

# **FISCAL AND TECHNICAL DECENTRALISATION IN ZAMBIA AND ITS IMPACT ON DEVELOPMENT AT LOCAL LEVEL**

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**ENHANCING LOCAL GOVERNANCE  
AND DEVELOPMENT THROUGH DECENTRALISATION**



**RESEARCH REPORT**

November 2023

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I FISCAL AND TECHNICAL DECENTRALISATION IN  
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## Definition of Key Terminologies

Term	Definition
Fiscal Decentralisation	The transfer of financial resources, decision-making authority, and administrative responsibilities from a Central Government to lower levels of government, such as regional or Local Governments. It aims to empower Local Authorities with financial autonomy and control over local finances.
Expenditure Assignments	The allocation of responsibilities for public spending and services to different levels of government. It specifies which government level is responsible for funding and managing specific public functions, such as education, healthcare, or infrastructure.
Revenue Assignments	Determining which level of government is responsible for generating revenue through taxes, fees, and other income sources. It clarifies how revenue is collected and shared between central and Local Governments.
Intergovernmental Transfers	Financial resources provided from one level of government to another, often from a Central Government to local or regional governments. These transfers can include grants, subsidies, or revenue-sharing arrangements.
Grants in Lieu of rates	Financial aids provided by higher levels of government to compensate Local Authorities for the loss of potential revenue they might have collected through local taxation, such as property taxes.
Constituency Development Fund (CDF)	A government program that allocates funds to specific parliamentary constituencies to support community-based development projects. It is intended to empower local communities and enhance their participation in development initiatives.
Devolution	The delegation of certain powers, responsibilities, and decision-making authority from a Central Government to lower levels of government, such as regional or Local Governments. It aims to promote local governance and autonomy.
Local Authorities	Governing bodies responsible for managing and administering Local Government units, such as municipalities, cities, or districts. They play a crucial role in implementing local development projects and services.
Ward Development Committees (WDCs)	Local community-based organizations or committees that play a role in identifying, prioritising, and overseeing the implementation of development projects at the grassroots level.

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## Abbreviations

Acronym	
ACVPD	African Charter on the Values and Principles of Decentralisation
CDF	Constituency Development Fund
CDFC	Constituency Development Fund Committee
DSL	Decentralisation and Strengthening of Local Government
FGDs	Focus Group Discussions
IFA	Intergovernmental Fiscal Arrangements
KIIs	Key Informant Interviews
LGEF	Local Government Equalisation Fund
LASF	Local Authorities Superannuation Fund
NAPSA	National Pension Scheme Authority
NGOs	Non-Governmental Organisations
PEMFA	Public Expenditure Management and Financial Accountability
OSR	Own Source Revenue
PSM	Public Sector Management
PSRP	Public Service Reform Programme
WDCs	Ward Development Committees
ZRA	Zambia Revenue Authority

## Acknowledgment

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Additionally, we sincerely thank the various local authorities and Ward Development Committees around the country for participating in the study and for their invaluable contributions made throughout the course of the study.



Sydney Mwamba  
**Executive Director**

## Executive Summary

This study presents research findings regarding fiscal and technical decentralisation in Zambia and its impact on development at local level. The study aimed to analyse the state of fiscal and technical decentralisation from Central Government to Local Government, ascertain the levels of devolution of functions from Central to Local Government and assess stakeholders appreciation of decentralisation process vis-à-vis technical and fiscal decentralisation. The study employed a mixed method approach i.e., qualitative and quantitative, while the selection of the seven (7) provinces was done purposefully.

The study revealed mixed views on the current state of fiscal decentralisation. In addition, the study revealed common challenges which included discord between revenue assignments and expenditure responsibilities due to the absence of a fundamental funding baseline and the need for financial alignment with functional roles. Furthermore, the study found that fund transfers with regards to intergovernmental lacked fixed schedules, leading to variable timelines.

The findings revealed that devolution of functions from Central Government to Local Government structures is rated at an average level. Several functions have been transferred from Central Government to Local Government structures in accordance with Cabinet Circular No. 2 of 2023. Stakeholders believe that devolution empowers decision-making closer to the grassroots, increasing citizen participation in governance and national development. However, the study found that some of the functions like motor vehicle licensing may result in a loss of control or influence over decision-making processes due to resistance from centralised power structures. Equally, limited institutional structures at the local level are a challenge as some departments or functions do not have structures, thus hindering the successful implementation of circular projects.

In addition, the findings further revealed that 65% of stakeholders have a favourable perception towards both fiscal and technical decentralisation. In addition, 64% of stakeholders are in support of fiscal decentralisation within the communities. However, the study established that 43% of stakeholders have an unfavourable perception towards Local authorities' capacity to implement projects at local level. The study also established challenges in administering fiscal and technical decentralisation in Zambia at local level. It was established that currently, expenditure responsibilities for Local Authorities exceed the fiscal resources available to fulfil them. As much as

expenditure exceeds revenue, different levels of resource endowment among Local Authorities have resulted in significant horizontal fiscal imbalances, as some Local Authorities raise more revenue than others. This mismatch between expenditure responsibilities and fiscal capacity poses a substantial challenge on project implementation at local level. Further, ensuring a fair and balanced distribution of financial resources among different levels of Government has been challenging, requiring careful consideration of factors such as population, economic activity, and social needs.

