

UNIVERSITY  
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**INTERROGATING FINANCIAL MANAGEMENT DEFICITS IN GRANT-  
AIDED PROJECTS:  
(Ministry of Health's Global Fund Project in Lusaka)**

A Dissertation presented  
in Partial Fulfilment for requirement of the program  
Master of Political Science and International Relations (MPIR)

Patricia Mwendabai Mubyana Maonde  
Student Number: MPIR23122278

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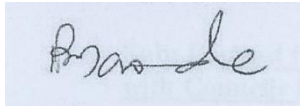
## DECLARATION

I Patricia Mwendabai Mubyana Maonde, hereby declare that, this work is my own and that, to the best of my knowledge, it has not been previously presented at this university or any other for similar purposes. All the work of other people used in this dissertation has been duly acknowledged.

The work I am presenting for assessment conforms to copyright and academic writing rules and the University research ethics.

Researcher's Signature:

Date: 18 01 2025

A handwritten signature in blue ink on a light blue background, appearing to read 'P. Maonde'.

Supervisor's Signature:

A handwritten signature in blue ink on a light brown background, appearing to be a stylized monogram.

Date: 19<sup>th</sup> January 2025

## **DEDICATION**

Firstly, I wish to dedicate this work to the Almighty God for His grace and guidance during my research work. Blessed be His Holy name.

Secondly, I dedicate this piece of work to my husband Sidney for his encouragement to keep pushing. I am thankful. To my children Tabo Lisa Maonde, Taona Maonde, Tamanda Lily Maonde and Patricia Sepiso Mubyana, thank you for cheering me on.

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## LIST OF ACRYNOMS/ABBREVIATIONS

<b>Acronym/Abbreviation</b>	<b>Full Meaning</b>
AIDS	Acquired Immune Deficiency Syndrome
CCM	Country Coordinating Mechanism
CHAZ	Churches Association of Zambia
CSOs	Civil Society Organizations
DVs	Dependent Variables
GF	Global Fund
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
IVs	Independent Variables
LFA	Local Fund Agent
MDR-TB	Tuberculosis-Multidrug-resistant
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development
ODI	Oversees Development Institute
OIG	Office of the Inspector General
PMU	Programme Management Unit
PR	Principal Recipient
SDGs	Sustainable Development Goals
SR	Sub- Recipient
TB	Tuberculosis
UN	United Nations
USAID	United States Agency for International Development
WHO	World Health Organization

## Abstract

This study interrogates financial management deficits in grant-aided projects focusing on the Global Fund Project implemented by the Ministry of Health in Lusaka, Zambia. Using a qualitative method approach, the study gathers data from past and present key stakeholders to assess the impacts of these key deficits on donor confidence, health outcomes, and public trust. The findings reveal that the financial deficits have led to reduced donor confidence jeopardizing future funding commitments, suboptimal health service delivery, and a notable erosion of trust in the Ministry of Health's governance systems. The study critically examines the accountability challenges arising from inadequate internal controls, poor financial reporting, and weak oversight mechanisms which undermine the effective use of donor funds. The study highlights the need to implement strong financial controls, increase capacity building initiatives, and encourage greater involvement of civil society organizations to strengthen accountability frameworks.

The research ends with practical suggestions for reducing financial management deficiencies in donor-funded initiatives, highlighting the significance of accountability and openness in maximizing resource use and attaining intended health results. The purpose of these observations is to add to the larger conversation about enhancing financial governance in grant-aided projects in Zambia and other settings.

# CHAPTER ONE: RESEARCH BACKGROUND

## 1.0 Introduction

Financial management is a critical aspect of grant-aided projects, influencing their effectiveness, sustainability, and overall success. However, poor financial management practices have become a global concern, leading to inefficiencies, misallocation of funds, and weakened donor confidence. This study examines the financial management challenges affecting grant-aided projects, with a specific focus on the Global Fund project under the Ministry of Health in Lusaka, Zambia.

Key challenges identified in such projects include inadequate internal controls, poor financial reporting systems, mismanagement of funds, corruption, missing documentation, non-adherence to donor regulations, and a lack of financial management training. These issues compromise financial accountability and transparency, ultimately affecting project implementation and outcomes. To address these concerns, this study seeks to interrogate the financial deficits, assess their impact on project effectiveness, and propose strategies for improvement.

This report begins by linking the background of the study to the broader issue of financial management in donor-funded projects. It then provides a justification for the research, emphasizing the importance of addressing financial management gaps to enhance project accountability, efficiency, and sustainability. The problem statement highlights the risks posed by financial mismanagement, including the potential loss of public and donor trust, which can jeopardize project success.

To guide the research, key questions explored include how well organizations implementing donor-funded projects control financial activities, and what financial management weaknesses contribute to project failures or underperformance. The study is confined to the Global Fund project in Lusaka, providing a focused analysis within this specific organizational and geographical context.

Furthermore, this research examines core financial management concepts such as accountability, transparency, and capacity building, which are essential for improving

the governance of donor-funded initiatives. By strengthening financial management practices, projects can reduce vulnerabilities, combat unethical financial behaviors, and restore public confidence. This introduction sets the foundation for the rest of the report, outlining the study's scope and objectives. The research aims to provide evidence-based recommendations that can enhance financial management systems in grant-aided projects, ultimately ensuring greater accountability and successful project implementation.

### **1.1 Background of the study**

This research is important for Zambia as it is in a strategically placed country with high loads of HIV, Tuberculosis (TB) and Malaria. Secondly, Zambia has a malaria incidence ranking as 6<sup>th</sup> highest globally; Zambians at large have a growing number of multi-drug resistant TB (MDR-TB) cases; and it is estimated that some 1.5 million people are living with HIV/AIDS. There is ongoing efforts and advancements in achieving optimal health outcomes within the framework of Global Funds programs, however the nation faces huge challenges in the area of financial and program management.

Although some progress has been made since the Office of the Inspector General (OIG) last audited Global Fund grants in Zambia in 2017, substantial drawbacks remain. The challenges described here underscore the urgency for more effective design and implementation of grant-funded health initiatives.

A key finding from the 2022 OIG audit, is the contrasting management performance between two principal entities: and the Churches Health Association of Zambia (CHAZ), and the Ministry of Health (MoH). CHAZ has acted as a Principal Recipient (PR) for Global Fund grants, and has shown effective oversight and accountability, whereas the Ministry of Health's Program Management Unit (PMU) has not performed well in matters such as financial oversight, supervision, and management of sub-recipients, despite substantial amounts of money spent to build out the PMU's structure since 2012. These issues are rooted in systemic weaknesses in financial governance and program implementation within the MoH, from a managerially informed perspective.

Whilst there have been repeated warnings by the Global Fund Secretariat and these issues exposed by audits in the past, insufficient progress has been made towards rectifying these flaws. The blame for this has partly been due to insufficient monitoring and lack of accountability by senior officials in the Ministry of Health

The background of this research heavily dwells on the glaring inadequacy to address financial management deficiency of grant funded projects in Zambia. By examining this weakness, particularly within the Ministry of Health, administrative core, the research seeks to identify the ramifications of ineffective financial controls and mismanagement. It also will offer the recommendations to strengthen accountability and make health interventions funded by donor organizations more efficient.

## **1.2 Statement of the problem**

This paper interrogates the financial management and programmatic difficulties affecting Global Fund grants to the Ministry of Health Zambia, which have resulted in significant compromises to efficacy of health interventions addressing HIV/AIDS, Tuberculosis, and Malaria. The situation indicates a crisis in management and oversight, in which performance of these vital health programmes in the Republic of Zambia has either stagnated or declined in some key areas as reported in the Audit of Global Fund Grants to the Republic of Zambia (GF-OIG-22-017, November 24, 2022).

The number of people living with HIV in Zambia is estimated at about 1.5 million, and the health system becomes under pressure again. Such relentless health impacts are accompanied by perennial structural and financial challenges which include weak internal control, mismanagement of resources, fraud and corruption within the ministry of health. Even though the organization committed US\$ 16.9 million to the MOH's PMU structure from 2018 to 2023, the OIG audit pointed out that financial and sub-recipient management had serious deficiencies, and despite this, the organization remained wary of adequacy assurance.

According to the report, these challenges were raised in the previous OIG audit in 2017 and in management letters from the Global Fund's Secretariat, and yet there has been little progress made in strengthening oversight controls by management.

Inadequate performance of the MoH continues to be seen as a sign of significant deviation in the accountability and governance systems. The Ministry of Health integrated PMU has previously been linked with material procurement deficiencies and poor management that erode donors' confidence and decreases the efficiency of the Global Fund grant programs.

Hence, poor financial management as evidenced by financial management deficits in Zambia's Global Fund grants, under the Ministry of Health, continues to present a major hindrance to attaining health program goals. These deficits not only compromise the efficiency and effectiveness of disease control programmes but also undermine the accountability and the credibility of the system and the potential for donors' future investments, stressing that comprehensive reforms to address institutional weaknesses, enhance accountability and transparency and produce measurable health improvements that are needed. Source: Global Fund Office of the Inspector General Report, Global Fund, 2021.

