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**Growth and Poverty focus of the PRSPs in HIPC Countries: the Case  
of Tanzania, Uganda and Zambia**

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## **Disclaimer**

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## **Abstract**

This paper reviews how the Poverty Reduction Strategy Paper (PRSPs) in Tanzania, Uganda and Zambia addressed economic growth and redistribution in their poverty reduction strategies. The PRSPs in Tanzania, Uganda and Zambia recognized the need to reduce income poverty through accelerated and equitable growth. The PRSPs identified income poverty as a major constraint to social welfare and they recognized that in order for growth to translate into poverty reduction, it had to be broad-based and contribute to a reduction in the high levels of inequality that characterized the three countries. The PRSPs acknowledged that the high levels of poverty and inequality could not be brought solely by the trickle down effects from growth. The PRSPs in all the three countries identified several economic sectors but agriculture was accorded high priority because it is the sector in which the poor are concentrated and thus the main source of their livelihood. Besides agriculture, increased investments in the social sectors, particularly health and education, were also seen as equally important in poverty reduction. Social sector investments were seen as key in producing the necessary human capital to generate the much needed economic growth, alongside mitigation of the effect of HIV and AIDS which had crippled households and economic production.

An analysis of the trends in public expenditures under the PRSPs in Tanzania, Uganda and Zambia generally indicates that less investment went to the productive sectors, particularly agriculture. The low investment that went to the productive sectors, particularly agriculture, where the majority of the poor derive their livelihood is a disturbing fact given that the governments had identified agriculture as one of the priority sectors under the PRSPs. The agriculture sector is the main contributor to economic growth and also offers employment opportunities to the majority of the people who live in rural areas. The low prioritization of public expenditure in the agriculture sector has probably contributed to poor performance and limited progress in poverty reduction. Given the limited poverty reduction that has been achieved so far, and the need to ensure widely shared growth, investment in sectors that create employment and income opportunities for the poor and vulnerable groups, particularly agriculture, will have to be increased. Agriculture must grow much faster if rural poverty reduction is to become a reality in the three countries. Tanzania, Uganda and Zambia will need to make significant changes and achieve much higher economic and agricultural growth over the next 5 to 10 years. Realigning public spending will be key to achieving those goals. More resources are needed to support the agriculture sector. The successor strategies or second generation PRSPs will hopefully address these concerns of realigning public expenditure.

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## List of abbreviations

ABCDE	Annual Bank Conference on Development Economics
AIDS	Acquired Immune Deficiency Syndrome
CGE	Computable General Equilibrium
CSO	Central Statistics Office
FNDP	Fifth National Development Plan
FRA	Food Reserve Agency
FSP	Fertilizer Support Programme
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
HBS	Household Budget Survey
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
MDG	Millennium Development Goals
MFPED	Ministry of Finance, Planning and Economic Development
NGO	Non-governmental Organisation
NPES	National Poverty Eradication Strategy
NSGRP	National Strategy for the Reduction of Poverty
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PPA	Participatory Poverty Assessment
PRP	Poverty Reduction Programme
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
UBOS	Uganda Bureau of Statistics
URT	United Republic of Tanzania



## **1. Introduction and Background**

According to the World Bank and International Monetary Fund (IMF), Poverty Reduction Strategy Papers (PRSPs) describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, for them to be classified as country driven. They are also supposed to be medium- to long-term in perspective, comprehensive and results-oriented and contain a development framework that is partnership-oriented. PRSPs have also become the country-level operational framework for progress towards the Millennium Development Goals (MDGs). Under the Heavily Indebted Poor Countries (HIPC) initiative – an attempt to reduce the debt burden in the world's poorest countries, the World Bank and IMF has also required highly indebted countries to formulate PRSPs setting out the policy direction of the country as a condition to qualify for debt relief.

Although the implementation experience has varied with regard to process and content—both across countries as well as within individual countries' strategies—a key contribution of the PRS approach has been to focus attention on country-specific constraints to development. In many low-income countries, the PRS initiative has also resulted in a sharper focus on poverty reduction and greater attention to monitoring poverty-related outcomes. One of the key strategies and objectives of government policy under the PRSPs has been to achieve economic growth and to improve the welfare of the poor by increasing public financing on public service delivery and making service delivery more efficient and effective and adopting policies that support the economic activities of the poor. Public policy has been increasingly re-oriented toward improving access to public services for the poor and increasing their ability to create and participate in economic growth (World Bank 2007; IMF 2007).

In terms of implementation, a number of Sub-Saharan African countries have been implementing PRSPs under the HIPC initiative for several years now. Among these include Tanzania, Uganda and Zambia. These three countries were part of the first wave of countries that adopted and finalized PRSPs, and in the three cases, second generation Poverty Reduction Strategy Papers have been completed and are in the process of being implemented. However, it does appear from the best available data that income poverty has not significantly reduced and that the implementation of the first generation PRSPs has not generated widely shared improvements in economic and social well-being in the three countries. There are signs that income inequality has been growing and the major challenge facing the three countries is how to effectively avail the benefits of growth equitably for poverty reduction. This paper reviews how the PRSPs in each of the three countries addressed or approached the issues of economic growth in

the respective poverty reduction strategies and especially how redistribution was addressed in order to contribute to poverty reduction.

In reviewing how the PRSPs in Tanzania Uganda and Zambia addressed economic growth and redistribution in the poverty reduction strategies, it is also essential to look beyond policy pronouncements in the PRSPs and examine or analyze what the governments used in actualizing stated intentions into concrete programs and activities in the strategic sectors of the economy. To achieve this goal, the paper focuses on two key issues: (i) review how economic growth and poverty reduction were addressed as well as review the priority sectors that were identified in the PRSPs; (ii) assess the levels of resources the governments committed in actualizing stated intentions into concrete programs and activities in the priority or strategic sectors of the economy. These two aspects are critical in indicating the importance that the governments attached to development policy that would ensure equitable economic growth and poverty reduction. Public expenditure is one of the primary ways governments attempt to implement their policies and to influence the economy. A critical component of the analysis of poverty reduction strategy programmes is an assessment of the degree of support a government provides. The lack of funds can slow development efforts considerably. An examination of the allocations to the various priority or strategic sectors such as education, health water, agriculture and so on reveals the extent of government action in support of stated policy and strategies. The paper starts with the case of Tanzania and it is this that we now turn to.

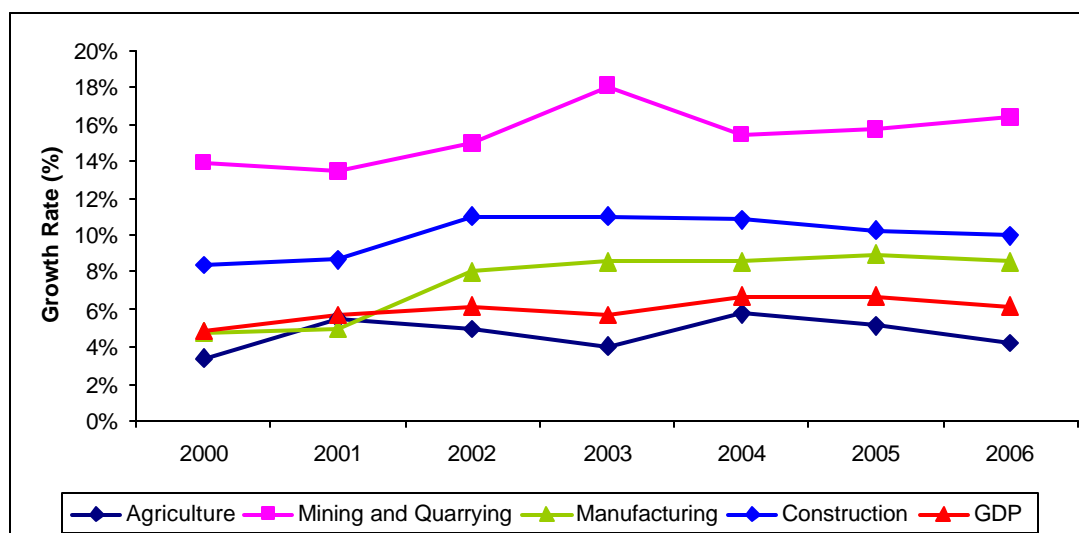
## **2. The Case of Tanzania**

### **2.1. Growth and Poverty Trends in Tanzania**

Tanzania has continued making good progress with its economic reforms, which has led to a consolidation of macro-economic stability, the revival of growth in the economy and an expanding role of the private sector in the economy and social service delivery. As can be seen in Figure 1, Gross Domestic Product (GDP) growth during the last six years has ranged between 4 and 5 per cent, a marked improvement over the performance of previous years. The data show growth overall and in several key sectors. However, the growth rate in agriculture faltered slightly in 2005 as a result of adverse weather conditions. Growth in agriculture has fluctuated around 5 per cent in the past few years and was projected to grow at a rate of 3.8 per cent in 2006. This is lower than growth rates in other sectors – mining, manufacturing, and trade. It is well understood that the growth rate in agriculture must be increased if poverty rates are to be significantly reduced. Poverty disproportionately affects rural areas compared with urban locales, and farmers compared with those employed in other sectors. Consequently, if

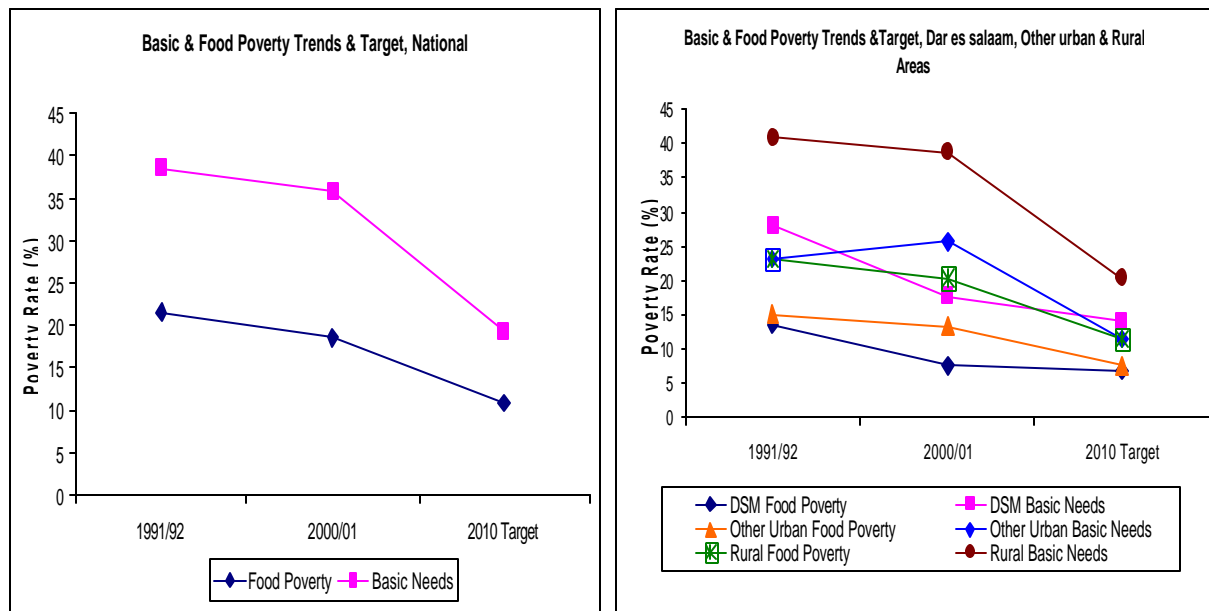
agricultural growth does not significantly improve, there is a risk that these gaps may widen (United Republic of Tanzania [URT] 2006).