The Government is therefore urged to enhance efforts in promoting coordination and collaboration between different levels of Governments to avoid duplication of efforts and ensure efficient allocation of resources. In the same vein, Local Authorities should be able to uphold principles of good governance, accountability, and transparency in their operations for grant eligibility in line with the Public Finance Act 2018. Further, The Government is urged to promote measures that will promote equitable resource allocation by aligning expenditure responsibilities with the fiscal resource availability. This may involve addressing the significant fiscal imbalances among Local Authorities. In addition, mechanisms for redistributing resources or introducing fiscal equalisation measures should be explored to ensure that all Local Authorities have the necessary means to fulfil their expenditure responsibilities.





## 1.0 Introduction

Governments play a crucial role in fostering and sustaining decentralisation by creating appropriate and effective national policies and regulations for bolstering local institutional capacity to take on responsibilities for new duties<sup>1</sup>. This study assesses fiscal and technical decentralisation in Zambia and its impact on development at local level.

### 1.1 Background of the Study

The actualisation of Zambia's national development agenda has been centred on decentralisation as a means of catalysing development through reduced bureaucracies as well as enhancing the capacities of local administrators to respond to the needs of the people as opposed to Central Government playing the leading role.

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1. Gumboh, 2012

Zambia's aspirations for decentralised government processes date as far back as 1964 when various policies and legislative reforms were developed to support decentralisation. This culminated into Laws such as the Local Government Act of 1965 and the Amended Act of 1980 which aimed at establishing structures at provincial, district and sub district level to ease administration of Government.

More recently, the regulatory framework governing decentralisation has evolved with the amendments of the Constitution supporting devolution of governance to enhance service delivery by taking services, resources and decision-making functions closer to the people. The Constitution of Zambia (Amendment) Act No. 2 of 2016 prescribes that Zambia remains a unitary state while it implements a devolved governance system. This provision entails that the Central Government's role transforms into one focused on formulation of national policy and laws while performing regulatory functions rather than implementation functions. In the same regard, Article 147 of the Constitution prescribes specific functions to be performed by the Central and Local Government. It also provides for the election of representatives at local level such as Mayors and Council Chairpersons to fulfil the tenets of democracy while enhancing participation of citizens in governance. Through the Constitution, local authorities are mandated to formulate and implement by-laws and policies as well as administer and implement programmes in the district while the provincial administration plays a coordinating role for the implementation of government policies and programmes in the province.

Decentralisation refers to the transfer of responsibilities, authority, functions as well as power to provincial, district and sub-district levels coupled by appropriate resources for programme implementation. There are three main types of decentralisation: economic, administrative, and technical. Economic decentralisation involves the transfer of services and responsibilities from the public sector to the private sector, while administrative decentralisation involves the transfer of decision-making authority from the Central Government to local authorities. Technical decentralisation involves the transfer of technical expertise and resources from the Central Government to local authorities.

## **1.2 Components of Fiscal Decentralisation**

Zambia's proposed model of fiscal decentralisation is centred on devolution type of decentralization.

### **1.2.1 Devolution**

Decentralisation by devolution is a process of transferring decision-making power, resources, and responsibilities from the Central Government to Local Authorities, driven by a compelling need to address various challenges, promote

local development, enhance service delivery, and increase citizen participation in decision-making (Decentralisation Policy 2023). This approach is grounded in the belief that local governance is key to improving accountability and fostering local economic development<sup>2</sup>. Zambia's commitment to devolution is enshrined in the National Decentralisation Policy adopted in 2023. This policy outlines the functions devolved to Local Authorities, encompassing critical areas like education, health, agriculture, water and sanitation, infrastructure, and social welfare. Local Authorities are also granted the authority to raise revenue independently through means such as property taxes, user fees, and licenses. While the devolution process is still in its early stages, it has yielded positive outcomes. Local Authorities have become more responsive to community needs by tailoring services to local conditions, and citizen participation in decision-making has increased as they hold elected officials accountable for service delivery. The Zambian Government remains resolute in its commitment to devolution as it recognizes devolution as indispensable for advancing local governance, enhancing service delivery, and empowering citizens to play a more active role in shaping their communities' futures. The enactment of the 2019 Local Government Act underscores the government's dedication to advancing Decentralisation by devolution as a transformative governance approach. The Government has so far decentralised a number of functions in accordance with Cabinet Circular No. 2 of 2023. **The functions include pontoons, ferries, jetties and piers, harbours, community sport, vehicle licensing, cultural matters, district archives, district health services including ambulance services, and veterinary services.** The staff under these functions will be attached from the Central Government to the Local Authorities but will be maintained under Central Government payroll and will continue to enjoy their existing terms and conditions of service<sup>1</sup>. The transfer of these functions is aimed at improving delivery of respective services to the people and improving citizen participation in local governance and developmental issues.

However, implementation of **fiscal decentralisation in Zambia is through four pillars; Expenditure Assignments, Revenue Assignments, Inter-governmental Transfers, and Borrowing and Debt Management**<sup>2</sup>. **Expenditure and revenue assignments** are fundamental components of fiscal decentralisation, a pivotal facet within the broader process of decentralisation. They encompass the allocation of financial resources, responsibilities, and decision-making authority between the Central Government and Local Authorities, ensuring the effective delivery and financing of public services at the local level. The effective delineation of expenditure and revenue assignments in fiscal decentralisation streamlines governance, boosts accountability, and improves resource allocation. This process empowers Local

1 National Decentralisation Policy, 2023

2 National Decentralisation Policy, 2023.

Authorities to meet the specific needs of their communities, ultimately enhancing service delivery and citizen well-being.