Such financial discrepancies not only fail to support effectiveness of interventions implemented by the Global Fund, but also prevent the recipients from receiving further funding. To fill these accountability gaps, it is important to regain the public's trust and ensure money is utilized as intended to enhance health in Lusaka and beyond.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

To interrogate the accountability deficits within the Global Fund project under the Ministry of Health in Lusaka, Zambia.

#### **1.3.2 Specific Objectives**

1. Assess the magnitude of the accountability deficits at the Ministry of Health under the Global Fund project
2. Identify consequences of accountability deficits within the Ministry of health, at the Global Fund Project.
3. Propose recommendations based on research findings to enhance accountability at the Global Fund Project in Lusaka.

## **1.4 Research Questions**

### **1.4.1 Specific Research Questions**

The following are the specific research questions that the study will address:

1. What is the magnitude of accountability deficits at the Ministry of Health under the Global Fund project in Lusaka?
2. What are the specific consequences of accountability deficits within the Ministry of Health on the performance and outcomes of the Global Fund project?
3. What strategies or interventions can be recommended to enhance accountability and improve financial management practices at the Global Fund project in Lusaka?

## **1.5 Significance of the study**

This study is important because it seeks to recognize and resolve accountability gaps in the Ministry of Health Lusaka Zambia, under Global Fund Project. Evaluating these deficits and their impacts will help the research in achieving the objective of providing a wealth of knowledge on how to enhance the management of funds and the execution of projects. The measures suggested in these recommendations will assist in improving accountability, so that donor funding is spent properly and appropriately. This will in the long run help to improve the health of the populace and use of resources better in other related grant aided projects.

## **1.6 Scope of the Study**

### **1.6.1 Geographical Analysis**

The study will concentrate on Lusaka, Zambia's capital city where the Global Fund projects are being executed by Ministry of Health.

### **1.6.2 Historical Context**

This section takes a look at previous financial management practices of the Ministry of Health entrusted by the Global Fund in Zambia. It examines how experiences with

donor funded projects in the run-up to 2021 affected current financial practices and accountability mechanisms in the years before.

### **1.6.3 Contemporary Analysis**

The analysis performed on the current state of the financial management of the Global Fund Project in Lusaka, Zambia, is contemporary. Additional detail is reviewed on the 2021 misappropriation incident, existing controls that are in place and efforts that are still being undertaken by the Ministry of Health and other stakeholders to address these issues.

### **1.6.4 Methodology**

#### **Qualitative Method**

Qualitative methods, notably content and narrative analysis, are used to examine the financial management deficits of the Global Fund project. Rich, detailed data was collected by means of questionnaires with key stakeholders.

### **1.6.5 Limitations**

**1.6.5.1 Subjectivity:** Narrative analysis is always subjective in so far as it requires participants' stories and the researcher's interpretation. Attempts have been made to find agreement with other data sources to increase validity.

**1.6.5.2 Generalizability:** Results from narrative analysis are not generalizable and are context specific. They offer a useful level of depth into the case study itself but do not generalize to the broader discussion around financial management in donor funded projects.

## **1.7 Definition of key terms and concepts**

**Financial Management:** In donor-funded projects, financial management involves planning, organizing, and controlling financial resources to achieve project goals while ensuring compliance with donor guidelines and transparent reporting (Brigham & Houston, 2021).

**Grant-Funded Projects:** These are initiatives financed by external donors, such as governments or organizations, with no expectation of repayment, designed to meet

specific objectives under strict financial management and reporting requirements (OECD, 2010).

**Financial Management Deficits:** This term refers to inefficiencies or shortcomings in handling financial resources, such as weak oversight or poor reporting, which can jeopardize project success and reduce donor trust (Kaufmann, 2018).

**Accountability:** Accountability means the responsibility of project managers to transparently report on the use of funds and outcomes, ensuring resources are used as intended and in line with donor expectations (Ebrahim, 2003).

**Stakeholders:** Stakeholders are individuals or groups affected by or interested in the project, including donors, beneficiaries, government bodies, and implementing agencies, each playing a role in project outcomes (Freeman, 1984).

**Donor Organizations:** These are entities, such as governments or NGOs, that provide funding for projects, often requiring strict adherence to financial and performance standards to ensure effective use of resources (USAID, 2016).

## **1.8 Outline of the thesis**

The whole research consists of six chapters as outlined below:

- a. Chapter One introduces the study, background, the problem, objective, research questions, justification, scope of study.
- b. Chapter Two undertakes an extensive review of existing literature, reviewing the work of other scholars, and developing theoretical and conceptual frameworks from which the research is developed.
- c. In Chapter Three the methodology of the study is outlined. This section explains how data is collected, how they are analyzed and how the findings are presented. Additionally, it describes the limitations encountered in the process of performing the research.
- d. Chapter Four starts by providing a brief description of what the chapter focuses on, namely, the ways of representing data, what kind of data were collected to support key findings, and a thorough discussion and analysis of results. In

relation to the objectives and questions of its research, it explores patterns, trends and unforeseen outcomes.

- e. Chapter Five presents a synthesis of the findings to answer the research questions set out in Chapter One and in the context of the review of literature in Chapter Two. In this section, the research results are explicated with an explicit link to theoretical and conceptual frameworks while consideration is given to their relationship with extant literature. Additionally, the paper has implications for practice and policy with respect to donor funded projects by the Global Fund.
- f. The research findings are summarized in Chapter Six, conclusions are drawn, and recommendations are made. It discusses aspects of how the problem, objectives and questions of Chapter One are addressed by the study. Furthermore, it locates the limitations and gaps identified in the study and provides areas for future research, alongside the challenges faced during research process.

## **CHAPTER TWO- LITERATURE REVIEW**

### **2.0 Introduction**

The Global Fund has great weight in disease control, especially in the middle income countries. With its establishment in 2002, to date it has generated USD 45 billion to the global health system, including Zambia and mainly targeting HIV/AIDS, tuberculosis, and malaria. But the financial management of the country has always been a challenge in the Ministry of Health, particularly after the flow of funds began to increase. This has really threatened impacts of donor funded projects leading to big accountability gaps. The research also seeks to assess literature on progress on how such projects have been managed financially, and what impact deprived appropriate financial management has had, and what measures can be put in place to improve, as well as the Global Fund and Zambia Ministry of Health response to these issues has been. It also looks at the situation of other countries.

### **2.1 Empirical Review**

#### **2.1.1 Historical Context of Financial Management in Donor-Funded Projects**

Over a period of several decades, financial management of the donor funded projects mostly in the developing countries has evolved but with a number of challenges. By and large, the ramification of the second world war, and particularly the Bretton woods institutions like the world bank, and the IMF, that were established to help the developing countries pay for the devastation that was caused had very complicated financial policies that most developing countries did not follow (Tanzi, 1999). This period left a trend of aid dependency which usually leads to pathetic governance systems that make the system a repository for bad governance and corruption.

Zambia has heavily depended on foreign aid to support its health sector financial management in its early post independent days. Analyses has shown that since 1970s, Zambia has been facing with some problems regarding sourcing and managing of donor funds for the programmes and project because of under development of financial institutions and in terms of institutions capacity (Mwansa, 2005). The challenges were also exacerbated during the two economic dregs of the 1980s and mid 1990s troughs with deep cuts in health expenditure. However, at this time different funding was given even though it was so crucial and the ministry of health for example did not have control over resource as they would generally need it.

Zambia received the first financial resources with the creation of the Global Fund in 2002 to fill critical needs in the health sector. Nevertheless, the problems of the Ministry of Health that formed its history continued, which resulted in several scandals connected with misuse of funds. For example, in 2010, the Global Fund was auditing the organization's grants to Zambia and discovered fraudulent activities in excess of USD 3 million which prompted a temporary freeze of the funding (Global Fund Office of the Inspector General, 2010). This incidence called for the need to put in place more efficient financial management solutions in projects that are donor-funded.

Zambia's case and experience of being challenged with poor management of donor funds is not peculiar to Zambia alone, but has been observed in sub-Saharan Africa. Research done by Bräutigam and Knack (2004) noted that many of the African countries are overtaken by the 'paradox of plenty,' where lots of aid result in poor accountability and mismanagement. In Zambia, this has been well illustrated in the

health sector where abundance of funds has often fraught the Ministry's ability to effectively manage the funds (Mussa & Dlamini, 2015).

### **2.1.2 The Role of Accountability in Financial Management**

This paper explores the concept of accountability as a sub discipline of financial management as well as its relevance to donor funded projects. Accountability as Allen and Tommasi (2001) have pointed out has to be integrated at all stages, from the sourcing of funds to the final expenditure. This includes not only well defined standards but also well implemented enforcement systems such as audits, oversight committees, and openness in reporting.

Where Zambia's Global Fund projects are concerned, accountability deficits have been a recurring problem. According to the 2022 report of the Global Fund's Office of the Inspector General, the weaknesses in financial management in the Ministry of Health included lack of adequate reporting on how the funds were spent, and poor internal controls. Such revelations were not new but signaled a much greater level of dysfunction in the system. For example, a 2017 study done by Overseas Development Institute found that the health sector accountability in Zambia was constrained by non-coordination of different government agencies and political interference with the independence of financial oversight institutions (ODI 2017).