**Figure 1 Tanzania: Annual Growth Rates for GDP and Selected Sectors, 2000 to 2006**



Source: URT 2006

According to the various PRS review reports, there has been little progress achieved in poverty reduction, though the prospects for substantial decline in poverty are still considered feasible. According to the census and the results of the 2000/01 Household Budget Survey (HBS), around 11 million Tanzanians are below official poverty lines, indicating that they have insufficient income to meeting their basic human needs. This represents about 36 per cent of the national population (URT 2003; URT 2006). As can be seen in Figure 2, the headcount food poverty ratio declined from 22 per cent in 1991/92 to 19 per cent in 2000/01 while the basic needs poverty ratio declined from 39 per cent to 36 per cent. The HBS results reveal that the decline in food and basic needs poverty was smaller in rural than in urban areas. The largest decline in poverty occurred in Dar es Salaam. Poverty has declined in urban centres, especially in Dar es Salaam, from about 28 per cent in 1991-92 to 18 per cent in 2000-01.

**Figure 2 Poverty Trends & Targets in Tanzania, 1991/92 to 2010**

Source: (URT 2002)

In rural areas, poverty shows no signs of abating, where it remained above 35 per cent between the two periods. The most important point to observe is that poverty remains an overwhelmingly rural phenomenon – as when the last comparable survey was undertaken, about 87 per cent of both the poor and the extremely poor live in rural areas (URT 2002). Less than three per cent of poor people live in Dar es Salaam. The Household Budget Survey also shows an increase in inequality over the period, with the Gini coefficient increasing from 0.34 to 0.37 (URT 2002). The picture of growing inequality emerging from the findings of the HBS 2000/01 is an indication that the majority of the population in Tanzania has not yet started benefiting from the economic growth that have been achieved in recent years.

While some non-income poverty indicators, such as the percentage of population with access to protected water, has improved since 1991/92, others have declined or remained stagnant. The under five and infant mortality rates, in particular, are still very high and the HIV/AIDS pandemic has contributed to this. Tanzania is also lagging behind in terms of adult literacy (URT 2005a; URT 2006). According to the 2000/01 HBS, an estimated 30 per cent of Tanzanian adults are illiterate, with women accounting for a larger percentage of those without education. Nutrition rates of infants have not improved much either. Baseline estimates of the prevalence of stunting and underweight is 44 per cent and 29 per cent respectively, which are high (See Table 5 in Appendix). On the basis of the findings of the 2000/01 HBS, it is evident that poverty in Tanzania remains widespread, deep and persistent. Moreover, there are wide disparities in the status of poverty between regions, underscoring the need for a more targeted and diversified approach to poverty reduction efforts.

The limited progress in reducing poverty in Tanzania is due to the fact that growth has neither been robust nor broad-based enough to make a significant impact on poverty reduction. The main constraints to achieving higher growth rates and poverty reduction include; the weak institutional and human capacity; inadequate physical infrastructure; weak support services to agriculture and small and medium scale enterprises; and a weak governance framework. HIV/AIDS has contributed to the lack of progress in poverty reduction. Currently, the government has reviewed its poverty reduction strategy to emphasize the growth and employment aspects. However, Tanzania will have to sustain the economic growth rates which it has attained in recent years or surpass it if it is to achieve the poverty reduction target stipulated in the National Strategy for the Reduction of Poverty (NSGRP) of halving poverty by 2015 (URT 2005a; URT 2005b).

## **2.2. Economic Growth and Poverty Focus of the Strategies in Tanzania's PRSP**

The first generation poverty reduction strategy paper (PRS I) in Tanzania was formulated in 2000 in the context of the Highly Indebted Poor Countries (HIPC) initiative. The Strategies, which were popularized, can be traced to the *National Poverty Eradication Strategy, NPES, 2010* which was earlier formulated in 1998. The NPES provided a framework to guide poverty eradication initiatives in order to reduce absolute poverty by 50 per cent by the year 2010 and eradicate it by the year 2025. The strategy targeted improved economic growth and people's incomes as a basis for poverty eradication: economic growth rate of 8-10 per cent. The NPES was the first attempt to translate the Vision 2025 to medium term targets (Mbelle 2007).

The first phase of Poverty Reduction Strategy (PRS I) was implemented in a period of three years, 2000/01-2002/03, and focused on the priority sectors (education, health, water, rural roads, agriculture, HIV/AIDS, and judiciary). In 2003/04, the government in collaboration with a wide range of stakeholders critically reviewed the three-year implementation cycle of PRS I. In the aspiration of achieving better and sustainable results in economic growth and ultimately reducing poverty, a new strategy known as National Strategy for Growth and Reduction of Poverty (NSGRP or *MKUKUTA* the Swahili acronym) was formulated and is being implemented over a period of 5-years (2005-2010). The preparation of this Strategy was based on various analytical studies and views from the general public. This is a broader strategy as compared to the previous one as it takes on board all sectors and stakeholders and keeps in focus the aspirations of Vision 2025 and Millennium Development Goals (MDGs) (Kessy and Aiko 2007; Mbelle 2007).

The Government's development strategy is outlined in the PRSP or the National Strategy for Growth and Reduction of Poverty (NSGRP) (2005-2010) is the current framework for economic and social development in Tanzania. The longer-term poverty

reduction targets set out in the PRSP are to; (i) reduce the incidence of basic needs poverty from 35.7 per cent in 2000/01 to 17.8 per cent by 2010; (ii) reduce the incidence of food poverty from 18.7 per cent (2000/01) to 9.3 per cent by 2010. The priority sectors and areas of intervention for achieving these targets are agriculture, health, education, water, roads, the judiciary and HIV/AIDS (URT 2005b).

The PRSP is committed to the Millennium Development Goals (MDGs) and the strategies focus on three sets of outcomes and actions. These are; (i) reducing income poverty through accelerated and equitable growth; (ii) improving human capabilities, survival and well being and; (iii) containing extreme vulnerability among the poor. The PRSP recognizes the need to reduce income poverty through accelerated and equitable growth. Equitable economic growth will be addressed through strategies that will ensure an appropriate macro-economic framework. The PRSP states that the Government will maintain a sound macro-economic framework to provide a firm foundation for growth and poverty reduction. This effort will be underpinned by fiscal discipline and prudent monetary policy. In addition, appropriate measures will be taken to improve domestic resource mobilization by broadening the tax base, strengthening tax administration and reducing tax exemptions to a minimum (URT 2005b; URT 2006).

In order to address issues of income redistribution and equitable growth, the *MKUKUTA* also focuses on measures to increase the incomes of the majority poor through rural and agricultural development programmes. The PRSP document clearly indicates that the policies and actions to strengthen the growth of the rural economy and accelerate progress towards poverty reduction will be implemented within the framework of the Agriculture Sector Development Strategy, the Agriculture Sector Development Programme and the Rural Development Strategy as well as other related initiatives. In agriculture, the primary focus will be on; (i) improving agricultural productivity and food security; (ii) enhancing the profitability of agriculture and livestock; (iii) promoting private and public partnerships; (iv) diversifying economic activities and the agricultural export base and; (v) improving natural resource management to ensure sustainable development. Other key strategic areas of intervention for boosting rural growth include; (i) strengthening the rural road infrastructure to improve market access, integration and external competitiveness; (ii) developing rural small-scale enterprises to diversify employment and income generation opportunities; (iii) developing the rural financial system; (iv) improving rural water supply; (v) rural energy development and (vi) improving social service delivery (URT 2005b; URT 2006).

The need to improve on the business environment and governance are also considered to be cardinal to equitable economic growth and poverty reduction. The PRSP thus indicates that among others, the Government will deepen the policy and institutional reforms necessary for further improving the business environment. The focus will be on legal reforms to strengthen the enforcement of contracts and property rights, rationalization of the tax regime, and privatization of the remaining public utilities and

infrastructure enterprises. In terms of governance, the PRSP notes that several initiatives will be undertaken. Some of these include efforts to improve good governance in the context of existing initiatives. The decentralization efforts will also be geared towards strengthening the capacity of district councils and local authorities in delivering services through fiscal decentralization and providing them greater autonomy in human resource management (URT 2005b; URT 2006).

The Government recognizes extreme vulnerability as an important aspect of poverty, which needs addressing in the context of the PRSP. Based on the feed back from the recent Participatory Poverty Assessment (PPA), which focused on improving the understanding of the concept of vulnerability in the Tanzanian context, the Government will design well targeted policies and programmes for addressing the problem of extreme vulnerability. These interventions are seen as a means to address equity issues as well as redistribution of income to the vulnerable (URT 2006).

Under the PRSP, improved social service delivery is also considered as one of the means to ensure equity and redistribution so that the poor can benefit. Actions to strengthen social service delivery will be implemented through the existing sector programmes in health and education supported by the on-going public sector and local government reform. The focus will be on increasing budgetary support to priority social services, and improving efficiency in the use of resources through expenditure tracking. In the education sector, the objectives will be to increase gross enrolment ratios, improve pupil retention rates, especially of girls, and improve the primary school pass rates. These objectives will be achieved through the construction/ rehabilitation of schools, recruitment of more teachers and upgrading of teaching skills; and strengthening the school management and planning capacity. In the health sector, emphasis will continue to be on strengthening basic and preventive health services to improve quality and access (URT 2005b; URT 2006).

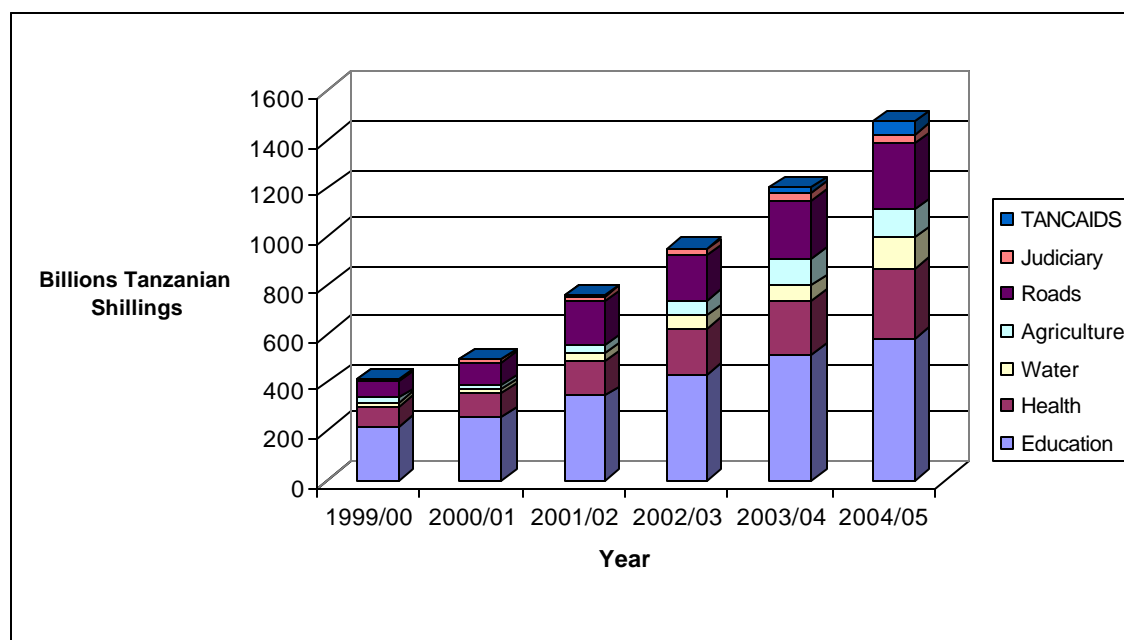
The PRSP also addresses concerns about the HIV/AIDS pandemic. The Government's multi-sectoral response to HIV/AIDS will be expanded by extending the awareness campaign to all districts, mainstreaming HIV/AIDS in sector interventions, and establishing a multi-sectoral strategic policy framework to coordinate the fight against HIV/AIDS. The capacity of the Tanzania Commission for AIDS, established in 2001, to coordinate the multi-sectoral response, would be strengthened, and greater support provided to NGOs and community groups (especially the youth) at the grass root level (URT 2005b; URT 2006).

