

FINANCING THE WATER, SANITATION & HYGIENE – “AN ENDLESS TALE OF IMPOVERISHED COUNTRIES”

A PRESENTATION AT THE ZAMBIA WATER FORUM AND EXHIBITION (ZAWAFE)

Presenter: Dr Chanda E Lengwe (DBA; Pg. Cert BRM;
MSc; FCCA; FZICA; IDPM; Dip. Ac)

Consultant.

Email: lengwechanda@gmail.com



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PRESENTATION OVERVIEW



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Introduction



- ❑ **Poor financing** of the WSS sector coupled with **financial mismanagement** is an **incurable cancer** afflicting most developing countries such as Zambia.
- ❑ **Begging** is an offshoot of **poverty**. The **“begging bowl”** for DA has become larger & larger & transformed begging into a DNA.
- ❑ DA is donor driven, come in form of budget, project support or grants channeled through Multilateral Development Agencies (was US\$143 m in 2016 an increase of 9% from 2015) – (OECD, 2017)
- ❑ Zambia’s 2017 budget has a **33% demand** on donor aid and debt financing.
- ❑ **Adequate financing** & robust PFM mechanisms are inevitable to realize SDGs, particularly on clean water, sanitation and hygiene.
- ❑ The paper addresses aspects of PFM mechanisms towards realization of SDGs & proposes solutions to ending impoverishment.



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Impoverished Countries & Financing



- Financing for sustainable development is categorised by Income Groups or by Regions (LDCs – UMI countries)
- OECD 2014/2015 statistics on resource flow show a 45% of the allocated DA to developing countries (expected more in 2016).
- Is DA utilized properly?
- If it is, why is the social & economic development of beneficiary countries at its lowest ebb?
- If it is not, to what extent is fraud, corruption, money laundering, **financial mismanagement**, etc. been addressed?
- What motivates countries giving DA to continue financing non-performing development countries? **Is it a payback? Appeasement?**

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Impoverished Countries & Financing



- **Higher levels of corruption** are peculiar to LDCs and LMI countries (Transparency International Corruption Index, 2016)
- Unless measures are taken to minimise poverty levels, begging will not end.
- Impoverished countries should start **re-thinking** on how best to harness their endowed resources, add value to them, get maximum return to move towards ending impoverishment & eventually minimise on donor reliance.



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A Case for Zambia



- Zambia was ranked LMI country but still faces many more challenges.
- High poverty levels – 40.8% extreme poverty, 54.4% being poor.
- Low GDP growth rate – 2.9% in 2016
- Power crisis signified by higher levels of load shedding.
- Yearly fiscal deficits with a 33.4% demand on donor aid & external financing in the 2017 budget.
- Higher levels of financial mismanagement (OAG, reports)
- A very high debt burden of not less than US\$7 billion in external debt & US\$2.7 billion in domestic debt.



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A Case for Zambia



- The debt burden is **higher than the 2017 budget** thus difficult to sustain it and **continuous reliance on DA** for many years to come.
- Zambia is **ranked 87/176** of the corrupt countries surveyed in 2016 with a Corruption Index of 38 compared to 90 (least corrupt) and 10 (highly corrupt) – Transparency International, 2016).
- Similar ranting has remained constant since 2012.
- NUWS coverage stands at 83.5% and 62.6% respectively based on a population of 6.3 million (NWASCO).
- Population coverage **represents 43% of the population** of Zambia. **Majority population (57%)** not served with water and sewerage system (off course rural areas has its own problems).



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A Case for Zambia



- This has exposed citizens to **contaminated water, led to intrusion** of the ecological systems in this areas.
- Water transformation process from Council to CU managed not yielded much in terms of desired impact thus still donor – driven financing (**No dividends paid to the shareholders; cannot stand on their own**).
- Graduation from poverty is therefore a nightmare
- Zambia did not meet the MDG target on both water and sanitation coverage.
- Unless the flow of donor financing is buttressed, achieving SDGs on clean WS will still remain a pipe dream.