Based on the empirical observations it can be established that accountability plays a critical role in enhancing financial management. According to Folara and Ogenga 2018, article on the International Journal of Public Administration, the working paper reviewed donor funded health projects in several countries in Africa and it was discovered significantly, projects that had well functional accountability systems achieved their objectives as expected. These mechanisms entailed financial audits, reporting and disclosure of financial expenditures as well as involvement of civil society organizations in monitoring expenditures (Smith, 2018).

Oversight and accountability is also directly associated with ownership in donors funded projects. If the recipient governments such as the Zambian government feels that they have ownership for the projects, then it becomes easier for them to put in place effective accountability mechanisms. However, the same research has concluded that in a majority of cases, dependence on the external funding source

tends to result in the dilution of ownership, with the recipient government placing priority in satisfying the donors' conditions more than the efficient use of funds (Easterly, 2006). An example of this is Zambia where the Ministry of Health has at times focused more on meeting Global Fund processes than building Financial Management Capacity (Johnson, 2018).

### **2.1.3 Consequences of Financial Management Deficits**

The effects of financial management failures in donor funded projects have severe and broad impacts. One is that this will lead to breakdown of trust between the donor countries and the recipient government. In Zambia some of the issues of mismanagement of the Global Fund resources have resulted to several incidents whereby the fund has suspended its funding to Zambia either temporarily or subjected the country to tight monitoring of its implementation. This does not only affect the process of functional health projects but also harm the image of the country and reduce its ability to gain finance resource in the future (Global Fund, 2021).

Consequently, there is an extreme concern with the effects of inadequate funds management on health. Poor management of such funds or embezzlement of funds means that the available funds for essential health services are inadequate thus poor results are experienced. For instance, WHO in 2015 conducted a study and revealed that financial neglect in Zambia affected malaria control program whereby the diseases suddenly rose in some areas due to a scarce of beds nets and antimalarial drugs inclusive (WHO, 2015).

Additionally, financial management deficits can also impact the overall health system in a negative way. Lack of appropriate management of donor funds has, in many instances, eroded the credibility of the Ministry of Health among the donors as well as some government departments. This may lead to lower budgets allocated to health, and decreased willingness to finance structural investments that improve health in the long run. Consequently, this compromises the health system's capacity to attend to public health issues thereby delivering poorer health to the population (Johnson, 2018).

It is important to consider the broader economic results of financial mismanagement in donor funded projects. The misallocation of funds means that all the perceived economic incentives like employment opportunities, development of infrastructure, extra economic activities, and so forth are not attained as planned. In Zambia this has been evident in the grant-aided projects where, when funds are not managed properly, then the potential positive impact of the project in a country cannot address broader development objectives in the economy. Furthermore, it means that the insufficiently achieved project goals will lead to the further decline in funding and support. This may in turn will aggravate the problem of financial management (Brautigam & Knack, 2004)

#### **2.1.4 Strategies for Enhancing Financial Accountability**

Improving financial accountability for donor funded projects must therefore take a broad base with multi-facets that reinforce accountability for both technical and institutional changes in the management of funds. A few of the best approaches is the periodic implementation of adequate internal controls. Adequate internal control techniques are necessary in the management of resources with emphasis on funds to ensure that resources are used appropriately, and cases of misuse or re-directing of funds are detected. These controls range from simple auditing activity, procurement transparency, and sound financial management policies (Allen & Tommasi, 2001).

One of the systems that can be implemented in order to strengthen internal controls in relation to the projects financed by the Global Fund in Zambia is the Ministry of Health creating their own internal audit department, which would be authorized to perform constant monitoring of financial operations and provide information to the management directly. This unit could also be allowed to implement and establish managerial polices covering finance, procurement, budget preparation and expenses control (Creswell, 2014).

Another important approach is to encourage transparency of financial reporting as an instrument for increasing accountability. This ensures that donors and the public have confidence in the Ministry and mainly the use of the funds it is allocation. In Zambia, increasing transparency could be done by public dissemination of audited financial statements that give an effectual narration of how the Global Fund resources have been utilized. Such reports could be posted on the internet where members of the civil

society and the public could follow the utilization of funds (Bräutigam and Knack, 2004).

There is also a need to improve the capacity for financial accountability. A major part of the concerns that arise from financial management deficits in the donor-funded projects can be attributed to a capacity problem within the recipient organizations. It does not only require technical knowledge in the management of the budgetary but also international mechanisms for implementation of accountability. In the case of Zambia, the capacity building could involve training the financial management personnel in the Ministry of Health, but more fundamentally, building up the supporting accountability structures including the office of the Auditor General and the Parliamentarian Committees.

The third plan, is the use of technology in financial processes and management of the organization. Implementation of e-finance systems can improve the degree of openness, minimize mistakes and scams. In Zambia, the Ministry of Health could apply some of the best practices in the management of electronic systems for budgeting, purchasing and financial reporting. For example, the e-procurement system may eliminate corruption chances through monitoring of procurement process since the transactions are effected in real-time (World Bank, 2016).

Civil Society Organizations(CSO) offer a critical ingredient if accountability is to be advanced. They can play the role of monitors and track the process of implementation of activities for donor-funded projects. In Zambia, CSOs have bridged the much needed gap especially on matters of corruption and have put pressure on the government to ensure that financial resources available from the Global Fund are well utilized. When CSOs are involved in monitoring and evaluation of donor funded projects for the Ministry of Health, accountability is promoted and donor funds are utilized for the intended purpose (Johnson, 2018).

### **2.1.5 The Global Fund's Response to Financial Management Challenges**

Today the Global Fund understands the problems connected with financial management in the recipient countries and have developed several measures which help to achieve more adequate results. An important part of such measures is the creation of the Office of the Inspector General (OIG) that investigates and audits the

use of the Global Fund financing. The OIG is also responsible of recognizing cases of misappropriation of funds and ensuring problem areas are corrected. Over the years, the OIG has carried out many audits in Zambia with regards to the Global Fund financing, has recovered embezzled funds. They have recommended remedial action to curb such future incidences (Global Fund, 2021).

To address the issues of financial management as experience by the Ministry of Health in Zambia, the Global Fund has put in place a number of financial controls. Among them is that the recipient countries put in place sound financial management systems and receive technical assistance to manage this. The Global Fund has also reiterated the importance of mutual accountability such that both the funders and the beneficiaries have a challenge to ensure that the funding is used appropriately (Johnson, 2018).

The most important innovation that has been initiated by the Global Fund is performance based financing or PBF. In this process funding is provided according to hit specific performance indicator rather than the amount spent. This measures up recipients to directly apply funds, successfully and with quantifiable impacts felt by the betterment of the community. In Zambia for instance, the introduction of PBF has helped with the better management of Global Fund resources. MoH has adopted a target based approach to resource utilization and has shifted from a funding request approach to more results based orientation (Global Fund, 2021).

The last but not the least successful activity of the Global Fund is the use of Local Fund Agents (LFAs). LFAs are independent institutions, which provide service to the Global Fund for the supervision of projects in the receiving country. In Zambia, the LFA is also responsible for overseeing the funds, audits, and a technical support to Ministry of Health. The engagement of LFAs has played a significant role in enhancing public financial management in ways that will help guarantee the efficient use of Global Fund resources (Global Fund, 2021).

The core of the financial management in Global Fund is based on mutual accountability where the rights and responsibilities of donors and recipients are the same in managing the funds. This approach hinges on accountable financial systems

and ensuring monitoring and evaluation as a way of making sure that funds are utilized to the anticipated purpose. It is intended to foster greater levels of accountability between the Global Fund and its partners in an effort to improve the impact of the Global Fund's interventions and guarantee that investment made will support innovative solutions that deliver optimal results (Jones & Smith, 2020).

## **2.2 Theoretical Framework**

### **2.2.0 Introduction**

The theoretical framework represents the backbone into which any research study is built on as it offers the contextual perspective within which the phenomena under investigation are studied. When it comes to financial management deficiencies in grant aided projects, as well as in the global Fund project some theories can be applied as a means for understanding the problems and their possible solutions. This research will analyze and focus on the Agency Theory and the Public Choice Theory as these theories are important for the study.

### **2.2.1 Agency Theory**

The Agency Theory which Jensen and Meckling advanced in 1976 explains the contract between the principals, owning or donating the finances and the agents or the managers using it. In the case of donors funded projects, the donors are the principals who furnish the funds, while the recipients, as in the MOH in Zambia, are the agents whose obligation it is to deliver the health improvements expected by the donor out of the funds supplied.

The first conceptual assumption of Agency Theory revolves on the fact that there is self-interest conflict between the principals and the agents. The principals have the goals of cost minimization and programme accomplishment in the use of the funds, while the agents may have other goals, such as self-enrichment. This divergence of interests brings about what is normally referred to as the agency problems; where the agents do not act in the interest of the donors or principals.

Leveraging the archetypes of Agency Theory in the context of the Global Fund project in Zambia highlights accountability deficits identified in the management of the funds.

According to Jensen and Meckling (1976), “agents may well fail to do their jobs properly or indeed may act opportunistically if they are not closely watched.” This is well illustrated in the 2021 probe by the Global Fund’s Office of the Inspector General where lack of proper organizational oversight led to expenditure that is not authorized and failure to carry out proper procurement procedures.

