



**MINISTRY OF FINANCE, ECONOMIC PLANNING AND
DEVELOPMENT**

**REPORT ON MAINSTREAMING POVERTY AND
ENVIRONMENT IN THE PUBLIC SECTOR
INVESTMENT PROGRAM (PSIP)**

DEVELOPMENT PLANNING DIVISION

1.0 INTRODUCTION

1.1 The PSIP Process

The Public Sector Investment Programme (PSIP) is one of the public finance planning tools within the national public finance and management framework. It is a five year rolling plan which programs implementation and allocates resources to priority public development projects and programs with a view to realizing outputs and outcomes that contribute to poverty reduction in fulfillment of national development objectives. The PSIP is largely financed through the national development budget.

PSIP process is guided by the PSIP Preparation Handbook and the PSIP Appraisal Manual. The PSIP Preparation Handbook stipulates roles of stakeholders in the PSIP process, best practices in the PSIP cycle from project/program identification, entry into the budget, throughout implementation, up to the point at which ex-post evaluations feed back into identification of new projects/ programs. On an annual basis, the PSIP process is summarized in the PSIP calendar which stipulates timelines for implementation of PSIP activities within the fiscal year. The PSIP Appraisal Manual, on the other hand, is confined to guiding processes for the appraisal of project submissions before their inclusion in the PSIP and, subsequently, in the national budget.

1.2 PSIP, Poverty and Environment Linkage

Projects and programs in the PSIP take varying forms ranging from service to infrastructural including a mix of the two (hybrid). Although projects are aimed at reducing poverty in one way or the other, their implementation or operation of their benefits (during post implementation or operation) has the potential to damage the environment and drive communities whose livelihoods are supported by natural resources into greater vulnerability and poverty.

It is therefore imperative that, as efforts are made to reduce poverty through implementation of projects and programs, attention should be given to effects of the

intervention on poverty levels and environment, both intended and unintended. Unintended effects on poverty and environment could be neutral, negative or positive; in which case, the project strategy could be to take no action or to mitigate or to enhance the impact.

The PSIP process as captured by the PSIP Preparation Handbook and the PSIP Appraisal Manual does not adequately take issues of poverty and environment into consideration. Having noted this gap, the Development Planning Division in the Ministry of Finance, Economic Planning and Development, with support from the Poverty and Environment Initiative under the Economic Planning Division, undertook an exercise aimed at exclusively identifying poverty and environment issues that could be integrated into the PSIP process.

The exercise involved field visits to projects within Kasungu (from 15th to 18th September) to appreciate and develop greater understanding of the poverty and environment issues that emanate from project/ program implementation. After the field project visits, a brainstorming session (from 19th to 20th September) was conducted where the poverty and environment issues were isolated and recommendations drawn for inclusion in the PSIP process.

The rest of the report is organized as follows; chapter 2 presents objectives of the exercise; Chapter 3 lays out the methodology employed in carrying out the activity; Chapter 4 outlines key observations and findings; Chapter 5 concludes the report with recommendations based on the key findings. The report also has three annexes attached as follows; Annex 1, List of projects visited, Annex2, Composition of the technical team that participated in the exercise and Annex 3 is the intervention logic.

2.0 OBJECTIVES OF THE EXERCISE

The main objective of the exercise was to ensure that PSIP projects and programs take into consideration poverty and environment issues. Specifically, the exercise aimed to

identify poverty and environment issues in on-going projects and make appropriate recommendations for improvement of the PSIP process as captured in the PSIP Preparation Handbook and the PSIP Appraisal Manual.

3.0 METHODOLOGY

The exercise involved field visits to select projects within Kasungu District (from 15th to 18th September) to appreciate and develop greater understanding of the poverty and environment issues that emanate from project implementation and operation of assets created by project investments. After the field project visits, a brainstorming session (from 19th to 20th September) was held where the poverty and environment issues were isolated and recommendations drawn for inclusion in the PSIP process. Annex 1 is the list of projects visited and Annex 2 is the composition of the technical team that undertook the exercise.

4.0 POVERTY AND ENVIRONMENT ISSUES IDENTIFIED

The field visits assisted the team to identify issues emanating from project/program implementation which could have both direct and indirect bearing on poverty and environment. The issues which are further espoused through the intervention logic (Annex 3) are as follows;

4.1 Both on-site and off-site project impacts need to be assessed

It is imperative that, during project environmental impact assessment, both on-site and off-site effects are assessed. Many infrastructure projects source construction materials such as sand, quarry, and bricks from sites remote from project area. Such kind of projects could pose environmental damage both on-site and off-site hence the need to consider this prior to and during project implementation

4.2 Projects offering inadequate solutions compared to the magnitude of the problem

Some projects tend to offer inadequate solutions compared to the magnitude of the problem which they seek to address. This sometimes has a negative impact on the environment due to overutilization of the provided good or service. For instance, a project that aims to provide potable water could lead to depletion of ground water and consequently contribute to environmental degradation if there is only one borehole constructed for a large community. Furthermore, it was observed that when demand is too high compared to the good or service provided the impact of the project on poverty reduction tends to be minimized and sometimes insignificant.