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The Concept of PFM & Mechanisms – Various definitions



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- “set of laws, rules, systems and processes used in governments to **mobilise revenue, allocate public funds and undertake public spending, account for funds and audit results**” – (*Lawson, 2015*)
- “Concerned with aspects of **resource mobilisation and expenditure management** in the public sector”. More to do with aggregate financial management, operational management, governance and fiduciary risk management” – (*ACCAGLOBAL, 2013*)
- “The system, by which **financial resources** are **planned, directed and controlled** to enable and influence the efficient and effective **delivery of public service goals.**” – (*CIPFA, 2010*)
- “For countries, financial management refers to the budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements by which they receive funds, allocate them and record their use” – (*Work Bank, cited in CIPFA, 2010*)



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The Concept of PFM & Mechanisms



- Though defined in various jurisdictions, PFM speaks to laws, systems, components, & governance structures required to **ensure that fiscal discipline is a reality.**
- PFM mechanisms enhance and strengthen fiscal discipline for sustainable social and economic growth.
 - Takes into account aspects of **leadership, transparency, accountability,** levels of resources and staff capacity and
 - Influenced by the **social, political and economic** environment.
- With **insufficient PFM mechanisms,** resources allocated to water, sanitation and hygiene will have no impact on the development of the water sector.



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Proposed PFM Mechanisms



- Put in place and/or strengthen legislation that deals with the contraction of debt through to its utilization.
- Enact new legislation to regulate exports of raw materials to encourage value addition maximisation (building country resources).
- Strengthen government structures such as OAG, ACC, CIA, Prosecution authorities, FIU etc. (to guard against financial mismanagement).
- Allow a strong voice of the media and NGOs in the accountability of public funds (Whistle blowing).
- Strengthen the judiciary arm and allow fast track courts on all matters of financial impropriety.
- Push for money recovery agreements with countries where stolen money is banked by plunders of public funds.



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Challenges inhibiting graduation from impoverishment



- Failure to develop robust PFM Mechanisms or strengthen and reinforce them thereby creating an avenue for financial mismanagement.
- Plunder of national resources due to higher levels of corruption and money laundering.

What we need is to generate our own funds because we have abundant resources, guard against their misuse and use them on key areas in order to ensure adequate impact on our social and economic sectors for meaningful growth.



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Proposed Solutions to Graduating from Impoverishment.



- Call for an International/Regional Forum of all developing countries to discuss measures aimed at minimising donor reliance.
- OECD member countries that provide DA not to allow stolen funds to be invested in their countries.
- Encourage well planned PPP models with a win-win concept in mind.
- Use value for money principles in the utilisation of grants and/or donor aid.
- All debt contracted must only be used on productive ventures.
- The fight against corruption must be based on “zero-tolerance”
- Visionary political leadership that looks beyond their term of office.

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Proposed Solutions to Graduating from Impoverishment.



- Aim to beg once or twice and start to crawl and eventually walk the tall.
- Tighten PFM Mechanisms to ensure transparency, accountability and ethics in the management of public funds.
- Encourage a professional civil service than politicizing it (politics and professionalism do not match).
- Do not allow investors to exploit raw materials to their advantages but learn to add value.



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Conclusion



- Fiscal discipline is a critical pedagogy in PFM.
- Lack of it leads to being a perpetual beggar & loss of social & economic independence.
- The PFM system should be organised in such a way as to
 - protect aggregate fiscal sustainability and avoid unnecessary contraction of unsustainable debt.
 - allocate resources to strategic priorities & avoid the whims of political expediency
 - Ensuring value for money in service delivery
 - Make accountability a beacon for sustainable development.
- Poverty is created and can be earned through our actions.



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Conclusion



- With abundant resources endowed by most developing countries, coupled with prudent financial management, begging and poverty can be a thing of the past.
- We need to be audacious, make decisions that are unpopular, & always exercise selfless leadership in our call to public service.
- We need to deal with unacceptable human behaviour and emphasis placed more on doing the right thing for the first time.
- We need courageous leaders to drive the zero tolerance to corruption and financial mismanagement.
- Failure to adequately harness strong PFM mechanisms will render the dream for sustainable water, sanitation and hygiene unattainable & financing of the sector will forever remain an endless tale of impoverished countries.

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