In Agency Theory, control and measurement bonus are also taken as critical factors to ensure that the agents’ self-interest do not diverge from those of the principal. This in the cases of the projects which are funded by the donors could be done through setting special accountability frameworks including things such as like audits, provision of funds based on certain performances and may include the involvement of independent boards and committees. According to Ross (1973) the principal-agent relationship prevails where there is a clear alignment of incentives and accountability. The usage of the performance based funding engaged by the Global Fund in Zambia is another good example of how agency theory can be used to improve on the financial accountability with an aim of making sure that the funds are used as agreed and expected.

### **2.2.2 Public Choice Theory**

Public Choice Theory that emerged in early 1960s, advanced by Buchanan, Tullock and other political scientists, and political economists, is the application of economic concepts to politics. It assumes that people are self-serving especially the public officials, most of the time pursuing self-benefit rather than the public benefit. The concept expressed in this theory may be applicable in situations where there are financial management inconsistencies in government-owned projects due to the divergence of public officials’ interests from those of the general populace or the donors.

Insights from Public Choice Theory offer hope in explaining the bureaucrats’ conduct in charge of the administration of projects financed by external donors such as Global Fund in Zambia. Buchanan and Tullock (1962) note, “Officials seeing themselves as stewards for the public, can decide to serve their individual self-interest, or look for re-election, rather than, seeking efficient ways of distributing public resources.” This can

range anywhere from embezzlement, nepotism to procurement fraud, and it affects organizations of all sizes and industries.

It is in light of Public Choice Theory that the 2021 report by the Global Fund's Office of the Inspector General presenting, among others, unauthorized expenditures as well as improper procurement practices in Zambia's Ministry of Health can be explained. These practices could have been implemented by the officials expecting to gain certain personal or political gain at the expense of using the required donor funds efficiently. According to Mueller (2003), "public choice theory tells why officials may care more about short term political values than long term social values."

According to Public Choice Theory, increasing accountability in the donor-funded projects requires reducing the self-serving behavior. This can be done through visibility agendas like publishing details of financial occurrences or reports by the use of development special agencies that are beyond the reach of political interferences. The unique element explained in this paper is the role of Local Fund Agents (LFAs) in supervising implementation of Global Fund-financed projects in Zambia, to ensure that public officers do not engage in self-serving behavior consistent with Public Choice Theory.

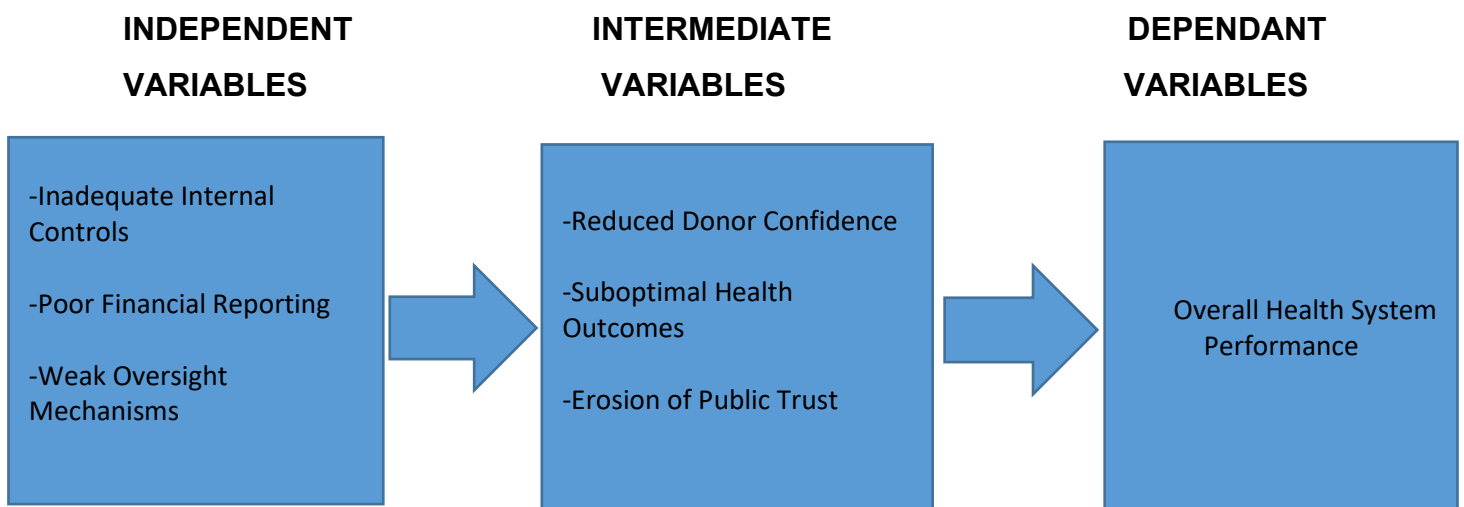
### **2.3 Conceptual Framework**

Jabareen (2009, p.51) defines a conceptual framework as a conceptual mode of analysis with multiple forms and applications. It can be used in various types of work in cases where there is a need for general view of the work. This definition underlines the fact that the conceptual model is one of the most important tools in research helping to give direction and structure to the investigation of various interconnections between different variables or concepts. A conceptual framework is important to introduce the study and establish direction in the research. Miles and Huberman (1994) defines it as a framework that signifies an overarching plan to assist researchers in developing focus and direction in their study and guarantee its relevance to the research questions or objective. The framework shown in Figure 2.6 below highlights the expected direct, mediating, and co-varying conditions among the independent, intermediate, and dependent variables.

In this research work, the conceptual frame is useful to show the interrelation between the variables that have influence over the financial project management of the Global Fund project in Lusaka Zambia.

This causal mapping is useful for identifying the causal dynamics as well as directions on how accountability and subsequent project results may be enhanced.

**Figure 1 Conceptual framework**



**Explanation of the Conceptual Framework**

As will be observed in the above conceptual framework, the factors that affect financial management in a Global Fund project Lusaka Zambia are intertwined. Then, the following notes accompany the framework that explain each part of the framework and how each part is connected with the others.

**1. Independent Variables (IVs)**

The factors that are a result of financial management inconsistencies in the Global Fund project, are these variables. They are identified as primary causes of a whole host of other problems relating to the overall health system performance.

### **Inadequate Internal Controls:**

This variable measures the lack of accountability for funds received by the Ministry of Health. The internal controls involve things such as audits, proper paperwork, checks and balances to make set up financial rules and regulations in terms of spending are adhered to. Lack of internal controls, ineffective or missing internal controls allows for fraud and waste.

Quote: 'Implementing internal controls will also ensure that every cent is counted, spent and accounted for, and this should definitely be implemented because the internal controls are the foundation of accountability or fiscal responsibility,' (Allen and Tommasi, 2001).

### **Poor Financial Reporting:**

There are cases where financial reporting is late, incorrect or inconsistent reporting and sometimes lack of clarity on how funds have been spent. Ambiguity of resource deployment makes the assessment of financial performance both to internal and external stakeholder ambiguous. It becomes difficult to assess the financial performance.

Quote: Management of funds and are in placing the public's confidence to any financial management system or report are crucial to financial report transparency (Bräutigam & Knack, 2004).

### **Weak Oversight Mechanisms:**

Co-ordination mechanisms that include external audits, the conduct by the Office of the Auditor General and independent Local Fund Agents (LIAs) are important in identifying and preventing cases of fraud. These mechanisms have their loopholes; meaning that any financial squeeze will occur unnoticed and cause a lot of loss.

Quote: Again, Johnson was quoted as saying that efficient supervision and monitoring go beyond error detection but is a way of promoting accountability.

## **2. Intermediate Variables (Mediators)**

These are the short term effects of the weaknesses in the independent variables. They are the outcomes of assessing numbers based on erroneous financial management techniques.

### **Reduced Donor Confidence:**

Any sign that indicates a financial management deficit might easily cause the donors to lack confidence in the competent management of funds by the Ministry of Health. This may lead to freezing of funds or bring about conditional funding or even increased scrutiny, thereby lowering the overall amount of resources available for health projects.

Quote: “Donor confidence is therefore very delicate and can be easily eroded by apparent improper use of funds hence putting to mortar the many ongoing projects”, (Global Fund 2021).

### **Suboptimal Health Outcomes:**

Poor fiduciary responsibility subsequently results in scarce funds, slow process of project implementation and suboptimal use of resources hence is unhealthy for health outcomes. For example, these are likely to result in a short supply of crucial products such as antimalarial drugs or bed nets resulting to high prevalence and mortality rates.

Quote: Hence the following statement from the WHO (2015): ‘The poor are always the hardest hit in cases of poor financial management because they are the ones that will lose ready access to health services’.

### **Erosion of Public Trust:**

People lose confidence with the health system when there is corruption involved and especially when the public gets a feeling that funds meant for certain noble cause are not used for the intended purpose. This can eventually detrimentally affect the general populace’s willingness to commit to the supporting of initiatives that improve their overall health, enrollment in health programs, and brings about the general distrust of the health system.

Quote: “Public trust is amongst the major pillars of health systems; once broken, it hardly can be rebuilt back”.

### **3. Dependent Variable (DV)**

The dependent variable conceptualizes the cumulative effect of the independent and intermediate variables on the health system.

