

# POLICY MONITORING AND RESEARCH CENTRE



## PMRC CONSTITUENCY DEVELOPMENT FUND (CDF) POLICY ANALYSIS

WORKING TOWARDS A MORE EFFECTIVE DECENTRALISED SYSTEM OF NATIONAL DEVELOPMENT

Unlocking Zambia's Potential

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## ABBREVIATIONS

ADC	Area Development Committee
CDC	Constituency Development Committee
CDF	Constituency Development Fund
CPOC	Constituency Project Oversight Committee
DDCC	District Development Coordinating Committee
DTC	District Tender Committee
EAZ	Economics Association of Zambia
EFZ	Evangelical Fellowship of Zambia
IBP	International Budget Partnership
MP	Member of Parliament
PPC	Progress Payment Certificates
PMC	Project Management Committees
WDC	Ward Development Committee
ZIPAR	Zambia Institute for Policy Analysis and Research

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## INTRODUCTION

According to the Centre for International Development, a Constituency Development Fund (CDF) is a policy tool and development initiative whereby public money is dedicated to benefit specific political subdivisions.<sup>1</sup> The fund aims to bypass often-inefficient local structures, and deliver goods and services directly to constituencies.<sup>2</sup> If efficiently used, it is argued that the funds can have a significant impact, and to date, over 20 different countries have adopted or are considering adopting CDFs.<sup>3</sup> Proponents of CDF assert that CDF demonstrates key principles of local ownership by enhancing local voices, and increasing community participation in decisions affecting them.

However, numerous criticisms have been raised against the overall principles of CDF. There are no international guiding principles on the utilisation of such a fund, nor evidence to support best practice systems. Differences in the allocation and utilisation of CDF can be seen across countries and little monitoring has been undertaken to assess methods of CDF implementation. Key

issues with community knowledge of CDF, poor quality workmanship or uncompleted projects, lack of monitoring of implementation and lack of sanctions against abuse of funds is limiting the potential impact on grassroots development, as well as increasing audit query amounts. Further, studies indicate that the fund is unconstitutional, and allocating vital resources away from the Ministry of Local Government and Housing.

This policy analysis raises the question of CDF as a flawed process, a fund in existence largely due to political motivations and failings in existing systems of service delivery and development. PMRC proposes that a strategy be developed to phase out CDF and replace it with a more effective, decentralised system forming part of the overall national development plan. This would ensure accountability, effectiveness and efficiency in the use of public resources, address the root causes of CDF audit queries, and target grassroots community needs and development to reduce poverty in Zambia.

<sup>1</sup> Center for International Development, Constituency Development Funds Workshop, Rockefeller College of Public Affairs and Policy University at Albany, State University of New York, December 8-9, 2009

<sup>2</sup> Economics Association of Zambia (EAZ), Impact of the Constituency Development Fund in Zambia, 2011

<sup>3</sup> Kimenyi, Mwangi S., "Efficiency and Efficacy of Kenya's Constituency Development Fund: Theory and Evidence" (2005). Economics Working Papers. Paper 200542. [http://digitalcommons.uconn.edu/econ\\_wpapers/200542](http://digitalcommons.uconn.edu/econ_wpapers/200542)

## CDF IN ZAMBIA

CDF in Zambia is intended for micro-community development projects that are visibly beneficial and involve active participation of ordinary community members. Emphasis is placed on achieving benefits at a grassroots level, encouraging the involvement of local communities in both labour and supply of materials for projects.

The fund was first introduced in 1995, announced during the opening of the Fourth Session of the Seventh National Assembly, with President Chiluba stating: 'Beginning this year, the government is devising a new budget format that will provide constituency grants that will fund local generated project ideas. I want each constituency to target a significant portion of these funds at youth development projects, projects mooted and managed by the youth themselves'. This was supported by the 1994 budget debate, with the Minister of Finance stating that ZMW 4.5 million (rebased) was being allocated to the fund under the Ministry of Local Government and Housing.<sup>4</sup>

According to the Local Government Act Chapter 281 Section 45, the Minister 'may, on such terms and conditions as he may determine, make constituency development grants or loans of money to a council for the purposes of the discharge by the council of any of its functions'. Section 45(3) indicates that grants can be related to water and sanitation, health services, fire services, road services, police services, primary education, and agricultural services.

For the first three years following the establishment of the CDF, funds in constituencies were used largely at the discretion of Members of Parliament (MPs), and were not subject to any specific guidelines or legal requirements outside of those specified in the Local Government Act. It was only in 1998 that initial guidelines were established to direct the use of CDF. These were revised in 2003 and again in 2006 and now include the following key aspects:

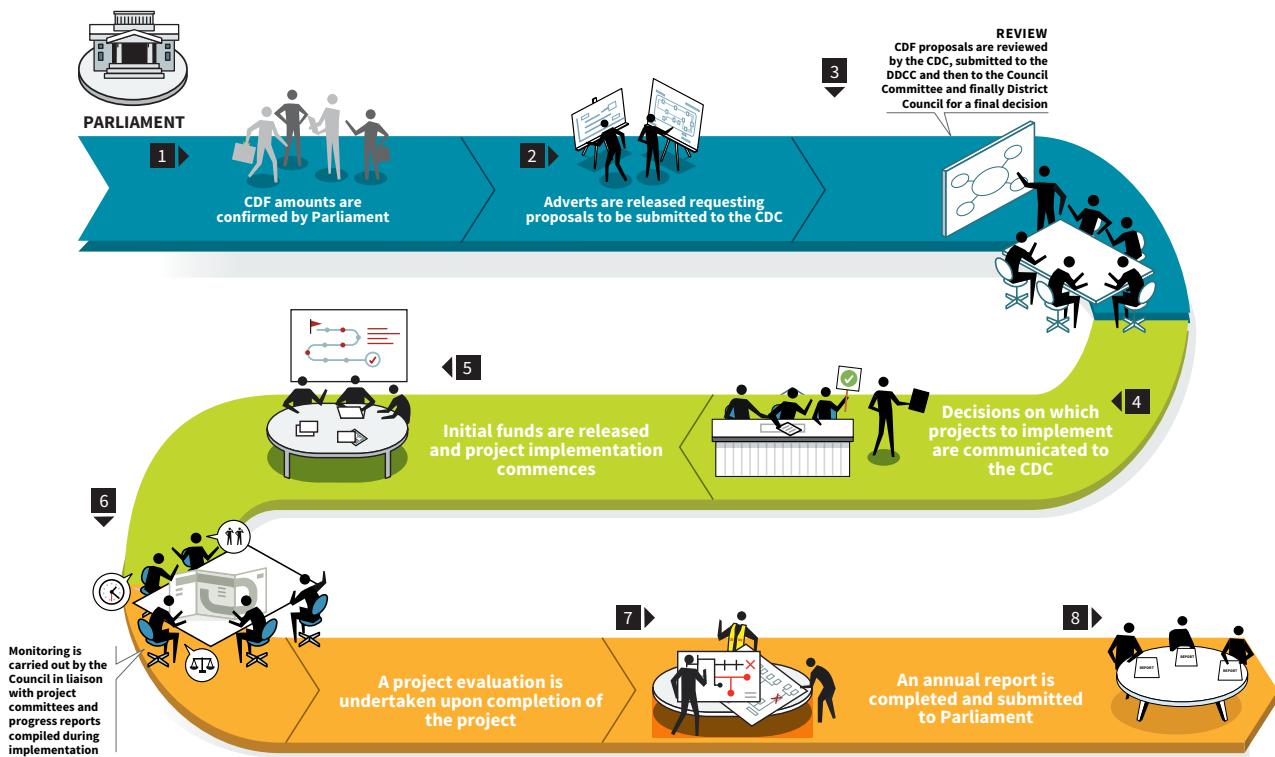
1. A Constituency Development Committee (CDC) is required for each constituency to assist with overseeing the utilisation of the fund. Membership of the CDC is nine, including the MP, 2 Councillors, 1 Chief, 1 Director of Works or Engineering Services and 4 Community Leaders. The CDC has tenure of office for three years.
2. The Council is responsible for administering the CDF. This begins with advertising and

inviting proposals for CDF projects from communities in the first quarter of the year. Projects are identified by the CDC and then assessed at various levels by the District Development Coordinating Committee (DDCC) and then Council for approval, ensuring there is no duplication of efforts. The Council then informs the CDC on decisions for projects to be implemented.

