



REPUBLIC OF ZAMBIA

REPORT

OF THE

**COMMITTEE ON LOCAL GOVERNMENT ACCOUNTS ON THE UTILISATION OF
CONSTITUENCY DEVELOPMENT FUND AND LOCAL GOVERNMENT
EQUALISATION FUND IN ZAMBIA**

FOR THE

THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY

Printed by the National Assembly of Zambia

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REPORT OF THE COMMITTEE ON LOCAL GOVERNMENT ACCOUNTS ON THE UTILISATION OF CONSTITUENCY DEVELOPMENT FUND AND LOCAL GOVERNMENT EQUALISATION FUND IN ZAMBIA FOR THE THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY

1.0 Membership of the Committee

The Committee consisted of Mr E J Muchima, MP (Chairperson); Mrs P G M Jere, MP (Vice Chairperson); Mr D Chisopa, MP; Mr G G Zimba, MP; Mr K M Sampa, MP; Mr A C Mumba, MP; Mr D Mulunda, MP; Mr E Mulenga, MP; Ms P C Kucheka, MP; and Mr L K Fungulwe, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

The Committee has the honour to present its Report for the Third Session of the Twelfth National Assembly.

2.0 Functions of the Committee

In accordance with National Assembly Standing Order No 157(2), the functions of the Committee are to:

- i. study, report and make appropriate recommendations to the Government through the House on the mandate, management and operations of the Government ministries, departments and/or agencies under its portfolio;
- ii. carry out detailed scrutiny of certain activities being undertaken by the Government ministries, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- iii. make, if considered necessary, recommendations to the Government on the need to review certain policies and certain existing legislation;
- iv. examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of Government ministries and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders;
- v. consider any Bills that may be referred to it by the House;

- vi. consider international agreements and treaties in accordance with Article 63 of the Constitution;
- vii. consider special audit reports referred to it by the Speaker or an Order of the House;
- viii. where appropriate, hold public hearings on a matter under its consideration; and
- ix. consider any matter referred to it by the Speaker or an Order of the House.

3.0 Meetings of the Committee

The Committee held sixteen meetings to execute its Programme of Work during the year under review.

4.0 Programme of Work

For the Third Session of the Twelfth National Assembly, the Committee adopted the Programme of Work set out below.

- i. Consideration of outstanding issues and the Treasury Minutes on the previous Committee's Reports.
 - (i) Utilisation of the Constituency Development Fund and Local Government Equalisation Fund in Zambia.
 - (ii) Tours.
 - (iii) Consideration and adoption of the Committee's Report for the Third Session of the Twelfth National Assembly.

5.0 Procedure Adopted by the Committee

The Committee requested for detailed memoranda on the topic under consideration from various stakeholders and invited them to appear before it in order to give oral submissions and clarifications on issues arising from their submissions.

6.0 Arrangement of the Report

The Committee's Report consists of the topical issue, findings from the local tour and the Committee's observations and recommendations.

CONSIDERATION OF THE TOPICAL ISSUE

UTILISATION OF THE CONSTITUENCY DEVELOPMENT FUND AND THE LOCAL GOVERNMENT EQUALISATION FUND IN ZAMBIA

7.0 BACKGROUND

Local authorities were key in socio-economic development as their operations were meant to promote the interests of the local community and ultimately transform the living standards of the people. They were viewed as agents of Government at the grass root level, and were uniquely positioned to enhance and sustain national development.

In order to ensure effective service delivery, there was need for local authorities to have adequate and diversified sources of revenue. Article 162 of the *Constitution of Zambia as amended by Act No. 2 of 2016* provides for the establishment of the Constituency Development Fund (CDF) while Article 163 establishes the Local Government Equalisation Fund (LGEF). This is in addition to other sources of revenue for local authorities provided for in the Constitution such as levies and local taxes. However, various audit queries had continued to be raised in the Report of the Auditor General on the utilisation of CDF and LGEF by local authorities. Some major stakeholders had also expressed concern over the utilisation and management of the two Funds.

In light of the above, the Committee resolved to study the utilisation of funds in local authorities with a specific focus on the CDF and the LGEF.

8.0 OBJECTIVES

The objectives of the study are to:

- i. appreciate the adequacy of the legal framework governing the utilisation of the CDF and the LGEF;
- ii. understand the monitoring mechanisms in place to ensure prudent utilisation of the LGEF and the CDF;
- iii. understand the challenges faced by local authorities in ensuring prudent utilisation of CDF and LGEF; and
- iv. make recommendations regarding the way forward.

Stakeholders

In order to appreciate the subject under consideration, the Committee invited the following witnesses to provide both oral and written submissions:

- i) Ministry of Local Government
- ii) Ministry of Finance (Secretary to the Treasury);
- iii) Local Government Service Commission;
- iv) Local Government Association of Zambia;
- v) Office of the Auditor General;
- vi) Civil Society for Poverty Reduction;
- vii) Society of Local Authorities-Chief Executives;
- viii) Zambia United Local Authorities Workers' Union;
- ix) Ndola City Council;
- x) Chipata City Council;
- xi) Lundazi Town Council;
- xii) Mufulira Municipal Council;
- xiii) Kasama Municipal Council;

- xiv) Siavonga Town Council;
- xv) Lufwanyama District Council;
- xvi) Zambezi Town Council;
- xvii) Mwinilunga Town Council;
- xviii) Ikelengi District Council;
- xix) Petauke Town Council; and
- xx) Members of the Public.

9.0 SUMMARY OF SUBMISSIONS BY STAKEHOLDERS

9.1 *Overview of the Constituency Development Fund and the Local Government Equalisation Fund*

9.1.1 The Constituency Development Fund

The Committee was informed that the CDF was established in 1995 to finance micro community based projects that could contribute to infrastructure development, wealth creation and poverty reduction at constituency level. The Fund had also proven to be a good tool for empowering local communities to take part in decision making processes, which was in line with the spirit of decentralisation as envisaged under the National Decentralisation Policy. The Fund had grown to support even larger community based projects. The specific objects of the CDF were to:

- a) encourage community participation in decision making in project implementation at local level;
- b) support community driven projects;
- c) support planning and management of development projects at constituency level; and
- d) provide resources according to priority development needs in constituencies.

The Committee was further informed that the CDF project cycle started with the local authority advertising to communities, usually in the first quarter of the year, calling upon communities to submit applications for support under the fund. The project proposals were later submitted to the Constituency Development Committee (CDC) for selection of successful projects. After selection, the list of projects was submitted to the Planning Sub-Committee of the District Development Coordinating Committee (DDCC) for appraisal and onward submission to the DDCC for recommendation to the Council.

Upon initial approval by the Council, the list of projects were submitted to the Minister responsible for local government for final approval. Once approval was granted, the Council was responsible for the implementation of the projects and the general management and accountability for the funds disbursed.