4.3 Beneficiary driven projects are more likely to achieve project objectives

One of the positive lessons learned from projects supported by Local Development Fund (LDF) was that the LDF requires its initiatives to be beneficiary-driven in terms of project identification, design and implementation. This is the case in the fund's afforestation project which was started and designed by the beneficiaries themselves and the role of LDF was simply to provide financial and technical support including extension services. The team noted that this approach increases chances of the successful project implementation and long term sustainability resulting from local ownership of the project. Furthermore, projects conceived and implemented through this approach seem to have the potential of producing the "neighborhood effect" whereby surrounding communities copy and adopt the project concept on their own.



A tree nursery for Saukira Club near T.A Lukwa Headquarters is part of a community driven afforestation project

4.4 Project planning must take into consideration the post implementation phase for sustainability of project benefits

Another issue noted was the importance of planning for operational costs of assets created by the project to ensure sustainability of project benefits. At the moment, the PSIP is primarily interested in the Total Estimated Cost (TEC) of the project implementation (assets creation) phase. It was observed that once project implementation has ended, the subsequent post implementation costs tend to have no funding which limits the benefits of the project and the intended reduction in poverty. This was observed to be a major issue especially in construction projects whereby funding of post-construction maintenance tends to be problematic to the extent of limiting use of the facilities.

4.5 Projects that economically empower local communities through their participation produce more desirable and sustainable results

It was also observed that some of the projects use the approach of local economic empowerment and poverty reduction through community participation during project

implementation. Many of the projects that were visited involved people from the community during different stages of implementation. For example, most of the labour resources, both semi-skilled and unskilled were sourced from around the project areas. As such, people from these communities benefitted from the wages received which to some extent improved short term household poverty situation. This approach also tended to enhance local ownership of projects which reduced the risk of vandalism of project assets.

4.6 Consideration should always be given to local conditions for project success

Another observation was that geographical, social, political and environmental local conditions are usually not considered in provision of standardized goods and services. Aspects like environmental risks to project success are not considered for some of the projects during project planning and this results in failure to achieve the ultimate objectives of the project. For example construction projects such as roads and buildings whose designs fail to take into consideration environmental conditions on the site risk quick dilapidation or damage. Similarly, projects which acquired land for project implementation in a manner that respect the prevailing area specific land tenure regimes and norms enjoyed greater acceptability by the beneficiary communities and other stakeholders.



The above fish pond, constructed near Kasungu National Park, was invaded by an otter which destroyed about 70% of the fish stock

4.7 Project Planning should be holistic by capitalizing on potential and existing inter-sectoral synergies

It was also observed that some projects do benefit from pre-existing projects/interventions, an example being the afforestation project where bee farming was integrated. This is however not the case in most projects as lack of proper integration among sectors is quite evident. In such cases, each individual project has a single responsible implementing agency. It was therefore concluded that project management needs to be overseen by an inter-sectoral steering committee and there is need for highlighting how different projects will contribute to or benefit from other planned or existing projects.

4.8 Procurement is a critical aspect of project management which requires beneficiary participation in community projects for sustainability and reduction of fiduciary risk

Last but not least, the team observed that procurement of materials for most projects was done without involvement of the locals because the local people are deemed to have little or no knowledge about the project materials. In some projects this approach has led to the sourcing of substandard goods and services that negatively impacted on realization of the project's benefits. In some cases, exclusion of the local communities in procurement raised suspicion that the project team deliberately engaged in procurement of substandard goods and services in order to illegally advance individual financial gains. It was therefore recommended that the beneficiaries of the project be involved in procurement of the materials where possible and necessary.



A photo-voltaic (PV) solar powered teacher's house constructed at Kaphaizi Primary School. The solar unit which was centrally procured is dysfunctional due to premature battery failure.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The poverty and environment linkage is one of the important issues that are not fully integrated into PSIP process. The exercise conducted has therefore exposed and

established the need for integrating poverty and environment considerations into project planning, implementation and operation both within and outside the PSIP. In this regard this report recommends the following actions.

- Impact on surrounding areas or other off-site areas should be considered during the project formulation and appraisal. In this regard, appropriate guidance should be provided in the appropriate section of the PSIP project submission template to inform appraisal decisions
- Analysis of sustainability should be based on full cost benefit analysis whereby project cost should also include operation costs. These should be outlined in the project documents and also be stored in the PSIP database.
- Projects have to be overseen by inter-sectoral steering committees which should ensure that necessary complementarities are achieved.
- During procurement of project materials, the beneficiaries of the project should be involved in procuring the materials where possible and necessary.
- Local conditions like the environmental risks to project success have to be considered at planning stage to avoid subjecting the project to risk of failure due to the local environmental conditions.
- The project impact and the adequacy of the project solution of the proposed project have to be assessed critically in order to have significant impact on poverty and avoid overutilization of the provided resource.
- During project implementation, unskilled and semi-skilled labour should be largely sourced from the project area so that the local people are empowered economically and to ensure local ownership for sustainability. In this regard, appropriate guidance will have to be provided in the PSIP Preparation Handbook.