3. Projects are required to be developmental in nature and beneficial to various stakeholders. The Guidelines provide examples of projects eligible for the CDF including those in the following sectors:
  - a. Water supply and sanitation;
  - b. Roads;
  - c. Agriculture projects; and
  - d. Other social amenities such as markets and bus shelters, education and health programmes, sport and recreation and other economic activities.
4. CDF projects are required to involve community participation in the form of labour and use of locally available materials. A District Tender Committee (DTC) is responsible for evaluating bids for any specialised works. Contracts must follow prescribed agreement forms outlined in the Guidelines.
5. CDF funds are disbursed to bank accounts held under the Council in the name of Constituencies. A 15% advance can be made to a contractor with further payments available upon evaluations and receipt of Progress Payment Certificates (PPC) from the Council.
6. All CDF projects are required to be completed within one year.
7. The Council is responsible for maintaining records of all CDF meetings, and for monitoring CDF project implementation, preparing progress reports, and evaluating projects upon completion before the disbursement of the following years funds. All reports should be submitted to the Minister of Local Government and Housing.
8. Administrative costs are covered by an allocation of 10% of the total CDF.
9. Regular auditing is required by the Local Government Auditors of the Ministry of Local Government and Housing.

<sup>4</sup> Malama, K. The Utilisation of Constituency Development Funds (CDFs) in Karmwata: A Participatory Communicative Appraisal, The University of Zambia, Lusaka, 2009

**Figure 1: Process of CDF in Zambia**



Source: Policy Monitoring and Research Centre (PMRC)

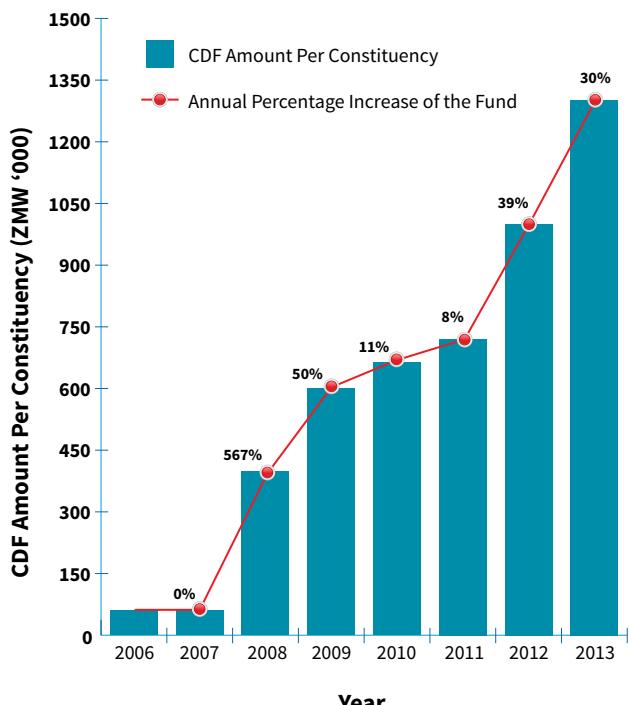
10. Any abuse of funds should result in the suspension or forfeiture of Council grants until the reimbursement of the CDF, and legal action is taken against CDC members or Council Officials.
11. An annual report is prepared by the Minister of Local Government and Housing on the performance and operations of CDF to be submitted to Cabinet and Parliament.

Figure 1 illustrates the process of implementing CDF projects in accordance with the CDF Guidelines.

#### CDF ALLOCATIONS

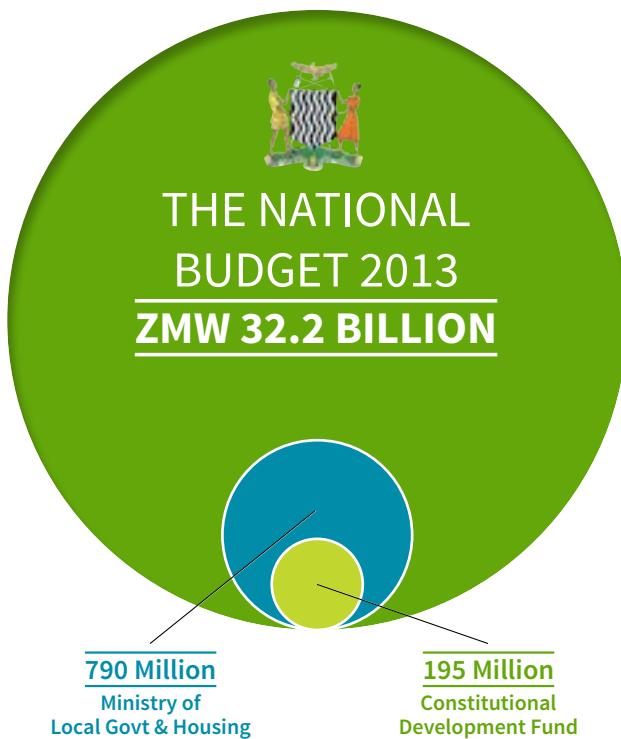
Budget allocations for CDF totalled ZMW 1,300,000 per constituency in 2013, with the amount rapidly increasing over the years, from only ZMW 60,000 in 2006 when the Guidelines were introduced. The most substantial increase occurred between 2007 and 2008 by over 500%. CDF is now a significant amount of public funds totalling ZMW 195 million in 2013, and as such effective and efficient use is essential.

**Figure 2: CDF Amounts 2006 – 2013**



Source: Policy Monitoring and Research Centre, 2014

**Figure 3: 2013 National Budget**



Source: The National Budget, 2013

#### CDF BUDGET AND AUDITING

CDF accounts for a significant portion of national budget. In 2013, the National Budget was ZMW 32.2 Billion. The 2013 CDF budget represented 0.6% of this amount. The total budget for the Ministry of Local Government and Housing in 2013 was ZMW 790 Million. CDF allocations accounted for 25% of the Ministry's total budget, and as such, form a large part of Ministry operations.

In order to assess whether public funds and resources have been utilized in an effective, economic and efficient manner for the benefit of society, audits of expenditure are undertaken. Auditing of CDF by the Ministry of Local Government and Housing is prescribed by the CDF Guidelines, however, as public resources, the funds are also subject to external auditing by the Auditor General. Their role is to enhance accountability and transparency in the utilisation of public resources appropriated by parliament for the benefit of the people of Zambia. This is achieved through scrutinising both financial and non-financial records to find out if regulations that govern the expenditure of public funds and resources are being complied with. Results on how public resources have been applied are then reported to parliament.<sup>5</sup>

Until recently, results of external auditing of CDF were included in the main Auditor General

Report under the Ministry of Local Government and Housing. However, the increasing amounts of funds included in CDF and growing attention to these funds led to the introduction of a separate audit for CDF in 2011<sup>6</sup>. The first report produced was an audit of the 2010 and 2011 financial years, with queries combined for both years. A separate report was then undertaken for the financial year of 2012.<sup>7</sup>

Given the relatively new introduction of CDF auditing, the audit reports and processes are still being developed and refined. As such, it has been necessary to make a number of assumptions when undertaking analysis:

- No overview of audit coverage was available at the Auditor General's Office. Assessment of audit coverage was therefore based on review of the Preliminary CDF Audit Report compiled by the Auditor General, outlining any potential issues for discussion with controlling officers and consideration in the audit process.
- The CDF Audit Report contains no clear summary of which constituencies have audit queries and which constituencies were cleared during auditing. It has been assumed that all the constituencies with audit queries have been named in the document text. Comparison was made to the Preliminary CDF Audit Report to calculate which constituencies were cleared of audit queries.
- In many cases in the CDF Audit Report, an audit query amount is stipulated for a District, or in some cases Province, with no breakdown provided per Constituency. It has therefore not been possible to present findings of the analysis for each individual constituency. Data has been summarised according to constituencies per Province.