### **1.2.2 Expenditure assignments**

The Constitution of the Republic of Zambia provides for specific functions to be performed at national, provincial and local level. It also prescribes exclusive functions to be performed by the Local Authorities. Furthermore, the Constitution stipulates that adequate resources should be allocated to the assigned functions at every level. Expenditure assignments involve delineating specific functions, such as healthcare, education, infrastructure development, and social welfare, to different levels of government, be it the Central Government or Local Authorities. These assignments determine who is responsible for financing and delivering these services, reducing redundancy, optimising resource allocation, and enhancing accountability. For instance, in Zambia, healthcare services may be assigned to Local Authorities, while primary education may fall under the Central Government's purview.

### **1.2.3 Revenue assignments**

To begin with, revenue assignments relate to the attachment of revenue sources needed to fund expenditure functions and deal with how governments decide the allocation of financial resources for their assigned functions; in this context it is used to outline revenue sourcing for the Local Authorities. This includes collecting and distributing revenue from various sources such as taxes, fees, grants, and loans. In Zambia, revenue sources may include user fees, local taxes, capital borrowing, and others.

### **1.2.4 Intergovernmental Transfers**

Intergovernmental transfers facilitate the flow of funds from the Central Government to Local Authorities, thereby, playing a crucial role in supporting local governance functions. The Government has been implementing a transfer system which involves three grants to the Local Authorities, namely the Local Government Equalisation Fund, grants in lieu of rates, and matching grants.

#### **Local Government Equalisation Fund**

This fund seeks to address fiscal disparities among Local Authorities by ensuring that those with limited local revenue-generation capabilities receive adequate resources to deliver essential services.

## **Grants in Lieu of Rates**

The “lieu of rates” system serves as a compensation mechanism for Local Authorities in Zambia, acknowledging the use of their land and resources by the Central Government. It guarantees that Local Authorities receive fair compensation for the utilisation of their assets, including land, infrastructure, and natural resources. This compensation contributes to fiscal stability and provides a source of revenue to underpin local development initiatives. These grants compensate Local Authorities for properties owned by the Central Government, which are exempt from property taxes, ensuring financial stability.

## **Matching Grants**

Matching grants represent direct financial transfers from the Central Government to Local Authorities, designed to support specific projects or services. These grants may be allocated for various purposes, including infrastructure development, education, healthcare, and poverty alleviation. Grants play a pivotal role in providing funding for projects that extend beyond the regular functions of Local Authorities, addressing specific local needs, and promoting development across diverse sectors. These grants encourage Local Authorities to generate revenue locally, promoting self-sufficiency and local financial independence.

Intergovernmental transfers are pivotal in ensuring that Local Authorities have access to financial resources beyond what they can generate themselves. This mechanism is essential for balancing financial capabilities among Local Authorities and reducing disparities in service delivery across various regions in Zambia.

## **1.3 Constituency Development Fund**

The Constituency Development Fund (CDF) is a distinct fund that channels support to community development projects at the constituency level. It offers financial resources for local development projects, which are identified and prioritized by elected constituency representatives. The CDF empowers local communities to participate in determining their development priorities and allocate resources to address their unique needs. It empowers local communities to take charge of development projects and ensures that resources are allocated to initiatives that are of significant importance to the grassroots level.

## **1.4 Borrowing and Debt Management**

National and Local Governments borrow for short-term cash management and to fund long-term capital investments. Government has made important strides in the area of local-level borrowing and debt management. The enactment of the

Local Government Act No. 2 in 2019, provided prescriptions on sources of borrowing and instruments to be used by Local Authorities. Further, a Local Authority Debt Management Strategy was adopted in 2021 to address the rising debt levels.

### **1.5 Objectives**

This study sought to establish the level of fiscal and technical decentralisation and the following were the objectives that guided the study:

- i. Analyse the state of fiscal and technical decentralisation from Central Government to Local Government.
- ii. Ascertain the levels of devolution of functions from Central to Local Government.
- iii. Assess stakeholder's appreciation of the decentralisation process vis a-vis technical and fiscal decentralisation.



## 2.0 Methodology

### 2.1 Approach

The study employed a mixed method approach i.e., qualitative and quantitative. Quantitative data was used in displaying responses in tabular and graphical formats. Qualitative data was collected through Key Informant Interviews (KIIs) and Focus Group Discussions (FGD). The findings informed the policy recommendations drawn to ascertain how to fully appreciate decentralisation.

### 2.2 Scope of the Study

Identification of stakeholders was aided by KIIs whereas the selection of fourteen (14) districts from seven (7) provinces of Zambia to ascertain the levels of decentralisation and stakeholder's appreciation of decentralisation was done purposely. The 7 provinces included; Lusaka, Copperbelt, Northern, Luapula, Central, Southern and Western. Thus, 14 district administrations, 14 Local Authorities, 7 provincial administrations and two (2) districts per province were selected.

## **2.3 Data collection**

The Ministry of Finance and National Planning, the Ministry of Local Government and Rural Development, the Legislature (Constituency Offices and CDF Committees), the Cabinet Office (Decentralisation Secretariat), the Accountant General's Office, the Local Government Association of Zambia, the Local Government Service Commission, the Provincial Local Government Offices, and the Local Authorities were among the key stakeholders from whom interview guides were crafted in order to collect primary. The information gathered was essential to understanding how these resources affected programme execution and determining how decentralisation can promote improved local development.