### **2.3. Assessment of Public Expenditure support to Priority Sectors in Tanzania's PRSP**

The Poverty Reduction Strategy (PRS I) which the government of Tanzania adopted as a medium-term strategy for poverty reduction in 2001 among other things, envisaged

increased public investment in strategic sectors that are likely to have greater impact on poverty. The priority sectors identified and prioritized were basic education, primary health care, rural roads, water supply, agricultural (including livestock) research and extension, the judiciary and HIV/AIDS. As can be seen in Figure 3, government expenditure allocated to these sectors increased from shs 494.6 billion in 2000/01 to shs 1,473.0 billion in 2004/05 (URT 2005c). There were substantial increases in spending on education, health, rural roads, whereas water, HIV/AIDS, justice, and agriculture received meagre amounts. A review of the trends in expenditure indicates that spending on social services grew faster than that on economic sectors. Less investment went to the productive sectors, particularly agriculture, where the majority of the poor derive their livelihood. For example, the share of the national budget spent on education and health was consistently maintained at more than 65 per cent, while the budget for agriculture only increased from about 4 per cent in 2000/01 to about 6 per cent in 2002/03 (see Table 1 in Appendix).

**Figure 3 Trends in Expenditures in Priority Sectors under the PRSP, 1999-2005**



Source: URT 2005c

The low investment that went to the productive sectors, particularly agriculture, where the majority of the poor derive their livelihood is a disturbing fact given that the government had identified agriculture as one of the priority sectors under PRS I. The agriculture sector is the main contributor to economic growth and also offers employment opportunities to the majority of Tanzanians who live in rural areas. However, productivity in that sector has been low; with per capita growth averaging 0.3 per cent, 0.8 per cent and 2.2 per cent during 1990-94, 1995-99 and 2000-04

respectively (URT 2005c). Moreover, the contribution of the sector to GDP has been declining over years. Low productivity in agriculture has been one of the main reasons why reduction in rural poverty is slow despite the recent high growth rate of the economy as a whole. Significant performance of the economy and poverty reduction therefore will depend on higher growth in the rural economy, and particularly in the agriculture sector (URT 2003; URT 2005a; URT 2006).

As noted above, low prioritization and public expenditure in the agriculture sector have contributed to poor performance and limited progress in poverty reduction. In addition to this, several other factors have contributed to the modest performance of the agricultural sector in the country. Some of these include the use of low technology; poor land husbandry practices; limited access to credit; weak support services; poor rural infrastructure; inefficient marketing systems and excessive taxation (URT 2003; URT 2005a).

Given the importance of agriculture as the mainstay of rural livelihoods, agriculture must grow much faster if rural poverty reduction is to become a reality in Tanzania. But if the country continues along the same trajectory as was the case during the implementation of PRS I, it will be impossible to achieve these goals. Tanzania will need to make significant changes and achieve much higher economic and agricultural growth over the next 5 to 10 years. Realigning public spending will be key to achieving those goals. More resources are needed to support the agriculture sector. The successor strategies, or second generation PRS, (*MKUKUTA*) will hopefully address these concerns of realigning public expenditure. There are indications to that effect. For instance, the budget for agriculture increased from about 6 per cent in 2002/03 to about 9 per cent in 2003/04 and then slightly declined to about 8 per cent in 2004/05. In the same vein, a substantial share of the 2005/06 budget was allocated for implementing the PRS2 (i.e., “*MKUKUTA*”) priorities under the three clusters: growth and reduction of income poverty; improved quality of life and social well-being; and good governance and accountability. Furthermore, relatively adequate resources were allocated to economic and social services with a view of ring fencing the achievements of the first PRS. Leading sectors in terms of resource allocation included in the 2005-06 budget were Works, Health, Education, Agriculture, and Water (URT 2005a; Kweka *et al.* 2006).

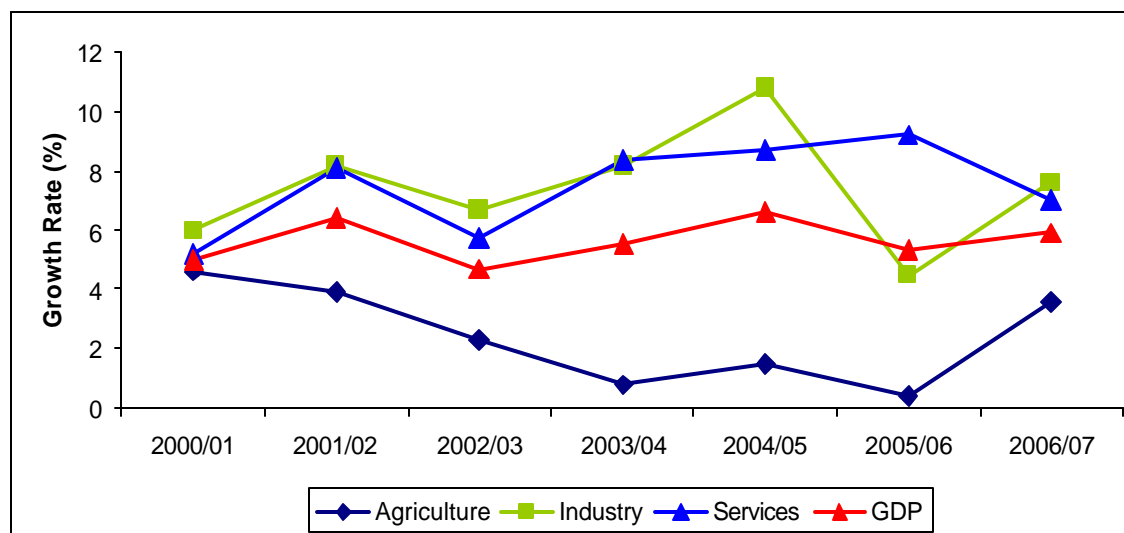
### **3. The Case of Uganda**

#### **3.1. Growth and Poverty Trends in Uganda**

Uganda's economy has been registering positive growth rates averaging slightly over 5.5 per cent since 2000. This is comparatively lower than the growth recorded in the 1990s when the economy was growing at an average annual rate of 6.5 per cent. According to the Ministry of Finance, Planning and Economic Development (MFPED 2006), the

improved economic growth in recent years between 2004 and 2006 has been mainly due to the strong recovery of both agriculture and industry, in addition to a continued strong growth in services. The growth in mining and quarrying has mainly been responsible to the buoyancy of the industrial sector (MFPED 2007). Meanwhile, the economy has been experiencing structural transformation. Growth in the agriculture sector has been much slower than growth in services or industry, making it harder for people employed in this sector to move out of poverty (Figure 4).

**Figure 4** Uganda, Annual Growth Rates for GDP and Selected Sectors, 2000 to 2006



Source: Uganda Bureau of Statistics, MFPED 2006

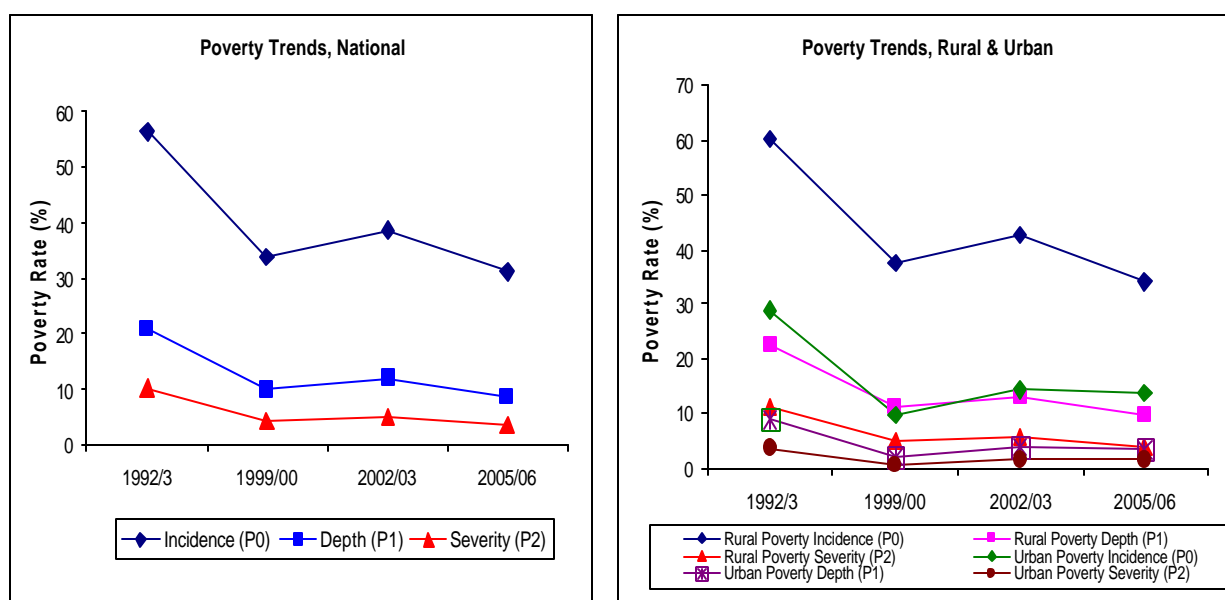
Though still large, the contribution of the agricultural sector to total GDP decreased from 41 per cent in 2000/01 to 34 per cent in 2005/06 (MFPED 2006). The observed decline in the share of agriculture in GDP has been attributed partly to a slower growth of this sector relative to other sectors and partly to the process of structural transformation. Generally, the growth rate of agricultural output in 2005/06 was estimated to be 0.4 per cent, the lowest since 1991/92. This minute growth was brought about by prolonged drought. As the second largest contributor to GDP after services and the largest contributor to rural employment and incomes, this low agricultural growth rate had adverse effects on poverty reduction (MFPED 2006; Elepu 2007).

Figure 5 shows poverty trends in Uganda from 1992/93 until 2005/06. Poverty incidence fell dramatically from 56 per cent in 1992 to 39 per cent in 2002, and has since fallen again to 31 per cent in 2005. Similarly, the poverty gap and squared gap declined over the time period. For instance, the poverty gap declined from 21 per cent in 1992/93 to 9 per cent in 2005/06. However, there was a slight rise in poverty levels between 1999/00 and 2002/03. For example, the poverty headcount increased from 34 per cent in 1999/00 to 38 per cent in 2002/03. The Gini coefficient, a measure of income inequality,

rose from 0.365 in 1992/93 to 0.395 in 1999/00 and further to 0.428 in 2002/03, depicting that there was an increase in income inequality at the national level in this period (Uganda Bureau of Statistics [UBOS] 2003; Elepu 2007). This suggests that poverty reduction was attained through economic growth and not income redistribution.

With declines in poverty levels during the period 2002 to 2006, urban areas benefited more than rural areas, the Central region (including Kampala) gained more than other regions, and the North, where conflict continues, witnessed the smallest gains. Although the absolute number of poor people in urban areas grew as a result of rural-urban migration, the poverty headcount was lower and poverty shallower than in rural areas. This has been attributed to numerous factors: slower growth in agriculture, a decline in commodity prices, income diversification, insecurity, high fertility and mortality, inequitable allocation of public funds, skewed distribution of assets, and the impact of losses of productive adults due to HIV/AIDS (MFPED 2004).