#### SUMMARY OF CDF AUDIT QUERIES

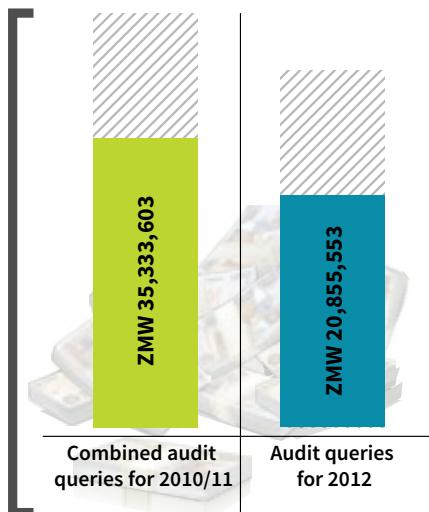
The combined audit queries for 2010/11 totalled ZMW 35,333,603 (rebased) and in 2012, ZMW 20,855,553 (rebased). There have been improvements in both the audit coverage, (the number of constituencies included in the audit process), and the percentage of audited constituencies with reported audit queries. However, the percentage of available funds under query has slightly increased.

5 Commonwealth Nations: Zambia – Office of the Auditor General. Sourced at [http://www.commonwealthofnations.org/partner/office\\_of\\_the\\_auditor\\_general/](http://www.commonwealthofnations.org/partner/office_of_the_auditor_general/) on 04/03/2013

6 Interview with G.Pheri, Principle Auditor, Office of the Auditor General, 30.05.2014

7 Audits of Grants to Local Authorities are also included in this report, however, these have been excluded from this report focusing on CDF.

**Figure 4: Total Audit Queries 2010/11 and 2012**

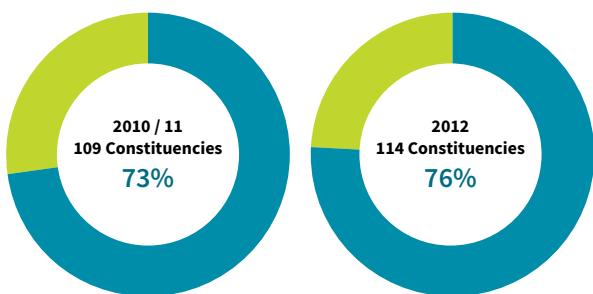


Source: Policy Monitoring and Research Centre, 2014

#### AUDIT COVERAGE

In 2010/11 a total of 109 constituencies were audited, representing 73% of the total 150 constituencies in Zambia. This increased to 114 constituencies in 2012, representing 76% of the total number of constituencies in Zambia, indicating a level of improvement in audit coverage by the Office of the Auditor General. (Figure 5)

**Figure 5: Office of the Auditor General CDF Audit Coverage**



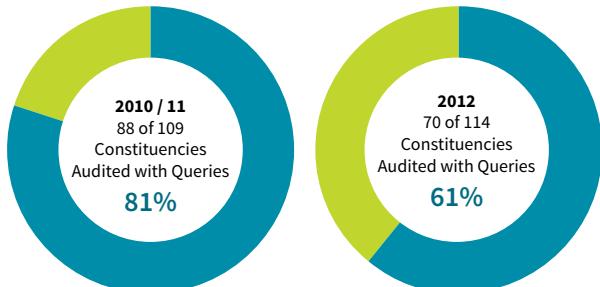
Source: Policy Monitoring and Research Centre, 2014

#### AUDITED CONSTITUENCIES VS CONSTITUENCIES WITH AUDIT QUERIES

Not all constituencies undergoing audit procedures will appear in the final audit report; some will be cleared of any queries and found to comply with regulations. Of the 109 constituencies audited in 2010/11, 88 appeared in the final audit report. This indicates that 81% of audited

constituencies were found to have issues of non-compliance with guidelines controlling the use of CDF resources. In 2012, of the 114 constituencies audited, 70 were found to have audit queries. This indicates that 61% of audited constituencies had issues of non-compliance, pointing to a level of improvement in audit compliance. (Figure 6)

**Figure 6: Audited Constituencies with Audit Queries**



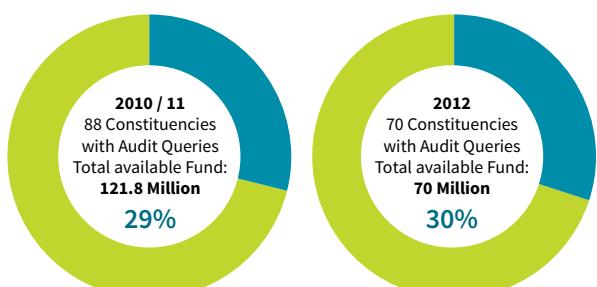
Source: Policy Monitoring and Research Centre, 2014

#### PERCENTAGE OF AVAILABLE FUNDS UNDER QUERY

Whilst the percentage of audited constituencies with audit queries decreased between the two years under review, the total percentage of available funds under query increased slightly. A total of 88 constituencies were listed in the CDF Auditor General Report 2010/11. Each constituency received an allocation of ZMW 665,000 in 2010 and ZMW 720,000 in 2011. As such, the total available amount of funds for the 88 constituencies listed in the report for the two years was ZMW 121,880,000. Of this amount, 29% was under query.

In 2012, 70 constituencies were found to have audit queries. Each constituency received ZMW 1,000,000 in 2012, meaning the total available funds to the 70 constituencies listed in the report were ZMW 70,000,000. Of this amount, 30% was under query, indicating an increase of 1% (Figure 7).

