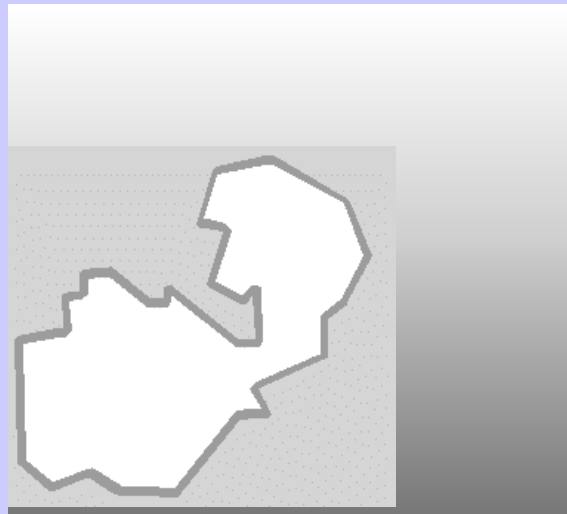


**Republic of Zambia**

**Addendum to the  
Second PRSP Implementation Progress Report  
2004**



**MINISTRY OF FINANCE AND NATIONAL PLANNING**

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## EXECUTIVE SUMMARY

### Overview

The addendum to the Second Poverty Reduction Strategy Paper (PRSP) Implementation Progress Report reviews status of the PRPs for the period July to December 2004. This additional review was necessitated by the need to comprehensively report on the PRSP implementation for the twelve months ended December 2004. The report notes improvement in funding to priority Poverty Reducing Programmes (PRP's) from K212 billion in 2003 to K532.6 billion in 2004. Major improvements in public finance management were achieved in 2004, mainly due to the introduction of the Medium Term Expenditure Framework (MTEF) and Activity Based Budgeting (ABB). Disbursements to the key social sectors remarkably improved during the year compared to 2003.

Zambia's economic performance in 2004 continued to register positive growth. Real GDP growth was 5.0 percent in 2004 compared to 5.1 percent in 2003 exceeding the PRSP target of 4 percent. The growth was attributed to improved output in the key sectors of agriculture, mining, manufacturing, construction and tourism. The domestic budget deficit was contained at less than 2 percent of GDP in 2004 from 5 percent in 2003. This led to a fall in the level of interest rates. Inflation rate was largely stable in 2004, marginally deteriorating from 17.2 percent in December 2003 to 17.5 percent in December 2004. The exchange rate remained generally stable. The improvements in fiscal performance paved way for reaching an agreement on a new Poverty Reduction and Growth Facility (PRGF) with the IMF in June 2004. The agreement between the IMF and Government restored credibility with the Cooperating Partners, thus allowing for increased external inflows.

A sectoral analysis indicated that in the agriculture sector, a total of K162.3 billion was released against an allocation of K142.3 billion in 2004. The bulk of the allocation was for the Fertilizer Support Programme, crop marketing and Nasanga Farm Block. The **Mining** sector was funded a total of K2.0 billion in 2004 for the

implementation of the gemstone exchange, creation of a revolving fund and introduction of the plant hire scheme. With regard to the **Tourism** sector, a total of K 15.3 billion was disbursed for key programmes such as rehabilitation of infrastructure in tourism areas, promotion of investment and tourism marketing.

With respect to the **Manufacturing** sector, a total of K4.8 billion was released and utilised for the privatisation programme, small-scale enterprise development, export and investment promotion and the harmonisation of taxes to 'level the playing field' in the sector. In the Energy sector, one of the key programmes implemented was the rural electrification programmes. A total of K11.9 billion was released for PRPs. A total of K 105 billion was released for **Road** programmes such as the building of bridges and pontoons, rehabilitation of roads and institutional reforms.

With regard to the social sectors of **Health, Education, Water and Sanitation**, total releases, in nominal terms, in 2004 increased to K1, 371.6 billion and were above target by K69.1 billion. As a share of the total national budget, releases to the social sectors in 2004 rose to 25.9 percent compared to 24.3 percent in 2003. In terms of sectoral breakdown, releases to the Education sector, which constitute the bulk of social sector spending, increased to K841.9 billion or 15.9 percent of the total national budget from K686 billion or 14.3 percent of total national budget in 2003. Releases towards the health sector in 2004 amounted to K426.6 billion compared to K419 billion in 2003.

Regional disbursements in 2004 amounted to K8.5 billion against an allocation of K10.4 billion. These funds were disbursed directly to Provincial Administration and not through the sector ministries. The funds were utilised mainly on infrastructure development, land resettlement and industrial development. In terms of infrastructure development, this involved construction and rehabilitation of health posts,

local courts, feeder roads, high schools, airports and aerodromes.

Efforts were made to strengthen stakeholder involvement in reviewing the implementation of Poverty Reduction Programmes (PRPs) in the last two quarters of 2004. In this regard, Sector Advisory Groups (SAGs), as part of the monitoring framework, played an important role in the review process. Monthly meetings in respective sectors and two national conferences were held during the year, one in each half. These conferences brought together stakeholders from all over the country to review progress in the implementation of the Poverty Reduction Programmes and to agree on future areas of intervention. The general SAG in the last quarter brought out issues such as the redefinition of PRPs and mechanisms of decongesting and the decentralization of PRPs funding,

In this regard, PRPs were reclassified and categorised as follows: Programmes directly contributing towards poverty reduction (PRP1); Programmes indirectly contributing towards poverty reduction, (PRP2); and those remotely contributing towards poverty reduction as PRP3.

In addition, the last SAG conference observed the improved quality of reports from Sectors and Provinces. However, data collection, storage and analysis for planning purposes was still lacking in most sectors apart from the Health and Education sectors. Arising from this realisation, a needs assessment study was undertaken to identify training needs for SAGs and other stakeholders involved in the PRSP monitoring. Government also proposed to reduce the number of times SAG conferences are held to two in order to reduce costs and also allow SAGs time to prepare their reports.

## CHAPTER 1

### MACROECONOMIC PERFORMANCE AND STRUCTURAL REFORMS

#### 1.1 Macroeconomic Performance and PRSP Indicators

The overall macroeconomic goal in the PRSP is to attain a high and sustainable growth in Gross Domestic Product (GDP), low inflation rate and a sustainable external sector position.

Zambia's economic performance in the review period improved markedly. Real GDP growth

increased from 3.3 percent in 2002 to 5.1 percent and 5.0 percent in 2003 and 2004, respectively, exceeding the PRSP target of 4 percent. The growth was attributed to improved output in the key sectors of agriculture, mining, manufacturing, construction and tourism in 2004.

**Table 1.1: Status of the Key PRSP Macroeconomic Indicators as of December 2004**

Indicator	Base year	Base Year status	Target	Year	Status as at end 2003	Status as at end Dec 2004	Remarks
Real GDP Growth	2001	4.9%	4.0%	2004	5.1 %	5.0	Achieved
Real Annual Per Capita GDP growth rate	2001	2.2 %	1.1 %	2004	2.6 %	2.5%*	Achieved
Overall Fiscal Deficit			2%	2004	6.6%	1.7%?	Achieved
Annual Rate of Inflation	2001	18.7 %	5 %	2004	21.5%	18.5%	Not Achieved
Annual growth in exports	2001	7.5 %	7.5 %	2004	24 %	51 %	Achieved (the target is real terms but the outcome is in nominal terms)
Domestic Arrears reduced to zero (K, billion)	2001		0	2006	K 578.6	K577.4	Not likely to be achieved
HIPC Completion Point Reached				2003	Not Reached		To be assessed in 1 <sup>st</sup> qtr of 2005
Activity Based Budgeting adopted across government (no of ministries)	2001	7	All	2004	Done	Done	Achieved
Funding to all departments reflects yellow book	2001		Over 80 %	2004		88%	Achieved
Overall Expenditure patterns reflect the priorities in the PRSP			Over 80 %	2004	50	99.9%	Achieved
Incidence of Poverty (Headcount %)	1998	73 %	65 %*	2004	67	67	Based on LCMS III
Rural Incidence of Poverty (Headcount %)	1998	83 %	75 %	2004	N/A	72.0	Based on LCMS III
Urban Incidence of Poverty (Headcount %)	1998	56 %	50 %	2004	N/A	28.0	Based on LCMS III
Poverty Gap (incidence and depth)	1998	0.55	0.4	2004	N/A	0.57	Based on LCMS III
Gross Domestic Investment % of GDP	1998	14.9%	20 %	2004	24.3%	28.3%	Achieved
Inflows of FDI	2001	US \$72 m	US \$88m	2004	US \$172m	US \$344	Achieved (though mostly concentrated in mining)

Source: Ministry of Finance and National Planning

- Poverty level should be understood in the context of new methodology employed by CSO therefore the 1998 LCMS figure is not Comparable with the 2002 LCMS figure.
- \* preliminary figures

The implementation of poverty reduction interventions, such as the input pack and out-grower schemes in agriculture as well as improvements to infrastructure like trunk roads

and airports and increased private sector participation contributed to investment and growth. In the mining sector, growth was largely attributed to the re-capitalisation of large mining

companies and new investments which was complemented by increased export earnings arising from high global metal prices. As a result, overall investment as a percentage of GDP rose to 28.3 percent from 24.3 percent in 2003, surpassing the PRSP target of 20 percent.