9.1.2 The Local Government Equalisation Fund

The Committee was informed that the Local Government Equalisation Fund (LGEF) was established in 2014 through the *Local Government (Amendment) Act No. 12 of 2014* to replace what was initially the salaries grant to councils. The purpose of the Fund was to disburse money

to local authorities to support the financing of salaries for principal officers and officers of the council, and for the performance of the functions of the council. The Committee was also informed that initially, local authorities used to receive various grants from central Government which were mostly programme specific as their use was prescribed. Apart from the financial support from the central government to the Local Government, local authorities also collected revenues at local level using by-laws or council resolutions. However, the grant system by the central government to local authorities lacked a clear framework, which subsequently led to an unpredictable, inconsistent and inadequate transfer system. The lack of a legal framework created an atmosphere of an unpredictability and instability in the financial management of the local government system.

The Committee further heard that in order to achieve the various policy objectives under the decentralised system of governance, the Government developed the Intergovernmental Fiscal Architecture (IFA). The IFA was anchored around establishment of LGEF which provided the much needed stability, predictability and transparency to support the further implementation of the National Decentralisation Policy. The LGEF, therefore, provided supplementary funding for local authorities to deliver exclusive Local Government functions as prescribed.

9.2 Adequacy of the legal framework governing management and utilisation of the CDF and LGEF

9.2.1 The Constituency Development Fund (CDF)

The Committee was informed that the CDF was also enshrined in the *Constitution of Zambia* as amended by *Act No. 2 of 2016*. Article 162 of the Constitution in particular, provided for the establishment of the CDF. It also provided that the appropriation of the CDF and management, disbursement and utilisation of the CDF shall be prescribed. In this regard, the *Constituency Development Fund Act No 11 of 2018* was enacted by Parliament. It was expected to be operationalised after *the Local Government, Act No. 2 of 2019* was assented to by the Republican President. Currently, the CDF was governed through guidelines which were last updated in 2006. The current CDF Guidelines were not sufficient to ensure the smooth operations of the CDF. Therefore, the need for a strong legal framework could not be over emphasised. The *Constituency Development Fund, Act* was, therefore, expected to guide on the management, utilisation and accountability of the Fund. Other than the stated legislation, the Fund was also subject to the *Public Finance Management, Act No. 1 of 2018* which dealt with all matters of financial management for all public institutions, and the *Public Procurement Act, No. 12 of 2008*, including the Procurement Guidelines.

While a few stakeholders submitted that the legal framework governing the implementation of CDF was adequate, a few others were of the view that the current provisions were inadequate. They stated that although the funding was mandatorily appropriated by Parliament through the national budget, the allocation was uniform despite constituencies standing at different levels in terms of development. Stakeholders proposed that the legislation should, therefore, be amended in order to take into account the aspect of equity and so that CDF could be disbursed according to the level of development of the respective constituencies.

9.2.2 Local Government Equalisation Fund (LGEF)

The Local Government Equalisation Fund was established under Article 163 (1) of the *Constitution of Zambia as amended by Act No. 2 of 2016*. The Fund was operationalised in 2015 following the enactment of the *Local Government (amendment) Act, No.12 of 2014*. This Act had since been repealed and replaced by the *Local Government Act, No. 2 of 2019*, which was passed but was awaiting Presidential assent. The new Act provided guidance on the apportionment, management, utilisation and accountability of the LGEF. It was also subject to the *Public Finance Management, Act No. 1 of 2018* and the *Public Procurement, Act No 12 of 2008* including the Procurement Guidelines. Some stakeholders cited the absence of the LGEF Regulations as one of the weaknesses of the current legal framework.

9.2.3 Disbursement of CDF and LGEF

The Committee was informed that CDF was appropriated by Parliament within the national budget. Although the Fund had been in existence since 1995, members of the community and different stakeholders had raised various concerns over the manner in which the CDF was being administered. These concerns were as set out hereunder.

- ii. **Untimely disbursement of CDF:** Delayed release of the funds by the Treasury to the Ministry for subsequent disbursement to Local Authorities. This made Planning difficult. This in turn affected project implementation and ultimately service delivery by the council.
- iii. **Partial disbursement:** In some previous years, the Government was not consistent with disbursing CDF. Particularly for the year 2015, only 0.7 % was disbursed as a share of the budget allocation. As such, most constituencies did not receive CDF in this particular year. This practice made CDF more unpredictable.
- iv. **Uniform disbursement of CDF.** The current allocation principle of allocating the same amount to all constituencies regardless of population size disadvantaged some constituencies.

The Committee was also informed that every year, each local authority was mandated to include a provision for CDF in its capital budget. Furthermore, the Committee was informed that the Government uniformly allocated across all constituencies CDF each year and each local authority was required to account for the funds in accordance with the existing legislation. The current CDF allocation was K1.6 million per constituency after a K200, 000 increment in 2018. Although the CDF allocation had grown steadily to K1.6 million in 2019, the disbursement of the Fund was not consistent.

Regarding the LGEF, the Committee was informed that in 2015, the Government introduced the LGEF to supplement local Government revenue. The Fund was designed in a manner that provided the total allocation at a minimum of five percent of projected income taxes in a year. The allocation criteria of LGEF across local authorities helped to achieve equity so as to balance the service delivery needs and financial capacities of local authorities.

In addition, the Committee was informed that the Minister of Local Government was charged with the responsibility of distributing the LGEF to councils based on the population size and poverty levels. As provided in *Section 45A* of the *Local Government (amendment) Act, No.12 of 2014* a council is required to use at least twenty percent of the funds received by the council from the Fund, in any financial year, to finance capital expenditure while eighty per cent should be utilised for operations including salaries.

9.2.4 Status of CDF and LGEF

The Committee was informed that the LGEF had become the main source of income for local authorities with annual allocations increasing from K586.76 million in 2015 to K1.08 billion in 2018, representing an increase of 84 per cent as highlighted in Table 1 below.

Table 1: LGEF Budget Status

Fiscal Year	Budget Allocation	Funds Released	Disbursement as share of the budget allocation
2015	586,759,459	586,759,459	100%
2016	717,013,167.00	657,262,070.00	92%
2017	887,848,785.00	813,861,386.25	92%
2018	1,078,428,000.00	1,078,428,000.00	100%
Total	2,191,621,411.00	2,057,882,915.25	93.90

Source: Ministry of Finance

Table 1 shows the budget status for the LGEF after 2015 when the Fund was first operationalised. Since inception, the Fund was only fully disbursed in the years 2015 and 2018. Regarding CDF, the Committee learnt that the annual budgets and disbursements for the CDF between 2006 and 2018 were as highlighted in the Table 2.