**Figure 7: Percentage of Total Available Funds Under Query**



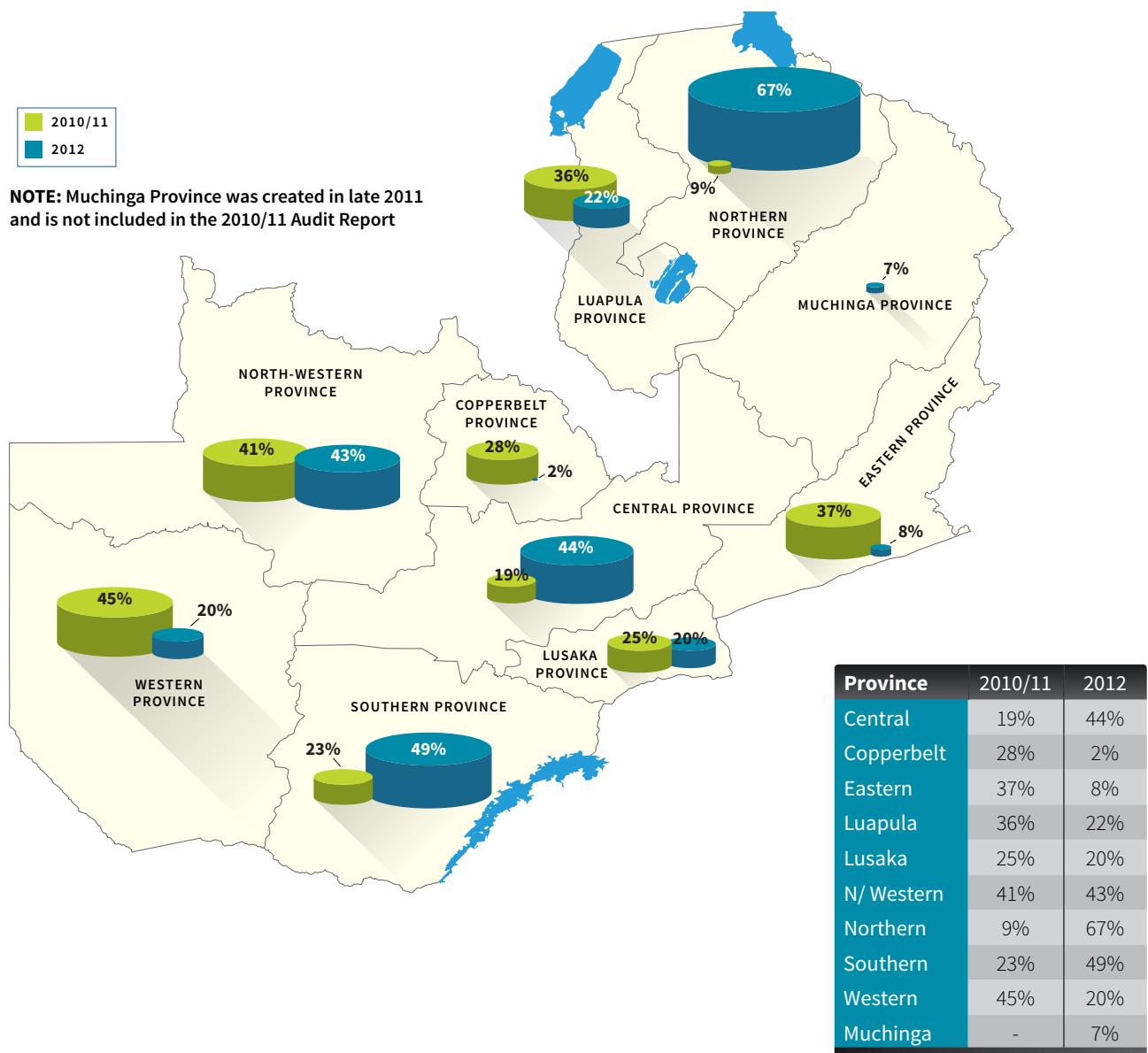
Source: Policy Monitoring and Research Centre, 2014

The percentage of funds under query differed according to Province however, with Western Province having the highest amounts under query at 44% and Northern Province the lowest at 9% in 2010/11 (Figure 8). The performance of Provinces altered significantly between 2010/11 and 2012, with Northern Province increasing to have the highest percentage of funds under query at 67%. Southern, Central and North Western Province all also have above average percentages of available funds under query in 2012 in comparison to the total funds available. There have instances of both improvement and decline in performance. Further audit details would be required to produce a more comprehensive trend analysis.

## CATEGORIES OF CDF AUDIT QUERIES

Consideration of the types of queries raised in the CDF Auditor General Report is important to understand the root causes of query issues. **Weak procurement or contract work** ranks highest in 2010/11 and second highest in 2012 (Figure 9). This refers to any project that has not been implemented in a timely manner or that has experienced poor workmanship, resulting in low quality development. This category also refers to projects that have not been completed within the one-year period as required by the CDF Guidelines. The most significant issue in 2012 was **failure to follow procurement procedures** in the purchase

**Figure 8: Percentage of Available Funds Under Query per Province, 2010/11 & 2012**



Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from CDF Auditor General's Report 2010-2012

of goods, supplies or appointing contractors. This includes the lack of correct tender process and not obtaining competitive quotes. In 2012 this largely relates to issues involving large amounts of money for the procurement of earth moving equipment in eight different councils.

Issues of **unvouched expenditure**, referring to a lack of payment vouchers, relevant signatures, receipts or any other document support expenditure, and unaccounted for stores, referring to the lack of receipt and disposal details for goods procured, were also high in 2010/11.

The CDF Auditor General Report also provides an indication of the amounts of 'unspent funds'. This aims to assess compliance with CDF Guideline No. 7, which states that all funds must be utilised by the end of December in any year. Information presented in the 2010/11 report indicates that around 36% of the available funds in the two years remained unspent. In 2012, half of audited constituencies were found to have unspent funds. Over 70% of the funds available to these constituencies remained unspent. however, as discussed below, this may be due to the late release of funds rather than deliberate misuse of resources.

This data suggests significant difficulties in implementing projects aimed at micro-

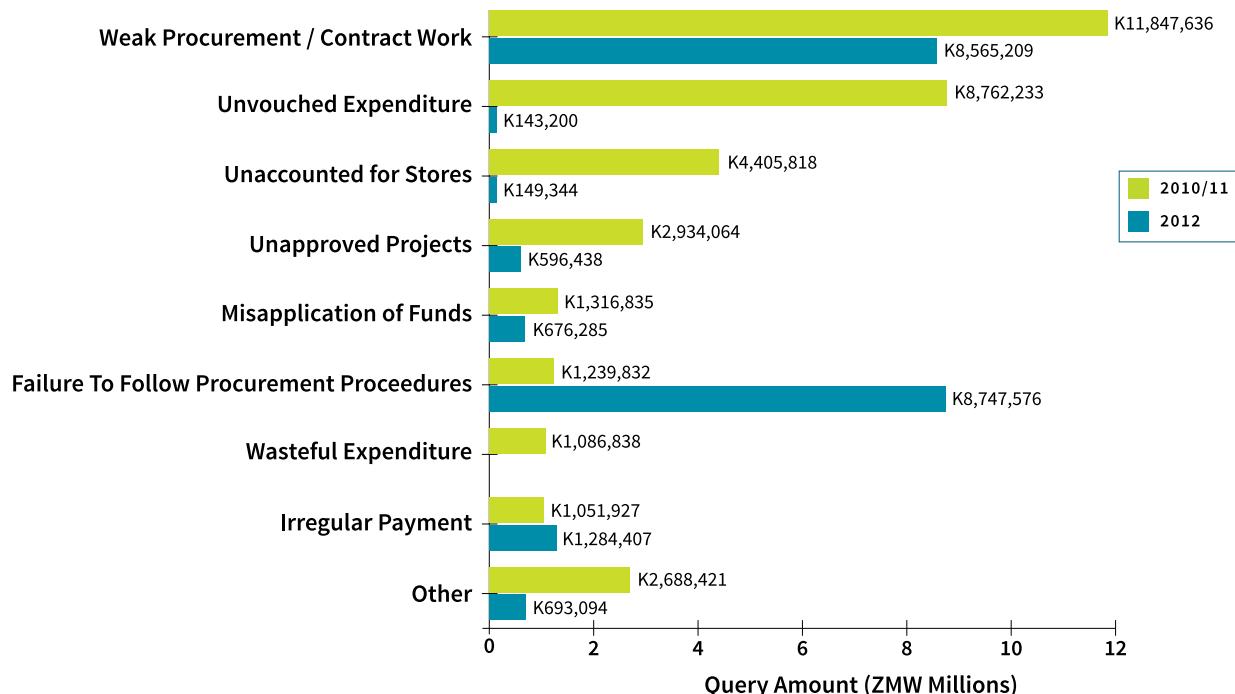
development, both in completing projects to an acceptable standard, and in utilising the funds made available. Whilst audit processes are generally weak and in a state of ongoing review and development, it is clear that there are both repeated instances of abuse of funds, and generally poor utilisation or management of funds, meaning valuable national resources are not being maximised.

### CDF BEST PRACTICE: LEGAL FRAMEWORK AND GUIDELINES

International best practice plays a pivotal role in identifying the reasons behind current weaknesses in administration of Zambia's CDF and in enhancing both policy and practice in Zambia. However, despite the relatively widespread use and increasing amounts of CDF, no international standards or guidelines regarding the principles or key aspects of such a fund are in common use, nor do any templates or tools for the implementation of CDF.