During the period under review, the average annual inflation in 2004 fell to 18.5 percent from 21.5 percent in 2003. However, end year inflation marginally rose to 17.5 percent from 17.2 percent in 2003 and was 2.5 percentage points above the end year and PRSP target of 15 percent. This outturn mainly reflected a rise in the prices of non-cereal food products such as meat, which were adversely affected by the outbreak of livestock diseases in many parts of the country. In addition, frequent upward adjustments in fuel prices during the year also affected the overall inflation outturn. The firm fiscal stance undertaken in 2004 contributed to the favourable outturn in inflation in addition to stable cereal prices following a good harvest during the 2003/2004 agricultural season. Government managed to limit the budget deficit to 1.9 percent of GDP and domestic borrowing was within target of 2 percent of GDP.

In the external sector, export receipts shot up by 51 percent to US \$1,588 million from US \$1,052 million in 2003, which was over and above the PRSP target of 7.5 percent. The increase in export receipts was attributed to expansion in domestic mineral production as well as the high world metal prices and strong growth in non-metal exports. Similarly, imports increased by 32 percent to US \$1,845 million in 2004. However, export growth outstripped import growth thereby improving the trade balance by US \$ 12 million to US \$697 million from US \$699 million in 2003. Never the less, high interest payments on external debt in the services account resulted into the current account deficit (after grants) narrowing marginally to 6.5 percent of GDP in 2004 from 7.5 percent in 2003.

## **1.2 Progress on Implementation of PRSP Policy Actions and Structural Reforms**

The PRSP identified many structural/policy actions required to facilitate growth and poverty reduction. The implementation of the

structural/policy actions was generally on track in 2004. The focus of these policy actions were to improve public expenditure management, addressing the problems of the state owned non-bank financial institutions and removing bottlenecks to private sector development.

In 2004, Government approved the Public Expenditure Management and Financial Accountability (PEMFA) Action Plan, which contains a broad and detailed programme of reforms to improve public expenditure management. In this regard, Government developed an Interim Establishment Register, cleaned up the payroll and implemented a new Payroll Management Establishment Control (PMEC) system. The focus of the system is to improve payroll management, provide better data and control mechanisms, accuracy of the payroll and tighter budget control and aligning the size of the civil service with resource availability. In addition, Public Service Commission Regulations were revised, new Terms and Conditions of Service developed and engagement of new staff suspended.

In the financial sector, Government approved the Financial Sector Development Plan (FSDP) in 2004. The vision of the plan is to develop a stable, sound and market based financial system that will support efficient mobilization and allocation of resources necessary for economic diversification, sustainable growth and poverty reduction. A team to spearhead the implementation of the plan was appointed. Government also began restructuring the two state owned non-bank financial institutions.

Government working with the Private Sector and other stakeholders prepared and launched a comprehensive Private Sector Development Initiative (PSDI) Action Plan aimed at improving the environment for private sector growth in June 2004. By the end of 2004, amendments to the investment and export processing zone acts were submitted to the Cabinet committee on legislation and a decision was being awaited. Furthermore, a document to be used as a basis for sourcing donor support to the PSD was finalised.

#### 1.4 Macroeconomic framework and the Medium Term Outlook

The macroeconomic framework in the PRSP/TNDP was revised. The revision in the macroeconomic framework was largely on account of outturns in 2003 and 2004. The revised macroeconomic targets for 2005-2007 are to: achieve GDP growth rates of at least 5.0 percent in 2005, 2006 and 2007; bring down end-year inflation to 15 percent in 2005, 10 percent in 2006 and 5.0 percent in 2007; reduce domestic borrowing to 1.6 percent of GDP in 2005, 1.3 percent in 2006 and 0.7 percent in 2007; improve the country's external sector's viability by increasing the official Gross International Reserves (GIR) to 1.5 months of import cover in 2005, 1.7 months in 2006 and 1.9 months in 2007 and remain current with foreign debt service payments.

The growth targets are premised on favourable performance in the key sectors of agriculture, mining, manufacturing and tourism. In agriculture, Government's focus will be to improve productivity of the sector through well-targeted interventions such as the Fertilizer Support Programme (FSP). In the mining and quarrying sector, higher growth in 2005 is

anticipated largely due to increased production of copper and cobalt, mainly due to the coming on stream of Kansashi and Lumwana in North-western province. In the tourism sector, impetus for continued growth is expected to come from the benefits of the economic diversification programmes being undertaken by Government. Manufacturing, growth is premised on the higher domestic demand from the mining, tourism and agriculture sectors. In order to further aid manufacturing growth, initiatives in the area of private sector development will continue to be the major focus.

Fiscal policy in the medium term will be key to preserving macroeconomic stability. Domestic revenue is expected to average 18.3 percent of GDP, personnel emoluments will marginally rise to 8.0 percent of GDP over the period 2005-2007 while domestic financing is expected to decline to 0.6 percent of GDP by 2007.

In the external sector, the strategy is to restore a sustainable external debt position by among other things, reaching the Completion Point under the HIPC initiative and reducing the current account deficit to a sustainable level.

**Table 1.2: Key Macroeconomic Targets: 2003-2007**

	2003	2004	2005	2006	2007
	Actual	Prelim	Proj.	Proj.	Proj.
Real GDP Growth Rate	5.1	5.0	5.0	5.0	5.0
Inflation Rate (end period)	17.2	17.5	15.0	10.0	5.0
Nominal GDP (K' billions)	20,520	25,814	31,212	35,812	39,865
Current Account Deficit Incl. grants (% of GDP)	(7.5)	(5.2)	(4.7)	(3.1)	(3.3)
Domestic Borrowing as % of GDP (cash basis)	5.2	1.9	1.6	1.2	0.6
GIR months of Import Cover	1.3	1.2	1.3	1.5	1.7

Source: Ministry of Finance and National Planning

## CHAPTER 2

### Budget Execution and Management

#### 2.1 Overview

Preliminary data indicate that domestic revenue was below target by 2.1 percent, domestically financed expenditures were below the ceiling by 2.6 percent and funding to priority Poverty reduction programmes improved in 2004. In addition, inflows on programme grants were above the estimate of K143.1 billion amounting to K234.7 billion and largely making up for the short fall in domestic revenue.

#### 2.2 Revenue collection

Government collected a total of K4, 678.3 billion in domestic revenues against a budget estimate of K4, 782.7 billion. This was below the target by 2 percent. Of this amount, tax revenue stood at K4, 551.5 billion and was above the target of K4, 536.9 billion by K14.7 billion. The Government also collected K86.1 billion as non-tax revenue, which was 35 percent lower than projected. In addition to domestic revenues, foreign in flows amounted to K234.7 billion against the target of K163.0 billion. This favourable disbursement from Cooperating Partners was in response to the firm fiscal stance undertaken by Government in line with PEMFAR.

#### 2.3 Expenditures

##### 2.3.1 Wages and Salaries

Expenditure on wages and salaries as at end December 2004 stood at K2,011.8 billion against the ceiling of K2,018.4 billion and represented 7.8 percent of GDP. The spending on wages and salaries was K6.6 billion or 0.3 percent below the annual ceiling.

##### 2.3.2 Recurrent Departmental Charges

Recurrent Departmental Charges (RDC's) stood at K835.1.5 billion in 2004. This was K149.5 billion or 21.8 percent above target. The over expenditure was mainly due to higher than programmed expenditure arising from settlement of court cases and clearance of both housing and non housing domestic arrears. The general increase in Government operations, including payments to commercial utilities, operational expenses of the defence wings and Presidential Affairs also contributed to this outturn.

##### 2.3.3 Transfers and Pensions

A total sum of K446.1 billion was released for transfers and pensions, which was above the end-year ceiling by 6.4 percent. Out of the amount released, K27.1 billion went to the Public Service Pension Fund to reduce on the outstanding debt.

##### 2.3.4 Debt Service

With regard to debt service, both domestic and external, Government spent a total of K926.4 billion against the ceiling of K1, 143.8 billion. Of the total amount spent, external debt service payments amounted to K180.8 billion and were below target by 16.4 percent. Similarly, domestic debt interest payments at K745.6 billion were lower than the target by 19.6 percent.

##### 2.3.5 Capital Expenditure

A total of K584.5 billion was released towards capital programmes and this was below the target of K601.4 billion by K16.9 billion. Of the amount released, K112.3 billion went to the Road Fund as fuel levy collections. The higher collections were on account of higher fuel prices. The release of K112.3 billion in

2004 was 49.8 percent above the budget estimate of K75 billion. All the funds released to the former National Roads Board were for road rehabilitation. In addition, a total of K10.2 billion was released as counterpart funds towards donor financed infrastructure projects against the budget allocation of K4.0 billion.

### **2.3.6 Poverty Reduction Programmes (PRPs)**

Of the total budget of K534.6 billion for poverty reducing programmes, 99 percent was released compared to only 24 percent achieved in 2002 and 88.4 percent in 2003. Of the amount released for poverty reducing programmes, K96.7 billion was for the fertiliser support programme to provide subsidised inputs to farmers. K47.2 billion went to the procurement of maize from small-scale farmers to provide them with incomes. A further K29 billion was funded towards the Food Security Pack programme for vulnerable

but viable farmers. All these programmes empowered the rural population by creating wealth and distancing them from poverty.

In addition, other important programmes that received funds included the following: the preparation of agricultural land for farm blocks; promotion of out-grower schemes; control of livestock diseases; livestock restocking; basic education; Roll Back Malaria; child survival and health; procurement of kits for essential drugs and supply of clean and safe water.