### **Overall Health System Performance:**

This covers the health system productivity, quality and sustainability under the Global Fund project. The dependent variable is a result of financial mismanagement, reduced donor confidence and suboptimum health results. The negative outcomes for public health are apparent if a health system performs poorly: a health system that does not perform well is unable to meet the health needs of the population again.

Quote: Jones & Smith (2020) summarize it succinctly when they say ‘The performance of a health system is the mirror image of the status of its financial management practices; the stronger the former the better the latter, and the weaker the former the worse is the latter.’

## **Conclusion**

Based on the propositions of this conceptual framework, this paper reveals the various aspects that have influences the financial management in the Global Fund project in Lusaka, Zambia. Since the framework maps out the various dimensions of the independent, intermediary as well as the dependent variables, the results present the need for correcting some vital financial management failures for better health system outcomes.

Agency Theory and Public Choice Theory helps us understand the numerous financial management deficiencies detected in the Global Fund project in Zambia. These theories raise awareness about the multiplicity of self-serving, reciprocal and bureaucratic dynamics that govern financial management systems in donor aided programmes. It is important to understand these realities to fashion out strategies that would help improve accountability, financial management and ensure that donor aid money is utilized for the right purposes.

### **2.1.6 Summary**

As highlighted, this chapter presents a clearer literature review as regards donor funded project financial management, to outline the centrality of accountability, transparency coupled with sound institutional arrangements for improved resource utilization. As seen from the review of literature by various authors it can be demonstrated that this is an important factor. Evaluating the experience of the Zambian Ministry of Health is essential to realizing that the ministry’s financial

management challenges are historically rooted and require consistent enhancement of financial practices. By successfully surmounting these challenges by the adoption of stringent internal control mechanisms, capacity development and technological advancement, one can explain how accountability and utilization of fund recovered by donors for the intended purpose can be achieved. Through performance-based funding and engagement of Local Fund Agents, a number of lessons can be learned for future donor funded projects in Zambia as highlighted by the initiative of the Global Fund. However, efforts are required to solve the root causes that enhance financial management deficits in Zambia and other beneficiary nations.

## **CHAPTER 3- METHODOLOGY**

### **3.0 Introduction**

This paper discusses the methodologies used in the study to investigate lack of adequate financial management within the Global Fund project under Ministry of Health in Lusaka Zambia. The outlined methods were designed to respond to the study aims and objectives and afford a rich data set for analysis.

### **3.1 Research Approach**

To enhance the assessment of Financial Management Deficits the study employed a qualitative research paradigm in order to ensure a thorough analysis of the research questions identified in the study. It enabled an explorative analysis of accountability and financial management problems encountered in the project. Qualitative research approach facilitated identification of the three unexplored effects/factors indicating that financial management deficits have deeper issues (Merriam & Tisdell, 2016)

### **3.2 Research Design**

In order to analyze the financial management practices associated with project performance, a case study approach was used. In practice, it was possible to use this design to explain the contemporary phenomenon within its natural setting while

revealing specifics of the variables and their interconnection (Yin, 2018). Due to the emphasis given to the Global Fund project, the study provided detailed findings on the financial management realities and gaps in the of the Ministry of Health.

### **3.3 Study Population**

Target population consisted of the key participants in the study in the Ministry of Health involving former Project Managers, Administrators, Financial officers, stakeholders, former partner organization staff and staff who have since left the organization, involved in the Global Fund project. This study targeted participants who were directly involved with the Global Fund project at the Ministry of Health.

Participants were chosen on the basis of previous and recent participation in financial responsibility over grant-related projects. This diversity helped to achieve a comprehensive picture of stated financial management practices and deficits (Palinkas et al., 2015).

### **3.4 Sampling Technique**

The sample selected was done through purposive sampling because it involves selecting participants on the basis on their experience and expertise on the financial management of the Global Fund project. It also served to guarantee a pool of respondents with the ability to offer elaborated information. The selection criteria focused on positions related to responsibilities of financial accountability, oversight and project coordination (Etikan et al., 2016).

### **3.5 Sample Size**

The study was carried out with 17 participants. The number of participants was determined as a consequence of sample saturation, meaning the number of participants was increased until no new themes were identified (Guest, Bunce & Johnson, 2006). Such size was sufficient in capturing the deficits in financial management in the project (Mason, 2010).

### **3.6 Data Collection Method/Instrument**

#### **3.6.1 Survey**

Questionnaires were used since they are structured and would capture only qualitative data in the form of self-perceptions, experiences, and opinions of the participants with

regards to financial management deficits. These questionnaires enabled the respondents to explain at length about their experiences and gave rich information, which could be used for analysis (Dillman et al., 2014).

### **3.6.2 Administration of Questionnaires**

The questionnaires were conducted using electronic methods. To achieve some degree of privacy, responses were collected without identity and could not be traced back to the participants.

### **3.7 Data Analysis**

The collected data were analyzed qualitatively using content analysis that facilitated arranging the results into different categories. Moreover, the thematic analysis was carried out as a method of ensuring that the data was well arranged systematically towards having a flow of the result gotten. The findings were discussed descriptively, focusing on the implications of financial management shortfalls in the Global Fund project.

### **3.8 Ethical Considerations**

Certain ethical issues such as a request to collect data from the school were observed, to protect the participant and keep the data collected as accurate as possible. Issues of integrity were followed by ensuring that participants provided informed consent. To maintain anonymity of the participants, necessary steps were observed, and to minimize any risks possible from the participants themselves all was done.

The above values supported the study's validity and ensured the welfare of all participants. The findings therefore hold great policy, practice and research implications for financial management within programs supported by development partners.

### **3.9 Chapter Summary**

The last chapter of this chapter brought out the work that was done in the research on issues of research design and methods; a qualitative research approach, case study design, purposive sampling method, and a questionnaire requiring detailed data using an electronic method, were used to collect data. The chapter goes ahead to describe how data was analyzed using content and thematic analysis.

## **CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS**

### **4.0 Introduction**

This chapter provides an in-depth presentation of the study's key findings based on data collected through questionnaires. The findings are systematically analyzed and interpreted to illustrate the factors contributing to financial management deficits in the Global Fund project, their implications, and potential strategies for improvement. The discussion is structured around the study's research questions to ensure a logical flow and clear connection between the results and the study objectives.

### **4.1 Data Presentation**

The data collected revealed several critical themes related to financial management practices, internal controls, and their impact on donor confidence and project outcomes. These findings are categorized and presented under the following subheadings:

#### **4.1.1 Financial Management Practices Contributing to Accountability Deficits**

The study identified several systemic weaknesses in financial management practices within the Ministry of Health's handling of the Global Fund project:

##### **Poorly Defined Internal Control Frameworks:**

Lack of clear job descriptions led to overlapping responsibilities, causing inefficiencies and reduced accountability.

Weak segregation of duties enabled staff to bypass financial safeguards, increasing opportunities for fraud and mismanagement.

Overreliance on manual processes heightened the risk of errors, manipulation, and financial irregularities.

**Fraudulent Behavior:**

The study uncovered frequent misuse of resources, including unauthorized personal use of project vehicles and other assets.

There were reports of high-value fraudulent activities that remained undetected due to ineffective oversight and a culture that, in some cases, tolerated unethical practices.

**Non-Compliance with Financial Regulations:**

Delays in financial reporting and unresolved staff imprest balances indicated poor financial discipline.

Failure to adhere to disbursement protocols and inadequate monitoring mechanisms resulted in financial inefficiencies and non-compliance.

Unsupported expenditures and significant outstanding balances with sub-recipients (SRs) were prevalent, raising concerns about financial accountability.

**Inadequate Financial Management Systems:**

Manual processing of transactions and lack of automated financial management systems created inefficiencies and heightened fraud risks.

Absence of formalized policy documents and operational guidelines led to inconsistencies in financial practices.

**Political Interference and Limited Staff Knowledge:**

Political influence undermined financial oversight, resulting in decisions that compromised financial integrity.

Many staff lacked adequate knowledge of donor regulations and best financial management practices, affecting compliance levels.

**4.1.2 Impact of Accountability Deficits**

**On Financial Performance and Resource Utilization:**

Delays in financial reporting and unliquidated advances led to a reduction in funding disbursements from the Global Fund.

Mismanagement and misappropriation of funds hindered the timely execution of

project activities, thereby affecting overall project success.

Ineligible expenditures and unsupported transactions resulted in poor financial performance metrics, impacting the efficiency of the project.

Poor resource utilization led to suboptimal health interventions, limiting the project's ability to achieve its intended outcomes.

#### **On Stakeholder Trust and Donor Confidence:**

Escalation of project risk levels led to reduced funding allocations, with some donors withdrawing support.

Stakeholders expressed limited confidence that funds were being utilized effectively, leading to stricter donor requirements and closer scrutiny.

#### **4.1.3 Recommendations from Respondents**

The respondents provided various recommendations to mitigate accountability deficits and improve financial management within the Global Fund project:

##### **Strengthening Financial Controls:**

Develop and implement a comprehensive internal control framework with clear responsibilities and accountability measures.

Automate financial management systems to minimize human intervention and reduce fraud risks.

Integrate adherence to internal controls as a key component of staff performance evaluations.