The enormous potential for abuse in the operations of CDFs necessitates urgent action on the part of policy makers and scholars to devise norms, rules and procedures for the effective operation of these increasing funds.<sup>8</sup> Workshops have been held to discuss the form of such guidelines in

**Figure 9: Query Categories 2010/11 and 2012**



Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from CDF Auditor General's Report 2010-2012

<sup>8</sup> Baskin, M. Constituency Development Funds (CDFs) as a Tool of Decentralized Development, Overview Paper, State University of New York Center for International Development (SUNY/CID), September 2010

recent years and some recommendations have emerged, however, as yet, no overall guiding documents have been produced.<sup>9</sup> The current lack of guidelines or toolbox to CDF limits the potential to draw useful comparisons and focus on key targets to achieve when implementing CDF. The following analysis will therefore compare aspects of CDF in other countries largely within the region, as well as lessons learnt from these systems.

**The key principle or goal behind CDF is generally constant between countries:**

Zambia	To finance micro-community projects for poverty reduction'
Malawi	To respond to immediate, short-term community development needs and [ensure] that rural development spreads evenly throughout the country.
Kenya	To promote development and alleviate poverty at constituency level.
Uganda	To address poverty at the grassroots level, where other government poverty reduction policies have not been able to succeed more fully.
Jamaica	To promote human and infrastructure development at the community and constituency levels' and to 'empower the Members of Parliament to respond to the needs and priorities articulated by their constituents, thereby achieving improved governance at the local level.

However, the form of CDF differs, both between and sometimes even within, countries, in terms of the amount, allocation principles and utilisation of the funds.



In Kenya, CDF is legislated by The Constituency Development Fund Act 2013, managed at a local level by the Constituency Development Committee (CDC) and at a national level by the CDF Board. Project Management Committees (PMCs) also exist to oversee the implementation of individual CDF projects. Regulations specify that the fund should comprise not less than 2.5% of national

revenue, 75% of which is equally distributed amongst all constituencies. The remaining 25% is then allocated to poorer areas in greater need of development, focusing on principles of equity and redistribution.<sup>10</sup> Permitted projects for CDF in Kenya relate to healthcare, education, security, electricity, sanitation and water treatment.



A similar principle of CDF distribution is followed in Tanzania, whereby 25% is distributed equally, 45% in relation to the population size, 20% to account for the poverty margin and the remaining 10% according to geographical size. Introduced in 2009, the fund is strongly modelled on Kenyan legislation.<sup>11</sup>



In comparison, Uganda follows a system of equal allocation of funds to all constituencies. The fund was established in 2005 and guidelines drafted, however no comprehensive legislation is in place, and power remains largely with an MP, with money released to individual MPs who are also responsible for accounting. Permitted projects include infrastructure, water treatment, electricity, and local economic enablement, however infrastructure projects already under local or national government projects are prohibited.



In Jamaica, funds are similarly distributed evenly between constituencies, managed at a high level by the CDF Programme Management Unit, and in constituencies by the Constituency Project Oversight Committee (CPOC). The fund was initially targeted at 2.5% of the national budget, however, this amount has decreased in the face of economic challenges. Use of funds is based on a five-year plan drawn up for each constituency, with an emphasis on community involvement. CDF was first introduced in Jamaica in 2008 and guidelines are still being developed, however, projects are subject to financial and procurement laws and monitoring systems have been established.<sup>12</sup>

9 Center for International Development, Constituency Development Funds Workshop, Rockefeller College of Public Affairs and Policy University at Albany, State University of New York, December 8-9, 2009

10 Tshangana, A.H. Constituency Development Funds Scoping Paper, International Budget Partnership, 18 January 2010

11 Center for International Development, Constituency Development Funds Workshop, Rockefeller College of Public Affairs and Policy University at Albany, State University of New York, December 8-9, 2009

12 Center for International Development, Constituency Development Funds Workshop, Rockefeller College of Public Affairs and Policy University at Albany, State University of New York, December 8-9, 2009

## CDF ALLOCATION AND UTILISATION IN ZAMBIA

As with Uganda and Jamaica, CDF in Zambia is distributed equally between constituencies, regardless of geographical or population size, or constituency poverty levels. Research undertaken by the Economics Association of Zambia (EAZ) notes this as a limitation, calling for meaningful, spatial allocation of the CDF. However, this would need to be supported by reliable constituency-level data including population demographics, access to services and poverty levels.<sup>13</sup>

The Zambia Institute for Policy Analysis and Research (ZIPAR) similarly argues that to equalize development across the country there is a need for policy intervention to re-allocate more resources to areas in need. ZIPAR proposes the use of a deprivation index based on key socio-economic variables to inform the reallocation of CDF in Zambia.<sup>14</sup>

Unlike Jamaica however, use of CDF in Zambia does not follow any medium-term time frame, meaning the impact of resource utilisation is not being maximised and projects are focused on achieving short-term goals.

The lack of any clear evidence base supporting the current distribution system, either in Zambia or elsewhere, limits the potential to draw conclusions about a preferential system of CDF allocation. There is no doubt that improving the availability of accurate, detailed social and economic baseline data will assist in targeting development needs, in informing planning procedures, and in measuring progress and the success of project implementation.

However, there needs to be caution in determining whether one constituency is more entitled to greater funding than another when labelled under 'constituency development funds'.

There is arguably a need for 'micro-community projects to reduce poverty' across all constituencies in Zambia. Whilst some areas have higher extreme poverty levels than others, the degree of development required to alleviate this and contribute to meaningful, sustainable development, would require far higher levels of funding, of amounts only viable at national level, targeting according to national planning and poverty alleviation strategies. This raises the question of where available national resources

can best be utilised and have the most impact; is CDF the most effective channel for development in Zambia?

## CDF PROJECT AND PROCESS ISSUES

In addition to high level questions regarding the allocation and utilisation of CDF, a number of issues have been identified with key steps involved in the CDF process as affecting the ultimate outcome and implementation of projects. This is in turn impacting the audit outcomes. Key issues include the following:

- Knowledge of local communities;
- The release of funds;
- Local distribution of funds at constituency level;
- Use of local labour and materials in implementation;
- Monitoring of projects; and
- Lack of sanctions

### KNOWLEDGE OF LOCAL COMMUNITIES



Whilst local community involvement in CDF projects is promoted, knowledge about the fund is limited. This ultimately will influence the suitability and appropriateness of projects at a grassroots level, and the ability to achieve sustainable community development.

Almost a third of respondents in research conducted by Evangelical Fellowship of Zambia (EFZ) in Zambia had never heard of CDF.<sup>15</sup> This increased to 58% of respondents in a study on Kabwata Constituency who had never listened, watched, or read about CDF, with almost 70% not knowing who represented them on CDC's, indicating their lack of involvement.<sup>16</sup> The International Budget Partnership (IBP) highlights the difficulties in accessing information about CDF, with information on budget and expenditure, how projects are selected, progress reports or evaluations often unavailable.<sup>17</sup>

This limits participation and the ability for communities to benefit from the fund.

13 Economics Association of Zambia (EAZ), Impact of the Constituency Development Fund in Zambia, 2011

14 Kakungu, F. Resource Allocation Model for the Constituency Development Fund, Zambia Institute for Policy Analysis and Research (ZIPAR), Working Paper No. 13, December 2013

15 Evangelical Fellowship of Zambia (EFZ), Constituency Development Fund: Transparency in Grassroots Development or Political Patronage, Tearfund and Micah Challenge, 2013

16 Malama, K. The Utilisation of Constituency Development Funds (CDFs) in Kamwata: A Participatory Communicative Appraisal'. The University of Zambia, Lusaka, 2009

17 Tshangana, A.H. Constituency Development Funds Scoping Paper, International Budget Partnership, 18 January 2010

## RELEASE OF FUNDS



Interviews with MPs responsible for implementing CDF projects indicated that the process involved in selecting projects and the consequent late disbursal of funds is a critical factor affecting the successful utilisation of the fund<sup>18</sup>.