## **3 Financing of Deficit**

The outturn in revenues of K4,678.6 billion and domestically financed expenditure of K4,997.1 billion resulted in domestic budget deficit of K318.8 billion which was within the ceiling of 2.2 percent of GDP for the year. The deficit was largely financed through domestic borrowing.

**Table 3.8: Central Government Operations, 2004**

	2004 Budget	Outturn	Variance
	(K' Million)	(K' Million)	(K' Million)
<b>I. REVENUE AND GRANTS</b>	<b>6,209,395</b>	<b>5,956,967</b>	<b>(252,428)</b>
<b>I. REVENUE</b>	<b>4,782,735</b>	<b>4,678,308</b>	<b>(104,427)</b>
<b>Tax revenue</b>	<b>4,536,881</b>	<b>4,551,541</b>	<b>14,660</b>
<b>Income tax</b>	<b>2,047,881</b>	<b>2,037,783</b>	<b>(10,098)</b>
a. CIT	382,600	331,930	(50,670)
b. PIT	1,657,698	1,701,366	43,668
PAYE	1,428,700	1,482,604	53,904
w/holding taxes	228,998	213,042	(15,956)
Medical Levy	3,500	5,719	2,219
c. Royalty	4,083	4,487	404
<b>Domestic goods &amp; services</b>	<b>1,241,600</b>	<b>1,060,328</b>	<b>(181,272)</b>
a. Excise duties	627,900	606,943	(20,957)
o/w fuel levy	75,000	121,533	46,533
b. Domestic VAT	613,700	453,385	(160,315)
<b>Trade taxes</b>	<b>1,247,400</b>	<b>1,453,431</b>	<b>206,031</b>
a. Import VAT	755,400	909,011	153,611
b. Import tariffs	492,000	544,420	52,420
<b>Nontax revenue (fees and fines)</b>	<b>133,000</b>	<b>86,119</b>	<b>(46,881)</b>
<b>Miscellaneous revenues ( dividends ... )</b>	<b>36,000</b>	<b>26,198</b>	<b>(9,802)</b>
Dividends	30,000	18,512	(11,488)
Capital & Interest Repayments	6,000	1,335	(4,665)
<b>Exceptional Revenues (Fertilizer...)</b>	<b>76,854</b>	<b>14,449</b>	<b>(62,405)</b>
<b>Fertiliser Recoveries</b>	<b>52,500</b>	<b>12,768</b>	<b>(39,732)</b>
<b>ERB Licence Fees</b>	<b>16,854</b>	<b>1,681</b>	<b>(15,173)</b>
<b>Non- Tax Arrears</b>	<b>7,500</b>	<b>-</b>	<b>(7,500)</b>
<b>2. GRANTS</b>	<b>1,426,660</b>	<b>1,278,659</b>	<b>(148,001)</b>
Program	143,100	234,659	91,559
Project	1,283,560	1,044,000	(239,560)
<b>II. TOTAL EXPENDITURES</b>	<b>7,993,990</b>	<b>6,806,844</b>	<b>(1,187,146)</b>
<b>1. CURRENT EXPENDITURES</b>	<b>4,707,990</b>	<b>4,667,298</b>	<b>(40,692)</b>
<b>Wages and salaries</b>	<b>2,018,400</b>	<b>2,011,764</b>	<b>(6,636)</b>
o/w Housing allowance	86,400	86,400	-
<b>Public service retrenchment /1</b>	<b>33,000</b>	<b>20,058</b>	<b>(12,942)</b>
<b>Recurrent departmental charges (RDCs)</b>	<b>685,600</b>	<b>835,062</b>	<b>149,462</b>
Arrears clearance	76,700	84,265	7,565
housing allowance	26,700	30,364	3,664
non-housing allowance	50,000	53,901	3,901
Elections & constitutional review	26,000	19,228	(6,772)
Award and Compensations (Court decision)	20,000	35,233	15,233
Presidential Affairs	18,000	23,168	5,168
Other RDCs	544,900	673,167	128,267
<b>Transfers and Pensions</b>	<b>419,400</b>	<b>446,126</b>	<b>26,726</b>
Settlement statutory arrears (pensions)	30,000	27,086	(2,914)
Other	389,400	419,040	29,640
<b>Domestic Interest /2</b>	<b>927,460</b>	<b>745,579</b>	<b>(181,881)</b>
<b>External Debt Interest Paid</b>	<b>216,300</b>	<b>180,781</b>	<b>(35,519)</b>
<b>Other current expenditures</b>	<b>395,830</b>	<b>414,710</b>	<b>18,880</b>
Financial restructuring	119,630	108,105	(11,525)
ZRA	118,000	118,000	-
Maize Reserve in Rotating Fund (HIPC- PRP)	47,200	47,200	-
Fertilizer Price Support + Input Pack (HIPC-PRP)	99,000	125,700	26,700
Constitutional posts	12,000	15,705	3,705
<b>Contingency</b>	<b>12,000</b>	<b>13,219</b>	<b>1,219</b>
<b>2. CAPITAL EXPENDITURES</b>	<b>3,286,000</b>	<b>2,139,546</b>	<b>(1,146,454)</b>
<b>Domestically financed</b>	<b>601,400</b>	<b>584,546</b>	<b>(16,854)</b>
<b>of which: HIPC-PRPs</b>	<b>366,300</b>	<b>342,027</b>	<b>(24,273)</b>
Counterpart PRPs	40,000	7,972	(32,028)
GRZ Road Projects	80,000	20,040	(59,960)
Fuel levy	75,000	112,337	37,337
Ordinary Capital	61,100	90,978	29,878
REF	9,000	9,013	13
Land Development Fund	6,000	-	(6,000)
Counterpart (Ordinary)	4,000	10,151	6,151
<b>Foreign financed</b>	<b>2,684,600</b>	<b>1,555,000</b>	<b>(1,129,600)</b>
of which: HIPC-PRPs	1,494,431	1,799	(1,492,632)
<b>III. Overall balance</b>	<b>(1,784,595)</b>	<b>(849,876)</b>	<b>934,719</b>
<b>Domestic balance</b>	<b>(350,555)</b>	<b>(318,819)</b>	<b>31,736</b>
<b>Domestic primary balance</b>	<b>793,205</b>	<b>607,541</b>	<b>(185,664)</b>

Source: Ministry of Finance and National Planning Note: Project grants and loans are based on estimated inflows from donors but do not pass through Government accounts.

Note: Project grants and loans are based on estimated inflows from donors but do not pass through Government accounts

## CHAPTER 3

### SECTOR IMPLEMENTATION

#### Economic Sectors

##### 3.1 Agriculture

In the agriculture sector, a total of K142.3 billion was allocated for poverty reduction programmes in 2004. The bulk of the allocation was for the Fertilizer Support Programme (49.2 percent), crop marketing (33.2 percent) and Nasanga Farm Block had 9.1 percent. The remaining 8.5 percent was for other investment programmes. During the first half of 2004, K79.6 billion or 56 percent of the total PRP budget allocation was released of which maize marketing programme and the Input Support programme together received 96 percent of the amount. In the second half a further K82.7 billion was released bringing the total annual release to K162.3 billion or 114 percent of the total PRP allocation to the agricultural sector.

##### 3.2 Targeted Support System for Food Security

By end December, 2004 a total sum of K96.7 billion was released against an allocation of K70 billion. The funds were utilised for the purchase of 60,000 mt and 3,000 mt of fertiliser and seed, of fertiliser and 2,400 mt of seed in the previous season. A total of 150,000 households received inputs in 2004 compared to 120,000 households in the previous season.

##### 3.1.1 Purchase and storage of the national food reserves

A total of K47.2 billion (100 percent) was released and utilised for the purchase of 61,320 mt of maize from 38 districts. In Luapula province, cassava was purchased while in Mongu and Kasama, rice was purchased.

##### 3.3 Out-grower Schemes

The PRSP 2002-2004 targeted to support 126,000 small-scale farmers in a period of three years through out-grower schemes. In 2004, a total of K1.9 billion was allocated and 100 percent of the

amount was released by the end of the year. The funds were used for input disbursements and extension services on a total hectareage of 5,500 benefiting 7,800 farmers by the end of the year.

##### 3.4 Irrigation Development Programme

With regard to the Irrigation Development Programme, a total of K615 million was allocated out of which K510 million was released by the end of the year.

##### 3.1.2 Land Development Programme

Out of the nine farm blocks identified for development, government's focused on the development of Nansanga farm block, Kalumwange farm block and Luena Sugar Plantation in 2004. The total allocation for these farm blocks in 2004 was K14 billion for infrastructure development, electrification and environmental impact surveys. By the end of 2004, K14 billion or 100 percent of the farm block allocation was released towards the commercialisation of the agriculture land in the above mentioned farm block. However, due to the outbreak of foot and mouth disease in some parts of the country, K3.8 billion was re allocated to the disease control programme.

##### 3.1.3 Seed Multiplication

A total of K1.5 billion was allocated to the seed multiplication research programme. The full amount was released and utilised in 11 districts for purchase of chemicals, fertilizer and seed production research in various research stations.

##### 3.1.4 Animal Disease Control

The Animal Disease Control Programme was allocated K1 billion to preserve the current population of livestock which was released. In addition, K3.8 billion was varied from farm block

releases and allocated to this programmes to control the foot and mouth disease.