Table 2: CDF Budget Status

Fiscal Year	Budget Allocation	Funds Disbursed (ZMW)	Disbursement as share of the budget allocation (%)
2006	9,000,000.00	9,000,000.00	100
2007	30,000,000.00	30,000,000.00	100
2008	60,000,000.00	60,000,000.00	100
2009	90,000,000.00	90,000,000.00	100
2010	100,000,000.00	80,000,000.00	80

2011	108,000,000.00	128,000,000.00	118.5
2012	150,000,000.00	150,000,000.00	100.0
2013	195,000,000.00	195,000,000.00	100.0
2014	210,000,000.00	190,933, 334.00	90.92
2015	210,000,000.00	72,800,000.00	34.7
2016	210,000,000.00	1,400,000.00	0.7
2017	218,400,000.00	130,000,050.00	59.5
2018	249,600,000.00	209,337,616.00	83.9

Source: Ministry of Finance

The Committee was informed that the underperformance in disbursement in 2015 was due to pressures on both the external and domestic front that the economy experienced. On the external front, the reduction in copper prices resulted in lower tax collection than the projected tax collections, particularly from the mining sector. In the domestic economy, other factors such as the Farmer Input Support Programme (FISP), fuel arrears and the Presidential bye-election partly affected some expenditure items such as the CDF. These pressures persisted in subsequent years, exacerbated by the higher cost of servicing public debt, among other things.

9.3 STRATEGIES IN PLACE TO MONITOR AND ENSURE PRUDENT UTILISATION OF THE CDF AND LGEF BY LOCAL AUTHORITIES

The Committee was informed that some strategies to monitor and ensure prudent utilisation of CDF were provided for in the 2006 CDF guidelines. The guidelines stated that the Director of Engineering Services or Director of City Planning and other officers from relevant Government line departments and the beneficiary community should monitor the project implementation monthly or as often as necessary depending on the nature and stage of the project.

The Committee was informed that the Fund was monitored at three levels, namely; district, provincial and national levels. At district level, the beneficiary local authority reported to the DDCC through reports submitted by the Planning Sub-Committee. A monitoring and evaluation team conducted a joint monitoring and evaluation together with community members on economic empowerment projects funded under CDF. This was done once a quarter in order to ensure that the objectives of reducing poverty in the communities were achieved or to prescribe appropriate interventions so that communities could benefit from the projects, and avoid wastage of resources.

It was submitted that at Provincial level, the reports on the Fund were submitted by the councils to the Provincial Local Government Officer (PLGO) who reviewed the reports and in turn submitted the consolidated provincial reports to the Provincial Development Coordinating Committee (PDCC), as well as to the Ministry of Local Government. The PDCCs reviewed and adopted the submission from the PLGOs, including individual reports from respective local authorities, and made recommendations to the Council.

At national level, in order to ensure compliance and fulfil other statutory requirements, the Fund was audited by the Auditor General. In addition, the Ministry of Local Government carried out regular audit and inspections in all constituencies in accordance with the *Local Government Act, Chapter 281 of the Laws of Zambia*.

Regarding the LGEF, the Committee was informed that the current practice was that all local authorities were required to submit separate reports to both the Ministry of Finance and Ministry of Local Government using different formats. In addition, there was an Internal audit established which ensured that only projects that were capital in nature were procured from the Capital Account.

Other measures which were in place to monitor the utilisation of CDF and LGEF are highlighted below.

- i. **Financing:** CDF and LGEF accounts were kept separately from other council accounts for easy accountability. Two members of the community were co-signatories with Council officials to the CDF Account, thereby, enhancing transparency and accountability.
- ii. **Public Participation:** CDF was meant to benefit the community. Therefore, public participation was important in the administration and implementation of CDF projects. Therefore, the procedure for project selection was that public announcement was usually made through community radio stations and through area councillors, inviting the community to submit project proposals.
- iii. **Procurement, Tendering and Contracting:** a transparent process of procurement, tendering and contracting was meant to promote more effective implementation of CDF projects, and increased public confidence.
- iv. **Stage inspections:** to ensure effective implementation of CDF Projects, councils were required to conduct inspections of projects at various stages.
- v. **Submission of activity reports:** councils submitted monthly activity reports to the Ministry of Local Government and the Ministry of Finance on the expenditure of the eighty per cent and twenty per cent of the LGEF allocated for recurrent expenditure and capital expenditure respectively. Through these reports, the two Ministries were informed accordingly.

9.4 CHALLENGES FACED BY LOCAL AUTHORITIES IN THE MANAGEMENT OF THE CDF AND LGEF

Despite having adequate monitoring mechanisms in place, there were still a lot of instances of poor management and utilisation of CDF and LGEF as revealed in the Reports of the Auditor General. The Committee was informed that local authorities were faced with many challenges in the management of the LGEF and CDF. Some of the challenges are those set out below.

9.4.1 Inadequate Allocation to the LGEF and CDF

Some local authorities with very low resource base and limited infrastructure to support revenue generation largely depended on government financing through CDF and LGEF to sustain their

operations. However, the demand for service provision far outstripped the resources allocated to the local authorities for this purpose. As a result, the needs of the local authorities could not be met. This had led to local authorities sourcing resources from financial institutions using the capital expenditure component of the LGEF as collateral.

9.4.2 Late Disbursement and Non- Receipt of the Funds

Delayed disbursement of the CDF and LGEF by the Treasury to the Ministry of Local Government for subsequent disbursement to local authorities also affected project implementation. Particularly for the years 2014, 2015 and 2016, most local authorities reported that they did not receive CDF. Further, despite the two Funds being disbursed late, the funding was also erratic, thereby affecting service delivery by local authorities. In addition, there was increasing uncertainty around the disbursement of the monthly LGEF to councils as it was considered a supplementary fund. This led to failure by local authorities to plan and effectively implement programmes.

9.4.3 Lack of Community Participation

Some projects being implemented lacked community participation and thus, they were not fully owned by the communities who were the ultimate beneficiaries of the projects. In some cases, communities were not consulted on the projects, which could have an impact on their livelihood. This was evident through high rates of vandalism, under utilisation or shunning the use of facilities constructed under CDF and LGEF.

9.4.4 Vastness of Districts

Some constituencies were vast, hence there was not much impact being felt by the communities because the CDF and LGEF allocation could not cover all wards in the constituencies. The vastness of certain wards in the districts also made it difficult to effectively manage and monitor projects.

9.4.5 Inadequate Monitoring of Projects

Most of the local authorities did not adequately monitor and supervise CDF and LGEF projects in the wards. This compromised the quality of work on the projects.

9.4.6 Limited Supplies of the Required Materials

Non availability of suppliers of goods and services within certain localities resulted in local authorities incurring huge costs on hiring of transport to procure the necessary goods.

9.4.7 Allocation Criteria for CDF and LGEF

The current approach where the same amount of CDF was allocated to all the constituencies without taking into account factors such as vastness of the area, level of development, economic activities, poverty levels and population size, among others, was limiting the effectiveness of the

Fund. Further, the allocation to the LGEF did not correspond with the burden of service provision facing the local authorities arising from the increasing population and the poverty levels.

9.4.8 Exclusion of Members of Parliament from CDF and LGEF

Members of Parliament were key stakeholders in the management of the CDF and the LGEF. Therefore, their exclusion from councils posed a serious threat in the management and utilisation of the CDF and the LGEF.