MPs explained that funds are often committed to a project, however, the process involved in advertising and reviewing project proposals at various levels and the subsequent project tendering process often means funds are only released in the third quarter of a financial year. As such, projects are unable to be completed, leaving a proportion of funds 'unspent'. EAZ surveys indicated that only 26% of infrastructure projects assessed were completed, potentially linked to the late disbursal of funds. MPs also indicated that system and process challenges related to the release of funds can lead to individuals circumventing the necessary steps in order to try and utilise funds.

## LOCAL DISTRIBUTION OF FUNDS



Once the CDF is distributed to constituencies, there is no further guidance or best practice on how to apply them. Inconsistencies can be seen in Zambia in the allocation of funds within constituencies and types of projects that apply. In some cases, the funds are distributed equally between all wards, however, in others, funds are allocated based on the needs of individual wards<sup>19</sup>.

The tendency to implement road infrastructure projects has also seen large amounts of the funds being used on single projects, or as seen in 2012, on earth-moving equipment. The lack of specific guidance on what types of projects fall in the realm of CDF leads to this proliferation of projects and short-term approach to development, with little in the way of interaction with other Government initiatives and plans.

The change from micro to macro projects means many projects being implemented under the guise of CDF now fall within the realm of Central government or the Council.<sup>20</sup> The lack of any

forum or committee in Zambia whereby MPs and other CDF players are able to discuss how funds are utilised limits the ability to learn from others experience and increase the potential for sustainable development.

## USE OF LOCAL LABOUR AND MATERIALS



During CDF project implementation, emphasis is placed on using local labour and materials and local representatives to assess progress. However, whilst the principle is commendable, this has been found to affect the quality of projects. The IBP noted that the low capacity and skills levels of CDC members emerged as a key issue in Kenya and elsewhere.<sup>21</sup> Likewise, a World Bank study in Kenya noted that locally elected Project Management Committees (PMCs) responsible for overseeing implementation were not trained, resulting in inability to keep proper records and monitor projects effectively.<sup>22</sup> EAZ found this to similarly affect CDF projects in Zambia, as the use of local unskilled and semi-skilled labour, as well as often-poor quality materials supplied by local community members, although a good initiative, greatly undermines the project.

The study also revealed a lack of input from technical experts, further limiting the overall quality of projects. Only 17% of infrastructure projects surveyed by EAZ were found to be of good quality.<sup>23</sup>

## MONITORING OF PROJECTS



Issues with poor quality project implementation are further exacerbated by a general lack of monitoring. The World Bank study in Kenya found that public works officers rarely made site visits to assess projects, limiting the potential to assess standards and success of a project.<sup>24</sup> There are two arguments behind this lack of monitoring; lack of funds, and lack of coordination or will from administrative bodies. The IBP note that the operational cost burden for CDF projects may not be properly coordinated or planned for.<sup>25</sup>

The EFZ study undertaken in Zambia supports this, indicating that most interviewed council

18 Interview with Hon. Lubinda, MP, Kabwata Constituency, 02.06.14, Interview with Hon. Machila, former MP of Kafue Constituency 23.05.14

19 Interview with Hon. Lubinda, MP, Kabwata Constituency, 02.06.14, Interview with Hon. Machila, former MP of Kafue Constituency 23.05.14

20 Evangelical Fellowship of Zambia (EFZ), Constituency Development Fund: Transparency in Grassroots Development or Political Patronage, Tearfund and Micah Challenge, 2013

21 Tshangana, A.H. Constituency Development Funds Scoping Paper, International Budget Partnership, 18 January 2010

22 World Bank, Six Case Studies of Local Participation in Kenya, October 2013

23 Economics Association of Zambia (EAZ), Impact of the Constituency Development Fund in Zambia, 2011

24 World Bank, Six Case Studies of Local Participation in Kenya, October 2013

25 Tshangana, A.H, Constituency Development Funds Scoping Paper, International Budget Partnership, 18 January 2010

officials found it logistically difficult to monitor many CDF projects due to insufficient funds budgeted for monitoring.<sup>26</sup> The study concludes by stating that the percentage of funds going towards administrative costs needs to increase to allow for these vital monitoring processes.

In contrast however, one MP indicated that as the Council is an established body with existing administrative capacity, funds do not need to increase, as CDF monitoring is effectively an extension of their existing responsibilities.<sup>27</sup>

However, whilst it is evident that CDF monitoring is an additional burden to Council resources, monitoring and administration systems should already be in place to undertake this work. The key question is to ensure that resources are being maximised, that personnel are clear on their roles and responsibilities, and that a more streamlined approach to implementation of development initiatives is achieved.

#### LACK OF SANCTIONS



Analysis of the CDF audit reports indicates significant amounts of money and public resources are being abused, with ZMW 20,855,553 coming under query in the 2012 CDF Auditor General Report. Whilst audit information is not available to provide a long-term audit trend, the lack of earlier guidelines suggests such abuse has been ongoing over the years. However, there are limited sanctions or penalties enforced against offending officers.

The IBP highlights the occurrence of corruption in CDF management, which is enabled by the failure of strong systems for redress. The study states that this is due to weak institutions and the lack of political will. The need for clear sanctions to deter abuse is urgently needed, corroborated by the EAZ which calls for sanctions against any offenders, whether by local authorities as the custodians of the fund, community members, local politicians or erring suppliers or contractors.<sup>28</sup> Without such deterrents, abuse of public resources will continue.

#### IS CDF A FLAWED SYSTEM?

Whilst the underlying principle of CDF for micro- and grassroots development is positive, the

essence of the fund has been subject to heavy criticism at a higher level, regardless of variances in CDF allocations and concerns around project types at grassroot level.

The constitutionality of a programme that gives MPs an executive spending role is questioned, as the key democratic principle of the separation of powers is said to be breached.<sup>29</sup> CDFs may therefore be seen to compromise the ability of legislatures to represent the electorate and to oversee the work of the executive, as planning should be driven and overseen by national level. However, in theory, MPs are still representing their electorate in constituencies.

Critics further point to the negative effect CDF has on government's capacity to contribute to service delivery and development<sup>30</sup> as funds are diverted from the Ministries of Community Development and Local Government and Housing to fund CDF.<sup>31</sup>

The IBP questions this political involvement, observing that the relatively quick escalation of fund allocations per constituency, especially in countries such as Kenya and the Philippines, raises questions around the political and social drivers of CDF initiatives.<sup>32</sup>

In essence, CDF is claimed to be a 'politically driven development initiative'<sup>33</sup>, and interviews with key stakeholders supported this, pointing to the negative impact of involving political players in community development.

The lack of any clear evidence supporting rapid increases in CDF allocations in Zambia similarly calls into question the drivers behind the fund, and the motivation for its existence.

Looking beyond any political factors influencing CDF, questions have been raised as to why there is a need for such a fund. One overarching argument is that CDF only exists due to failings in the current system; as such, should government structures and development programs be effectively managed and implemented, there would be no need for additional, community level development initiatives.