### **3.1.5 Aquaculture and Fisheries Development**

In 2004, an amount of K1.7 billion was allocated for aquaculture and fisheries development. Government undertook the following activities: the opening of 36 sites in all the nine provinces; the construction of 720 fish ponds; and the training of 1,300 farmers in fish seed production. The budget allocation was released in full by end December 2004.

### **3.2 Tourism**

A total of K 15.3 billion was allocated which was released 100 percent for major programmes like infrastructure development in tourism areas, promotion of investment in the tourism sector and the tourism marketing and promotion. Other activities undertaken included the following:

- Project preparatory work in Livingstone for the solid waste management system;
- Tourist access roads;
- Capacity building for the Livingstone City;
- Building of the South-West Regional Tourism office;
- officially launch the tourism investors' forum for attracting tourism investors to Livingston and the Kafue National Park;
- Inventory of existing and potential tourism products;
- The collection of Preliminary data/information from other countries on the Tourism Satellite Accounting (TSA); and
- The preparation of the National Tourism Master Development Plan.

### **3.5 Mining**

In 2004, a total of K2.0 billion was released for the implementation of the gemstone exchange, creation of a revolving fund and introduction of the plant hire scheme as outlined below.

#### **3.3.1 Establishment of the Gemstone Exchange**

The Zambia Gemstone Exchange Limited was registered and a Board of Directors recommended by stakeholders. A Cabinet Memorandum was prepared on the same was prepared. In addition, the rules and regulations of the Gem Exchange were drawn up in consultation with the Lusaka Stock Exchange (LuSE) and the Securities and Exchange Commission (SEC).

#### **3.3.2 Creation of a Revolving Fund**

A total of K500 million was budgeted and released for the consultancy on the creation of the revolving fund.

#### **3.3.3 Introduction of a Plant Hire Scheme**

The complete set of mining equipment would require K2.5 billion. For the planned four schemes to operate effectively, Government would require a total of K50 billion. Therefore, the possibility of varying the funds to the Revolving Fund was being considered to increase the capital base. The amount of K500 million released for the introduction of the Plant Hire Scheme was inadequate for a complete set of mining equipment for hire. T

#### **3.3.4 Other Developments**

The mining sector continued to show higher levels of activity resulting from increased private sector investment. The number of licences issued continued to indicate increased interest in the mining sector. The following licences were issued during the year under review:

- Twenty seven for small-scale mining,
- Twenty seven for prospecting permits, and
- Fifty eight gemstone licences.

The construction of a new power line to service Kansanshi and Lumwana mines in the North-Western Province progressed according to schedule during the year. By December 2004, the construction of the new power line was completed and the substation buildings were commissioned.

### **3.4 Manufacturing**

During 2004, Government allocated a total of K4.8 billion for PRPs in the sector. These funds were released and utilised for the following: privatisation, small-scale enterprise, export and investment promotion and the harmonisation of taxes to 'level the playing field' in the sector.

#### **3.4.1 Investment promotion**

During the year, Government exhibited at two Agricultural and commercial shows and undertook two investment promotion trips to South Africa and Germany.

#### **3.4.2 Trade and Export Promotion**

During the year under review the major activities undertaken included training and sensitisation workshops, acquisition of equipment, provision of marketing support services, monitoring and networking and a consultancy on dimensions of stone evaluation. In addition Government purchased four nut crackers for women groups in Western province.

### **3.6 Energy**

#### **Status of Programme Implementation**

During the year under review, the bulk of the projects implemented under Poverty Reduction Programme were rural electrification projects. A total allocation of K11.96 billion for PRPs in the 2004 budget was released for the following major programmes:

#### **3.5.1 Rural Electrification Programme**

In 2004 the rural electrification programme was undertaken in farm block development areas as well as other rural areas.

#### **3.5.2 Rural Electrification Master Plan**

By the end of the year, the Rural Electrification Master Plan was completed to be implemented by the Rural Electrification Authority.

#### **3.5.3 Nansanga Farm Block Electrification project**

The electrification of Nansanga farm block commenced from part of the K9 billion funding.

### **3.6 Infrastructure**

#### **3.6.1 Road Sub-sector**

In 2004, Government allocated K 105 billion to the road sub-sector. Feasibility studies was allocated K 6 billion, poverty reduction programmes K76.3 billion, bridges and pontoons K 7.7 billion and rehabilitation of roads K 9.4 billion. Periodic maintenance was allocated K 5.7 billion and institutional transformation into the Roads Development Agency K 1.5 billion. As at end December 2004, a total of K 4.9 billion was released towards feasibility studies, poverty reduction programmes K86.5 billion, rehabilitation and periodic maintenance of roads K 22.2 billion and institutional transformation into the Roads Development Agency received K1.8 billion. Further, a total sum of K115.8 billion was disbursed for periodic maintenance under National Roads Board. The roads covered included the Chingola – Solwezi and Petauke – Katete.

The major Government funded projects included the Mutanda-Kasempa road and the Kasama-Luwingu road while Cooperating Partners funded rehabilitation works on the Livingstone-Sesheke and the Lusaka-Mongu road phase 1 among others (see table 3.1).

**Table 3.1: Major Road Projects undertaken in 2004.**

Project	Distance (Km)	Work description	Status	Financing
Livingstone-Sesheke road	202	Rehabilitation	Project completed	KFW
Lusaka-Mongu road phase 1	167	Rehabilitation	On-going. 60 Km rehabilitated	DANNIDA
Mongu-Kalabo road	74	Rehabilitation	Project ongoing	Kuwait/BADE A/OPEC
Makeni-Kafue road	50	Maintenance	On-going. 44 Km paving, 30 Km crack sealing, 15 Km reconstruction done by third quarter of 2004.	IDA
Lusaka-Kabwe road	57	Maintenance	On-going. 20 Km edge repair and 10 Km overlay repair done by third quarter 2004	IDA
Chingola-Kasumbalesa road	45	Construction	Tender documents completed	IDA
Chipata-Lundazi road	179	Maintenance	On-going. 100 Km's of vegetation control, 80 Km's of edge repairs and pothole patching done	GRZ
Nyimba-Petauke-Sinda-Katate road	173	Maintenance	On-going. 90 km's vegetation control, 80 km's edge repairs and pothole patching and 29 kilometers of sealing was done.	Road Fund
Chingola-Solwezi road.	132	Emergency repair	On-going. 66.7 kilometer shoulder reconstruction, 26 side reshaping and 132 kilometers of pothole patching was undertaken.	Road Fund
Kasama-Luwingu	150	Rehabilitation	60 km's earth works, 30 km's pavement, 45 km's surface dressing	GRZ
Mutanda-Kasempa	147	Rehabilitation	Substantially complete	GRZ

Source: Ministry of Works and Supply

Government continued with the implementation of the 2002 transport policy through the establishment of the Road Development Agency (RDA), Road Transport and Safety Agency (RTSA) and National Road Fund Agency (NRFA). Boards of Directors for the RDA, NRFA and RTSA were appointed.

In order to expand, rehabilitate and maintain paved, unpaved and feeder roads, Government in

collaboration with cooperating partners, continued to implement the Road Sector Investment Programme (ROADSIP). The first phase ofROADSIP officially came to an end in 2003 and recorded some achievements as outlined in table 4.5. The second phase ofROADSIP II which was renamed the Road Rehabilitation and Maintenance Programme (RRMP) was launched in 2004.

**Table 3.2: Status of Implementation for ROADSIP Phase I**

	<b>Name Of Project</b>	<b>Financier</b>	<b>Status</b>
1	Lusaka Road Phase II	JICA/GRZ Counterpart	Completed in 2004
2	Livingstone-Sesheke Road	KfW- Germany/GRZ Counterpart	Completed in 2004
3	Katimamulilo Bridge	KfW- Germany/GRZ Counterpart	Complete in 2004
4	Kabwe-Kapirimposhi Road	EU/GRZ Counterpart	Completed in 2004
5	Mporokoso-Bulaya	GRZ	80% complete
6	Periodic maintenance of roads	World Bank/GRZ Counterpart	75 % complete
7	Community roads/capacity building	World Bank	75 % complete
8	Mongu-Kalabo Road	Badea /Kuwait/OPEC Fund/GRZ Counterpart	60% complete
9	Capacity Building & Institutional development	NORAD	60% complete
10	Lusaka-Mongu Road	Danida/GRZ Counterpart	15% complete

Source: National Roads Board 2004

### 3.6.2 National Road Safety Action Plan

Government continued to implement the National Road Safety Action Plan (NRSAP). In order to reduce the number of accidents, the minimum age requirement for Passenger Service Vehicle (PSV) drivers was increased from 18 to 21 years and a re-training programme was introduced. A total of 10 motorcycles were bought for road patrols and mounting of speed traps was stepped up. Breathalysers were also bought to help in conducting on the spot alcohol tests for drivers.

### 3.6.3 Buildings

Government disbursed K 28 billion to undertake building programmes in 2004. Construction of support infrastructure at Chirundu was still under way by December 2004. In addition, building

works continued at the New Government Complex.

### 3.6.4 New Chirundu Bridge Infrastructure

In 2004, a total sum of K20.5 billion was released for infrastructure at the new Chirundu Bridge from a budget provision of K35.9 billion. These included six access roads to the bridge, the platform and the water and sanitation systems. Other projects were security wall fence and guard houses, 50 houses, Police station, passenger control building, freight terminal and street lights.