## **2.4 Data Analysis**

Qualitative data collected was transcribed under theme assignments to provide an in- depth understanding of fiscal decentralization in Zambia. Quantitative data was analyzed into descriptive statistics using R-software.





## 3.0 Findings

### 3.1 State of Fiscal and Technical Decentralisation: Expenditure Assignments, Revenue Assignments and Intergovernmental Transfers

#### 3.1.1 Expenditure Assignments

The study established different viewpoints regarding the current status of fiscal decentralisation, specifically with regard to the Constituency Development Fund (CDF). The requirements for expenditure assignments under the CDF are followed, however delays in contractual agreements cause problems. The primary cause of these delays is that the payments made later than anticipated by all parties concerned. Legal compliance is given a priority by oversight authorities, who also make sure that expenditures follow the prescribed plan. Notably, funds allotted under CDF for the 2022 financing cycle had already been committed to a number of components, giving the impression that pre-spending had occurred. After undergoing financial literacy training, loans were ready for bank transfers to recipients in 2023. Community programmes mostly focused on areas like education, health, and transportation (renting out bus services to private entities) this meant

that project selection is highly skewed. In order to avoid this, there is need to have an articulate district development plan.

### **3.1.2 Revenue Assignments**

According to the findings of the study, different stakeholders had different opinions about fiscal decentralisation. The lack of a basic financing baseline and the requirement for financial alignment with functional tasks frequently resulted in conflicts between income assignments and expenditure obligations. Despite the fact that Local Authorities have distinguished several Own Source Revenue (OSR) streams, there are still constraints in funding necessary operations because of an imbalance in the relationship between revenue and spending. The 2021–2025 Debt Management Strategy's implementation gap made municipal debt management and borrowing more difficult, which resulted in uncontrolled Local Government debt. Problems with revenue coordination, delayed disbursement, and structural imbalances made the situation even more difficult. The significance of coordinated actions to achieve financial autonomy and guarantee effective service delivery at the local level. For Local Authorities, locally generated resources are considerably limited.

### **3.1.3 Intergovernmental Transfers**

The study found that transfer of funds was generally undertaken according to the set schedules. These payments are essential parts of the government's assistance to local authorities and include Constituency Development Fund (CDF), Matching Grants, Local Government Equalisation Fund (LGEF), and Grants in lieu of Rates. Although the CDF is thought to be adequate for constituency development, local authorities have trouble making the most of their yearly allotments of it. Rate-related grants are used to compensate for government buildings, and council operations are supplemented by the Local Government Equalisation Fund. The Intergovernmental Fiscal Arrangements (IFA) were enacted in 2017 to tackle issues related to finance and service delivery. However, a number of IFA provisions are still to be implemented, which has hindered the full potential of the Act. The Central Government's constant LGEF funding is dispersed inequitably because there is no comprehensive mechanism for allocating cash. Delays and insufficiencies in Central Government financing to Local Governments have been brought about by changes to the Local Government Act. Structural inequities that persist highlight the necessity of consistency. More coherence in decentralisation initiatives is called for, even if beneficiaries have noted recent gains in fund reception alongside issues, like those relating to disaster management funding and inconsistencies.

Even while the national budget shows increased funding allotments, which support the development of capacity in carrying out the Decentralisation Policy, difficulties still exist. The report highlights the need for greater capacity and sensitization campaigns in order to effectively address these problems. The findings highlight both improvements and persistent issues in the financial and service delivery aspects of decentralisation, emphasising the ongoing need for comprehensive reforms and enhanced capacity-building initiatives.

## **3.2 Challenges in Administering Fiscal Decentralisation**

### **3.2.1 Expenditure Assignments**

The goal of fiscal decentralisation is to guarantee the availability of fiscal resources to support devolved functions, which is why the phrase “finance follows function” refers to decentralisation. The study did find, however, that Local Authorities currently have more spending obligations than they can afford to fulfil. Additionally, because different local authorities are endowed with diverse resources, there are significant horizontal fiscal imbalances because some are able to raise more money than others. The survey also discovered that most resources are still managed centrally, even though the government has given Local Authorities under the CDF a reasonable amount of financial authority. Comparably, distributing financial resources among the various governmental levels in a fair and balanced manner can be difficult since it necessitates careful consideration of variables like population, economic activity, and social demands. The efficiency of resource allocation and the avoidance of redundant efforts have not been achieved by the effective coordination and collaboration amongst the various governmental levels. There have been raising concern that existing economic differences between regions or municipalities have been made worse by CDF disbursement.

### **3.2.2 Revenue Assignments**

In accordance with the study’s findings, one disadvantage of revenue assignments is that most of the sources of income given to local authorities are hard to collect. Similar to this, local authorities have little authority because the Central Government must approve any revenue-related plans before they can be implemented. The difficulty lies in the mismatch between the government revenue base and the expanded devolved powers and allocated revenue streams. As of now, it appears that the Local Authorities are not complying with the stipulations of the Constitution, which has a detrimental effect on their ability to raise Own Source Revenues. The survey also discovered that Local Authorities encountered difficulties in allocating

money, such as the loss of the tax base as a result of legal flaws pertaining to property rating, poor own source revenue collection, and employee revenue theft. Stronger accountability and transparency measures are required as local autonomy increases, as the issue of lack of accountability and openness persists.