9.4.9 Lack of Experience Amongst the Members of the Monitoring Team

The monitoring team sometimes had limited technical capacity and in some instances lacked experience in project management, monitoring and evaluation. This compromised implementation as it reduced the effectiveness of their monitoring efforts.

9.4.10 Frequent Staff Transfers

Transfer of key personnel and retraining of new staff tended to delay the implementation of programmes.

9.4.11. Failure by CDC to Follow Technical Guidance Given by Technocrats

The decision by CDC to implement projects their own projected cost estimates, which were extremely below average market price, instead of following the engineer's estimates compromised quality of projects. This led to poor quality output of projects.

9.4.12 Delay in Approving of Proposed Projects by the Ministry

The delay in approval of CDF projects submitted to the Minister of Local Government largely delayed other processes such as procurement. This ultimately delayed implementation and completion of projects within the planned time.

9.4.13 Inadequate Administration Allocation

The yearly allocation of K20, 000 for the administration of CDF projects was inadequate. This was so because the amount was being used for various activities such as project appraisal meetings, procurement procedures, audits and largely project monitoring. The inadequate funds allocated towards CDF administration ultimately resulted in compromised quality assurance of CDF projects.

9.4.14 Poor Coordination Among Stakeholders in Implementation of CDF

Poor coordination among major stakeholders resulted in failure to prioritise needs in the community. This further resulted in spreading of resources thinly across many small projects.

Consequently, there was a high number of uncompleted projects and wastage of remaining materials or vandalism of incomplete structures.

9.4.15 Political Interference

Political interference from the councillors and area Members of Parliament who wished to fulfil campaign promises using CDF funds was another challenge. In addition, CDF projects were perceived to be a tool for empowering the electorate at the expense of development in the community. Furthermore, some area councillors and Members of Parliament wanted to implement projects that would attend to all the community needs. This led to thinly spreading the project funds, resulting in failure to complete projects within the allocated twelve months. As a result, the beneficiaries did not appreciate the CDF project

9.4.16 Misapplication of LGEF

According to the *Local Government (Amendment) Act, No. 12 of 2014*, about 80 per cent of the funds must be utilised by councils for the payment of salaries and provision of services in communities, while 20 per cent must be utilised on implementing capital projects. However, only a few councils had been implementing this provision while most of them were utilising the whole amount of the LGEF on the payment of salaries and operations, leading to numerous audit queries.

9.4.17 Lack of Guidelines on the Interpretation of Capital Expenditure

There were no clear guidelines as to what constituted capital expenditure and the Fund in general. This had led to numerous queries on LGEF in the Auditor General's Report.

Despite the many challenges outlined above, the Government was also facing particular challenges in financing local authorities, and particularly in disbursing the CDF and the LGEF. Some of the main challenges are highlighted hereunder.

9.4.18 Cash Flow Challenges by Government

The Committee heard that the collection of revenue projected in the budget was done on a daily basis and throughout the year by the Zambia Revenue Authority (ZRA) and other relevant agencies. This meant that funds allocated to various programme interventions in the budget, including the CDF and the LGEF, could not all be disbursed at once. This explained why disbursements were usually made in phases through a profiling process where expenditure demands were matched with the available funds. This explained the variances between the budgeted amount and the disbursed amounts.

9.4.19 Low Absorption Capacity by Constituencies

The Committee learnt that the challenge of low absorption capacity by some constituencies was particularly in relation to the CDF. In 2016, for example, the Treasury had to mop up some funds which were previously disbursed through the CDF, and were lying idle in commercial bank accounts. In addition, the monitoring exercise that was conducted on a number of constituencies

in 2018 established that the low absorption capacity was on account of delayed implementation of projects resulting from delays in constituting of CDCs which were responsible for selection and oversight of CDF projects, delays in identification of projects, delays in procurement of contractors, goods and services and poor project supervision.

9.5 Measures to Improve the Capacity of Staff in Local Authorities

The Committee was informed that in order to improve the capacity of staff managing the CDF and LGEF in local authorities, the Government was implementing the measures outlined below:

- i. The PLGO conducted quarterly review meetings, where local authorities shared experiences and solutions to the challenges in the operations of respective local authorities. The Government also convened quarterly follow up meetings with local authorities in order to review their operations. This assisted officers to understand the state of affairs in local authorities. This activity was also important for prioritising the best initiatives in effective operation of the councils.
- ii. The Government also facilitated education tours among local authorities in order to expose officers to different practices.
- iii. The Ministry of Local Government in conjunction with Zambia Institute of Chartered Accountants (ZICA) conducted annual meetings with Principal Officers, Heads of Finance and Chairpersons of Finance Committees on financial management and corporate governance. This was aimed at ensuring that the Principal Officers were prudently utilising resources and enlightening them of the consequences of misapplication of funds.
- iv. The Ministry of Local Government through the Local Government Training Institute had tailored long term and short term courses on financial management for local authorities. The Ministry was also collaborating with various donors in providing training in financial management and internal audit to targeted local authorities. This was in order to acquaint officers in local authorities on aspects of utilisation of the CDF and LGEF in accordance with the provisions of the legislation
- v. The new officers in the local authorities were required to undergo orientation at the Local Government Training Institute upon recruitment. This was aimed at ensuring that new officers were well acquainted with operations in local authorities.

9.6 Measures to Improve the Management and Utilisation of CDF and LGEF

The Committee was informed that in order to improve management and utilisation of the two Funds, the Government was instituting the measures set out hereunder.

9.6.1 Restructuring of the Ministry of Finance

Following the restructuring of the Ministry of Finance in 2017, a department responsible for local government finance was created under the Office of the Accountant General alongside two other units, one under the Office of the Controller of Internal Audits and the other under the office of the Permanent Secretary - Budget and Economic Affairs, in the Budget Office. The Department of Local Government Finance was responsible for ensuring standardisation of

accounting policies, systems and procedures in local authorities while the Unit under the Controller of Internal Audits was responsible for internal audit policies. It was envisaged that the work of these two entities would make it easier for the Office of the Auditor General to conduct audits in local authorities.

Further, the Intergovernmental Fiscal Relations Unit under the Budget Office was responsible for the design and management of intergovernmental fiscal relations with an appropriate division of public resources between the central and local government and facilitating fiscal decentralisation. With these developments in place, it was hoped that the financial position of local authorities, including management and utilisation of the CDF and the LGEF would improve.

9.6.2 Mobilisation of revenue collection in local authorities

It was submitted that in order to address the high dependency of local authorities on the LGEF and the failure to use at least twenty percent of LGEF on capital projects, the Government, in conjunction with ZRA, would in 2019 start working with local authorities in order to enhance mobilisation of own source revenues for local authorities. The Government was confident that once the collection of own source revenues was enhanced, coupled with transfers from central government, local authorities would be in a better position to meet both their statutory and service delivery obligations.

The stakeholders proposed that in order for local authorities to collect the required local revenue and improve management and utilisation of the CDF and LGEF, the measures set out below ought to be implemented.