### 3.6.5 New Government Complex

In 2004 K1.1 billion was released out of an allocation of 2.8 billion for telephone installations, power sub station and generator at the building complex.

## CHAPTER 4

### 4.0 SOCIAL SECTORS

Total releases in nominal terms to the social sectors increased to K1, 371.6 billion and were above target for the year 2004 by K69.1 billion. As a share of the total national budget, releases to the social sectors in 2004 rose to 25.9 percent compared to 24.3 percent in 2003. In terms of sectoral breakdown, releases to the education sector, which constitute the bulk of social sector spending, increased to K841.9

billion or 15.9 percent of the total national budget from K686 billion or 14.3 percent of total national budget in 2003. Releases towards the health sector in 2004 amounted to K426.6 billion compared to K419 billion in 2003. However, as a share of the national budget, releases to the health sector fell to 8.1 percent from 8.7 percent in 2003. (see table below)

**Table 4.1 Allocations and Releases to the Social Sectors as Percent of National Budget**

<i>As Percent of Total National Budget</i>				
Sector	2003		2004	
	Budget	Releases	Budget	Releases
Education	13.2	14.3	15.5	15.9
Health	9.9	8.7	6.9	8.1
Water and Sanitation	0.6	0.3	0.7	0.4
Other*	0.4	0.9	1.6	1.5
<b>Total</b>	<b>24.1</b>	<b>24.3</b>	<b>24.7</b>	<b>25.9</b>
<i>As Percent of GDP</i>				
Sector	2003		2004	
	Budget	Releases	Budget	Releases
Education	2.6	3.4	3.2	3.3
Health	1.9	2.1	1.4	1.7
Water and Sanitation	0.1	0.1	0.1	0.1
Other*	0.1	0.2	0.3	0.3
<b>Total</b>	<b>4.7</b>	<b>5.7</b>	<b>5.1</b>	<b>5.3</b>
Total National Budget	3,974.9	4,789.1	5,276.4	5,298.5
GDP	20,305.2	20,305.2	25,578.0	25,704.0

Source: Ministry of Finance and National Planning

Other\* comprises social safety net and disaster relief management sectors

### 4.1 Education

Funding to the education sector improved in 2004 rising to K795 billion from K686 billion while as a percentage of the total domestic budget it increased to 24.5 percent in 2004 from 19.2 percent in 2003 (See Appendix I).

With regard to enrolment in 2004, the figures indicate that more pupils had access to basic education during the period. A total of 2,522,378 were enrolled during the period indicating an

increase of 9.3 percent. Out of this number 1,302,167 were boys and 1,220,211 were girls. This increase was partly due to the Free Basic Education Policy which was introduced in 2002. The policy abolished all user fees at basic education level and made school uniforms not compulsory and other programmes introduced by the ministry such as the programme for the Advancement of Girls Education (PAGE), Bursary schemes and introduction of community schools. Further, the pregnancy re-admission policy enhanced the enrolment rates. In 2003, 926 pupils were re-admitted, against 3,509 recorded pregnancies in the previous year. Having identified the gaps in the policy, the Re-entry Policy guidelines were reviewed for wider dissemination during the period under review.

#### **4.1.1 Gross enrolment ratio**

In 2004, the Gross Enrolment Ratio (GER) at basic school rose by 5.4 percentage points to 93.1 percent from 87.7 percent in 2003. The increase in the GER was as a result of increased pupil enrolment. At Provincial level, there were disparities in terms of GER, which ranged from 73.44 in Eastern province to 106.2 in Northern Province.

The gross enrolment ratio at high school level increased to 16.5 in 2004 from 13.9 in 2003, showing an increase of 2.6. Gross enrolment ratio for males increased by 3.6 percentage points compared to 1.6 for females between the two years. The increase in GER was due to increased pupil enrolment.

Enrolment at university level increased by 15 percent in 2004 to 11,561, 561 from 10,092 in 2003. At the University of Zambia (UNZA), students enrolment increased to 8,471 compared to 7,558 in 2003 and while at the Copperbelt University (CBU), enrolment increased to 3,090 students from 2,534 in the previous year. The increase in student enrolment was attributed to the rise in self-sponsored students and Government policy to increase access to university education.

#### **4.1.2 Pupil Teacher ratio**

The number of basic school teachers increased by 5.2 percent to 40,915 from 38,891 in 2003. This increase was due to the replacement of some retired and deceased teachers. However, the

number of teachers fell below the required levels, as more teachers could not be recruited due to budgetary constraints. Despite the non-recruitment of teachers due to budget constraints in 2004, Government replaced some retired and deceased teachers; this resulted in the marginal increase in the number of teachers. In order to retain teachers especially in rural areas, Government continued to pay rural hardship and housing allowances to deserving teachers serving in the rural areas.

Furthermore, the Netherlands Government offered US \$10 Million to Government to settle the retirement and repatriation allowances. As a result of this payment, more teachers are expected to be recruited in 2005. This move was to pave way for recruitment of new teachers as the retired teachers were to be removed from the payroll.

#### **4.1.3 Bursary Provision**

Government continued to support Orphans and Vulnerable Children (OVCs) PRP budget amounted to K3 billion. A total of 4,476 children in 41 districts received K500,038 for grades 8 - 12 and K67,000 for grades 1 - 7, each to cover school fees, examination fees (at grade 9 and 12), books, uniforms transport in some cases etc. A total of K3 billion was released and has been disbursed. A further K765 million and K327 million was disbursed to support another 15,300 orphans and vulnerable children from the pool support and CAMFED respectively.

#### **4.1.4 HIV / AIDS Awareness at Work place**

A total of K1.5 billion was budgeted for and released to the Education sector for the HIV / AIDS awareness at work place and was disbursed to the Provincial education Offices for the various activities under the programme.

## **4.2 Health**

During the review period, there were notable improvements in the health sector. This was reflected in improvements in key basic health care delivery indicators such as health centre outpatient per capital attendance and by the general decrease in the incidence of the major diseases such as malaria, non-pneumonia respiratory infections and diarrhoea. The drug

situation generally improved with 0.79 kits per 1,000 patients opened in 2004 compared to 0.73 kits opened per 1,000 patients in 2003. Further, the percentage coverage of fully immunized children under one year improved from 74 percent in 2003 to 77 percent in 2004. Despite these improvements health care delivery continued to be constrained by lack of sufficient human, material and financial resources.

In 2004, Government financing to the health sector in nominal terms increased to K426 billion from K419 billion in 2003. Funding in 2004 was above the budget allocation. However, as a percent of the total national budget, funding to the health sector declined to 8.1 percent in 2004 from 8.7 percent in 2003. Similarly, as a percentage of the discretionary budget, funding to the health sector dropped to 11.5 percent from 12 percent in 2003.

The following key Programmes were implemented in 2004:-

- i) Roll back malaria
- ii) Child Survival / Child Health
- iii) Essential drugs Kits
- iv) HIV / AIDS
- v) Equity of access to healthy care
- vi) Sexual and Reproductive health
- vii) Rehabilitation of health facilities
- viii) Rehabilitation of training Institutions; and
- (i) Rural Housing for medical staff.

#### **4.2.1 Malaria**

In 2004, the scaling up of the action plan for malaria was implemented through the provision of Co-artem to all the 72 districts and the training of frontline health workers in the use of Co-artem in all provinces. In addition, about 1,500,000 Insecticide Treated Nets were distributed throughout the country. Further, in the 2004/2005 transmission season the indoor residual spraying project has been scaled to cover eight districts from the initial five districts (Kitwe, Ndola, Kabwe, Lusaka and Livingstone) including Mufulira, Kalulushi and Kazungula district covering 324,137 people out a total population of 2,783,569.

#### **HIV / AIDS**

The scaling up programme has steadily increased the number of people living with HIV/AIDS on

Anti-Retroviral Therapy (ART) programme from 4,000 recorded in 2003 to 15,500 in 2004. The programme has been supported with funds received from the PRP component of K6.4 billion, which represent 108 percent of the budgeted K5.9 billion. Other funds came from the Global Fund and cooperating partners and other initiatives such as PEPFAR.

The programme continued to build capacity in human resource to handle and administer ARVs in the new established sites for the provision of ART. In this regard a total of 269 medical personnel, such as doctors, medical licentiates, clinical officers and nurses, were trained in management of opportunistic infections and administration of ART. This led to an increase in the provision of ART to 15,000 patients by October 2004 from 4,000 persons in 2003. In addition levels of awareness of ART also improved with about 500 women receiving counselling each month countrywide. Similarly the number of centres providing ART in 2004 rose from 53 in 2003 to 84 in 2004.

#### **4.2.2 Child Survival / Child Health**

In 2004, a total of K4.7 billion was released towards the purchase of vaccines for the routine EPI programmes such as promotion of AFP surveillance, conducting nutrition surveillance, sensitisation on exclusive breast feeding, making follow ups on under weight children on a weekly basis and carry out immunization exercise. The funds were also used to strengthen EPI training in Health institutions. Immunisation coverage in 2004 stood at 79 percent.

#### **4.2.3 Essential drugs Kits**

A total of K21.9 billion was spent on the purchase of essential drugs. In addition K2.8 billion was also received from PRP funds which were used to purchase first line drugs for all public health institutions. The situation of stocks of drugs in Health Centres was satisfactory throughout the year.