### **3.2.3 Intergovernmental Transfers**

The results also showed that, even though the Local Authorities received funds, the funding was insufficient, which resulted in debt and the Local Authorities' inability to carry out their responsibilities. The application of the fiscal decentralisation strategy has raised questions since some believe it does not adhere to all of the intergovernmental transfers' guiding principles, including the concepts of vertical and horizontal equity. The vertical equity sharing arrangement for national resources between the Central Government and Local Governments has not yet been fully achieved. Grants have been given out to Local Authorities in a horizontal manner, regardless of how well they perform or how their operations operate, or as a reward for Local Authorities that follow the values of accountability, transparency, and good governance. Some districts have an abundance of resources due to the extreme vertical fiscal imbalance, yet they are extremely poor because all the resources from mining operations travel to the centre.

### **3.2.4 Borrowing and Debt Management**

Similarly, issues concerning local borrowing and debt management exist. As of December 31, 2022, local authorities owed K4.3 billion in debt, up from K2.8 billion in June 2020. Of the overall debt, 71 percent was accounted for by the Zambia Revenue Authority (ZRA), National Pension Scheme Authority (NAPSA), and Local Authorities Superannuation Fund (LASF) statutory obligations. A quarter of the total amount was paid in employee benefits; the balance owed to other creditors. The Ministry of Local Government and Rural Development projects that local authorities will be owing K4.5 billion by the end of 2023. The alarming debt situation in Local Authorities has hampered the efficient and effective performance as some of the funds meant for provision of municipal services are channelled to debt servicing<sup>3</sup>.

## **3.3 Levels of Devolution of Functions**

According to the study's findings, the transfer of responsibilities from the federal government to Local Government institutions is assessed as average. In line with Circular No. 2 of 2023, a number of tasks have been moved from Central Government to Local Government organisations. According to stakeholders, decentralisation gives citizens the ability to effectively engage in local governance and national development decision-making.

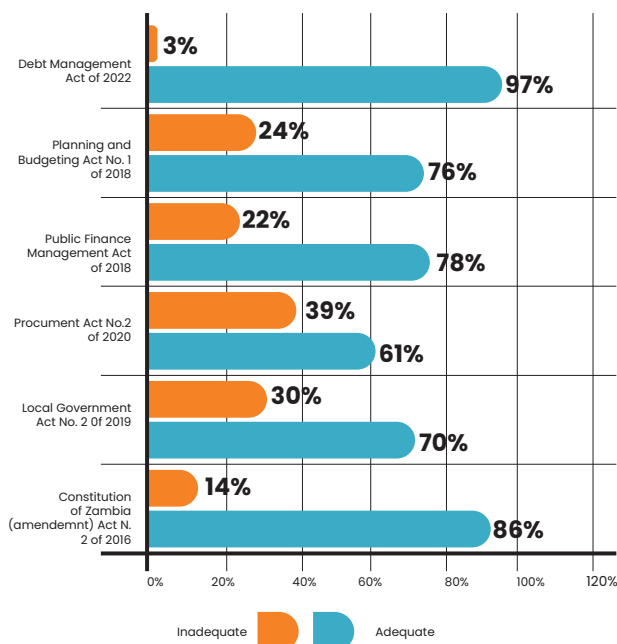
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3. National Decentralisation Policy, 2023

Thus, devolution is linked to good governance, which upholds the rule of law, accountability, transparency, and respect for human rights. As a result of this, it has the ability to decrease bureaucracy in governance activities and promote collaboration among different government actors while also improving service delivery at the local authority level.

However, challenges exist in administering devolution. The study established that resistance from centralised power structures may cause some functions, such as motor vehicle licencing, which is not under the full control of the local authorities as funds raised are transferred back to central government; and the central government makes the decision on its use. Limited structures at the local level also provide a problem since some departments or functions lack the necessary frameworks, which might make it more difficult to carry out community projects successfully. Decentralisation frequently involves a number of parties, such as the corporate sector, civil society organisations, and local authorities. However, managing these parties and guaranteeing productive cooperation can be difficult, particularly in intricate and varied situations. Delegating authority and responsibilities to local levels of Government is also challenging due to legal and regulatory barriers. For example, the 2002 Road Traffic Act does not comply with the constitution.

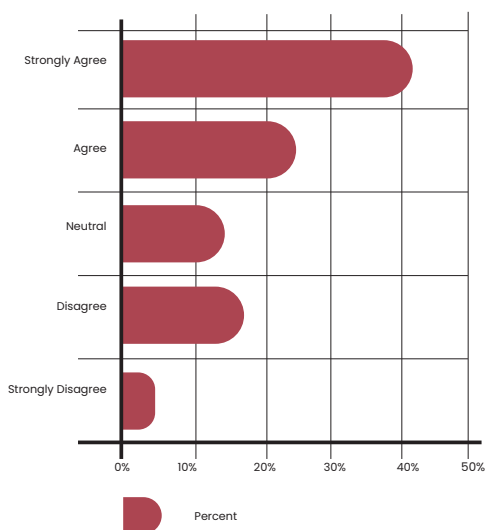
**Figure 1 – Stakeholders’ perception on adequacy of the regulatory framework governing decentralisation.**