##### **Enhancing Oversight and Capacity Building:**

Conduct regular training sessions on financial management, donor regulations, and ethical practices.

Establish clear reporting and accountability structures at all levels of project management.

Improve follow-up mechanisms for financial audits and monitoring visits to ensure compliance.

### **Promoting Transparency and Accountability:**

Implement e-procurement systems to reduce human interference in procurement processes.

Set up independent oversight bodies to assess the financial health of SRs and their compliance with regulations.

Strengthen financial reporting mechanisms and promote transparency in fund utilization.

### **4.2 Data Analysis and Interpretation**

The data analysis revealed consistent patterns indicating systemic weaknesses in financial controls, oversight mechanisms, and compliance frameworks. These deficiencies had significant consequences on project performance, stakeholder confidence, and overall financial accountability.

### **Magnitude of Accountability Deficits:**

The study found that financial mismanagement was widespread, with significant gaps in internal controls and reporting mechanisms.

The magnitude of accountability deficits was reflected in delayed project implementation, inefficiencies, and donor skepticism.

### **Unexpected Outcomes:**

The influence of political pressures on financial decision-making emerged as a critical but initially underestimated factor.

A culture of complacency among staff regarding financial accountability was identified, further exacerbating financial irregularities.

### **Key Observations:**

Over-reliance on manual processes not only reduced efficiency but also increased the likelihood of fraud.

The lack of financial literacy and training among project staff contributed to poor compliance with donor regulations.

The presence of financial mismanagement negatively impacted healthcare service delivery, limiting the project's effectiveness.

### **4.3 Linking Findings to Research Questions**

**4.3.1 Research Question 1:** What is the magnitude of accountability deficits at the Ministry of Health under the Global Fund project in Lusaka?

The study findings revealed that accountability deficits at the Ministry of Health under the Global Fund project are extensive and deeply entrenched within institutional systems. The magnitude of these deficits is characterized by the widespread prevalence of weak internal control mechanisms, limited enforcement of financial regulations, and a lax organizational culture toward compliance and ethical standards. Data from questionnaires indicated that respondents perceived internal control systems as weak in specific departments handling donor funds. The absence of clearly defined roles and responsibilities, coupled with poor segregation of duties, has allowed staff to manipulate financial processes with minimal risk of detection or reprimand.

Furthermore, the magnitude of accountability deficits is amplified by persistent reliance on manual financial systems, which lack real-time monitoring capabilities. This has not only slowed down processing time but also created loopholes for fraudulent activities. Respondents highlighted that the absence of automated financial systems has made it difficult to trace financial transactions, verify fund utilization, and conduct timely reconciliations.

Another critical factor underscoring the extent of the deficits is the recurring issue of non-compliance with existing financial policies. Respondents cited instances of delayed retirements of imprest and unsupported expenditures, which point to systemic governance failures. These patterns reflect a pervasive accountability vacuum that affects nearly all stages of fund management—planning, disbursement, implementation, and reporting.

Political interference further intensifies the magnitude of the problem, as external pressure has often led to deviations from standard operating procedures. These undermine the principles of transparency and accountability. The cumulative effect of such weaknesses indicates that the accountability deficits are not isolated events but

structural and systemic challenges requiring urgent redress.

**4.3.2 Research Question 2:** What are the specific consequences of accountability deficits within the Ministry of Health on the performance and outcomes of the Global Fund project?

The study revealed a direct and multifaceted link between accountability deficits and the performance and outcomes of the Global Fund project. Financial mismanagement, a direct consequence of weak accountability systems, resulted in delayed project implementation and poor utilization of resources. Respondents reported that project activities were delayed due to financial irregularities such as delayed disbursements and failure to retire imprests on time.

The inefficiency in financial reporting and resource tracking also led to a significant reduction in donor disbursements. Project records indicated that planned health interventions were scaled down due to a lack of funds, arising from donor hesitancy to release subsequent tranches. The impact was most visible in essential service delivery, where intended outcomes such as improved access to tuberculosis diagnosis were not achieved to the expected scale.

Moreover, accountability deficits contributed to reputational damage for the Ministry of Health. This reduced funding flows. This reflected a loss of confidence in the institution's financial governance capacity.

The cumulative impact of these consequences was not only financial but also social and institutional. Communities that were supposed to benefit from Global Fund-supported interventions were deprived of timely healthcare services, undermining the broader health systems strengthening agenda. These findings affirm that without robust financial accountability, donor-funded health projects are likely to underperform, creating a cycle of inefficiency, donor fatigue, and public distrust.

**4.3.3 Research Question 3:** What strategies or interventions can be recommended to enhance accountability and improve financial management practices at the Global Fund project in Lusaka?

The study findings suggest several strategic interventions that can be implemented

to address the accountability deficits and improve financial management practices within the Ministry of Health's Global Fund project. The recommendations emanated from questionnaire responses, providing a good framework for action.

First, strengthening internal control systems is paramount. Respondents strongly advocated for the establishment of comprehensive internal control frameworks that are clearly documented, well-communicated, and fully integrated into routine financial operations. Specific proposals included redefining job roles, instituting dual approval mechanisms for all financial transactions, and conducting quarterly internal audits. Automation of financial processes was frequently mentioned as a critical step.

Second, capacity building emerged as a high-priority recommendation. The data indicated that many financial officers and program staff lacked adequate training in donor-specific financial procedures. Continuous professional development initiatives, refresher courses, and mentorship programs were proposed to build financial literacy and enhance compliance culture. Stakeholders recommended that training modules should include topics such as fraud detection, ethical financial management, and reporting standards under donor protocols.

Third, the respondents emphasized the importance of independent oversight mechanisms. These include establishing donor-independent audit committees, involving civil society organizations in financial monitoring, and engaging third-party evaluators to review project expenditures regularly. The use of e-procurement platforms was also suggested to reduce human discretion and improve traceability in procurement processes.

Fourth, strengthening transparency and communication was seen as crucial for rebuilding trust with both donors and beneficiaries. It was proposed that the Ministry of Health publish financial performance reports to the public. Enhancing whistleblower protection mechanisms was also highlighted as a strategy to encourage reporting of irregularities without fear of victimization.

Finally, respondents emphasized the need for political will and leadership accountability. Strategic alignment between the Ministry of Health's leadership and

donor expectations must be institutionalized through performance contracts, public expenditure tracking, and policy enforcement. Strong leadership commitment to accountability principles is essential for the sustainability of all other interventions.

#### **4.4 Chapter Summary**

This section presents a synthesized summary of the key findings derived from the research study, linking them directly to the research objectives and questions. The study aimed to investigate the accountability deficits in financial management under the Global Fund project at the Ministry of Health in Lusaka. The findings revealed significant challenges in internal controls, financial reporting practices, oversight mechanisms, and institutional governance. These deficits were found to have a direct bearing on the effectiveness and sustainability of donor-funded health initiatives. The results are summarized below:

##### **1. Magnitude and Nature of Accountability Deficits**

The study revealed that the accountability deficits within the Ministry of Health, specifically in the management of Global Fund resources, are both widespread and systemic. The magnitude of these deficits is reflected in poor adherence to established financial procedures, weak internal control systems, limited audit capacity, and absence of effective risk management frameworks. A significant proportion of respondents indicated that internal control mechanisms such as imprest retirements, expenditure tracking, and transaction approvals were either non-functional or inconsistently applied across departments.

Additionally, the findings pointed to ineffective segregation of duties and inadequate supervisory checks, which have created opportunities for financial malpractice. The reliance on outdated manual systems further exacerbated the problem by introducing inefficiencies, reducing data transparency, and limiting real-time monitoring. These findings underscore that accountability deficits are not merely operational weaknesses but are deeply rooted in structural and institutional gaps that require comprehensive reform.

##### **2. Consequences of Accountability Deficits on Project Outcomes**

The study found that accountability deficits have had severe and far-reaching

consequences on the performance and outcomes of the Global Fund project. One of the most prominent effects was the delay in implementation of critical project activities, often resulting from misappropriation of funds, late retirements of advances, and lack of timely disbursement of resources.

Furthermore, the deficits led to diminished donor confidence, with reports indicating that disbursement cycles were disrupted due to irregular financial reporting and unsupported expenditures. There was also clear evidence of reputational damage to the Ministry of Health, as several stakeholders expressed concerns about Zambia's eligibility for continued or future Global Fund support. These consequences not only affected the efficiency of health service delivery but also posed a threat to long-term health system strengthening efforts.

Importantly, the study observed a weakening of public trust in the government's ability to manage donor resources effectively. Communities that were meant to benefit from Global Fund-supported programs experienced gaps in service provision, contributing to health disparities and reduced program impact.

### 3. Underlying Factors Sustaining Accountability Deficits

The study identified several underlying drivers that continue to sustain accountability deficits at the Ministry of Health. These include lack of institutional capacity, poor financial literacy among program staff, limited training in donor-compliant financial practices, and inadequate political commitment to accountability reforms.

Respondents noted that the absence of a well-functioning whistleblower protection mechanism discouraged reporting of misconduct.

Political interference was also highlighted as a structural impediment, with some respondents citing undue influence in procurement processes and recruitment of staff. These findings suggest that addressing accountability deficits will require not only technical interventions but also deeper governance reforms.