#### **4.2.4 Sexual and Reproductive Health**

In 2004, a total of K1.2 billion was released towards the programme for updating the reproductive health policy, adolescent health and

prevention of mother to child transmission of HIV / AIDS.

Under the Safe motherhood programme, equipment and drug supplies for essential obstetric for all districts were procured. Seven ambulances were bought one for each district, radio equipment for all provinces and the training of staff was carried out in four provinces (Copperbelt, Southern, Northern and North Western) while a Tradition Birth Attendants (TBA) curriculum was developed and clean delivery kits were introduced in all districts for home deliveries.

In the Prevention of Mother to Child Transmission (PMTCT), 84 sites in 12 districts countrywide were providing ARVs to mothers. Further, it was estimated that 500 women each month were being counselled and tested.

### **4.3 Social Safety Nets**

The main Social Safety Nets programmes supported by Government in 2004 continued to be Food Security Pack Programme, National Trust for the Disabled, Programmes Urban Self Help the Food Programme Management Unit and the Public Welfare Assistant scheme.

#### **4.3.1 Food Security Pack Programme**

A total of 150,000 households were supported under the FSP in 2003/2004 farming season at a cost of K91 billion compared to K82 billion spent in 2002/2003 farming season with 125,195 beneficiaries.

In the last four seasons beneficiaries increased maize production from an average of less than five by fifty Kg bags per lima to an average of eighteen by fifty Kg per lima. In 2002/2003 season a total of 132,000 Mt were produced by beneficiaries worth K82 billion and in 2003/2004 season 197 Mt was produced worth K124 billion.

By 2004 more than 30,000 beneficiaries successfully graduated over the past three years and were self sustaining. The programme

recorded a 50 percent recovery rates and during the 2004/2005 season a minimum of 10,000 additional beneficiaries received inputs bought through recoveries.

#### **4.3.2 Programmes Urban Self Help**

With regards to the Programme Urban Self Help (PUSH) K40 million was disbursed by Government to the programme which catered for 28 communities and reached out to 110,000 direct beneficiaries. Further the implementation of the various programmes resulted into the construction and rehabilitation of infrastructure in 14 districts, construction four Community Development Centres in Kafue, Kapiri Mposhi, Kitwe and Chingola. Through PUSH, the Chifulube Road in Luanshya was graveled connecting 30 food production holdings and storage sheds and markets in Luanshya town. Further, 1.5km of the Mutenda road leading to fishponds off the Chingola- Solwezi was graveled to support local peasants. Two bridges were completed under the programme and these are the in Luanshya and Ndola.

#### **4.3.3 National Trust for the Disabled**

During the year under review, the Government continued to provide micro-credit to disabled persons through the National Trust for the Disabled (NTD). In 2004, the National Trust for the Disabled (NTD) worked with new groups in Lusaka, Kafue and Nakonde. A total of K15.5 million was disbursed to twenty beneficiaries, out of which eleven were males and nine were females

#### **4.3.4 Public Welfare Assistance Schemes (PWAS)**

For PAWS, Government disbursed a total of K2.9 billion which enabled 105,043 beneficiaries to be reached. Out of the total beneficiaries, 41.3 percent were males while 58.7 percent were females. In 2004, the PWAS had been accessed by 134,092 clients as compared to 105,043 in 2003.

## CHAPTER 5

### REGIONAL IMPLEMENTATION PROGRESS

In 2004, Government disbursed **K8.5 billion** for regional PRPs **out of an** allocation of **K10.4 billion**. The funds reported under this chapter covers funds received through the Provincial Administration and not through the sector ministries. The chapter, therefore, is by no means exhaustive of all PRP implementation in the Provinces. The chapter, therefore, analyses the releases, expenditures and outputs per region.

Government mainly focussed on infrastructure development, land resettlement and industrial development. The regional infrastructure development involved the construction and rehabilitation of health posts, local courts, feeder roads, high schools, airports and aerodromes.

#### **5.1 Central Province**

In 2004, Government released K7.4 billion for PRPs to Central province. These funds were used, among others, for drilling boreholes, land resettlement, provision of school desks, procurement of school requisites, rehabilitation of health facilities and roads. A total of K4 billion was used to procure school desks, K2.2 billion for the continued rehabilitation of feeder roads and K609 million was earmarked for mushroom propagation.

A further K4.81 million was used to rehabilitate access roads in the resettlement areas and the sinking and equipping boreholes. Out of the targeted 990 plots, 837 farm plots were allocated to settlers in the schemes. Other amenities provided in the scheme included the construction of one clinic.

In order to increase agricultural production and income among small-holder farmers, Government disbursed a total of K1 billion. In addition, Government released a further K200 million for irrigation development.

In 2004, Government implemented the Industrial Development programme in the Province. Activities undertaken included the bee-keeping

project whose aim was to empower people economically. The expected output of this project was the procurement of raw honey and protective clothing, procurement of honey and bees wax processing machine, rehabilitation of storerooms, mobilization and sensitisation of bee keeping groups and the training of 420 people in bee keeping in seven districts.

#### **5.2 Copperbelt Province**

In the Copperbelt Province, Government disbursed a total K7 billion out of a budget allocation of K8 billion. The funds were used to develop water and road infrastructure, income generating activities such as Piggeries, bee keeping, rural development, infrastructure development and resettlement programmes.

Furthermore, a total of K950 million was released for feeder roads but monitoring of these activities were yet take to be undertaken at the time of this report. In the resettlement programmes, activities undertaken included the drilling of 15 boreholes, rehabilitation of 28 old boreholes, rehabilitation of 3 dams and the designing and surveying of 2 additional dams.

Other PRP activities implemented in the Province included the rehabilitation of school infrastructure and procurement of furniture, infrastructure development, rehabilitation of feeder roads and bee keeping. In addition, the Land resettlement programme received K500 million for the rehabilitation of feeder roads.

#### **5.3 Eastern Province**

The total authorised PRP budget for Eastern province in 2004 was K9.9 billion out of which K6.7 billion was released. The main interventions included the rehabilitation and construction of infrastructure and the sinking of boreholes and demarcations of plots in the resettlement schemes. Government earmarked and released K4.7 billion for education programmes. The funds were used for the promotion and

preservation of culture and procurement of school requisites including 3, 500 desks.

In the Eastern Province, Government undertook a livestock vaccination programme. A total of 40, 000 dogs, 6,530 calves and 6, 313 chicken were vaccinated. In the feeder road programme, a total of K3.8 billion was released in 2004 part of which was used for feasibility studies. A total of 100 km of road was earmarked for rehabilitation.

Government disbursed K150 million for the electrification of Chimtengo forest. The electrification of Chimtengo forest was completed in 2004 and resulted in the commissioning of saw-mill.

Funds released for the resettlement programmes in the Province were used for the demarcation of plots in the resettlement and the improvement the water and sanitation infrastructure. A total of 6 boreholes were drilled and 60 plots demarcated.

## 5.4 Luapula Province

In 2004, Government disbursed to Luapula Province a total of K6.9 billion. Interventions during the period under review included provision of management and regulation of the fish industry, grading of roads, procurement of school desks, rehabilitation of health infrastructure, rehabilitation of feeder roads, bee keeping and rehabilitation of Government infrastructure.

Government also focused on Biodiversity and watershed conservation activities in all districts. The output was the protection to the headwaters of the Luapula river tributaries, ultimately leading to a continuous and even flow of clean water in the streams. Two dams were also constructed in the Province in 2004.

The resettlement Schemes established by Government in the Province made tremendous progress in 2004. This was as a result of early releases of funds. In the National Feeder Roads programme, 60km of road were graded and 8 km were re-gravelled. However, implementation was suspended due to heavy rains.

## 5.5 North-Western Province

In 2004, Government disbursed to the North Western Province a total of K7.2 billion which was the total allocation for the year. The focus in the Province during the year was on infrastructure development, water and Sanitation, Bee keeping, provision of school requisites and resettlement programmes.

## 5.6 Lusaka Province

In 2004, Government continued to undertake activities in the tree planting programme in the forestry sub-sector. These activities were aimed at mitigating deforestation effects by establishing five nurseries in all districts. By December 2004, nursery capacities were built in readiness for the tree-planting season. Other activities envisaged to be undertaken in the Province were the holding of an orientation workshop, area identification and site selection in all districts for bee keeping projects.

Government rehabilitated four dams in Chongwe and strengthened nine hydrological stations. The outputs were the employment of labour to start clearing vegetation, procurement of cement and stones, payment of gauge readers, and the rehabilitation of all 9-gauge stations in the Province, the Out-growers Schemes in fish farming, the construction of 34 ponds and stocking them with fingerlings.

In the Health programme, planned outputs included the construction of three and rehabilitation of 12 health posts. In terms of Monitoring and evaluation, two monitoring trips were undertaken and 22 PRP projects evaluated. In the infrastructure programme, a site on which to construct an office block was identified and building plans forwarded to the Ministry of Works and Supply for approval. Other activities of rehabilitating the University Teaching Hospital and construction of local courts were still at tender stage at the time of this report.

In the provisions of school requisites, Government commenced the distribution of 4, 484 school desks. Other activities included the rehabilitation of 256 km of road, the

commencement of the tree planting exercise, construction of 18 culverts and 6 splashes.