**Figure 5 Poverty Trends in Uganda, 1992/93 to 2005/06**



Source: Uganda Bureau of Statistics.

Between 2000 and 2003, there was a general decline in growth in the agricultural sector, apart from the livestock sub-sector. This aggravated the poverty situation in rural areas since agriculture is the main occupation of rural people. Moreover, the slow growth of the agricultural sector was coupled with falling prices for major export crops, such as coffee and cotton. During the same period, households began diversifying their incomes but faced stiff competition. The insecurity in the northern and eastern regions limited investment and economic growth also contributed to increased poverty and inequality (MFPED 2004; World Bank 2006).

Uganda experienced mixed progress in the non-income poverty indicators. Some great progress was achieved in the education sector. For instance, increased funding and Uganda's Universal Primary Education policy, initiated in 1997, led to an upsurge in gross primary enrolment from 2.6 million to 7.3 million pupils in 2002 (Kuteesa and Nabbumba 2004). The gender gap at the primary level has been closed. However, pupil retention, the quality of education and increased access to post primary schooling still needs to be improved. Similarly, in the health sector, HIV/AIDS prevalence rates have fallen considerably from 14 per cent in the mid-1990s to 6 per cent during 2004/05. However improving the health status of the majority of Ugandans remains a major challenge. There is still too little progress in reducing infant, child and maternal mortality rates and increasing immunization rates. With regard to access to safe water, this improved (see Table 5 in Appendix).

### **3.2. Economic Growth and Poverty Focus of the Strategies in Uganda's PRSP**

The Poverty Eradication Action Plan (PEAP) forms the national vision to eradicate poverty and aims at wiping out absolute poverty by 2017. The evolution of PEAP can be traced back to 1995 when the national poverty forum was organised. This culminated in the formation of the committee that drafted the poverty eradication action plan in 1997. The drafting of PEAP in 1997 involved extensive use of the existing data and literature on poverty in Uganda. The exercise also involved the participation of major stakeholders such as central and local governments, the donor community and academicians (MFPED 2004).

The 1997 PEAP focused on measures to increase the incomes of the poor (improvements in roads, land, agriculture, rural markets, employment and labour, rural credit, and financial services) and measures to improve the quality of life of the poor (provision of primary health care, primary education, water, environmental services, and disaster management). While not replacing sectoral plans, the PEAP established a national policy framework for eradicating poverty by prioritizing actions in different sectors. It recognized that the best way out of poverty is not to give hand-outs to the population but to enable people to earn decent incomes and to improve the quality of their lives (MFPED 2004; World Bank 2006).

In 2000, the PEAP was first modified to include new information and ideas that had been obtained through further consultations with communities under the first Participatory Poverty Assessments (PPAs). This revised PEAP also echoed improvements in various sectors regarding their policies, investment plans, outcomes and performance indicators. More sectors were added to the revised PEAP, which included roads, education, health, the modernisation of agriculture, including the environment, private sector competitiveness, water and sanitation, and justice, law and order. The new strategy for growth focused on two main areas: factors that determine the ability of the poor to

improve their livelihoods (education, health, water and sanitation) and stimulation of economic growth through the modernization of agricultural production and improvement of technology. Modernizing agriculture was underscored because of its role in increasing agricultural productivity and farm incomes. Improving technology is important because of its ability to stimulate labour-intensive industrialization and thus increase effective demand for the manufacturing and service sectors. The 2000 PEAP also recognized the special needs of disadvantaged groups (widows, orphans, people with disabilities), who may not be able to take advantage of the improved environment for growth without additional support and assistance. This PEAP, therefore, provided a Comprehensive Development Framework for Uganda and it was accepted by the World Bank and the IMF as Uganda's Poverty Reduction Strategy Paper (PRSP) in 2000 (MFPED 2004; World Bank 2006)..

In 2004, the second modification of PEAP was undertaken to include findings from the latest research studies, the second community PPAs, and fresh consultations with stakeholders. The modified PEAP was organised under five pillars: economic management; production, competitiveness and incomes; security, conflict resolution and disaster management; good governance; and human development. In addition to the emphasis on functionality and implementation, two new issues were added in 2004: security and conflict resolution; and cross-cutting issues such as HIV/AIDS, environment and gender. In a departure from previous policy documents, the 2004 PEAP also places greater emphasis on private sector development through greater investment in roads and power. It calls for sharper focus on agriculture, by proposing policy actions that will promote increased production and productivity of the sector. It links targets with the Millennium Development Goals and the costing of the PEAP. The 2004 PEAP also emphasizes the need for increased efficiency and transparency in the use of public resources (MFPED 2004).

### **3.3. Assessment of Public Expenditure support to Priority Sectors in Uganda's PRSP**

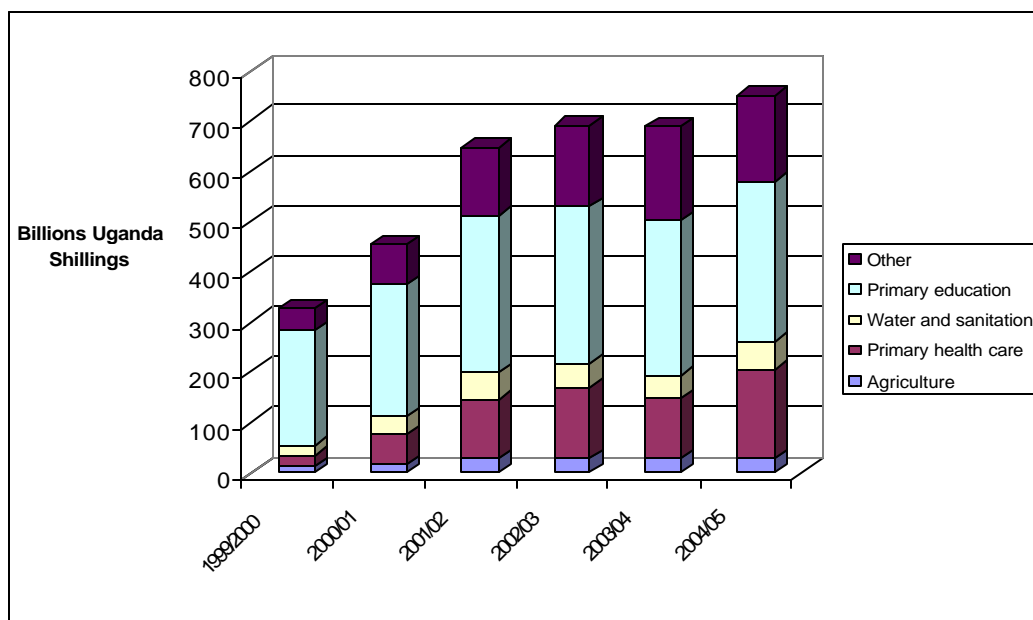
In order to operationalise the PEAP, the Ugandan government sharpened the focus on expenditures that reduce poverty such as spending on education, health care, water and sanitation, and justice, law, and order. Government spending in these sectors, supported by development partners, continued to represent the largest proportion of the budget, and it has been increasing. For example, the share of the national budget spent on education has consistently been maintained at more than 20 per cent, while the budget for health increased from about 6 per cent in 1998/99 to about 12 per cent in 2003/04. Spending on roads and works increased from about 6 per cent of the national budget in 1998/99 to about 8 per cent in 2003/04 (Kuteesa and Nabbumba 2004).

In order to protect public expenditures in areas considered critical to the implementation of the PEAP, the government created the Poverty Action Fund (PAF). This fund

provided a framework for defining and protecting public expenditures aimed at reducing poverty from cuts arising from revenue shortfalls and additional budgetary demands in sectors that do not have a direct impact on poverty reduction. As defined in the operational modalities, the Poverty Action Fund is part of the national budget which is focused on implementing the Government's highest priorities within the PEAP (Republic of Uganda 2002b). The fund is jointly financed from the savings arising from the Highly Indebted Poor Countries' (HIPC) initiative, donor budget support (general budget support and earmarked sector support), and government funds (Kuteesa and Nabbumba 2004; Morrissey and Verschoor 2006).

The resources saved from HIPC debt relief that were purposively channelled to the PAF allowed Uganda to increase the budget for the most critical areas such as primary education, primary health care, rural roads, safe water and sanitation, and agriculture. Over the past four years, annual expenditures on education increased by 9 per cent. Annual growth for health expenditures was 20 per cent (Kuteesa and Nabbumba 2004). There have also been substantial increases in spending on water, rural roads, gender, HIV/AIDS, justice, law and order, and on environmental spending (see Figure 6 below and Table 2 in Appendix below).

**Figure 6 Trends in Poverty Action Fund Expenditures under the PEAP, 1999-2005**



Source: MFPED 1999 and 2004

Throughout the 1990s, social service delivery in Uganda improved significantly and poverty declined noticeably, as a result of the increased budgets for poverty reduction. The social sectors such as primary education, primary health care, safe water and sanitation, and agriculture greatly benefited. These budget increases or achievements

in the social sectors are in line with the fulfilment of the Millennium Development Goals (MDGs) since there is a substantial overlap between the Poverty Eradication Action Plan and MDG targets.

However, as can be seen from Figure 6 above, less investment went to the productive sectors, particularly agriculture, where the majority of the poor derive their livelihood. Over the years, allocations to agriculture in the PAF only averaged at about 4 per cent and this was minimal when compared to the allocations that went to the social sectors like education and health care. The limited investment in the rural or agricultural sector may explain the observed limited reduction in poverty and the persistence of inequalities between socioeconomic groups and regions in recent years.

Providing social services and stimulating growth will not be sufficient to sustain poverty reduction in Uganda. The 2004 PEAP is therefore right to emphasize the need for growth in income earning opportunities. Given the increasingly imbalanced pattern of poverty reduction in Uganda, policymakers should consider whether—and how—to generate shared growth. Gaps in income differentials in the population may continue to widen in Uganda, as the economy continues its path of structural transformation out of non-monetized agriculture and into cash-cropping, industry, and services (World Bank 2006).

To maintain progress toward meeting the PEAP targets for poverty reduction, growth in the incomes of the poorest groups needs to improve. This means that agricultural growth requires special priority. Farmers in Uganda face high transactions costs in accessing inputs and getting their crops to market. The infrastructure and agricultural services used by poor people in Uganda have also not kept pace with access to social services since 1992. The government may need to place more emphasis on rural transportation, rural electrification, and agricultural services in future budgets and policy decisions (World Bank 2006).