- i. Article 153 of the *Constitution of Zambia* should be amended to include MPs in the councils. Currently, Article 153 provides that the Council shall consist of Ward Councilors, a Mayor or Council Chairperson and not more than three chiefs in the district.
- ii. The *Constituency Development Fund Act, No. 11, 2018* should be operationalised in order to enhance participatory planning and development of constituencies. It is envisaged that operationalisation of the Act will address the most challenges related to the management and utilisation of the CDF.
- iii. The CDF and LGEF should be disbursed on a dedicated date or within a specified period of time through the Ministry of Finance. This will make planning easy and ensure that projects are completed within considerable period of time.
- iv. The CDF should be increased to K5 million for the rural, remote and under privileged constituencies, and K3 million for the other constituencies in order to address current equity concerns. The current uniform allocation favours smaller and sparsely populated constituencies.
- v. The LGEF allocation should be adjusted upwards in order to meet the service demands of the communities especially for councils which were disadvantaged in terms of other sources of locally generated revenue.
- vi. The administrative component of CDF should be increased from the current K20,000 in order to cater for all processes required in managing the CDF including monitoring and evaluation of projects.

- vii. The budget and planning legislation should be operationalised in order to improve transparency and citizen oversight on the planning and utilisation of the CDF and LGEF.
- viii. Project maintenance committees must be formulated in all constituencies to take responsibility of completed projects and ensure that they are well maintained.
- ix. Community based sensitisation programmes must be enhanced in order to improve community participation in CDF project identification and appraisal.
- x. The Ministry of Local Government should develop a standard monitoring and evaluation framework for CDF and LGEF Projects.
- xi. The Local Government Service Commission should appoint Monitoring and Evaluation officers in councils to strengthen the monitoring and evaluation of CDF projects. Further, the Government must invest in capacity building programmes to ensure effective monitoring and evaluation of CDF and LGEF projects by local authorities.

10.0 Local Tour Report

The Committee undertook a local tour to the Copperbelt and North-Western provinces to appreciate the challenges faced by councils in the management of the CDF and the LGEF. The Committee visited selected districts in the named provinces. The findings of the Committee are highlighted below.

10.1 Copperbelt Province

10.1.1 Ndola District

a) Visit to Munkulungwe Multi-Purpose Hall Project (CDF Project)

The Committee learnt that Kawazame Enterprise Zambia Limited was awarded a contract valued at K271, 000 and was expected to build and complete Munkulungwe Multi-Purpose Hall Project within the contract period ending 31st December, 2015. The Committee was also informed that the Council made a payment of K172, 000 to the contractor, and withheld the balance of K99, 000. The Committee learnt that the Contractor had abandoned the works and had not paid the sub contractors for their services.

b) Borehole Brilling and Water Reticulation at Kaloko Police Post 9 - CDF Project

The Committee heard that K83,000 was allocated to this project using the 2017 CDF, and all works were carried out as scheduled. The Committee learnt that despite installing a submersible pump, erecting a stand and installing a water tank, the police neighbourhood watch failed to secure the facility and the pump was stolen. Further, the tank fell from the stand and was damaged. It was revealed that an additional amount of K81,532 from the 2019 CDF was allocated to rectify the problems.

c) Stakeholders' Meeting at the Council Chamber

The Committee held a meeting with stakeholders in the Ndola City Council Chamber and the following were some of the key highlights of submissions by stakeholders.

- i) Stakeholders highlighted the problem of untimely release of CDF by the Government.
- ii) Stakeholders also submitted that the Ndola City Council had procured a truck for Kabushi Constituency using the 2015 CDF, but the truck that was delivered was not the truck that the Council had initially procured. The Committee heard that the matter was taken to court and the Council was given a condition that the supplier would deliver the truck if the earlier truck supplied to the Council was given back to the supplier. The ruling from the court was still being awaited.
- iii) The Committee also heard that there was laxity in the release of funds for CDF approved projects. It was the view of stakeholders that the Government must ensure that all councils were oriented on the need for timely implementation of projects as soon as CDF was disbursed.

10.2.3 Mufurila District

a) **Fire Bay Dormitories (LGEF Project)**

The Committee was informed that the fire dormitories were constructed to improve the conditions in which the fire officers performed their duties. The Council built a total of thirty male and ten female dormitories to enable fire fighters efficiently manage their twenty-four hour shift. Before construction of the dormitories, officers were using the parking bay to house only male officers during night shifts. However, with the newly constructed dormitories, female officers were also able to work during night shift and this had enhanced the available human resource. This project was funded under the LGEF in phases and its total cost was K250,000. During the time of audit, it was observed that some works were still outstanding despite the contractor having been paid the full amount. The remaining works included incomplete tiling of the floor and non installation of showers in the bathrooms.

b) **Sinking of Borehole and Installation of Overhead Tank at Pamodzi Girls' School (CDF Project)**

The Committee was informed that this project, whose scope of works included sinking and installation of the borehole and overhead tank, was estimated at K99, 853 which was way above the market price. Its completion period was four months from February to May, 2019. The Committee was further informed that the contractor failed to complete the works in accordance with the specifications of the contract despite being given enough time to correct the poor works on two occasions. The works had remained outstanding to date.

The Committee learnt that the school was operating without water because of the poor workmanship and. The Committee was concerned with the failure by the Council to terminate this contract despite establishing that the contractor failed to comply with the contract provisions.

10.2.4 Lufwanyama District

a) **Visit to Nchakwa Day Secondary School (LGEF Project)**

The Committee was informed that the project was allocated a total of K116,936 and the amount was paid to the contractor named Themex Engineering Company Limited. The works were completed but the workmanship was poor on the floor of the building as evidenced by patches peeling off in both classrooms. The Auditors noted the defects and recommended that they should be corrected, but the contractor had not yet been contacted to correct the defects. The defects liability period was ending at the month end of June, 2019 and there was no evidence that the contractor was contacted.

b) Construction of the Council Guest House

The Committee was informed that the Council Guest House whose estimated total cost was K6,145,000.00 had so far been funded an amount of K1, 573,712.38 under the Local Government Equalisation Fund. The lodge was expected to have five blocks with each block consisting of five rooms. Two blocks had so far been constructed pending installation of fittings and finishing. The completion period of this project was estimated to be five years.

The Committee learnt that one of the major challenges that the Council encountered on this project was that the source of building materials was not within the district, hence the escalated cost of the building materials used.

10.3 North Western Province

10.2.1 Ikelengi District

a) Muzenzi Primary School Project (CDF)

The Committee learnt that K156,984 was approved from the 2017 CDF to construct a staff house at Muzenzi Primary School. Rubicon Construction Company was engaged to carry out the specified works within two months and an amount of K23,000 was paid up front. No performance bond was signed with the contractor and his commencement period was with effect 29th May, 2018. The contractor failed to perform despite asking for an extension of up to 7th August, 2018 and hence the contract was terminated. The Council Management stated that the works cost K63,000 but did not pay the remainder of the amount because of the contractor's failure to complete the project.