## 5.7 Northern Province

In 2004, Government disbursed a total K2.8 billion. These funds were utilised for infrastructure development, provision of school requisites, development of resettlement schemes and bee keeping. In the education programme, a total of 1, 193 desks were distributed while health care was improved through rehabilitation of health facilities. Canals in Northern Province were dredged in order to improve transport. In the resettlement programme, plots were demarcated and one school and a house completed during the period under review. In order to empower people economically, Government embarked on bee keeping activities aimed at income generating activities. In the Water and Sanitation programme, a total of 49 boreholes were drilled, 7 gauge stations opened and one dam rehabilitated.

In 2004, the province received K44 million for pothole patching. The status of roads in the province remained more or less the same as in 2003. Part of the funds released was spent on the Lukashya trades College for the rehabilitation of hostels, recreation hall and kitchen.

## 5.8 Southern Province

In 2004, the Southern Province received a total K8.4 billion for PRPs. The funds were utilised for the procurements of desks and rehabilitation of school infrastructure. The break down of the usage of these funds was as follows:

- Irrigation development – K500,000,000
- Cattle restocking- K2,000,000,000
- Animal disease control- K500,000,000
- Feeder road rehabilitation- K1,612,184,200
- Water development- K487,815,800
- Construction and rehabilitation of Health facilities- K1,013,000,000
- Provision of requisites for High and Basic Schools- K1,342,320,128
- Development of Resettlement Schemes- K926,953,000

In the agriculture programme, Government rehabilitated three dams and surveyed sites for four more dams. Government also established small-scale irrigation schemes. This resulted in seven hectares of land being irrigated at Mang’wato supporting 28 households. At the time of this report, further work was being undertaken at Bbulolo irrigation scheme. In the cattle restocking programme, Government released a total of K2 billion to carry out cattle restocking programme in the Province. The funds were utilised to procure a total of 2,215 cattle. These measures increased crop production and the general welfare of the beneficiaries.

In the animal disease control programme, a total of 172,900 vaccines were procured, which were used to vaccinate a total of 126,834 cattle in Namwala, Itezehitzi, Mazabuka, Choma, Monze, Kalomo and Kazungula districts.

Government undertook the following activities in the resettlement programme:

- Interviewed and allocated plots to 245 applicants at Masasabi;
- Electrified 1 staff House and office at Masasabi;
- Completed 1x2 classroom block at Masasabi;
- Completed renovation of a house into a school at Kabuyu;
- Graded 3 km road at Siamambo;
- Drilled 6 boreholes at Masasabi resettlement scheme;
- Identified and acquired 2 blocks of land in Mazabuka and Kalomo;
- Sited 3 boreholes at Masasabi (2 ) and Ngabo (1); and
- Surveyed 128 plots at Harmony scheme in Choma

All these activities resulted in resettling of 245 small scale farmers and this in turn increased food production. In addition, six sources of clean and safe drinking water were provided in the resettlement schemes.

In the infrastructure programme, the following Road rehabilitation and maintenance projects were carried out:

- Graded 30kms of Nyawa road and repaired a washed away culvert in Kalomo;
- Graded 11kms of Choma-Masuku road;
- Graded 65 kms of the targeted 110 kms of the Itezhtezhi-Junction of Lusaka Mongu road;
- Graded 17 kms of Sinazongwe-Sinazeze road;
- Graded 5 kms of Chief Mwemba road and 2.5 kms of Chief Sinazongwe road;
- Construction of 5 culverts completed on Sinazongwe- Chipepo Road;
- Gwembe Chipepo Road heavy grading and spot gravelling done;
- Emergency repair of Livingstone – Zimba, Choma- Namwala, Old Lusaka Road, Simatobolo Road, culverts repair of Maamba and Kabanga Roads;
- Culvert construction and embankment restoration done on Mapatizya – Kabanga road;
- Routine maintenance of Zimba -Victoria Falls Road, Mazabuka-T1/T2 junction road and Livingstone/Kazungula road was completed;
- Pot holes patching on Livingstone-Zimba road; and
- Construction of a causeway and embankment in Kazungula on Ngwezi – Kauwe road.

In the Water and Sanitation programme, the boreholes drilled in 2004 included 9 in Itezhtezhi and 4 in Namwala. The other 36 boreholes were sited in other districts of the Province.

In the Health programme, Government carried out the following programmes;

- Completed rehabilitation of the male medical ward at Livingstone General Hospital;
- Completed rehabilitation of one staff hostel;
- Construction of security fence at Livingstone General Hospital has reached an advanced stage. Almost 60 percent done;
- Purchase of maternity wing equipment for Itezhtezhi;

- Commencement of the construction of pharmacy extension in Mazabuka; and
- Extension of health center and completion of staff house at Rusangu in Monze.

Under Education programme, Government, procurement and distributed 2,400 desks and this improved the learning environment for 4,800 pupils in the 19 constituencies of the Province.

## **5.9 Western Province**

In 2004, Western province a total of K5.4 billion was released for PRPs. The funds were utilised on rural infrastructure development, land resettlement and the provision of amenities in the resettlement areas.

Government continued with the programme of infrastructure development. One office block was purchased while other Government buildings were rehabilitated. Government procured metal desks and wooden desks for distribution to schools. In the infrastructure development programme, Government rehabilitated roads. In 2004, the Province undertook various programmes and projects to fulfil the values of Poverty Reduction Strategy Paper. The Province continued to pursue programmes and projects aimed at poverty reduction in the areas of agriculture, animal health, education, Health water and social safety net through infrastructure development. The projects involved provision of education and health infrastructure, development of resettlement schemes as well as provision of water and sanitation facilities. The project that was undertaken is as follow:

The province purchased 20 Boran Bulls for distribution to small Scale farmers to improve their herd. The department of Veterinary and Tsetse Control was still processing tender documents at the time of this report as most of the drugs could only be obtained abroad. The department of land resettlement demarcated a total of 105 plots and a total of 10 boreholes were sunk. This resulted into 2,500 persons accessing clean drinking water.

In Education, the procurement of school requisites, desks, rehabilitation of Kaoma and Sioma secondary schools were at tender stage.

In the Health programme, Government completed the construction of a ward block, theatre block, a security fence and improved water and sanitation at Mongu hospital. A total of K312 million was utilised on Installation of the power generator, construction of water tank and water reticulation system and construction of 1,200 meters of security fence. The two projects improved health delivery at the hospital as the hospital no longer

ran out of water and electricity. Civil works started as the Ministry of Works was still processing the bills of quantity and pursuing Tender authority. Tender documents were signed and the contractor moved on site while for the district hospital rehabilitation works were complete.

Other programmes undertaken included rural water supply, civil aviation where the department cleared 20 6 hectares of vegetation control and Marine and Inland waters

## CHAPTER 6

### 6. INSTITUTIONAL FRAMEWORK FOR PRSP IMPLEMENTATION, MONITORING AND EVALUATION

During the period under review, the consultative process for monitoring and evaluation was further enhanced through the active participation of the Sector Advisory Groups (SAGs), Inter-Ministerial Technical Committee, Provincial Development Coordinating Committees (PDCCs) and Districts Development Coordinating Committees (DDCCs). These consultative structures continued to carry out their mandates at national, provincial and district levels respectively, according to their terms of reference that included among others, developing planning activities that provided input into the 2005 national budget and monitoring and reporting on the implementation of the poverty reduction programme for the third and fourth quarters.

At national level, the coordinating role of PEMD was carried out through the SAG meetings and conferences that were held during the review period. Several SAG meetings were held at sector level at which reports were produced for the SAG conference that was held in October 2004. The conference was a success in that its objectives to review performance of the PRPs and other capital programmes in the last two quarters of the year were done. The resulting reports were consolidated into a single report that was presented to Cabinet. The report was used by the policy making body to assess the relevance of the policies and programmes adopted and to allow corrective action to be taken within the lifetime of the strategy. The report was also used by the MoFNP as part of inputs into the PRSP progress report that was presented to government, cooperating partners and other stakeholders.

In order to ensure that there is accurate reporting on progress in the implementation of the PRPs, the SAGs used the monitoring system provided by the MOFNP. The reporting mechanism uses the indicator system adopted for PRSP by assessing progress based on inputs, outputs as well as assessing the achievements of the objectives of the set targets using the outcomes and impact indicators.

With regard to monitoring at provincial and district levels, the inter-ministerial technical committee in collaboration with the planning sub-committees of the DDCCs and the Monitoring and Evaluation secretariat of the PDCCs undertook monitoring and evaluation of projects and programmes under implementation during the first half of 2004. These committees facilitated the collection of information on input and output indicators in various sectors. The reports fed into PDCC and DDCC meetings as well as the October 2004 SAG conference. They were also used by Cabinet for decision making.

Notwithstanding the achievements made in terms of reporting by the SAGs, PDCCs and DDCCs, these monitoring structures demonstrated a number of weaknesses during the monitoring of the PRPs. The most notable weaknesses included among others; the weakness and inadequacy of the data collected, weakness in the analysis of the data collected and the inadequacy in understanding the indicator system. Other weaknesses were identified as lack of interest by some chairpersons of the SAGs to chair meetings, meetings not held regularly and in some instances, the SAG reports being submitted late to MOFNP.