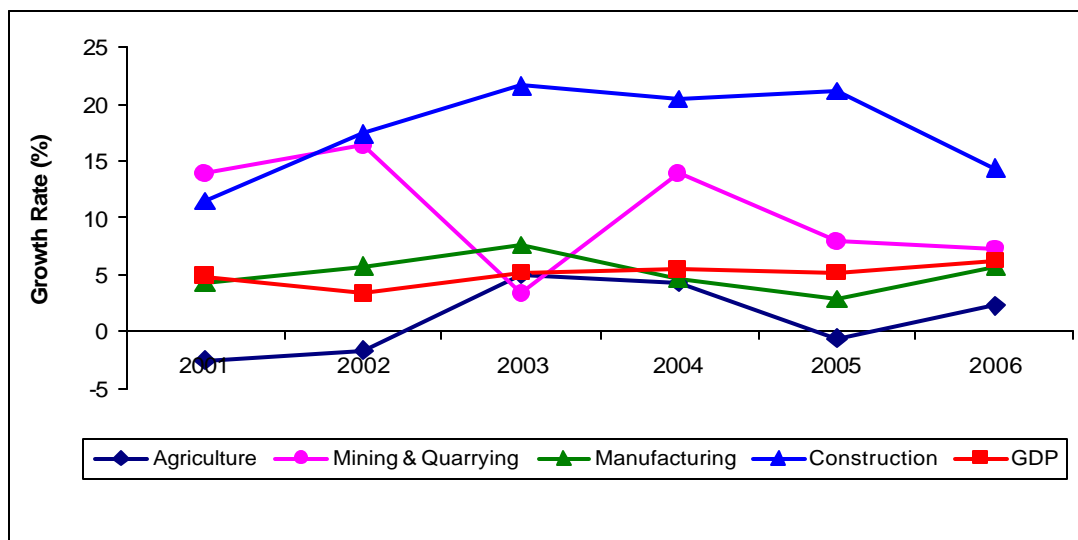
## **4. The Case of Zambia**

### **4.1. Growth and Poverty Trends in Zambia**

Over the last few years, Zambia has achieved an impressive record in macroeconomic growth and stability. Growth has accelerated in recent years, averaging 5.2 per cent per year between 2002 and 2005 and represents a reversal of the economic stagnation experienced during the 1990s. The exchange rate stability has improved with the local currency appreciating against convertible currencies in recent years, and both the country's fiscal balance and balance of payments position have recorded improvements; the inflation rate has gone down from over 30 per cent in 2000 to single digit levels of about 8.5 per cent by June 2006 (Government of the Republic of Zambia [GRZ] 2006a).

As can be seen in Figure 7, GDP growth over the last few years has been especially strong, with the overall economy growing in excess of five per cent between 2003 and 2006.

**Figure 7 Zambia, Annual Growth Rates for GDP and Selected Sectors, 2001 to 2006**



Source: Central Statistical Office, National Accounts

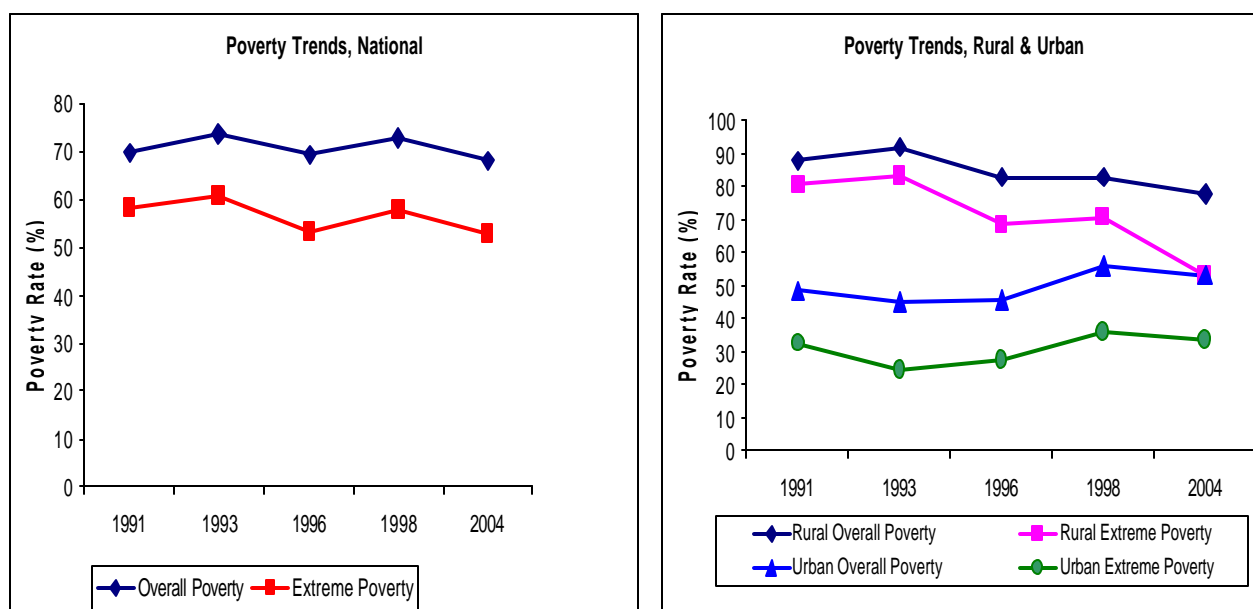
Most sectors have contributed positively to growth, while the recent period has been dominated by the rapid expansion of mining and construction. The renewed growth of the mining sector is a result of recapitalisation and new investments following the privatisation of state-owned mines in 2000 and by favourable conditions in world commodity markets. The construction sector has also recorded rapid growth as a result of private construction activities, especially in residential housing around the main urban centres and in facilitating mining sector investments. Manufacturing has also grown strongly in recent years, averaging above 5 per cent. Manufacturing has benefited from new and sustained investment that began in the late 1990s. However, much of this growth has been concentrated in food processing and textiles, such that there is still little high-value manufacturing taking place in the country (GRZ 2006b).

Unlike the industrial sectors, agriculture has not performed well in recent years, with wide fluctuations in production and a low average growth rate of only 2.6 per cent. This reflects considerable variation in weather patterns as well as inadequate infrastructure and generally poor market access. Much of the growth that has taken place has been driven by cash crops such as cotton and tobacco, and has been concentrated in specific areas of the country (GRZ 2006b).

Despite the overall strong performance of the economy, higher levels of GDP growth have not translated into significant declines in poverty. As can be seen in Figure 8,

national incidence of poverty remains high at about 68 per cent and has changed little since 1998. Between 1998 and 2004, poverty in rural and urban areas declined by 5 per cent and 3 per cent, respectively. The incidence of poverty in the rural areas fell from 83 per cent in 1998 to 78 per cent in 2004, while poverty in urban areas declined to 53 per cent from 56 per cent in 1998. Rural incidence of extreme poverty fell from 71 per cent in 1998 to 65 per cent in 2004. In urban areas, the incidence of extreme poverty declined by 2 percentage points from 36 per cent to 34 per cent. National incidence of extreme poverty also fell from 58 per cent in 1998 to 53 per cent in 2004 (Central Statistics Office [CSO] 2005). Even though the Gini coefficient declined from 0.66 in 1998 to 0.57 in 2004, Zambia's income distribution inequality still remains high (World Bank 2007, IMF, 2007).

**Figure 8 Poverty Trends in Zambia, 1991 to 2004**



Source: CSO 2005

In terms of the current status of income poverty, high levels of poverty continue to be associated with more remote rural provinces such as Western Province (83 per cent), Luapula (79 per cent), and North-Western Province (76 per cent). The incidence of poverty was lowest in more urbanized regions like Lusaka (48 per cent) and the Copper Belt Provinces (56 per cent). While the proportion of the population living in poverty did not vary much among the provinces, there were quite significant variations in terms of the proportion of the population living in *extreme* poverty across the provinces. The rate of extreme poverty varied from 29 per cent in Lusaka Province to 64 per cent in Luapula Province (CSO 2005; GRZ 2006b). Incidence of extreme poverty was also high in rural areas where two thirds of the population was extremely poor compared to only one third in the urban areas. It can be observed that both the incidence of poverty and extreme poverty were much higher in rural areas as compared to urban areas during the period

1991 to 2004 . This has led to the observation that although poverty is widespread and all places in Zambia are affected by high poverty levels, it remains predominantly rural.

With respect to non-income poverty indicators, progress has been mixed. With regard to health indicators, progress has been mixed and the challenges emanating from the impact of the HIV and AIDS pandemic on health achievements and the economy continue to be great. An analysis of trends in the nutritional and health status of children shows a decline in the nutritional status of children. The under five and infant mortality rates, in particular, are still very high. These trends in child nutrition and health status reflect the increased poverty that has been experienced in the country in recent years (World Bank 2007). The maternal mortality rate has continued to increase, implying that more Zambian women have been dying of pregnancy-related complications in recent years compared to past decades. Other health indicators, such as new tuberculosis and malaria infections, reveal that these have been increasing in Zambia in recent years. With regard to education indicators, net enrolment, gender parity and completion rates in primary schools have shown an improvement in the past decade. However, in terms of literacy the country has experienced retrogression with the literacy rate declining (Kalinda 2007). With regard to water and sanitation indicators, access to safe drinking water in Zambia increased slightly between 1990 and 2004, mainly due to various initiatives that have been ongoing with government and donor-supported programmes. However, access to proper sanitation in Zambia still remains poor (see Table 5 in the Appendix).

The persistently high poverty observed in 2004 is in sharp contrast to the rapid acceleration in economic growth experienced since 1999. This implies that the country's improved economic performance over recent years has not translated into significant declines in poverty particularly in rural areas. There are several important factors that may explain the persistence of high poverty levels. They include the changing structure of growth, which during the period 1998-2004 was largely driven by the improved performance of the mining and construction sectors. Growth of the mining and construction sectors has mainly been investment-driven. Investment growth has averaged over ten per cent since 1998 and has been accelerating alongside construction and mining (GRZ 2005; GRZ 2006b). On the other hand, the agriculture sector, upon which the majority of poor people depend, did not perform particularly well over the recent years, with wide fluctuations in production and a relatively low average growth rate. This reflected considerable variation in weather patterns as well as inadequate infrastructure and generally poor market access. Much of the growth that has taken place has been driven by cash crops such as cotton and tobacco, which are concentrated in specific areas of the country. This may explain why poverty incidence is still the highest among the rural small-scale farmers (GRZ 2006b).

## 4.2. Economic Growth and Poverty Focus of the Strategies in Zambia's PRSP

The Zambian Poverty Reduction Strategy Paper (PRSP) was approved by Cabinet in May 2002, relatively late compared to other countries in the study. The PRSP noted that the main barriers to moving out of poverty in Zambia were: lack of economic growth, high inequality, the debt burden, excessive external dependence, unsatisfactory prioritization of resources, inadequate social safety nets and HIV/AIDS. Among the many causes of poverty stated above, the PRSP document singled out lack of sustained levels of positive economic growth as the foremost cause. Lack of sustained growth had failed to generate sufficient domestic resources through savings and taxation and thereby made economic self-reliance untenable. The Zambian economy had failed to achieve sustained economic growth despite the implementation of comprehensive economic reforms over a decade (GRZ 2002).

As income poverty was identified as a major constraint to improved social welfare, improved economic growth remained the most important component of government intervention to reduce poverty. Reversal of the stagnation of the past 30 years was necessary, as enhanced economic growth was expected to increase the productivity and incomes of poor people, thus expanding their choices and opportunities. The PRSP document gave details of the macroeconomic framework that would be compatible with the goal of systematic poverty reduction. It set out policies aimed at achieving economic growth. However, it recognized that in order for growth to translate into poverty reduction, it had to be broad-based and contribute to a reduction in the high levels of inequality that characterized income and asset distribution in Zambia. High inequality was recognized as one of the principal barriers to poverty reduction. The PRSP acknowledged that the high levels of poverty and inequality in Zambia cannot be brought down solely by the trickle down effects from growth. For that reason, there was a need to adopt approaches that provided for complementary measures that directly target the poor and shield them against the adverse impacts of economic reforms and other internal and external factors. Hence, the PRSP recognized the importance of *growth with redistribution* as the appropriate strategy (GRZ 2002; Seshamani 2002).

The Zambian PRSP identified three thematic areas as priority for achieving poverty reduction. Firstly, the productive sectors comprising agriculture, tourism, transport, and energy infrastructure. Secondly, there was strong emphasis on the social sector, consisting of education and health. Last but not the least, cross-cutting issues of HIV/AIDS, gender and environment were also identified.