The Council engaged a new contractor whose labour was based on a total sum of K27,000. The Council submitted that the works would be completed by the month end of July, 2019.

b) Lwakela School Science Laboratory Project (CDF Project)

The Committee learnt that this was a CDF project whose total allocation was K235, 022. Luwaili Investment from Solwezi District was engaged as a contractor and was paid a sum of K35, 235.30. The Contractor failed to perform and the contract was thus terminated. The case was taken to the Mwinilunga Subordinate Court for litigation and ruling was being awaited. Regrettably, it was revealed that the contract with Luwaili had no performance bond.

Further, Melmando 12-12 Kasofu was contracted to carry out the works at a contract sum of K202, 990, with a completion period of three months. Similarly, this contractor failed to complete the works. However, since there was a performance bond executed, the Council recovered the funds allowable. A new labour-based contractor was then engaged to finish the works at a contract sum of K55, 248.25. The new contractor was expected to complete the works within three months since all the materials had been procured.

c) Council Guest House (CDF Project)

The Committee was disappointed to learn that contrary to an earlier submission by the Council Secretary when he appeared before the Committee that the Council was constructing the Council Lodge, the project did not exist and was planned to be undertaken using the 2019 CDF.

d) Public Hearing

A summary of submissions by stakeholders was as highlighted below.

- i. It was sadly noted that there was no cooperation between the Council Management and the area Member of Parliament, the Council Chairman, the Councilors, the local community and other stakeholders.
- ii. The majority of the people who attended the meeting submitted that they were not aware that the Council Management received the LGEF monthly, and that they were required to utilise twenty per cent of the money received under the LGEF for capital projects.
- iii. Stakeholders submitted that the Council was mainly engaging contractors from other provinces and this had frustrated the local community, especially that they also had the capacity to carry out the works. The community lamented that the majority of the general workers who were employed by the Council were from other districts. This had disadvantaged the local people.
- iv. Some stakeholders submitted that the current Council Management was inefficient and did not involve the local people in most of their operations. It was recommended that the Government should put in place a new management. Other stakeholders submitted that Council Management exhibited some form of frustration in their execution of duties, which they attributed to some form of disciplinary action they may have suffered in the places they were transferred from.
- v. The community lamented the lack of maintenance plans for markets, township roads and other public infrastructure by the Council. The community also observed that there was abuse of Government equipment by the officers.
- vi. It was also submitted that the community had no access to Council Management officials because most of the times they were reported to be out of town for workshops.

10.3.2 Mwinilunga District Council

a) Kamphemba Rural Health Centre (CDF Project)

The Committee heard that the project had so far been funded K20, 275 from CDF and other well wishers. This had seen the project to near completion. The remaining works included

ceiling, water reticulation, stair cases, VIP toilets, and staff houses. The challenges were that the project serviced a population of 4,339 people covering two major chiefdoms, namely Kanongesha and Chibwika. Therefore, the absence of water at the Centre was a health hazard.

b) The Conference Hall (LGEF)

This project was funded under the LGEF and so far, K530, 000 had been used on the project. The Committee also learnt that the Council would complete the remaining works two weeks from the date of the Committee's tour to the project. While it was appreciated that there was one big project funded through the LGEF in Mwinilunga, it was evident that there was need to sensitise the communities about the Fund so that they could be aware of its use.

11.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

After analysing the written memoranda and oral submissions from various stakeholders and taking into account the findings from the local tour, the Committee makes the observations and recommendations set out below.

11.1 Less Impact of the LGEF on the Community compared to CDF

The Committee observes that more CDF projects are being implemented compared to those under the LGEF. The Committee observes that although the annual 20 per cent of the LGEF earmarked for capital projects for each constituency is almost equivalent to the yearly allocation of CDF, the impact of the LGEF is hardly appreciated by the communities.

In light of the above, the Committee strongly recommends that the Government should strengthen its strategies of ensuring effective utilisation of LGEF by local authorities in order for communities to fully benefit from the Fund.

11.2 Inadequate Participation of Stakeholders in LGEF Projects

The Committee observes with concern that stakeholders are less involved in implementation of capital projects using the twenty per cent of the LGEF. It is the Committee's understanding that local authorities exist to deliver services to communities and thus, the local people must be adequately consulted to ensure that projects being implemented are a true reflection of the needs of the Community.

In this regard, the Committee recommends that the local authorities must ensure that stakeholders are actively involved in the project selection and implementation of the capital expenditure component of the LGEF so that there is ownership of the projects.

11.3 Absence of LGEF Guidelines

The Committee observes that the absence of guidelines on the LGEF, similar to those on CDF, partly contributes to the misapplication of funds by councils. The Committee further observes that *Section 47 of the Local Government Act No. 11 of 2018* provides for the Minister of Local

Government in consultation with the Minister of Finance to make regulations on the activities that the Fund shall finance and the manner of financing activities, among other things.

In light of this, the Committee recommends that the Government should formulate the guidelines on the LGEF without any further delay, in order to address the numerous challenges surrounding the management and utilisation of the LGEF. The Committee further recommends that the Government must ensure that Members of Parliament are adequately consulted in the formulation of the guidelines.

11.4 Use of LGEF as Collateral for Borrowing

The Committee observes with extreme concern the increasing tendency by local authorities to acquire loans from financial institutions to buy motor vehicles for operations and for principal officers using the LGEF as collateral. The Committee is aware that, in a few instances, authority has been given by the Government for local authorities to procure utility vehicles using resources earmarked for capital expenditure. It is, however, also aware that this authority has been abused to the extent of committing the entire 20 per cent of the LGEF as collateral for acquiring loans from financial institutions at the expense of the much needed development in the communities. The Committee finds this state of affairs unacceptable.

In view of this, the Committee strongly urges all local authorities to desist from this practice forthwith and to ensure that the capital expenditure component of the LGEF is utilised for the purpose for which it is intended. The Committee further recommends that the Government should urgently investigate this matter in all local authorities and ensure that stern disciplinary action is meted out against all erring officers.

11.5 Misapplication of the LGEF

The Committee observes that the *Local Government (Amendment) Act, No. 12 of 2014* provides that 80 per cent of the LGEF can be utilised for operations and payment of salaries by councils while 20 per cent must be utilised for implementing capital projects. However, the Committee is greatly concerned that some of the councils do not adhere to the legal requirement, but divert the funds meant for capital projects to payment of salaries and operations.

In this regard, the Committee strongly recommends the following:

- a) stern disciplinary action must be instituted against erring officers for failing to follow the requirements of the law on the utilisation of the LGEF as this is a serious offence ;
- b) the Government should henceforth take measures to ensure that all local authorities execute the LGEF as designed and in accordance with the law; and
- c) the Government should make it mandatory for all local authorities to have a separate capital account for the LGEF in order to secure the capital expenditure component of the Fund.