The chart shows that several Acts that govern Zambia's decentralisation strategy are sufficient to support the efficient implementation of fiscal decentralisation. According to 97, 76, 78, 61, 70, and 86 percent of respondents, the Debt Management Act No. 15 of 2022, Planning and Budgeting Act No. 1 of 2018, Public Finance Management Act of 2018, Procurement Act 8 of 2020, Local Government Act 2 of 2019, and Constitution of Zambia (Amendment) Act No. 2 of 2016 are sufficient for achieving fiscal decentralisation, respectively. Nonetheless, a few respondents felt that certain Acts need revision. For example, in order for the Local Authorities to issue municipal bonds as one of the funding vehicles, rules must be developed and clarified in accordance with the Debt Management Act, which permits the Local Authorities to borrow debt within a certain timeframe. Others indicated that the Planning and Budgeting Act needs to be amended to include more recommendations about the budgeting process in order to get ready for the merger of Local Authorities.

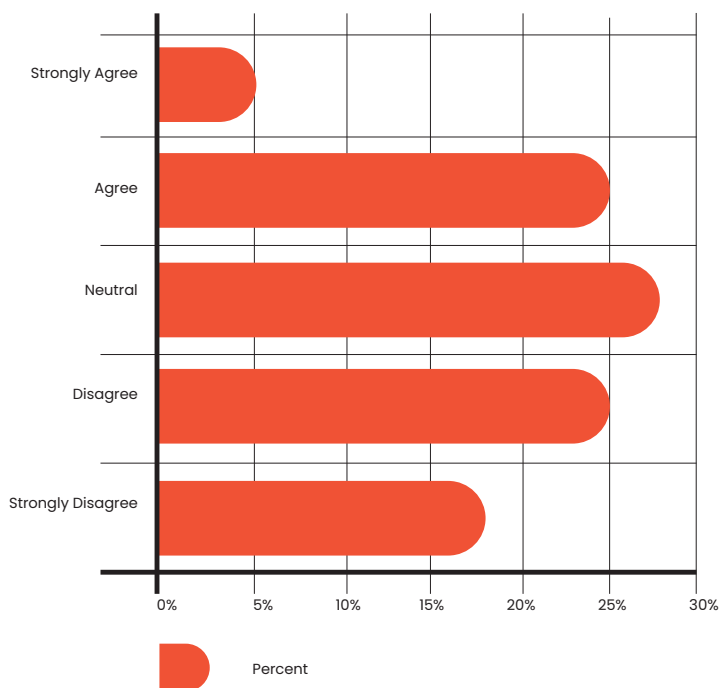
### 3.4 Stakeholder appreciation of the decentralisation process vis-à-vis technical and fiscal decentralisation.

**Figure 2 – Stakeholder perception towards fiscal decentralisation**



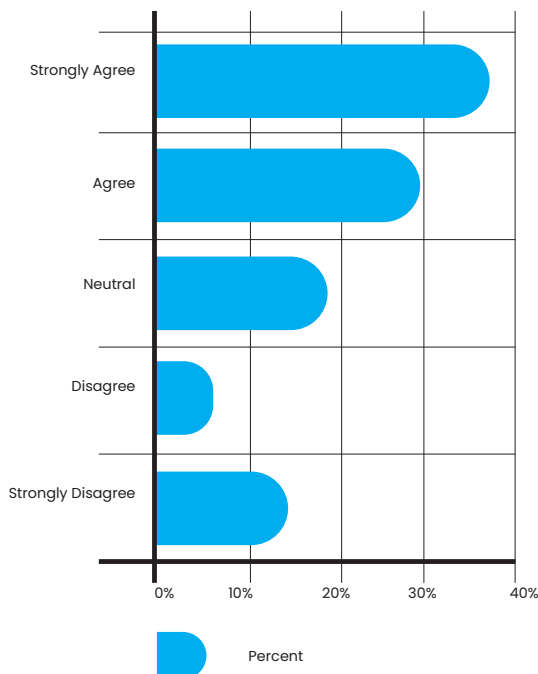
According to the above statistic, the percentage of respondents who strongly agree, agree, disagree, neutral, and strongly disagree that district stakeholders have a positive view of fiscal decentralisation is 41, 25, 14, 18, and 2 percent, respectively. Accordingly, 20 percent of all respondents had a negative opinion of fiscal decentralisation within the districts under consideration, while 65 percent had a positive opinion.

**Figure 3 – Stakeholder perception towards Local Authorities capacity to implement local projects**



The above data shows that, correspondingly, 5, 25, 28, 25, and 18 percent of respondents strongly agree, agree, disagree, and disagree strongly that local authorities' ability to carry out local initiatives is viewed favourably by stakeholders in the districts. This indicates that while 30percent of respondents had a positive opinion of local authorities' ability to carry out local initiatives within their districts, 43 percent of respondents have a negative opinion.

**Figure 4 – Community attitude towards decentralisation**



According to the above figure, 35, 29, 16, 7, and 13 percent of respondents strongly agree, agree, disagree, and disagree strongly that community stakeholders have a positive attitude towards fiscal decentralisation. This shows that while 20percent of respondents overall have a negative opinion of fiscal decentralisation within communities, 64percent of respondents are in favour of it.