The understanding behind the choice of these sectors was that they had the greatest positive externalities in the fight against poverty. Agriculture was accorded the highest priority because it is the sector in which the poor are concentrated and thus the main source of their livelihood. The PRSP also recognized that the main productive asset of the poor in Zambia is land and that 97 per cent of the farmers in Zambia have no title to

the land that they cultivate. Their productivity is also severely undermined by lack of assets such as oxen, storage facilities and mechanized farm implements. Hence these were included in the list of interventions for support such as credit, and market and technological information. Agricultural-led diversification of the economy was held as the main engine for the creation and expansion of the poor's opportunities to earn a decent income in a sustainable way. The PRSP also identified infrastructure development, particularly rural roads, and investments in the energy sector as cardinal in the diversification within agriculture. For the urban poor in the informal sector, it was envisaged that they needed to be supported so that they are able to meet the basic necessities of life. Strategies and programmes under the PRSP therefore targeted both rural and urban based small scale informal operators in agriculture, mining, industry and tourism as well as larger operations in order to promote equitable economic growth and diversification (GRZ 2002).

Besides agriculture, increased investments in the social sectors, particularly health and education, were seen as equally important in unlocking the country's vast resources for poverty reduction. Good health and increased productivity were seen as closely linked variables. Similarly, expansion of investments in human capital was an essential element in economic transformation. Social sector investment was seen as key in producing the necessary human capital to generate the growth, alongside mitigation of the effect of HIV/AIDS which had crippled households and economic production. The PRSP therefore prioritized basic education, basic health and social safety nets (GRZ 2002; Seshamani 2002).

Substantial resources were earmarked for health and education. The priorities in basic education and basic health care involved provision of basic drugs and disease prevention against common ailments like malaria, diarrhoea, and others that mostly afflict the poor. In basic education, some equity components of the education programmes were envisaged to be more streamlined and better-coordinated under the Programme for the Advancement of Girls' Education. Other equity interventions in basic education included abolition of all fees and school uniforms at the basic level and support to community schools. In the area of social safety nets, the PRSP planned to reinforce poverty-focused social safety interventions like the Public Welfare Assistance Schemes, the Social Recovery Fund; Project Urban Self Help; the Food-for-Work Programme; and entrepreneurial development and training of the retrenched. These areas constituted the equity or social theme of the PRSP (GRZ 2002; Seshamani 2002).

In 2007, the Zambian Government officially launched its second Poverty Reduction Strategy Paper, known as the Fifth National Development Plan (FNDP) for the period 2006–10. The FNDP is guided by the National Vision 2030, which has as its goal to transform Zambia into *"a prosperous middle-income country by the year 2030."* It is organized around the theme of *"broad-based wealth and job creation through citizenry*

*participation and technological advancement”* and it focuses on *“economic infrastructure and human resources development”* (GRZ 2006b; IMF 2007).

The FNDP builds upon the achievements of the first PRSP, for example, strong improvements in macroeconomic performance and progress in public expenditure management. On policies, it appropriately places emphasis on the importance of a stable macroeconomic framework, improved domestic revenue collection, good governance, increased production and productivity in agriculture, and strengthened human resource development. One marked improvement is that it presents an elaborate medium-term expenditure framework under which the external cooperating partners are requested to provide predictable assistance either through direct budget support or sector wide approaches. This policy is intended to achieve a gradual move away from the traditional individual project mode of providing assistance (GRZ 2006b; IMF 2007).

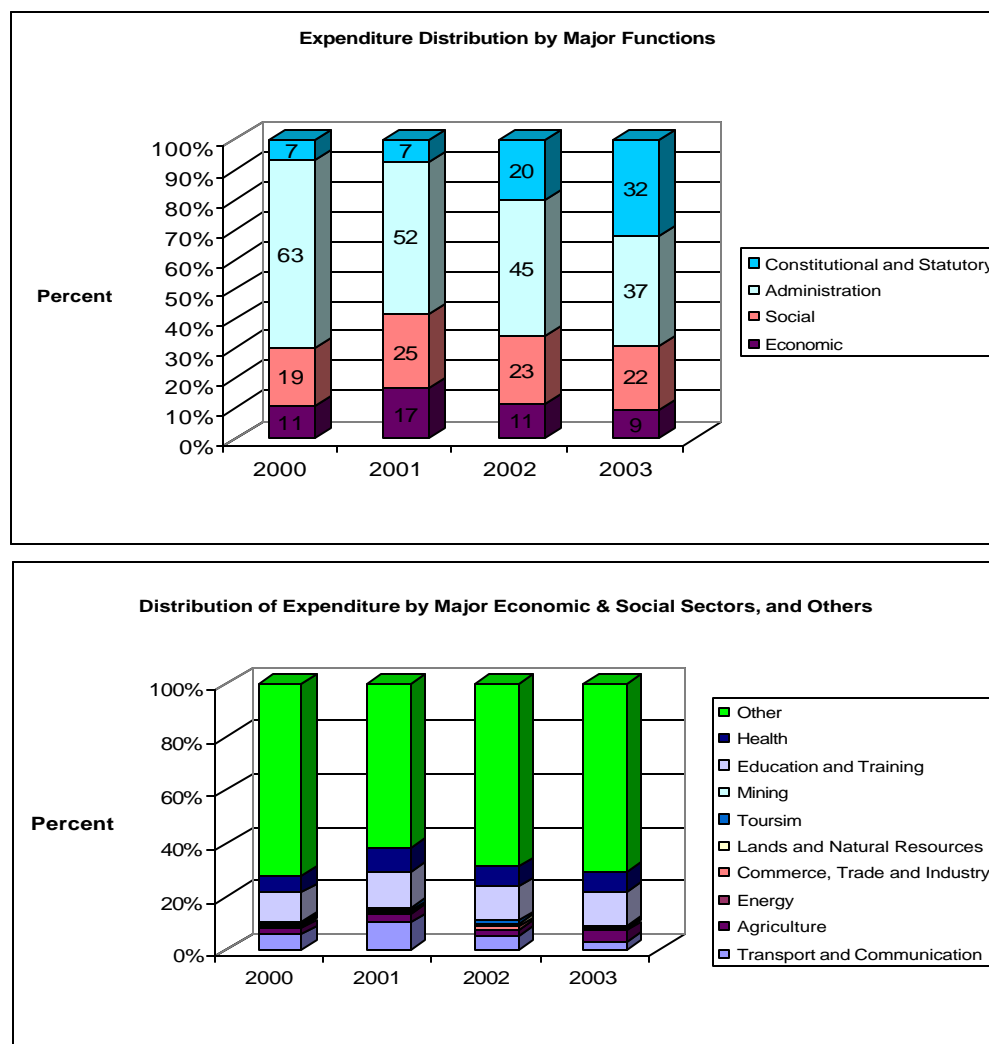
While the FNDP recognizes the importance of continued contributions of the mining, construction and energy sectors to overall growth, its major focus or priority is on the sectors with direct pro-poor growth impact through increased employment and income opportunities for the poor. These include rural development, agriculture, tourism, and the manufacturing sectors. The FNDP recognizes that poor physical infrastructure such as roads, electricity, irrigation, and water and sanitation has been one of the major bottlenecks holding back private sector development in the country. The FNDP also recognizes that spending on health and education in addition to improving health and social welfare is important for achieving sustainable growth. The FNDP also recognizes the cross-cutting issues of HIV/AIDS, gender and the environment were of great importance in the development process (GRZ 2006b; IMF 2007).

### **4.3. Assessment of Public Expenditure support to Priority Sectors in Zambia’s PRSP**

The PRSP was implemented through the Poverty Reduction Programs (PRPs) budget lines in the National Budget (GRZ 2004). However, in relation to overall Government expenditure, there was no noticeable re-orientation of the budget to increase funding to the PRSP sectors. A report on Budget Tracking commissioned by the Civil Society for Poverty Reduction showed that in both 2002 and 2003, the actual release of funds to ministries/departments that had less to do with poverty reduction (e.g. Administration and Cabinet Office) exceeded their allocations while those having a more direct bearing on poverty reduction (e.g. Energy and Land & Natural Resources, Health, Agriculture) received less than their allocations (Mutesa 2004). The same data on trends in expenditure is summarized in Figure 9 below. It is clear that expenditure on the economic sectors which were supposed to generate the growth in order to reduce poverty declined from about 17 per cent in 2001 to 11.4 per cent in 2002, before dipping to 9.4 per cent in 2003. On the other hand, constitutional and statutory expenditures

rose sharply from 7 per cent in 2001 to 32 per cent in 2003. The social sectors did not fare any better, with expenditure falling from 25 per cent in 2001 to 23.4 per cent in 2002, and 21.9 per cent in 2003. Administration, though showing signs of decline, continued to dominate overall expenditure. In 2001, administration consumed about 52 per cent before declining to 45.4 per cent and 36.7 per cent in 2002 and 2003, respectively (see Table 11 in Appendix).

**Figure 9 Trends in Zambia's Functional Distribution of Expenditure, 2000-2003**



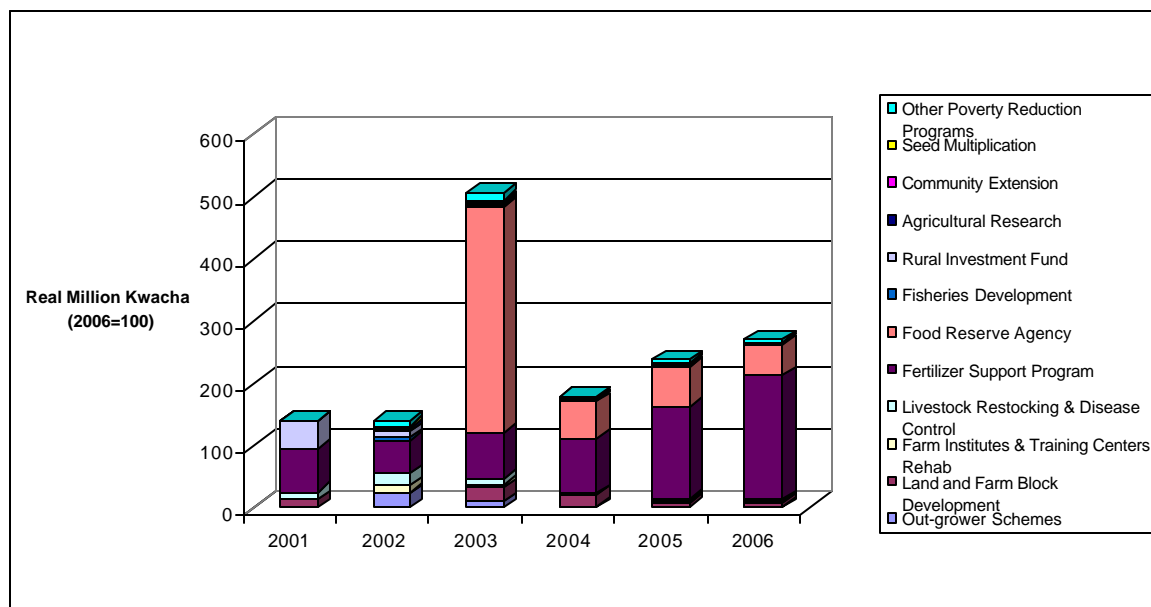
Sources: Ministry of Finance and National Planning

The second part of Figure 9 clearly highlights the imbalance in the resources that went to the economic and social sectors when compared to those that were allocated to others like administration and statutory expenditures. The economic and social sectors received less investment. The figure also shows that between the economic and social sectors, the social sector expenditures in areas like health and education received more

resources than the economic sectors like agriculture, mining, tourism, energy, lands and natural resources. These trends in resource allocations make it difficult to be convinced that the Government was sufficiently committed to the priorities in poverty reduction.