11.6 Misinterpretation of Capital Expenditure

The Committee observes that most local authorities have continued to misinterpret the definition of capital expenditure in order to misapply the 20 per cent of the Fund. This is evident by the

numerous queries in the Auditor General's Report, as well as inappropriate expenses being paid for by local authorities out of the 20 per cent, such as procurement of office furniture and procurement of personal to holder vehicles for principal officers, among others. The Committee is concerned that the application of these funds on such expenses is denying these districts the development they need, and for which these funds are appropriated and disbursed. Therefore, there is need to urgently check this practice as it is a conduit for abuse of public funds.

The Committee strongly recommends that the Secretary to the Treasury should take keen interest in the utilisation of these funds and ensure that all applicable regulations are adhered to henceforth. Further, the regulations should be strengthened so as to ensure that 20 per cent is strictly applied towards capital projects which will benefit the communities. In addition, the Secretary to the Treasury should ensure that disciplinary action is meted out against all erring officers.

11.7 Failure to Share Activity Reports with Members of Parliament and Other Stakeholders

The Committee is disappointed that despite the Ministry of Local Government through a circular directing all local authorities to share monthly activity reports on the capital expenditure component of the LGEF with their area Members of Parliament and other relevant stakeholders in order for them to exercise effective oversight on the utilisation of the LGEF, some local authorities had not availed these reports to Members of Parliament and other stakeholders.

In this regard, the Committee strongly recommends the Government to ensure that principal officers in local authorities adhere to the directive in the circular by availing area Members of Parliament and other relevant stakeholders with the necessary information regarding capital projects in respective councils, failure to which appropriate disciplinary action should be meted out against erring officers.

11.8 Inadequate Experience in Project Monitoring

The Committee observes that some monitoring officers in local authorities lack experience in monitoring and evaluation of projects. The Committee agrees with the stakeholders that this lack contributes to failure to successfully implement projects.

The Committee, therefore, recommends that only qualified officers must be employed by the Local Government Service Commission to specifically conduct monitoring and evaluation of projects in all local authorities. The Committee further recommends that a standard monitoring framework must be developed for all local authorities in order to make it easier to determine the extent to which the project is on track and to make any needed corrections timely.

11.9 Frequent Transfer of Officers

The Committee observes that the LGSC sometimes uses staff transfers as a form of disciplinary action. The Committee is of the view that the frequent transfer of officers in local authorities negatively affects service delivery and delays progress in implementation of projects.

The Committee recommends that the Government should desist from this practice and ensure that appropriate disciplinary action must be executed for respective offences and transfer of officers should only be undertaken as and when it is necessary.

11.10 Untimely Approval of Proposed Projects

The Committee observes that previously, there was a delay in approval of projects by the Minister of Local Government. While the Committee appreciates the provision in the *Constituency Development Fund Act No. 11 of 2018*, for the Minister to approve a proposed project list within thirty days of receipt of the list, the Committee recommends that the Government should, as a matter of urgency, expedite the issuance of a commencement order, by way of Statutory Instrument, to operationalise the *Constituency Development Act No. 11 of 2018* in order to ensure that project approval is not further delayed.

11.11 Political Interference

The Committee observes that the political interference from political leaders tends to slow down the implementation process. This is also exacerbated by the desire to implement numerous projects leading to thin distribution of resources.

The Committee, therefore, recommends that Councilors and other members of CDC appointed by Members of Parliament must not dominate decision making in selection of projects but must ensure that priority is made to the immediate needs of the local people in selection of projects.

11.12 Untimely Disbursement of CDF and LGEF

The Committee observes with concern that there are delays in the disbursements of CDF and LGEF. The Committee is also concerned that not only is the disbursement of CDF untimely, but it is also only disbursed partially in most cases. The Committee is concerned that this practice distorts implementation of projects and hampers effective service delivery.

The Committee, therefore, recommends that the Government should consistently and timely disburse these funds in order to ensure sustainability of council operations, as well as provision of the much needed services to the concerned communities.

11.13 Non- Receipt of CDF

The Committee observes with great concern that despite the Ministry of Finance disbursing CDF to the Ministry of Local Government for subsequent disbursement to constituencies for the years 2014, 2015, 2016 amounting to K190, 933,334, K72,800,000 and K1,400,000 respectively, most constituencies did not receive CDF in these years. The Committee is disappointed that the Government has not been committed to fulfilling the Constitutional provision of annually disbursing CDF to all constituencies.

In this regard, the Committee recommends that:

- i. the Ministry of Local Government should with immediate effect disburse CDF for the years 2014, 2015 and 2016;

- ii. the Government should, as an immediate measure, be transparent in the disbursement of CDF by publishing schedules and distributing the schedules to all Members of Parliament and other stakeholders; and
- iii. as a long term measure, the Ministry of Finance should disburse CDF directly to Constituency CDF accounts to ensure that CDF is not diverted to other Central Government Activities.

11.14 Uniform Allocation of CDF

While the Committee appreciates the initiative by the Government to disburse CDF to all constituencies as provided for in the Constitution, the Committee is concerned that the standard allocation of CDF to all Constituencies has not helped matters in addressing challenges unique to both rural and urban areas such as population disparities, levels of development, poor terrain and vastness of the constituencies as seen from the varying levels of progress registered by different constituencies using CDF.

The Committee, therefore, recommends that CDF allocations must be based on an agreed formula which should take into account various parameters such as poverty levels, size of the constituency, the geographical peculiarity of the area, and population size.

11.15 Inadequate CDF Allocation

The Committee observes that the current CDF allocation is inadequate and unable to meet the needs of constituencies such as infrastructure development, support to school going vulnerable children, and delivery of other services.

The Committee recommends that the Government should increase the CDF allocation in order for local authorities to meet various community development needs and to improve provision of public services.

11.16 Inadequate Allocation for Administration Expenses on CDF Projects

The Committee observes that the allocation of K20, 000 for administration purposes is not sufficient to facilitate effective monitoring of projects and to cater for other administrative expenses pertaining to CDF projects. The Committee is concerned that failure to adequately monitor projects compromises the quality of output and contributes to poor implementation of CDF projects.

Therefore, the Committee recommends that the Government should increase the allocation to administration expenses for CDF projects in order to enhance monitoring, improve efficiency and achieve value for money.

11.17 Poor Coordination Among Key Players in the Implementation of CDF

The Committee is seriously concerned that there is a poor work relationship among major stakeholders of CDF who are the council management, Members of Parliament, councillors and

the community. This negatively affects the selection, implementation and monitoring of projects and delays project implementation. It, therefore, slows down the development of the beneficiary communities.

In light of the above, the Committee strongly recommends that local authorities must involve all relevant stakeholders in the entire project implementation cycle and should effectively perform their secretariate role and providing guidance to stakeholders in accordance with the legislation and guidelines.

11.18 Alteration of Projects Recommended by the CDC

The Committee observes that the District Development Coordinating Committees (DDCC) in some districts have been altering projects recommended by the CDC. The Committee is concerned that while the projects approved by CDC are supposed to be a true reflection of the communities' needs, altering them renders the local stakeholders irrelevant in the CDF project cycle.

In light of this, the Committee recommends that the DDCC should accordingly perform its role of quality assurance and ensure that there is no duplication of projects and see to it that project submitted to the DDCC by the council correspond to what the CDC approved.