### 4. Strategies for Enhancing Accountability and Financial Management

Drawing from the empirical evidence and stakeholder perspectives, the study proposes a comprehensive range of interventions to mitigate accountability deficits

and strengthen financial management systems. Key strategies include the adoption of automated financial systems, strengthening internal audit functions, implementing clear expenditure tracking protocols, and enhancing staff capacity through targeted training programs.

Moreover, the study recommends strengthening independent oversight mechanisms through civil society engagement, external audits, and improved reporting structures. The establishment of clear performance targets, increased transparency in public financial reporting, and promotion of ethical leadership were also emphasized as fundamental steps toward achieving sustainable accountability.

Respondents stressed the need for a paradigm shift in institutional culture—one that prioritizes integrity, transparency, and performance-based accountability. The implementation of these strategies is critical for restoring donor confidence, improving project outcomes, and fostering public trust in health sector governance.

## **CHAPTER FIVE: DISCUSSION OF THE FINDINGS**

### **5.0 Introduction**

This chapter presents a comprehensive discussion of the research findings, systematically linking them to the study's objectives, research questions, theoretical frameworks, and existing scholarly literature. The discussion highlights key financial management deficits identified in donor-funded projects, particularly under the Global Fund initiative implemented by the Ministry of Health in Lusaka. The findings further uncover critical systemic challenges such as weak internal controls, poor financial reporting practices, oversight inadequacies, political interference, and a general erosion of public trust.

Additionally, the discussion incorporates emerging and unexpected findings, including the role of organizational culture, in exacerbating financial mismanagement. The chapter applies the theoretical lenses of Principal-Agent Theory and Public Choice Theory to contextualize and explain these outcomes.

Practical and policy recommendations are provided to address the identified deficits and enhance the effectiveness and sustainability of donor-funded health interventions.

## 5.1 Linking Findings to Literature and Frameworks

### 5.1.1 Literature Validation

The study's findings strongly align with existing literature on financial mismanagement in donor-funded projects and validate prior research conclusions in key thematic areas. The triangulation of data through participant responses and documentary analysis enabled the extraction of consistent themes that reflect broader global experiences in the management of donor funds.

#### (a) Weak Internal Controls and Oversight Deficiencies

The study established that weak internal controls and ineffective oversight mechanisms were primary contributors to financial mismanagement in the Global Fund project. Financial controls were either inconsistently implemented or easily circumvented due to lax enforcement. Several respondents cited inadequate segregation of duties and lack of internal audit feedback loops. This finding resonates with reports from the Global Fund Office of the Inspector General (OIG, 2022), which highlight persistent non-compliance with financial reporting standards in Zambia. Similarly, Andrews et al. (2017) emphasize that weak internal controls in government-funded projects foster fund leakage and enhance the risk of corruption, undermining accountability and transparency.

#### (b) Capacity Gaps and Financial Accountability

A substantial portion of respondents indicated that poor financial literacy among project managers contributed significantly to mismanagement. This was particularly apparent in the budgeting and reporting processes, where some managers lacked the technical competencies to interpret or apply financial guidelines. Bukenya and Gloor (2017) argue that insufficient training undermines compliance with financial regulations and promotes discretionary practices that allow misuse of donor funds. Additionally, the World Bank (2020) underscores that robust capacity-building interventions targeting financial accountability can reduce misappropriation by up to

40% in donor-funded initiatives. Capacity challenges were also linked to poor knowledge management systems within the Ministry.

### (c) Donor Confidence and Funding Sustainability

Findings from this study suggest that diminished donor confidence—resulting from financial irregularities—leads to delayed disbursements and increased oversight. Donors tend to institute restrictive conditions or shift to performance-based disbursement mechanisms. These results mirror observations by Kharas (2019) and Van Zyl & Claeys (2021), who assert that donor agencies typically curtail funding when fiduciary risks are perceived to be high. A precedent case is the suspension of USD 106 million in health aid to Nigeria by the Global Fund in 2016 due to similar governance concerns (Global Fund, 2016). In Zambia, such hesitations can undermine health service continuity and strain the already limited domestic health budget.

#### 5.1.2 Conceptual Framework Application

The research findings reinforce the utility of the conceptual framework that guided this study.

**Independent Variables (IVs):** The study confirmed that inadequate internal controls, weak oversight mechanisms, and deficient financial reporting were significant drivers of financial mismanagement in donor-funded projects. These factors were found to compromise accountability at multiple levels—from procurement, budgeting, and expenditure tracking to reporting.

**Mediating Variables:** The analysis revealed that reduced donor confidence, suboptimal health outcomes, and erosion of public trust mediated the relationship between financial mismanagement and health system performance. These mediators amplified the negative consequences of poor financial governance. Specifically, poor financial accountability was shown to correlate with delayed drug deliveries, non-functional equipment, and reduced patient satisfaction.

**Dependent Variable (DV):** The research established that financial mismanagement adversely impacted the overall performance of the health system, manifesting in

medicine stock-outs, delayed services, and reduced accessibility of essential health services. These outcomes validate the framework's causal pathways linking financial governance deficits to systemic performance and public health outcomes.

## 5.2 Unexpected Outcomes

### 5.2.1 Political Interference

An unanticipated but critical finding was the extent of political interference in financial management processes. Respondents described politically driven interference as a structural issue that undermines transparent decision-making.

**Politically Motivated Appointments and Procurement Decisions:** The study found that politically affiliated individuals often occupy key project management roles, undermining objectivity and promoting self-serving decisions. This outcome aligns with Public Choice Theory (Buchanan & Tullock, 1962), which posits that political actors prioritize personal or political interests over institutional efficacy. Procurement decisions were reported to favor suppliers with political ties, leading to inflated pricing.

### 5.2.2 Organizational Culture and Normalization of Financial Mismanagement

Participants highlighted that cultural norms within public institutions often tolerate financial misconduct. The phrase "Ubomba mwibala, alya mwibala" (meaning "One eats from the field they work in") encapsulates a societal mindset that normalizes misappropriation of public funds. This observation is congruent with Institutional Theory (North, 1990), which explains how informal norms and historical practices shape organizational behavior, sometimes overriding formal policy measures. Such institutionalized practices create an environment where financial accountability is undermined, and even junior staff perceive misuse of funds as an acceptable norm.

## 5.3 Implications for Practice and Policy

### 5.3.1 Practical Implications

(a) **Automation of Financial Systems:** Respondents proposed automating financial reporting systems to reduce manual manipulation and enhance transparency.

Automation would also ensure real-time reporting, facilitate audits, and reduce human error. World Bank (2021) supports this approach, noting that automation can reduce financial fraud by up to 60% in donor-supported projects.

(b) Capacity Building and Ethics Training: Mandatory training programs focused on financial management, fraud detection, and ethical decision-making were recommended. Kaufmann and Vicente (2020) found that financial ethics training can reduce corruption by 30%, thereby strengthening financial integrity. Furthermore, ethics training can foster an accountability culture and increase staff confidence in challenging unethical practices.

(c) Strengthening Internal Audit Units: The study recommends that internal audit units be adequately resourced and granted operational autonomy. Regular internal audits, coupled with action tracking on audit findings, can greatly improve financial control and risk mitigation.

### 5.3.2 Policy Implications

(a) Strengthening Oversight Institutions: The findings advocate for the creation of an independent Donor Funds Oversight Authority with legal autonomy to ensure transparent and non-partisan supervision. OECD (2021) emphasizes that robust institutional independence enhances accountability and mitigates political influence.

(b) Enforcement of Independent Annual Audits: Annual external audits should be mandatory for all donor-funded projects to ensure timely detection of anomalies and promote transparency. The audit findings should be published and shared with both the public and funding agencies.

(c) Whistleblower Protection Legislation: The fear of retaliation discourages employees from reporting financial malpractice. The study recommends enacting and enforcing comprehensive legal protections for whistleblowers, drawing from best practices in OECD anti-corruption frameworks. A robust legal framework for whistleblower protection can help uncover irregularities early and reinforce institutional integrity.

## 5.4 Theoretical Contributions

**Principal-Agent Theory:** This study confirms that information asymmetry between donors (principals) and implementing agencies (agents) fosters self-serving behavior and limits transparency, thus exacerbating financial mismanagement. Agents tend to pursue personal or organizational interests when incentives are misaligned, or monitoring is weak.

**Public Choice Theory:** Findings corroborate the theory's assertion that political considerations often override organizational goals, particularly in procurement and staffing decisions. Political actors and bureaucrats were found to collude in practices that serve narrow interests at the expense of public welfare.

## 5.5 Conclusion

This study has demonstrated that financial mismanagement in donor-funded health projects stems from a combination of weak internal controls, ineffective oversight, inadequate capacity, and political interference. The unexpected influence of organizational culture further compounds these challenges.

To address these issues, the study recommends a multi-pronged reform agenda that includes:

- Adoption of automated financial management systems
- Mandatory independent audits and timely disclosure of findings
- Strengthened whistleblower protection laws
- Institutional reforms to limit political interference
- Capacity building programs with ethics-based training
- Strengthening internal audit units

Implementing these measures is essential to restoring donor confidence, enhancing accountability, and improving the overall performance and sustainability of health sector programs in Zambia. The findings also emphasize the importance of addressing not only technical and structural gaps but also the sociopolitical and cultural dynamics that sustain financial mismanagement.