26 Evangelical Fellowship of Zambia (EFZ), Constituency Development Fund: Transparency in Grassroots Development or Political Patronage, Tearfund and Micah Challenge, 2013

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## KEY CHALLENGES AND RECOMMENDATIONS

Based on the above literature review, it is clear that there are a number of factors affecting the utilisation of CDF, including the following:

- Lack of evidence to support how CDF should be allocated between constituencies;
- Lack of evidence to support which types of projects CDF should be supporting;
- Lack of evidence to determine which structures need to be established to ensure effective delivery of CDF projects;
- Poor supporting guidelines to ensure consistency and efficiency in the use of CDF;
- Poor community knowledge of CDF influencing the ability of projects to address grassroots need;
- Late release of funds affecting the implementation of projects, and resulting in the inability to comply with guidelines;
- Lack of consistency or shared knowledge regarding how funds are distributed at constituency level;
- Poor quality projects due to the use of local labour and materials and low skills levels;
- Lack of sanctions to ensure violations in the use of CDF are addressed and action taken against offending officers;
- Weak auditing processes to assess the utilisation of CDF and compliance with guidelines and financial legislation;
- Reduction in powers of the executive and compromises to key democratic principles;
- Diversion of funds away from local government reducing developmental capacity;
- High occurrence of political motivations and forces directing the utilisation of CDF; and
- Existence of CDF as a means to compensate against failings in service delivery and development at the local level.

Addressing these issues on an individual basis would take significant efforts, both in time and money. It would be necessary to undertake a review of CDF guidelines and propose amendments to ensure more effective guidance, tighter controls and oversight in the use of CDF. Changes in communication strategies would need to be implemented to ensure communities are aware of CDF and their role. Reviews would also need to be undertaken of processes at CDC, Ward, Constituency, and District level involved in advertising for, assessing and deciding which CDF projects to finance in efforts to streamline and reduce timeframes to expedite the release of funds and implement projects on time.

This would need to be accompanied by an assessment of CDF implementation processes and monitoring systems to ensure efficiency between the MP, Councillors, Ward Development Committees and the Council, with recommendations for how to better administer CDF.

Issues of knowledge sharing of CDF would need to be addressed, leading to the potential creation of forums, committees and workshops at national and regional levels. This would be linked to investigating procedures to assess the success of CDF and determining budget allowances for the fund on an annual basis. In assessing the use of CDF, it would also be necessary to consider the capacity and skills at the Office of the Auditor General, and key gaps and requirements in the auditing approach to CDF, to determine the most effective format and structure of CDF auditing and reporting.

These steps would involve significant research and stakeholder engagement, as well as a strong commitment for implementation. However, whilst the steps may appear to be addressing the individual key issues with CDF as it currently stands, they do not address the root problem; that is that CDF is essentially in existence due to failings in other systems of service delivery and development at a local level. It will only be through addressing this root problem that real progress can be made. In doing so, public resources will not be wasted on trying to improve a flawed system; rather they will be targeted in a long-term approach to improving community development.

## PROPOSED CDF ALTERNATIVE AND FUTURE ACTION

PMRC recommends that 'CDF' as it currently stands is phased out. Instead, community development needs should be addressed through existing systems of Ward Development Committees (WDCs) and Area Development Committees (ADCs). Grassroots issues can be channelled through these systems to the District Council for implementation. Funds would be distributed to District Councils and managed by Councils and sub-District structures without the involvement of MPs. The focus would be on strengthening decentralisation processes and ensuring that the national development agenda incorporates sub-level development priorities.

**Key benefits of such a system would include:**

- Resources will be pooled at Council level to allow for effective distribution and implementation of projects;
- Projects can be developed based on a medium-term framework to allow for long-term, sustainable development rather than a series of short-term, uncompleted projects;
- The Council can liaise with relevant government departments (such as Education and Health) to ensure integration in planning approaches;
- There will be one administrative system overseeing development projects, rather than two parallel structures of CDF and Grants, allowing for the effective utilisation of resources;
- Responsibility for projects will lie with the Council meaning they are in control of how funds are utilised, are accountable for all funds, and have the ability to change aspects to improve the situation;

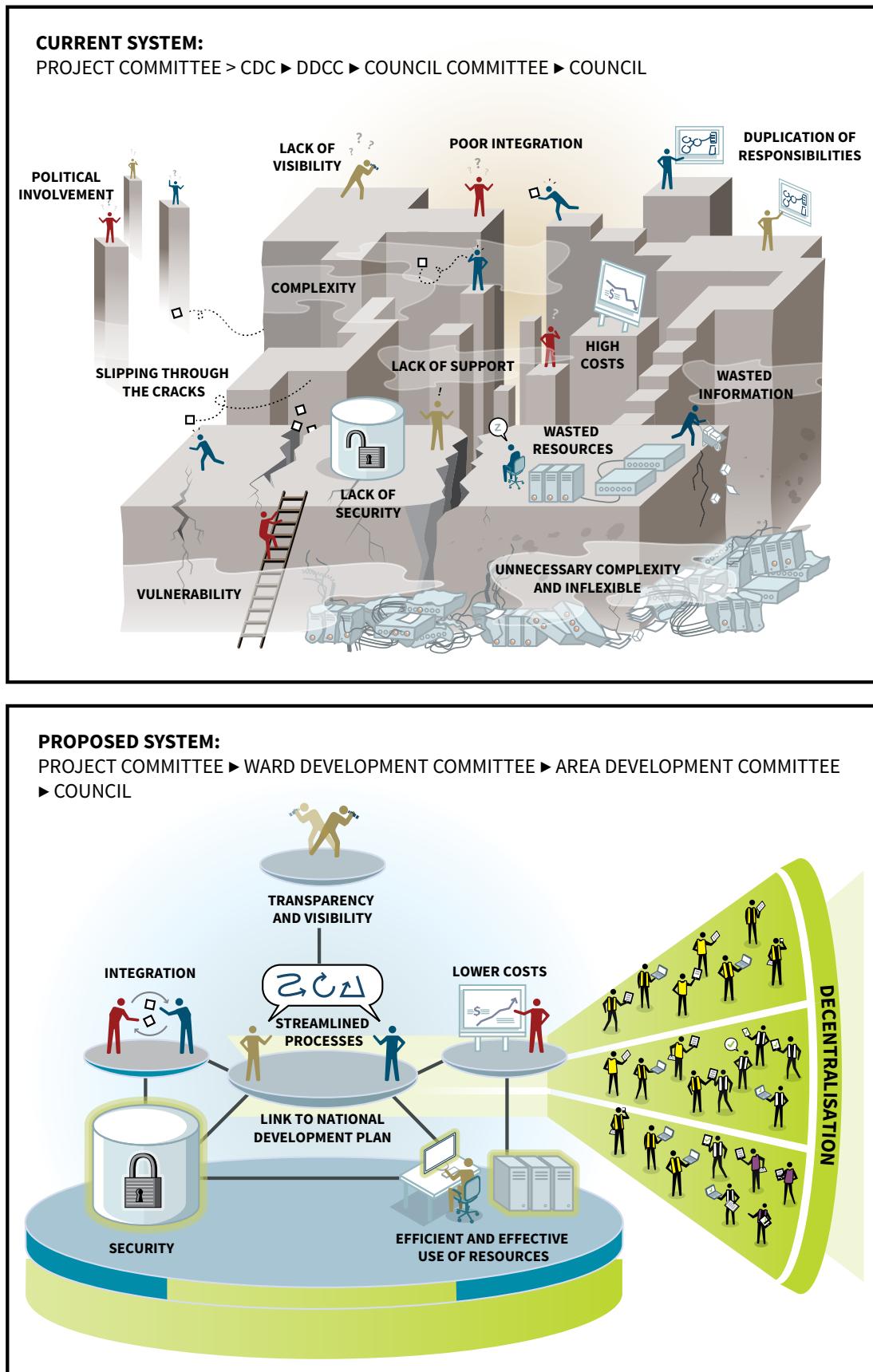
- Political involvement in development projects will be removed, allowing funds to target real needs rather than be used as a campaigning tool;
- Projects will be sourced and managed by representatives who live within constituencies on a full time basis and do not have other pressing commitments in Central Government;
- MPs will be able to focus more effectively on their responsibilities in Parliament and other Committees without needing to attend to administrative matters of CDF; and
- More effective monitoring systems can be developed at a Council level with the aim for a dedicated team to monitor and evaluate all Council projects.