11.19 Failure by CDC to Adhere to Advice Given by Technocrats

The Committee observes the reluctance by CDC to follow advice rendered by technocrats, particularly in the allocation of funds to specific projects. The Committee also observes that CDC allocates funds to projects mostly before the project costs have been professionally estimated. This has resulted to inadequate allocation of funds to particular projects and ultimately a high number of uncompleted projects, wastage of materials and in some cases, the quality of the output is compromised.

In this regard, the Committee strongly recommends that the Government should take immediate measures to ensure that only projects whose costs have been with professionally estimated are approved in order to ensure timely completion of projects and value for money.

11.20 Ineffective Internal Audit System

The Committee observes with great concern the poor internal audit systems in the local authorities. This has been revealed through various queries such as non-preparation of financial statements, failure to remit statutory contributions weakness in procurement procedures in the 2012, 2014 and 2015 Auditor General's Report. The Committee is of the view that poor internal audit and internal control systems are a recipe for poor management of public resources.

In this regard, the Committee urges the Government, as a matter of extreme urgency, to invest in capacity building of internal auditors through the newly established Department of Local Government Finance and the Unit under the controller of Internal Audits in order to secure public funds.

11.21 Lack of Community Participation

The Committee observes less community participation in the CDF consultative process as provided for in the CDF Guidelines. As a result, communities lack a sense of ownership. The Committee further observes that, partly, this is attributed to the unavailability of information for the community. In particular, the Committee was disappointed to learn, during the public hearing in Ikelengi District, that some councillors and the community at large were not aware that local authorities received LGEF on a monthly basis.

In light of this, the Committee recommends that local authorities should deliberately conduct awareness activities in order to allow the community to actively participate in project cycle for both the CDF and LGEF. The Committee further recommends that the Council management must constantly update the Full Council on how the LGEF is being utilised.

11.22 Failure to Secure Completed Projects

The Committee is greatly disappointed at the inability by the Councils to ensure that LGEF and CDF projects are properly secured from damage and theft. The Committee is dismayed that Ndola City Council failed to engage the police in ensuring that the bore hole and the water pump at Kaloko Police Station were secured.

The Committee strongly recommends that the Government should institute disciplinary action against all officers who did not take necessary measures to secure this property. The Committee also calls upon the Government to ensure that all councils country wide take appropriate measures to secure CDF and LGEF projects to avoid thefts and vandalism which results in loss such valuable property.

11.23 Failure to Complete Projects within Contract Periods

The Committee is extremely disturbed at the increasing rates of failure by contractors to complete works within the contract period as witnessed at the Munkulungwe Multi-Purpose Hall, water supply at Pamodzi Girls' School, staff house project at Muzenzi Primary School and the Science Laboratory construction at Lwakela School projects. The Committee notes that this tendency does not only lead to late completion of projects but also contributes to wastage of already procured materials.

The Committee urges the Government to ensure that all matters relating to contractors who abandon works are expeditiously pursued and resolved through the relevant law enforcement agencies.

11.24 Poor Workmanship

The Committee observes with extreme concern the failure by the councils to strictly ensure that contractors deliver works in accordance with contract provisions. The Committee particularly observes that despite some contractors completing projects within the contract period at Nchakwa Primary School and Pamodzi Girls' School, the works were poorly done due to lack of supervision by the officer responsible and the defects had remained outstanding.

The Committee strongly recommends that the Government should ensure that certificates of completion are only issued when all contract provisions are met by contractors. The Committee further recommends that officers who issue certificates of completion to contractors and mislead council Management to pay contractors for unsatisfactory works must be disciplined accordingly.

11.25 Failure to Sign a Performance Bond with Contractors

The Committee observes with concern the failure by most local authorities to demand performance bonds with contractors in order to, among other things, guarantee that the bonded project will be completed according to the terms of the contract and at the agreed contract price. The Committee notes that lack of a performance bond increases the risk of a contractor failing to fulfil contractual obligations.

The Committee strongly urges the Government to ensure that public funds are adequately secured by ensuring that local authorities demand performance bonds from all contractors. The Committee further recommends that stern disciplinary action be meted out against officers who do not adhere to this requirement.

12.0 Conclusion

The CDF and LGEF are important sources of revenue for all local authorities countrywide. In fact, the two Funds are the main sources of revenue for the majority of local authorities. The LGEF alone accounts for over 70 percent of revenue in local authorities. The two Funds are also an important tool of fiscal decentralisation and have the potential to uplift the standard of living of Zambia's rural population if well managed. This is particularly so in view of the declining revenue base and the many competing demands facing the councils. With a robust legal framework in place, these Funds could be effectively and efficiently utilised for the benefit of the local communities as they could significantly and sustainably reduce poverty in the beneficiary communities.

From the study undertaken by the Committee, it became apparent that there were some challenges in the administration of the Funds which compromised their effectiveness. These included uniform disbursement of CDF to all local authorities, which distorted the principle of equity because constituencies varied in economic activity, population and vastness. In addition, constituencies in rural and urban areas were faced with different development challenges and as such, the urban constituencies tended to have an unfair advantage as they appeared to have more facilities such as roads, water and other infrastructure provided by the central government. Therefore, the Committee recommended that the allocation of CDF must take into account these various factors in order to promote equity.

With regards to LGEF, the Committee found that most local authorities depended on this Fund for operations and salaries. However, the impact of the Fund on the development of the communities is insignificant and yet the Fund is disbursed on a monthly basis and the total receivable annually was, for most councils, far exceeded any other funding received. The Committee strongly recommended that measures be instituted to strengthen internal controls to prevent the misapplication of funds and ensure that the Fund was utilised as prescribed in the legislation. With the new *Public Finance Management Act, No. 1 of 2018* in place, it was envisaged that all issues of fiscal discipline, allocation of resources to priority needs, and the efficient delivery of public goods and services in the local authorities will be addressed.

The Committee is, therefore, hopeful that the recommendations made on the utilisation of CDF and LGEF will be acted upon by the Executive and that all the challenges highlighted in the report will be addressed accordingly so as to ensure that these Funds could contribute meaningfully to the improvement of the lives of the ordinary citizens in the beneficiary communities.

The Committee is grateful to you, Mr Speaker for the guidance rendered to it during the Session. The Committee is also grateful to the Office of the Clerk of the National Assembly and her staff for the support rendered to it throughout this Session. The Committee is further indebted to all witnesses that submitted memoranda and appeared before it.

E J Muchima, MP
CHAIRPERSON

June, 2019
LUSAKA

Appendix I - List of National Assembly Officials

Ms C Musonda, Principal Clerk of Committees
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
Mrs C K Mumba, Senior Committee Clerk (FC)
Mrs E K Zgambo, Committee Clerk
Ms S Phiri, Typist
Ms N Simpamba, Intern
Mr D Lupiya, Committee Assistant
Mr M Chikome, Committee Assistant
Mr M Kantumoya, Parliamentary Messenger