### 3.5 Best practices for the implementation of devolution type of decentralisation



#### Ghana

Scholars <sup>4</sup>examined the capacity gaps in decentralised rural water management in Ghana across five dimensions; institutional, financial, human resource, technical, and social. The study found that institutional capacity is the backbone of effective rural

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4 Dosu, 2022



water supply and management, while financial capacity is required to implement and sustain the other forms of local capacity. To achieve sustainable rural water services, the study recommended a shift in management approaches that ensures a progressive transfer of water management responsibilities to beneficiary rural communities<sup>5</sup>. As a result of this, increased accountability is attained because when Local Governments are responsible for making decisions about technical matters, they are more accountable to the people they serve.



### **Philippines**

According to this study, decentralisation has the potential to enhance the performance of both local and Central Governments. For example, decentralisation has long been practised in the Philippines, where it dates back to the Spanish colonial era. The Local Government Code, which was passed in 1991, gave Local Governments additional control over their budgets and operations. The local level of public service delivery has greatly improved as a result of this. The distribution of funds is a crucial component of fiscal decentralisation in the Philippines. The Internal Revenue Allotment (IRA) is a system designed to guarantee the allocation of national tax resources to Local Governments. The formula for the Individual Retirement Account (IRA) considers various parameters, including geographical area, poverty incidence, and population. The Philippines has shown great success with decentralisation. Local communities now feel more engaged and in control of their community, and public services are being delivered in a more effective and efficient manner.



### **Bolivia, Peru and Mexico**

A study<sup>6</sup> on the impact of decentralisation on education in Bolivia found that devolution of decision-making power to Local Authorities led to improved efficiency and effectiveness of service delivery, similarly a study<sup>7</sup> on the impact of decentralisation on health care in Peru found that hospitals in decentralised areas were more likely to meet standards for quality of care and financial management. Another study<sup>8</sup> on

5. Dosu et al., 2022

6. Faguet, 2008

7. Arze, 2003

8. Martinez-Vazquez and McNab, 2002

the impact of decentralisation on water supply in Mexico found that devolution of decision-making power to Local Authorities led to greater participation of citizens.

## 4.0 Recommendations

To enhance the implementation of fiscal and technical decentralisation in Zambia and strengthen its impact on development at local level, the study, therefore, proposes the following interventions:

- The Government is urged to promote measures to ensure equitable resource allocation to align expenditure responsibilities with the fiscal resources available. This may involve addressing the significant fiscal imbalances among Local Authorities. In addition, mechanisms for redistributing resources or introducing fiscal equalisation measures should be explored to ensure that all Local Authorities have the necessary means to fulfil their expenditure responsibilities.
- Local Authorities are also urged to enhance revenue collection by using mechanisms that improve the revenue collection capabilities. This includes the development and implementation of efficient tax collection system, addressing deficiencies in property rating laws, and instituting measures to prevent revenue pilferage by employees.
- The Government is further urged to hold Local Authorities to highest standards of accountability and transparency. This is due to the fact that as the degree of functions and responsibilities being decentralised increases, local autonomy increases as well. Additionally, robust systems for financial audits and reporting should be established to ensure the efficient and transparent utilisation of resources.
- Furthermore, the Government is urged to enhance efforts in promoting coordination and collaboration between different levels of Governments to avoid duplication of efforts and ensure efficient allocation of resources. In the same vein, Local Authorities should be able to uphold principles of good governance, accountability, and transparency in their operations to be eligible for grants.
- To ensure transparent allocation process for grants, the Government is urged to establish mechanisms to promote transparency of these funds. Equally, Local Authorities are urged to establish clear criteria for project selection and fund allocation, and these criteria should be communicated openly to stakeholders as they will promote understanding and trust among stakeholders.
- Finally, the Government is further urged to review and revise the CDF allocation process to ensure that funds are distributed equitably based on community needs and priorities. This will help address disparities and promote effective project implementation.

## 5.0 Conclusion

The findings of the study underscore that devolution, a form of technical decentralisation, presents an opportunity to enhance and reshape Zambia's local governance and development. However, the devolution of functions from the Central Government to Local Government structures is currently rated at an average level. Stakeholder perceptions highlight both the potential benefits and the challenges associated with devolution. It was established that by the Government capitalising on the positive aspects and addressing the challenges, Zambia can harness the transformative power of devolution to empower local communities, enhance grassroots-level decision-making, and promote sustainable development that aligns with the needs and aspirations of its citizens.

The study found that varied perspectives on the current state of fiscal decentralisation, particularly concerning the Constituency Development Fund (CDF). Moreover, expenditure assignments under the CDF adhere to provided guidelines, but issues arise due to lags in contractual agreements. These lags are mainly attributed to delayed payments, which differ from the expectations of involved parties. In addition, the study revealed common challenges which included discord between revenue assignments and expenditure responsibilities due to the absence of a fundamental funding baseline and the need for financial alignment with functional roles.

The findings further revealed that 65% of stakeholders have a favourable perception towards both fiscal and technical decentralisation. Furthermore, 64percent of stakeholders support fiscal decentralisation within the communities. However, the study established that 43percent of stakeholders have an unfavourable perception towards Local authorities' capacity to implement projects at local level due to the pace of implementation stage, limited capacity in legal and structural framework as funds are still at the centre. The study also established challenges in administering fiscal and technical decentralisation at local level.