Under the PRSP and Heavily Indebted Poor Country Initiative (HIPC), the Zambian Government clearly recognized the need to be able to identify and track resources provided under the HIPC Initiative as well as other poverty reducing expenditures. In 2001 the government introduced into the budget classification system a separate new budget code for PRP financed under the HIPC initiative, in order to separately identify, budget and track these resources. Various sectors of the economy were funded. For purposes of this paper, we examine the PRP funds that were allocated to the agricultural sector. Figure 10 below shows total allocation for PRPs to the agricultural sector which were released between 2002 and 2006. Over the years, PRP funding supported out-grower schemes, farm block and land development, livestock restocking and disease control, the Fertilizer Support Program (FSP), the operating costs of the Food Reserve Agency (FRA), agricultural research, and extension projects. In 2003, allocations rose substantially for FRA (mainly released for maize imports to meet shortfall) and since 2004, allocations for PRPs in general increased, but 80 per cent or more of the funding was allocated to only two programs, the FSP (which provides subsidized fertilizer to small farmers) and the FRA (GRZ 2004; Govereh *et al.* 2007). Although other programs such as agricultural infrastructure, research, and extension programs continued to receive funding, their share of the funds dwindled dramatically (see Figure 10 below).

**Figure 10 Trends in Expenditures in the Agriculture Sectors under the PRPs**



Source: Govereh *et al.*, 2007

The inability to prioritize and balance the PRPs expenditures to benefit important interventions such as agricultural research, extension, and infrastructure which are critical in improving productivity is one of the factors that have led to modest growth in the agricultural sector and thus little progress in poverty reduction in Zambia. In other words, the level of real agricultural growth achieved during the past decade has not been sufficient to bring about a significant reduction in the number of rural poor in the country

A study by IFPRI noted concerns about the unbalanced and unprioritized public expenditure in Zambia's agriculture sector. It noted that with nearly 80 per cent of the resources earmarked for the PRPs in the agriculture sector being spent on the Fertilizer Support Program and the operations of the Food Reserve Agency, the bulk of these resources were just directly supporting one sub-sector, the maize sub-sector. For example, the 2001/02 post-harvest survey indicated that virtually all (i.e. 99 per cent) of the fertilizer used in Zambia was applied to maize. The IFPRI study developed a Computable General Equilibrium (CGE) model to capture trade-offs and synergies from accelerating growth in alternative agricultural sub-sectors, as well as the economic inter-linkages between agriculture and the rest of the economy in Zambia. The results of the growth-poverty analysis showed that such a single sub-sector dominant investment strategy is unlikely to yield desirable outcomes on its own. The CGE model analysis also showed that root crops and export crops will be important sub-sectors for accelerating growth and poverty reduction, especially in certain parts of the country. Thus, there is need to have the Zambian government to pursue a more balanced spending portfolio that includes other sub-sectors (Thurlow *et al.* 2008).

In order to increase agricultural production, reduce costs of production and protect the environment for sustainable agricultural production, Zambian farmers need improved technologies that are profitable under local farming and market conditions to increase yields, manage water, and use natural resources in a more sustainable manner. A key investment area to support such technology generation and dissemination is agricultural research and development (R&D) and extension. For example, IFPRI research on Uganda confirms that investment in agricultural R&D offers the greatest potential for enhancing productivity and reducing poverty (Fan *et al.* 2004). Similarly, Thirtle *et al.* (2003) showed that for every one per cent increase in yield brought about by investments in agricultural R&D, two million Africans can be lifted out of poverty. However, agricultural R&D spending in Zambia has been declining rapidly over time; a trend that Zambia needs to reverse (Thurlow *et al.* 2008).

## 5. Conclusion

Tanzania, Uganda and Zambia's experience with the PRSP and HIPC Initiative have been broadly positive in terms of economic growth. The three countries have performed well with their economies registering positive GDP growth rates averaging slightly over 5

per cent since 2000. The improved economic growth in recent years has been mainly due to the strong recovery of mining and manufacturing in Zambia and Tanzania, while in Uganda, the growth has been strong in industry and services, as well as in agriculture. However, growth in the agriculture sector of all the three countries has not been robust enough and has been much slower than growth in services or industry, making it harder for people employed in this sector to move out of poverty. The evidence from the best available data on Tanzania, Uganda and Zambia also generally indicates that income poverty has not significantly reduced in the three countries over the past decade. There are even signs that income inequality has been growing. Similarly, the trends in non-income poverty indicators such as infant and under-five mortality have also not seen significant improvements over the years that the PRSPs have been implemented. Poverty is still a huge problem in the three countries and the major challenge facing these countries is how to effectively avail the benefits of growth for poverty reduction.

All the three countries' PRSPs shared similar major priorities. The major priority sectors and areas of intervention for the PRSPs were agriculture, health, education, water, roads, and HIV and AIDS. The PRSPs in Tanzania, Uganda and Zambia recognized the need to reduce income poverty through accelerated and equitable growth. The PRSPs identified income poverty as a major constraint to social welfare and they recognized that in order for growth to translate into poverty reduction, it had to be broad-based and contribute to a reduction in the high levels of inequality that characterized the three countries. The PRSPs acknowledged that the high levels of poverty and inequality could not be brought down solely by the trickle down effects from growth. The PRSPs recognized the importance of *growth with redistribution* as the appropriate strategy and hence they adopted approaches that provided for complementary measures that directly targeted the poor to create and expand the poor's opportunities to earn a decent income in a sustainable way. The PRSPs in all the three countries identified several economic sectors but agriculture was accorded high priority because it is the sector in which the poor are concentrated and thus the main source of their livelihood. The stimulation of economic growth and the modernization of agricultural production were seen as the main engine for the creation and expansion of the poor's opportunities to earn incomes and thus reduce the high poverty levels in the rural areas. Besides agriculture, increased investments in the social sectors, particularly health and education, were also seen as equally important in poverty reduction. Good health and increased productivity were seen as closely linked variables. Similarly, expansion of investments in human capital was considered to be essential elements in economic transformation. Social sector investments were seen as key in producing the necessary human capital to generate the much need economic growth, alongside mitigation of the effect of HIV and AIDS which had crippled households and economic production.

An analysis of the trends in public expenditures under the PRSPs in Tanzania, Uganda and Zambia generally indicates that spending on social services grew faster than that on economic sectors. Less investment went to the productive sectors, particularly

agriculture. There were substantial increases in spending on education, health, rural roads, whereas water, HIV and AIDS, and agriculture received comparatively meagre amounts. The low investment that went to the productive sectors, particularly agriculture, where the majority of the poor derive their livelihood is a disturbing fact given that the governments had identified agriculture as one of the priority sectors under the PRSPs. The agriculture sector is the main contributor to economic growth and also offers employment opportunities to the majority of the people who live in rural areas. The low prioritization and public expenditure in the agriculture sector have probably contributed to poor performance and limited progress in poverty reduction. It has been argued that the inability to prioritize expenditures to benefit important interventions such as agricultural research, extension, and infrastructure which are critical in improving productivity is one of the factors that have led to modest growth in the agricultural sector and thus little progress in poverty reduction. In addition to this, several other factors have contributed to the modest performance of the agricultural sector in the three countries. Some of these include the use of low technology; poor land husbandry practices; limited access to credit; weak support services; poor rural infrastructure; and inefficient marketing systems.

Given the limited poverty reduction that has been achieved so far, and the need to ensure widely shared growth, investment in sectors that create employment and income opportunities for the poor and vulnerable groups, particularly agriculture, will have to be increased. Agriculture must grow much faster if rural poverty reduction is to become a reality in the three countries. But if the countries continue along the same trajectory as has been the case during the implementation of the first generation PRSPs, it will be impossible to achieve these goals. Tanzania, Uganda and Zambia will need to make significant changes and achieve much higher economic and agricultural growth over the next 5 to 10 years. Realigning public spending will be key to achieving those goals. More resources are needed to support the agriculture sector. The successor strategies or second generation PRSPs will hopefully address these concerns of realigning public expenditure.

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## Appendix

**Table 1 Tanzania Central Government Expenditures, 1999/00-2004/05**

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	Actual	Actual	Actual	Actual	Actual	Budget
Total Expenditures (including cfs)	1,191.90	1,257.60	1,625.80	2,091.10	2,694.50	3,347.50
Total Expenditures (Excluding cfs)	925.8	953.8	1,295.30	1,787.40	2,326.40	2,866.40
<b>Total Expenditures in Priority Sectors</b>	<b>414.3</b>	<b>494.6</b>	<b>753.8</b>	<b>953.6</b>	<b>1,199.90</b>	<b>1,473.00</b>
Education	218	254.9	344.9	436.2	517.5	581.4
Health	81.2	100.7	142.1	186.7	217.3	290.8
Water	14.5	18.3	32.5	51.9	63.7	127.8
Agriculture	21.6	19.1	31.9	60.2	113.3	111
Roads	70.8	92.5	179.6	190.2	235	274.3
Judiciary	8.3	9.2	18.8	23.2	32.1	36.2
TANCAIDS	0	0	4	5.3	21.1	51.5
Total Expenditures in non-priority sector	511.4	459.2	541.6	833.8	1,126.50	1,393.40
<b>Total Recurrent Expenditure (Less Cfs)</b>	<b>565.9</b>	<b>668.5</b>	<b>951.4</b>	<b>1,286.50</b>	<b>1,698.10</b>	<b>1,974.50</b>
<b>Recurrent Expenditure in Priority Sectors</b>	<b>282</b>	<b>347.5</b>	<b>490.2</b>	<b>719.9</b>	<b>867.3</b>	<b>965.7</b>
Education	158.9	189.2	292.1	422.9	486.2	501.4
Health	53.9	70.3	90.9	149.1	180.7	246.2
Water	5.4	8.1	15.5	16.5	16.8	23.5
Agriculture	13.7	10.3	17.2	36	67.9	62.9
Lands	3.4	4.2	7.4	4.8	5.3	5.7

Source: URT 2005c

**Table 2 Uganda Poverty Action Fund Expenditures, 1999/2000-2004/05 (billions of 2002/03 U Sh)**

Sector	1999/2000	2000/01	2001/02	2002/03	2003/04	Est. 2004/05 <sup>a</sup>
Agriculture	12.8	16.2	26.5	26.5	29	30.1
Primary Health Care	23.2	58.4	120.6	142.4	119.1	176.4
Water and Sanitation	19	37.6	51.1	47.9	46.6	52.9
Primary Education	228.9	263.3	313.5	314.6	307.7	321
Other <sup>p</sup>	43.7	80.42	135.6	161	186.6	168.1
Total Poverty Action Fund	327.5	455.9	647.2	692.3	689	748.5

Agriculture Expenditure as % of PAF	3.9%	3.6%	4.1%	3.8%	4.2%	4.0%
PAF as % of government discretionary spending	26.5	32.2	35.2	36.5	37.1	38.1

Source: Republic of Uganda, MFPED (1999 and 2004).