As a corrective measure, MOFNP proposed to the last SAG conference a training programme for building capacity among SAG members as a way of enhancing the quality of the PRSP implementation progress reporting. Furthermore, an assessment of the capacity building programme being conducted at provincial and district levels by ZAMSIF and PMTC through the local government structure should be carried out in order to harmonise it with the proposed training programme. To this end, PEMD in conjunction with GTZ prepared a training programme for the SAG members. The Training Needs Assessment was conducted in November and is due to be tabled in the first quarter of 2005

to stakeholders after which the training exercise will commence.

From the draft report of the Training Needs Assessment, a number of issues to be followed up were identified as follows:

- PRS monitoring needs to be seen in the context of all programmes implemented by Government and other stakeholders that are poverty reducing, regardless of their tag in the national budget. At present, the PRS, and by extension PRS monitoring, is associated solely with the release of funds under the identified PRPs in the national budget.
- There is need to improve the level of discussions at the SAGs to include debate on outcome and impact data. This information can come from a variety of sources, ranging from the CSO to participatory exercises carried out by civil society members of the SAG. The benefit of each of these sources of information needs to be identified and understood by the reporting officers.
- There is a need to strengthen the management information systems of a number of ministries and in a number of sectors. The current weak, and in some cases non-existent, systems has major ramifications for a system of monitoring that is based on regular information.
- Issues of data analysis and data use particularly need to be addressed. Data that is usually presented in institutional reports (monthly, quarterly and annual) is not analysed. This requires attention if they are to be utilised for future policy decisions and comparative analysis.
- The role of the Central Statistical Office (CSO) in the SAGs needs to be reconsidered. It is apparent that CSO is generating information that members of the SAGs may not be aware of. If the SAGs are to meet their TORs they need to have access to this information. In this regard, the suggestion of the Director CSO or a representative from the CSO should be included on each Sector Advisory Group needs to be considered. Further, on-going plans to develop capacity within the National Statistical System need to be viewed as a concomitant activity to any training and capacity development undertaken under the broader heading of PRSP monitoring.
- There should be two national SAG meetings per year but the quarterly meetings should continue in the sectors to provide **advice** to the **sector** in the implementation of its activities. These meetings should not limit themselves to the discussion of inputs and outputs under the identified PRPs, but utilise the existing TORs to discuss broader issues of relevance to the sectors, as already suggested by a number of sectors. At provincial and district level this is the same as saying that the PDCC and DDCC sub-committees need to meet more regularly to feed information into the larger committee.
- Address the legal basis for the SAGs, PDCC and DDCC if they are to fulfil their functions and roles. This is particularly relevant with the launch of the decentralisation policy.
- Pro-poor budgets – what they are and where they fit in the “new” way of thinking (away from PRPs).
- Budgeting, particularly on issues of the MTEF and ABB
- The use of Zambia Info as a means of data storage and management.

## CHAPTER 7

### 7. LESSONS LEARNT, WAY FORWARD AND RECOMMENDATIONS

- 7.1** Government recognised that the definition of PRPs used in the budget up to December 2004 was too narrow and yet “PRPs” are a much broader term. In this regard, the definition of PRPs was broadened and is now being defined as those programmes or interventions that directly contribute towards poverty reduction (PRP1) as well as those programmes indirectly contributing towards poverty reduction (PRP2) and remotely contributing towards poverty reduction (PRP3); (see Appendix II) and has reprogrammed its financial management system such that it can monitor resources flowing towards PRPs.
- 7.2** The quality of reports from sectors and provinces improved in terms of input, output and outcome during the review period. However, data collection, storage and analysis for planning purposes is still lacking in most sectors apart from the health and education sectors. Arising from this realisation, a needs assessment study was undertaken to identify training needs for the SAGs and other stakeholders involved in the PRSP monitoring.
- 7.3** It was also noted that the frequency of holding SAG conferences should be reduced from four times to two times a year. This is because holding these conferences was time-consuming and costly. In addition, the space of time between the conferences did not allow for SAGs to provide up-to-date information for particular quarter. However, the monthly meetings of individual SAGs will continue to be held and quarterly reports will be submitted to MoFNP.

## Appendix I

### Education: 2004 Releases

Period	GRZ Inputs (ZMK)		Donor Inputs		Outputs	
	Planned	Actual	Planned	Actual	Planned	Actual
<b>Rural Hardship Allowance</b>	2,000,000,000	2,000,000,000	0	0	Disburse to the 5 rural provinces	K64.9 million disbursed to the 5 rural provinces
<b>Rural Housing</b>	6,500,000,000	6,500,000,000	0	0	Construction of Teachers houses in Rural areas	Tender for construction of portal frames for rural schools has been approved -Contracts are being signed
<b>CBU Rehabilitation</b>	2,250,000,000	2,250,000,000	2,839,329,000	2,839,329,000	Rehabilitation of CBU	Rehabilitation works ongoing
<b>UNZA Rehabilitation</b>	4,882,000,000	4,882,000,000	1,216,905,000	1,216,905,000	Rehabilitation of UNZA	Rehabilitation works ongoing
<b>Community School Support</b>	3,000,000,000	3,000,000,000	0	0	To disbursed to Community schools	Disbursed to all community registered community schools
<b>Bursary provision</b>	3,000,000,000	3,000,000,000	1,092,369,060	1,092,369,060	To be disbursed to OVCs & vulnerable children	Disbursed to 4,476 OVCs in 41 districts
<b>HIV / AIDS Awareness at Workplace</b>	1,500,000,000	1,500,000,000			To be disbursed to the provinces	Disbursed to all PEOs for HIV/AIDS at workplace activities

## APPENDIX II:

### RECLASSIFICATION OF POVERTY REDUCING ITEMS IN THE 2004 and 2005 BUDGET and 2005-2007 MTEF

In line with the HIPC initiative, Government set aside resources for the implementation of ear-marked poverty reducing items in the budget. Subsequently, Government created a specific code in the budget to identify these programmes and projects under code 4. The definitions of these programmes were restricted to capital related items covering economic, cross cutting issues and social sectors, but were limited by the amount of resources labelled PRPs in the fiscal framework. This clearly did not portray the total picture of Zambia's efforts in poverty reduction, as many programmes in the budget were poverty reducing though not directly linked to the HIPC initiative. It was against this background that Government decided to broaden the definition of poverty reducing elements to include all programmes relating to poverty reduction including some Personal Emoluments (PEs) for staff directly involved in the implementation of PRP programmes. It was in this light that proposals for the reclassification of PRPs were made for use in the preparation of the 2005 budget and 2005-2007 MTEF. These proposals have since been implemented in the 2005 budget.

#### 1.1 GENERIC DEFINITIONS

The generic definitions give a general picture of what can be classified as poverty reducing in the budget. This section suggests detailed classification of poverty-reduction relevant budget items and expenditure. This definition tries to be as holistic and accurate as possible when looking at different budget and expenditure items. While distinguishing between directly poverty-reduction relevant items and those that are only indirectly contributing to it, it goes a step further to recognize certain administrative cost as relevant to poverty-reduction.

#### 1.2 CATEGORISATION

The redefinition and the guidelines of poverty reducing programmes were done during the last quarter of 2004. This information was given to the sector ministries to assist them in the budgeting process for 2005. The categorization is as follows:

##### 1. Category 1: Directly poverty-reduction relevant costs

These are programmes, which are pro-poor and increase accessibility of the poor and vulnerable to services such as health, education and water and sanitation.

- Capital expenditure for projects such as schools, health centres/posts and hospitals, local courts, police posts/camps, feeder roads, water supply and sanitation systems, irrigation schemes, cattle dips, establishment of credit/micro-credit schemes, etc;
- Grants to quasi-government bodies operating services directly benefiting the poor;
- Recurrent costs for goods, services and other requisites/equipment for facilities directly serving the (poor) population, including maintenance;
- PEs for government staff directly serving the (poor) population, such as teachers, doctors, nurses, rural health workers, agricultural extension officers (including veterinary officers), community workers, local court justices, rural police

officers, including allowances for hardship postings and field work;

- Vehicles and transport costs for PRR outreach activities;
- Cost for PRR campaigns, PRR radio programmes;
- Bursaries for vulnerable children;
- Social safety net grants to poor people;
- Purchase and distribution of drugs, vaccines, ARVs;
- Markets and storage facilities; and
- Electrification and energy supply to poor households.

## **2. Category 2: Indirectly poverty-reduction relevant cost**

These are items, which facilitate and ensure compliance to good governance, transparency and accountability in the implementation of PRPs such as those listed below:

- Planning cost for PRP programmes, including workshop cost;
- Monitoring cost for PRP programmes, including fuel, allowances;
- Databases;
- Research costs;
- Training costs;
- Costs for higher education, including PEs of staff, buildings, furniture and equipment; and

- Voter registration.

## **3. Category 3: Administration cost for PRP programmes**

These are items not directly affecting the poor but are facilitating the implementation of PRPs such as the ones given below. These should be labelled PRPs.

- PEs for administrative personnel, predominantly working for PRR programmes or heads;
- Housing and other costs for administrative personnel predominantly working for PRR programmes or heads;
- Office buildings: construction, maintenance and operation;
- Office equipment and running cost, Stationary;
- Vehicles, Transport cost and fuel for administrative personnel at district, provincial and central level;

## **4. Category 0: Non poverty-reduction budget items and costs**

These are items neither directly put money into the Poor's pockets nor increase access of the poor to social services. These should not be labelled as PRPs, for example the purchase of movable assets for administrative purposes.