Additionally, the study findings established that currently, expenditure responsibilities for Local Authorities exceed the fiscal resources available to fulfil them. As much as expenditure exceeds revenue, different levels of resource endowment among Local Authorities have resulted in significant horizontal fiscal imbalances, as some Local Authorities raise more revenue than others. This mismatch between expenditure responsibilities and fiscal capacity poses a substantial challenge. Ensuring a fair and balanced distribution of financial resources among different levels of Government has been challenging, requiring careful consideration of factors such as population, economic activity, and social needs.

In conclusion, the findings revealed that effective coordination and cooperation between different levels of Governments have not been achieved, leading to resource allocation inefficiencies and duplication of efforts. The main challenge here is that the Central Government does not match its transfer of funds to the Local Authorities with the value of assets/properties under its custodian.

## 6.0 References

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## 7.0 Appendices

### Appendix 1 – District selection

Province	Districts	
Lusaka	Lusaka	Chongwe
Copperbelt	Ndola	Mpongwe
Northern	Kasama	Mbala
Luapula	Mansa	Mwense
Central	Kabwe	Kapiri-Mposhi
Southern	Choma	Monze
Western	Mongu	Senanga

### Appendix 2 – Data Collection Summary

Stakeholder	Interview Guide
Cabinet Office (Decentralisation Secretariat)	<ul style="list-style-type: none"> <li>• Perspectives on the devolution process in Zambia.</li> <li>• Challenges and opportunities associated with devolution.</li> <li>• Role of the Cabinet Office in supporting devolution.</li> <li>• Recommendations for improving the devolution process.</li> </ul>
Accountant General's Office	<ul style="list-style-type: none"> <li>• Financial implications of devolution.</li> <li>• Mechanisms for ensuring transparency and accountability in the use of devolved funds.</li> <li>• Challenges in managing intergovernmental fiscal transfers.</li> <li>• Recommendations for strengthening financial management at the local level.</li> </ul>
Local Government Association of Zambia (LGAZ)	<ul style="list-style-type: none"> <li>• Views on the devolution process from the perspective of Local Authorities.</li> <li>• Capacity-building needs of Local Authorities</li> <li>• Challenges in implementing devolved functions</li> <li>• Recommendations for enhancing the effectiveness of Local Government.</li> </ul>

Local Government Service Commission (LGSC)	<ul style="list-style-type: none"> <li>• Human resource implications of devolution.</li> <li>• Strategies for developing the capacity of Local Government staff .</li> <li>• Challenges in recruiting and retaining qualified staff in Local Authorities.</li> <li>• Recommendations for improving human resource management in the Local Government sector.</li> </ul>
Provincial Local Government Offices (PLGOs)	<ul style="list-style-type: none"> <li>• Role of PLGOs in supporting devolution.</li> <li>• Challenges in coordinating devolution activities across districts.</li> <li>• Mechanisms for ensuring communication and collaboration between central and Local Government.</li> <li>• Recommendations for strengthening the role of PLGOs in the devolution process.</li> </ul>
Ministry of Finance and National Planning (MoFNP)	<ul style="list-style-type: none"> <li>• Macroeconomic implications of devolution.</li> <li>• Fiscal policy framework for supporting devolution.</li> <li>• Challenges in aligning national and local development priorities.</li> <li>• Recommendations for ensuring fiscal sustainability of devolution.</li> </ul>
Ministry of Local Government and Rural Development (MLGRD)	<ul style="list-style-type: none"> <li>• Policy and legal framework for devolution.</li> <li>• Strategies for promoting local governance and participation.</li> <li>• Challenges in monitoring and evaluating the impact of devolution.</li> <li>• Recommendations for improving the effectiveness of devolution.</li> </ul>
Provincial Administrations	<ul style="list-style-type: none"> <li>• Role of Provincial Administrations in supporting devolution.</li> <li>• Challenges in coordinating development activities across sectors.</li> <li>• Mechanisms for ensuring harmonization of policies and programs between central and Local Government.</li> <li>• Recommendations for strengthening the role of Provincial Administrations in the devolution process.</li> </ul>
District Administrations	<ul style="list-style-type: none"> <li>• Challenges in implementing devolved functions at the district level.</li> <li>• Mechanisms for ensuring effective service delivery at the local level.</li> <li>• Role of District Administrations in facilitating citizen participation in decision-making.</li> <li>• Recommendations for improving the effectiveness of District Administrations.</li> </ul>

Local Authorities	<ul style="list-style-type: none"> <li>• Experiences with implementing devolved functions.</li> <li>• Challenges in raising and managing local revenue.</li> <li>• Mechanisms for ensuring accountability to local communities .</li> <li>• Recommendations for strengthening the capacity of Local Authorities.</li> </ul>
Legislature (Constituency Offices and CDF Committees)	<ul style="list-style-type: none"> <li>• Role of the Legislature in overseeing the devolution process.</li> <li>• Challenges in ensuring transparency and accountability in the use of CDF funds.</li> <li>• Mechanisms for promoting citizen participation in the devolution process.</li> <li>• Recommendations for improving the effectiveness of the Constituency Development Fund (CDF).</li> </ul>
Ward Development Committees (WDCs)	<ul style="list-style-type: none"> <li>• Role of WDCs in identifying and prioritising local development needs.</li> <li>• Challenges in mobilizing community resources for development.</li> <li>• Mechanisms for ensuring that devolved funds are used to meet the needs of local communities.</li> <li>• Recommendations for strengthening the role of WDCs in the devolution process.</li> </ul>





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