- The community should be assessed whether it is willing to accept the project or not and the gender dimension should also be included so that both sexes have a chance to participate in the implementation of the project.

Annex 1. LIST OF PROJECTS VISITED

1. Water and Sanitation Project in Chilibwe Village along the M1 road financed by UNICEF
2. Construction of New Nkhamenya Market under the Rural and Urban Markets Project
3. Construction of Teachers' Houses Project at Kaphaizi Market Centre (under Local Development Fund)
4. Construction of Fish Ponds in Mawawa village close to Kasungu National Park (under Local Development Fund)
5. Afforestation Project (Saukira Club) near TA Lukwa Headquarters (partly financed by LDF)

Annex 2. TECHNICAL TEAM COMPOSITION

1. Hetherwick Njati (Director, Development Division)
2. Jollam Banda (Deputy Director, Development Division)
3. Dalitso Kalimba (Chief Economist, *Development Policy*, Development Division)
4. Charles Mtonga (Chief Economist, *PSIP*, Development Division)
5. Isaac Dambula (Chief Economist, *Population & Development*, Development Division)
6. Loyce Fatchi (Principal Economist, *PSIP*, Development Division)
7. Upile Matola (Economist, *PSIP*, Development Division)
8. Shalom Ghambi (Systems Analyst, *PSIP*, Development Division)
9. Marian Jumbe (Economist, *Population & Development*, Development Division)
10. Maurice Nyemba (Economist, Economic Planning Division)
11. Charity Kachule(Economist, *PSIP*, intern)
12. Thokozani Bandawe (Economist, *PSIP*, intern)

ANNEX 3. THE INTERVENTION LOGIC

PE Issue identified	Recommendation	PSIP Integration Approach	Requirements and Other Considerations	In PSIP Handbook	In PSIP Appraisal Manual
Scale of intervention vs. Magnitude of the problem	During appraisal, assess the adequacy of the project solution Conduct rigorous assessment of the proposed project on entry into PSIP.	Use the Environmental & Social Impact Assessment (ESIA) report to critically assess the project impact.	Cost of a more thorough assessment	In the project description/ submission template indicate alternative solutions considered.	In assessment of effectiveness and sustainability of projects, consider the scale of intervention vis-à-vis the magnitude of the problem.
On-site and off-site environmental damage	Project appraisal should take this into consideration. "Impact on surrounding areas or other off-site areas"			On Impact on environment, guidance should be provided that impact could also be off-site.	Should provide more guidance on appraisal of impact on environment.
Beneficiary group participation in the project cycle and sustainability (including the gender dimensions)	Assessment of community willingness-to-accept the project is vital.	Include in the appraisal matrix an item that will capture this aspect			Include in the appraisal matrix an item that will capture community acceptance of the project.
Project implementation cost (TEC) vs. project lifespan cost (Full cost)	Analysis of sustainability and viability should be based on full cost and benefit analysis	Project submission documents and PSIP database should provide an indication of full project cost		Change Template for data submission and database	Analysis of sustainability and viability should be based on full cost and benefit analysis
Consideration of local (geographical, socio-political, environmental) conditions in	Environmental risks to project success have to be considered.	Consideration at planning should be given to local conditions.			Due diligence on local supporting/ inhibiting factors at appraisal.

provision of standardized goods and services					
Local economic development (empowerment) approach and poverty reduction	Encourage this approach as much as possible	In the long term, it should be provided for in the 'PSIP Policy'		Indicate preference for using local semi-skilled and unskilled in projects	
Initiation of a project by beneficiaries (locals) has a "huge" positive impact on continued commitment to project operations	Ensure that ownership by local community is promoted.			Need to emphasize stakeholder consultation during project inception	
Importance of demonstration / neighborhood effects	Encourage projects with demonstration effects	Success stories should be disseminated	Cost of IEC, need to maintain focus on overall national development objectives	Emphasize need for effective IEC for enhanced project success	during appraisal, prioritize projects with potential demonstration effects for cost effectiveness
Integrated development approach (inter-sectoral linkages)	While a project may have a single responsible implementing agency, its management need to be overseen by an inter-sectoral steering committee	The project leadership and management structures should be reviewed to enable that necessary complementarities are achieved. The PSIP Committee could also be useful at that high level		Institutionalization of steering committees in project implementation	Due diligence during appraisal on project implementation structures