Figure 10 provides a comparison of the existing system of decision making and disbursal of CDF allocations and a proposed new structure with an emphasis on decentralisation in development planning.

**The implementation of a revised system of development would however require some improvements in order to run effectively and efficiently whilst continuing to address grassroots issues:**

- Capacity building and sensitisation is required for WDCs and ADCs to ensure they are aware of their roles and responsibilities and have the necessary tools and training to undertake activities;
- A review of the use of local labour is required, potentially developing a labour pool or database linked to training programs to ensure skilled personnel are selected for the construction and implementation of projects;
- The Council Schedule and timeframes need to be reviewed to enable quicker decision making and ensure system processes do not delay grassroots development;
- Medium-term development frameworks need to be established at District Councils to allow for a sustainable planning approach;
- Capacity building and additional resources are required to support monitoring and evaluation systems at Council level;
- Systems need to be developed to enable effective baseline data collection and storage within Councils. Analysis of such data will allow projects to target real community needs and progress to be measured; and
- Audit processes need to be reviewed to ensure the utilisation of funds at Council level is properly audited and accounted for.

**Figure 10: Current System vs Proposed System of Community Development**



Source: Policy Monitoring and Research Centre, 2014

## CONCLUSION

PMRC believes that through the phasing out and readjustment of CDF as it currently stands, as well as the implementation of additional key recommendations to support a revised approach to decentralised, community development, audit queries in the utilisation of vital public resources can be reduced. Issues of 'unspent funds' would be removed, as projects would be developed according to medium-term frameworks rather than following stringent one-year implementation rules. Council Schedules would also be reviewed in efforts to streamline the review and assessment of projects to implement, reducing timeframes.

The introduction of a longer-term development approach would also reduce issues of uncompleted projects, contributing to the highest query category of 'weak procurement or contract work'. Combining resources and funds at Council level and developing effective monitoring and evaluation systems would further reduce queries relating to weak procurement or contract work. As such, the Council would be better equipped to oversee the implementation of projects. This

combined with the measures to improve the skills of local labourers would increase the quality of projects and increase completion rates. By using accurate baseline data to inform the direction of funds and removing political influence, projects are more likely to reflect real community needs, meaning communities are more likely to be invested in these projects and committed to completing them to a high standard. Detailed baseline information will also provide a platform to assess the impact of projects and allow for adjustments to improve the utilisation of funds.

It is recommended that a strategy is developed detailing the key steps required to phase out CDF and introduce a new system of community development, strengthening and utilising the existing systems at District and Sub-District level in a decentralised approach. These steps will contribute to the reduction of audit queries, ensuring the effective and efficient use of public resources, whilst focusing on key community needs and grassroots development to reduce poverty in Zambia.



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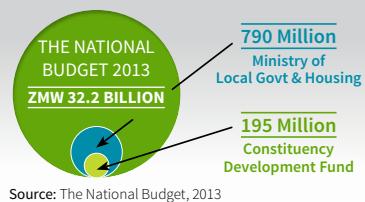
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# PMRC CONSTITUENCY DEVELOPMENT FUND ANALYSIS

## Working Towards A More Effective Decentralised System of National Development

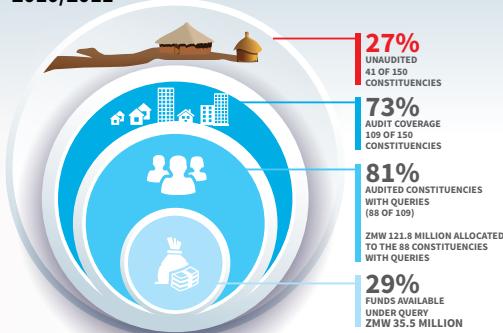
### WHAT IS CDF?

The Constituency Development Fund (CDF) was first established in Zambia in 1995 to fund micro-community development projects. It is guided by the CDF Guidelines 2006 under the Ministry of Local Government and Housing. In 2013, each constituency received ZMW 1.3 Million amounting to ZMW 195 Million, representing 25% of the total Ministry of Local Government and Housing budget.



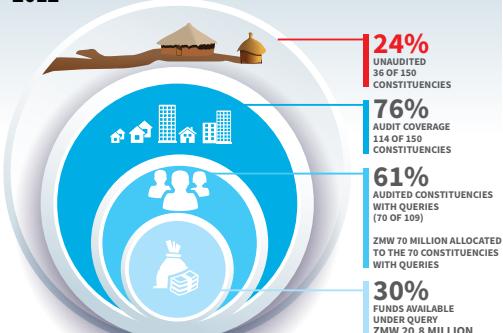
In 2010/2011, only **73%** of the 150 constituencies in Zambia were audited. Of these **81%** had audit queries (88 constituencies). Of the **ZMW 121.8 Million** allocated to these 88 constituencies as CDF, **ZMW 35.5 Million** was under query, representing **29%** of the funds available.

**2010/2011**



In 2012 only **76%** of the 150 constituencies in Zambia were audited. Of these **61%** had audit queries (70 constituencies). Of the **ZMW 70 Million** allocated to these 70 constituencies as CDF, **ZMW 20.8 Million** was under query representing **30%** of the funds available.

**2012**

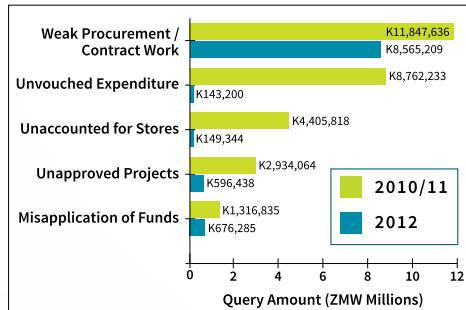


In summary a total of **ZMW 56 Million** was under query between 2010 - 2012.

A number of key issues are affecting the ability of CDF to address grassroots development needs:

1. Poor community knowledge of CDF;
2. Poor guidelines and support for how CDF should be utilised;
3. Late release of funds affecting project implementation;
4. Poor quality projects and lack of monitoring;
5. Lack of sanctions against offences or misuse; and
6. Weak auditing processes.

Top 5 Query Categories by amount 2010/11 and 2012



Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from CDF Auditor General's Report 2010-2012

The most significant issues related to **weak procurement or contract work, unvouched expenditure, and failure to follow procurement procedures**.

There are also numerous cases of **unspent funds**, when monies are not utilised by the end of the financial year. In 2012, over half of constituencies had unspent funds, and amongst these, over 70% of available funds remained unspent, often due to the **late release of funds**.

Research indicates significant difficulties in implementing CDF projects and questions the logic in diverting such substantial funds away from local government. The root problem is that CDF is essentially a flawed process, in existence largely due to political motivations and failings in existing systems of service delivery and development.

### WHAT WOULD A RE-STRUCTURED SYSTEM OF COMMUNITY DEVELOPMENT MEAN FOR ZAMBIA?



Resources will be pooled at the Council for effective distribution and implementation of projects



Development will be based on medium-term frameworks to achieve sustainability



Planning will be better integrated with other government departments



Administrative resources will be effectively utilised without duplication and M&E improved



Political involvement will be removed so funds target real community needs



MPs can focus on other constituency and government responsibilities

## PMRC RECOMMENDATIONS



- Phase out the current CDF system and utilise funds to address community development through existing structures of Ward and Area Development Committees and the Council
- Strengthening the decentralisation process and structures and ensure the national development agenda incorporates sub-level priorities
- Undertake capacity building, baseline data collection and reviews of Council Schedules and audit processes to enhance delivery of community development

# PMRC ANALYSIS

## Constituency Development Fund



### Unlocking Zambia's Potential

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