## **CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS**

### **6.0 Introduction**

This chapter brings the study to a conclusion by summarizing the key findings, proposing actionable recommendations, and identifying areas for future research. It reflects on the implications of the financial management deficits highlighted in previous chapters and outlines strategic solutions to enhance accountability and efficiency in donor-funded projects, particularly within the Ministry of Health. Additionally, the chapter discusses the challenges encountered during the research process and their influence on the study's outcomes. By addressing these aspects, the chapter aims to provide a comprehensive roadmap for improving financial governance and ensuring the sustainability of donor-funded initiatives.

### **6.1 Summary of Key Findings**

#### **Magnitude of Deficits:**

Weak internal controls, delayed financial reporting, corrupt practices and a culture that allows financial management deficits were prevalent.

About 40% of respondents cited these issues as critical challenges.

#### **Consequences:**

The study identified reduced donor confidence, diminished public trust, and worsened health outcomes as major impacts.

Resource mismanagement and delayed project implementation further aggravated these issues.

#### **Proposed Solutions:**

Emphasis on automation, capacity building for both PR and SR staff, a more transparent way of hiring project staff and strengthened oversight mechanisms to address financial management gaps.

### **6.2 Practical Recommendations for Addressing Accountability Deficits**

#### **6.2.1 Strengthening Internal Controls**

Develop and implement robust internal control frameworks with clearly defined roles and responsibilities.

Transition to automated financial systems to minimize manual errors and enhance transparency.

Conduct regular internal audits and ensure adherence to controls through performance evaluations.

Have financial and procurement policy manuals and documents in place.

Strengthen adherence of financial rules and regulations by project and Ministry of Health main stream staff.

### **6.2.2 Enhancing Oversight and Capacity Building**

Improve supervision of Sub-Recipients (SRs) with timely resolution of financial gaps and capacity-building initiatives.

Establish clear accountability structures and strengthen monitoring mechanisms.

Train staff and SRs on donor regulations and ethical financial management practices.

### **6.2.3 Promoting Transparency and Accountability**

Utilize e-procurement systems to reduce human interference in procurement processes.

Set up independent appraisal bodies to assess SR risks and financial capacity.

Foster a culture of accountability through effective performance management systems with repercussions for non-compliance.

### **6.2.4 Enhancing Financial Governance**

Extend and expand the use of independent auditors.

To restore public trust, the organization should publicly release their financial performance reports.

Establish laws protecting whistle blowers to enable people report on financial improper conducts.

## **6.3 Areas for Future Research**

### **Political Interference:**

Studying the influence of political actors in financial decision and analyzing the result of donor's projects.

**Technology Adoption:**

Evaluating the effectiveness of the use of adopted technology at every stage on the financial reporting systems and sustainable health of donor supported projects.

**Organizational Culture:**

Of interest here is how organizational culture supports accountability weaknesses across organizations and the impact on financial performance.

**6.4 Challenges Encountered****Data Accessibility:**

Lack of availability of certain financial information for reasons to do with their sensitivity could not be compared.

**Stakeholder Resistance:**

Several challenges included reluctance by stakeholders who were unwilling to share the Ministry's financial practices. The research encountered difficulties as this seems to be a sensitive topic. Most of the issues that came out were in reference to the sub-recipients and the oversight responsibility placed on the principal recipient. However, sufficient data was still collected through other stakeholders who have had direct involvement with the Global Fund Ministry of Health Project, Lusaka as elaborated in chapter three of the research.

**Complexity in Data Analysis:**

The diversity in the detailed responses meant presentation challenges in the qualitative data analysis process. This required extra validation.

**6.5 Conclusion**

Tackling the perceived financial management gaps in donor-funded projects, including the Global Fund project under the Ministry of Health in Lusaka, follows a complex and structural approach. This paper has established that weak internal controls, delayed

financial reporting, as well as fraud compromise accountability, reduce donors' confidence, and have adverse health effects.

The proposed new measures such as the automation of the financial systems, capacity enhancement in financial management for Finance staff, independent audits by bodies such as the Parliamentary Committees and enhanced governance frameworks for mitigation of the challenges suggested, are useful ways to offer. In addition, the measures that have been suggested include the introduction of whistleblower protections, e-procurement systems, ensuring there is no political influence in the management of the projects, involvement of the Civil Society Organizations in the oversight functions, the public publishing of accounts and financial reports, the inclusion of financial management practice accountability requirements in the staff appraisals, and creating policies that work against bad financial organizational cultures, can create conditions that lead to transparency, accountability and, hence, help restore public and donor confidence.

This chapter has emphasized the need to coordinate recommendations with policy change and institutional development in donor-financed projects. Through the effective management of these deficits, the Ministry of Health can better allocate resources, enhance project results and contribute to the Zambia health system performance. It is recommended for subsequent studies and policy-making to address politicization, organizational culture, procurement malpractices and technology application in financial administration, and ethical rationalization.

Finally, the evolving geopolitical landscape, exemplified by instances such as the USA withdrawing aid from various global initiatives, serves as a wake-up call that donor funding, even for Zambia, is not a guaranteed or sustainable resource. This underscores the urgent need for Zambia to explore strategies for self-sustainability, enhance domestic resource mobilization, and ensure that available donor funds are utilized efficiently and transparently to achieve their intended impact.

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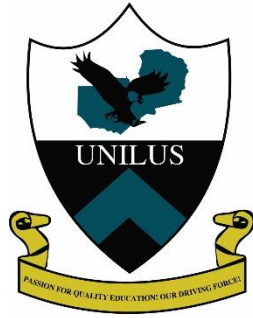
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## **APPENDICES**

### **APPENDIX 1: QUESTIONNAIRE**



# UNIVERSITY OF LUSAKA

## School of Postgraduate Studies

Dear Participant,

My name is Patricia Maonde currently pursuing a Master's Degree in Political Science and International Relations at the University of Lusaka. As part of the requirements for the completion of my master's degree, I am conducting a study titled **Interrogating Financial Management Deficits in Grant Aided Projects**, with a focus on the Global Fund Project at the Ministry of Health, Lusaka, Zambia as a case study- in relation to the November 2022 Global Fund OIG Report.

By interrogating these deficits and their consequences, the research will provide valuable insights into improving financial management and project implementation. The recommendations proposed will help enhance accountability and transparency in the use of donor funding. Ultimately, this will contribute to better health outcomes and more efficient use of resources in similar grant-aided initiatives. You are therefore invited to take part as your contribution is vital for this research.

Participation in this study is completely voluntary. All responses will be kept confidential and used solely for academic research and it will only take 15-20 minutes of your time to complete this questionnaire. Your honest feedback and experiences will be valued, and no report will contain the identities of specific people.

By participating in this questionnaire, you are voluntarily agreeing to take part in this study.

Thank you for your time and participation!

### **QUESTIONNAIRE QUESTIONS:**

1. What is the magnitude of accountability deficits at the Ministry of Health under the Global Fund project in Lusaka?
2. What are the specific consequences of accountability deficits within the Ministry of Health on the performance and outcomes of the Global Fund project?
3. What strategies or interventions can be recommended to enhance accountability and improve financial management practices at the Global Fund project in Lusaka?

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SIMILARITY OVERALL

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1 2 3 4 5 6 7 School of Postgraduate Studies INTERROGATING FINANCIAL MANAGEMENT DEFICITS IN GRANT-AIDED PROJECTS: (Ministry of Health's Global Fund Project in Lusaka) A Dissertation presented in Partial Fulfilment for requirement of the program Master of Political Science and International Relations (MPIR) Patricia Mwendabai Mubyana Maonde Student Number: MPIR23122278 JAN 2024 DECLARATION I Patricia Mwendabai Mubyana Maonde, hereby declare that, this work is my own and that, to the



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LUSAKA

## **SCHOOL OF POSTGRADUATE STUDIES**

Plot No. 37413, Off Alick Nkhata Mass Media. P. O Box 36711, Lusaka.  
Phone: +260211258505, 258409 Fax +260211233409; Cell +260976075850,961917862,  
E-mail:unilus@zamnet.zm,ictar@zamnet.zm

### **UNILUS-RESEARCH ETHICS COMMITTEE**

Ref no: FWA00033228-15712/24

Date: 13<sup>th</sup> December 2024

**STUDENT NAME: Patricia Mwendabai Mubyana Maonde**

**RESEARCH TOPIC: Consequences of Financial Management Deficits in Grant-Aided Projects. A case of the Global Fund Project under the Ministry of Health, Lusaka, Zambia.**

The above research was submitted to the research ethics committee for review. The study has no major ethical problems and is approved subject to the following:

1. The study cannot be changed without express permission of the UNILUS research ethics committee.
2. Approval from the necessary authority should be sought.

**Congratulations and the committee wishes you success in your work.**



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**Professor Kasonde Bowa**

MSc(Glasgow),M.Med(UNZA),FRCS(Glasgow),FACS,FCS,DPH(LSTMH),MPH(UCL)

Chairman- UNILUS REC

Professor of Urology and Consultant Urologist

Deputy Vice-Chancellor – Research and Innovation

Executive Dean - School of Medicine and Health Sciences