Notes:

a Based on approved budget.

b Includes expenditures on rural roads, district equalization grants, monitoring and accountability, functional adult literacy, protection of wetlands and poverty statistics

**Table 3 Trends in Zambia's Functional Distribution of Expenditure, 2000-2003**

Class/Sector	Year							
	2000	% of Total	2001	% of Total	2002	% of Total	2003	% of Total
	(K' million)		(K' million)		(K' million)		(K' million)	
<b>Economic</b>	<b>237,326</b>	<b>11</b>	<b>495,764</b>	<b>16.5</b>	<b>425,415</b>	<b>11.4</b>	<b>504,606</b>	<b>9.4</b>
Transport & Communication	125,552	5.8	299,970	10	187,759	5	151,028	2.8
Agriculture	47,195	2.2	103,162	3.4	81,347	2.2	219,339	4.1
Energy	3,692	0.2	7,520	0.2	7,877	0.2	6,198	0.1
Commerce, Trade & Industry	14,373	0.7	12,236	0.4	44,221	1.2	16,147	0.3
Lands & Natural Resources	10,851	0.5	26,965	0.9	49,548	1.3	54,034	1
Tourism	10,229	0.5	19,601	0.7	24,833	0.7	28,969	0.5
Mining	8,924	0.4	3,571	0.1	5,296	0.1	8,455	0.2
<b>Social</b>	<b>416,655</b>	<b>19.2</b>	<b>751,198</b>	<b>25</b>	<b>870,307</b>	<b>23.4</b>	<b>1,178,981</b>	<b>21.9</b>
Education and Training	234,316	10.8	405,654	13.5	467,700	12.6	696,846	13
Health	146,736	6.8	259,184	8.6	289,313	7.8	395,752	7.4
Housing Urban Development	4,364	0.2	10,097	0.3	5,455	0.1	8,081	0.2
Welfare	12,557	0.6	32,108	1.1	54,882	1.5	37,789	0.7
General Social	12,557	0.6	34,952	1.2	42,259	1.1	33,237	0.6
Information Services	6,125	0.3	9,202	0.3	10,699	0.3	7,276	0.1
<b>Administration</b>	<b>1,371,390</b>	<b>63.3</b>	<b>1,550,979</b>	<b>51.6</b>	<b>1,689,995</b>	<b>45.4</b>	<b>1,971,349</b>	<b>36.7</b>
Central Administration	826,625	38.2	715,798	23.8	693,556	18.6	846,389	15.7
Defence and Security	223,835	10.3	340,526	11.3	413,979	11.1	506,918	9.4
Law and Order	156,478	7.2	277,593	9.2	303,238	8.1	323,580	6
Foreign Representation	64,475	3.0	77,650	2.6	121,399	3.3	133,500	2.5
Policy Making & Legislation	29,678	1.4	35,391	1.2	72,044	1.9	74,488	1.4
Judicial and Legal	15,704	0.7	27,266	0.9	44,051	1.2	58,569	1.1
Local Government	54,596	2.5	76,755	2.6	41,731	1.1	27,906	0.5
<b>Constitutional &amp; Statutory*</b>	<b>140,271</b>	<b>6.5</b>	<b>210,507</b>	<b>7</b>	<b>740,411</b>	<b>19.9</b>	<b>1,719,676</b>	<b>32</b>
<b>Total</b>	<b>2,165,642</b>	<b>100</b>	<b>3,005,449</b>	<b>100</b>	<b>3,726,131</b>	<b>100</b>	<b>5,374,613</b>	<b>100</b>

Sources: Ministry of Finance and National Planning

Note: \* This includes other expenditures, such as interest payments, amortization on foreign debt.

**Table 4 Zambia Budget Allocations to Poverty Reduction Programs (Real million Kwacha 2006=100), 2001-2006**

Poverty Reduction Programs	2001	2002	2003	2004	2005	2006
Out-Grower Schemes	0	22	10	2	1	2
Land And Farm Block Development	12 <sup>a</sup>	3	22	18	7	6
Farm Institutes and Training Centers Rehabilitation	0	9	4	1	3	2
Livestock Restocking And Disease Control	14	21	10	2	3	3
Fertilizer Support Program	69	53	73	88	149	199
Food Reserve Agency	0	0	364 <sup>b</sup>	59	63	50 <sup>c</sup>
Fisheries Development	0	4	5	1	1	1
Rural Investment Fund	44	11	3	2	2	1
Agricultural Research	0	4	1	2	2	1
Community Extension	0	0	0	1	2	1
Seed Multiplication	0	4	2	0	0	0
Other Poverty Reduction Programs <sup>d</sup>	0	8	12	2	4	4
<b>TOTAL</b>	<b>139</b>	<b>138</b>	<b>505</b>	<b>178</b>	<b>237</b>	<b>270</b>

Source: Govereh, *et al.* 2007

**Notes:**

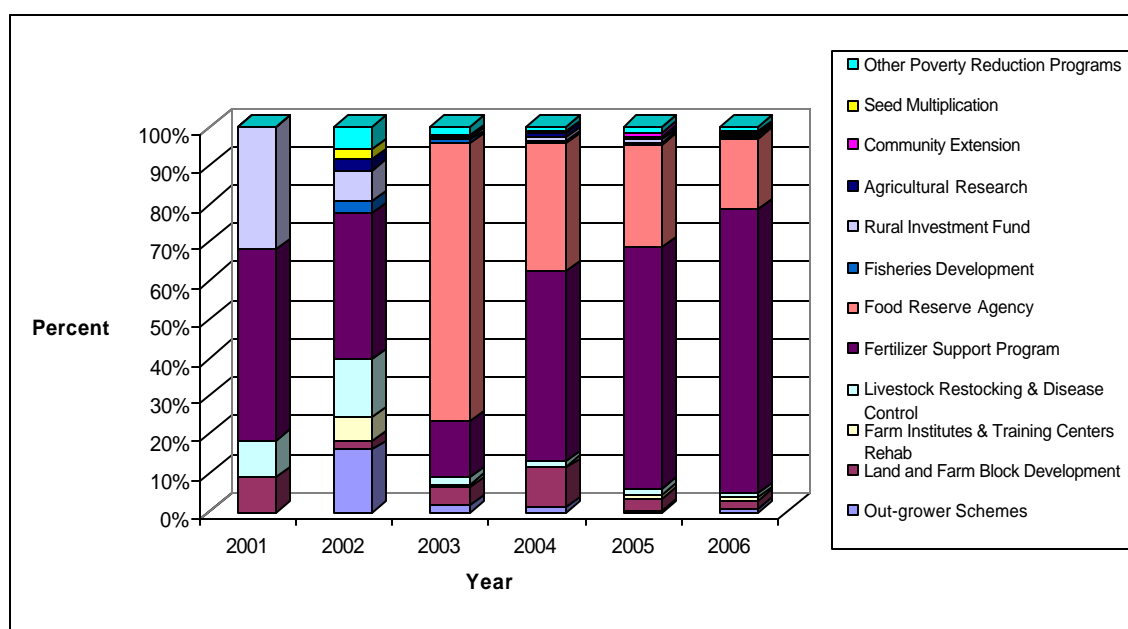
**a** This amount was allocated for irrigation development.

**b** 72 per cent of this amount was a grant from World Food Program and GRZ contributed the balance for the purpose of emergence maize imports following the 2002/03 agricultural season drought.

**c** The disbursed funds exceeded the allocated by over ZKW200 billion.

**d** These include irrigation development, provision of ARVs, crop forecasting survey and farmer registration.

**Figure 11 Percentage Distribution of the PRP Expenditures in the Agricultural Sector under the PRSP in Zambia**



**Table 5 Selected Poverty & Social Indicators and Progress towards Achieving the MDGS in Tanzania, Uganda and Zambia**

Indicator/Year	Tanzania				Uganda				Zambia			
	1990	2000	2003	2005	1990	2000	2003	2005	1990	2000	2003	2005
<b>Goal 1: Eradicate extreme poverty and hunger</b>												
Income share held by lowest 20%	..	7	..	..	..	..	6	..	..	..	6	4
Malnutrition prevalence, weight for age (% of children under 5)	..	29	..	22	23	23	..	..	..	25	23	..
Poverty gap at \$1 a day (PPP) (%)	..	21	..	..	..	..	..	..	..	..	36	33
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	58	..	..	..	..	..	..	..	..	76	64
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	34	38	..	..	..	..	68
Prevalence of undernourishment (% of population)	..	..	44	44	..	..	19	19	..	..	47	46
<b>Goal 2: Achieve universal primary education</b>												
Literacy rate, youth total (% of people ages 15-24)	83	..	..	..	70	..	..	..	81	..	..	..
Persistence to grade 5, total (% of cohort)	..	81	88	76	..	57	..	..	..	81	..	..
Primary completion rate, total (% of relevant age group)	46.4	54.6	56.7	54.2	..	..	61.1	57.1	..	56.3	55.5	77.5
School enrolment, primary (% net)	..	51	81	91	..	..	..	..	..	63	65	89
<b>Goal 3: Promote gender equality and empower women</b>												
Proportion of seats held by women in national parliament (%)	..	16.0	22.0	21.4	12.0	18.0	25.0	23.9	7.0	10.0	12.0	12.7
Ratio of girls to boys in primary and secondary education (%)	..	96.9	94.4	94.9	..	92.2	96.1	96.4	..	90.4	90.6	92.3
Ratio of young literate females to males (% ages 15-24)	86.5	..	..	..	75.8	..	..	..	88.1	..	..	..
<b>Goal 4: Reduce child mortality</b>												
Immunization, measles (% of children ages 12-23 months)	80.0	78.0	97.0	91.0	52.0	61.0	82.0	86.0	90.0	85.0	84.0	84.0
Mortality rate, infant (per 1,000 live births)	102	88	..	76	93	85	..	79	101	102	..	102
Mortality rate, under-5 (per 1,000)	161	141	..	122	160	145	..	136	180	182	..	182
<b>Goal 5: Improve maternal health</b>												
Births attended by skilled health staff (% of total)	..	35.8	..	43.4	38.3	..	..	..	..	47.1	43.4	..
Maternal mortality ratio (modelled estimate, per 100,000 live births)	..	1,500	..	..	..	880	..	..	..	750	..	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>												
Incidence of tuberculosis (per 100,000 people)	178.9	341.6	352.4	342.0	161.1	339.5	392.8	368.8	296.8	605.0	658.3	600.1
Prevalence of HIV, total (% of population ages 15-49)	..	..	7	6	..	..	7	6	..	..	17	17

Tuberculosis cases detected under DOTS (%)	..	47.3	44.6	44.9	..	49.0	44.9	45.1	..	..	62.0	51.6
<b>Goal 7: Ensure environmental sustainability</b>												
Improved sanitation facilities (% of population with access)	47	..	..	47	42	..	..	43	44	..	..	55
Improved water source (% of population with access)	46	..	..	62	44	..	..	60	50	..	..	58
<b>Goal 8: Develop a global partnership for development</b>												
Aid per capita (current US\$)	44.3	29.3	46.2	39.3	37.3	33.6	36.3	41.6	56.7	74.3	52.2	81.0
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	31	12	4	5	79	16	9	11	15	16	15	7
Total debt service (% of exports of goods, services and income)	33	13	4	4	81	8	7	9	15	20	..	..
<b>Other</b>												
GNI per capita, Atlas method (current US\$)	190	260	300	340	320	260	230	280	420	290	350	500
GNI, Atlas method (current US\$) (billions)	4.8	8.9	10.7	12.7	5.6	6.4	6.2	8.0	3.5	3.1	4.0	5.8
Gross capital formation (% of GDP)	26.1	17.6	18.6	18.9	12.7	20.0	20.5	21.2	17.3	18.7	26.1	25.8
Life expectancy at birth, total (years)	53.5	46.8	46.0	46.3	45.7	45.1	46.8	50.0	45.8	37.9	37.4	38.4
Population, total (millions)	26.2	34.8	36.9	38.3	17.8	24.3	26.9	28.8	8.4	10.7	11.3	11.7

Source: World Development Indicators database. [www.go.worldbank.org/1SF48T40L0](http://www.go.worldbank.org/1SF48T40L0) (last accessed in April 2008)

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