Committee, further, wish to thank the Clerk of the National Assembly for the unfailing assistance rendered to them in their operations during the Session.

June, 2006 E M Hachipuka, MP
LUSAKA **CHAIRPERSON**