



## **EXECUTIVE SUMMARY**

# **MOBILISING INVESTMENT FOR CLIMATE-COMPATIBLE GROWTH THROUGH ZAMBIA'S CONSTITUENCY DEVELOPMENT FUND**



# Climate Compatible Growth



The Climate Compatible Growth (CCG) programme is funded by the UK's Foreign, Commonwealth and Development Office (FCDO) to support investment in sustainable infrastructure and systems to meet development priorities in the Global South.

CCG provides research and global public goods to support countries develop economic strategies, plans, and policies to attract investment into low-carbon growth opportunities across multiple sectors; and to help achieve the UN's Sustainable Development Goals.

The programme brings together a consortium of leading research-intensive universities within the UK, who work in partnership with governments, local researchers, development finance institutions, and other international organisations to identify appropriate low-carbon development pathways.

This includes assessing the most fit-for-purpose policy, regulatory, market models, and risk mitigation options to implement them. The programme and its partners are developing a range of open-source tools, models, and datasets that will be global public goods available to all countries.

## **Citation:**

Money, A., Carew-Jones, G., Rowley, L., Grey, J., Daka, R., Ching'ambo, L., Desai, K., Sambo, C., Mwamba, S., Miti, L., Maliseni, J., Ndiili, N. (2023). Mobilising investment for climate-compatible growth through Zambia's Constituency Development Fund. Climate Compatible Growth Programme.

## Executive summary

We explore the potential for Zambia's Constituency Development Fund (CDF) to mobilise external funding into projects that contribute to sustainable development

We do not propose changes to the original purpose of the CDF, which is to promote decentralised growth. Instead, we propose leveraging the CDF's key attributes:

- i. It aligns public funding with projects that support sustainable development
- ii. It embeds multiple tiers of governance and accountability
- iii. It enjoys bipartisan political support, and is popular domestically
- iv. It is demand driven, with project selection aligned with locally identified needs
- v. Its design supports co-funding and risk sharing

Historically, high transaction costs, low deal sizes, information asymmetries and weak governance structures have acted as barriers to scaling up external investment in local communities. We believe the CDF can overcome these barriers

For this to happen, some enhancements are needed in terms of: **i) process optimisation; ii) monitoring and evaluation; iii) governance and inclusion and iv) impact and additionality.**

A team from the University of Oxford conducted field research in Zambia for this paper between January and March 2023, in collaboration with several local partners

Our recommendations are based on direct engagement with community groups in Zambia's urban and rural constituencies, as well as interviews with local and central government authorities, members of parliament, traditional leadership, civic society organisations, local media and other stakeholders

Next steps include socialising a dashboard containing data on individual CDF projects with prospective funders, including philanthropic foundations and impact investors

## Recommendations

### 1. Process optimisation

- 1.1 More capacity for Local Authorities (LAs):** Our analysis highlights that the 5% allocation within the CDF to administrative costs should be increased to cover the expanded workload faced by LAs. Most find it challenging at present to execute their functions around implementation, monitoring and evaluation.
- 1.2 Incentivise Ward Development Committees (WDCs):** WDCs play a pivotal role in ensuring representation and the identification of local needs. However, they currently operate effectively as unpaid volunteers, with no provision for their travel, subsistence or meeting expenses. Covering these costs would significantly improve WDC engagement.
- 1.3 Reduce information asymmetries:** Levels of trust between WDCs, CDF Committees (CDFCs) and Local Authorities (LAs) need to be higher and better communications would help this. Active WhatsApp groups, mobile data credits and newsletters are low-cost and demonstrably effective ways to stimulate improved information flows and propagate stories of best practice and successful interventions.
- 1.4 Devolve approvals to LAs:** Recent changes to support decentralised decisions have reduced the processing time of CDF applications. We understand that further changes are being proposed. LA's operate within the remit of Integrated Development plans, which should provide accountability.
- 1.5 Integrate climate compatibility into Community Projects:** By twinning the CDF with Community Projects that facilitate climate mitigation and adaptation there is an opportunity to access additional long-term, concessional funding. We propose an integrated engagement with the Technical Appraisal Committees, CDFCs, WDCs and others.
- 1.6 Reform the Disaster Contingency Fund approvals process:** At present, community responses to local natural disasters such as floods are hampered by a long approvals process for public funds. We propose devolving approvals for Disaster Contingency funding to the CDFCs. Such spending remains auditable, so risks of misuse can be contained.
- 1.7 Consider multiplier effects in the planning process:** By approaching investments in local infrastructure on a long-term, holistic basis the CDF can unlock socio-economic multipliers across the provision of energy, water, transport, education and communications. Again, a deliberate and integrated engagement with MLGRD, LAs, WDCs and CDFCs is necessary.
- 1.8 Create procurement opportunities for local contractors:** Small local contractors are often at a disadvantage when bidding for community projects, e.g. due to being unaware of opportunities or due to stringent procurement requirements. A programme to preference local contractors by maintaining lists and socialising projects through local radio could help support local trades.
- 1.9 Facilitate inter-CDFC knowledge sharing:** Our research identified siloed approaches by different CDFCs, and it became apparent that a mechanism to share experiences could accelerate progress and embed best practices. A forum for CDFCs or some other convening event could generate significant impact relative to the cost of execution.

## 2. Monitoring and evaluation

**2.1 Consolidate and disseminate data on CDF activity:** Data is being gathered at multiple points within the process but at present this cannot easily be accessed or evaluated. The capabilities to do this exist but some impetus is needed to advance progress. Without this data, it is impossible to see how additional external investment can be mobilised.

**2.2 Prioritise M&E for LAs:** Capacity constraints for LAs mean that M&E is frequently deprioritised. Developing dedicated M&E resources at the LA level would provide much-needed capabilities, and by engaging with other M&E actors in the information chain (WDC, CDFC, MLGRD etc), data could be recorded in a standardised format.

**2.3 Establish an M&E Framework:** Existing guidelines do not provide M&E Officers with sufficient information on how to collect high quality data and make that data available. Standardisation is a path to data quality; and digitalisation is a path to data availability. The MLGRD and Decentralisation Secretariat (DCS) are well positioned to work with Smart Zambia to set up a Framework.

**2.4 Improve understanding of M&E amongst WDCs and CDFCs:** To empower WDCs and CDFCs, they require education on effective M&E, their responsibilities for data collection and management, and how two-way communication with the LA should work.

**2.5 Provide templates for M&E indicators:** Rather than collecting M&E data for its own sake, the purpose and utility of this information should be made clear to those involved in gathering it. Custom templates may need to be developed, and some calibration undertaken to ensure consistency across projects and constituencies.



Photo by Paul Milley on Unsplash

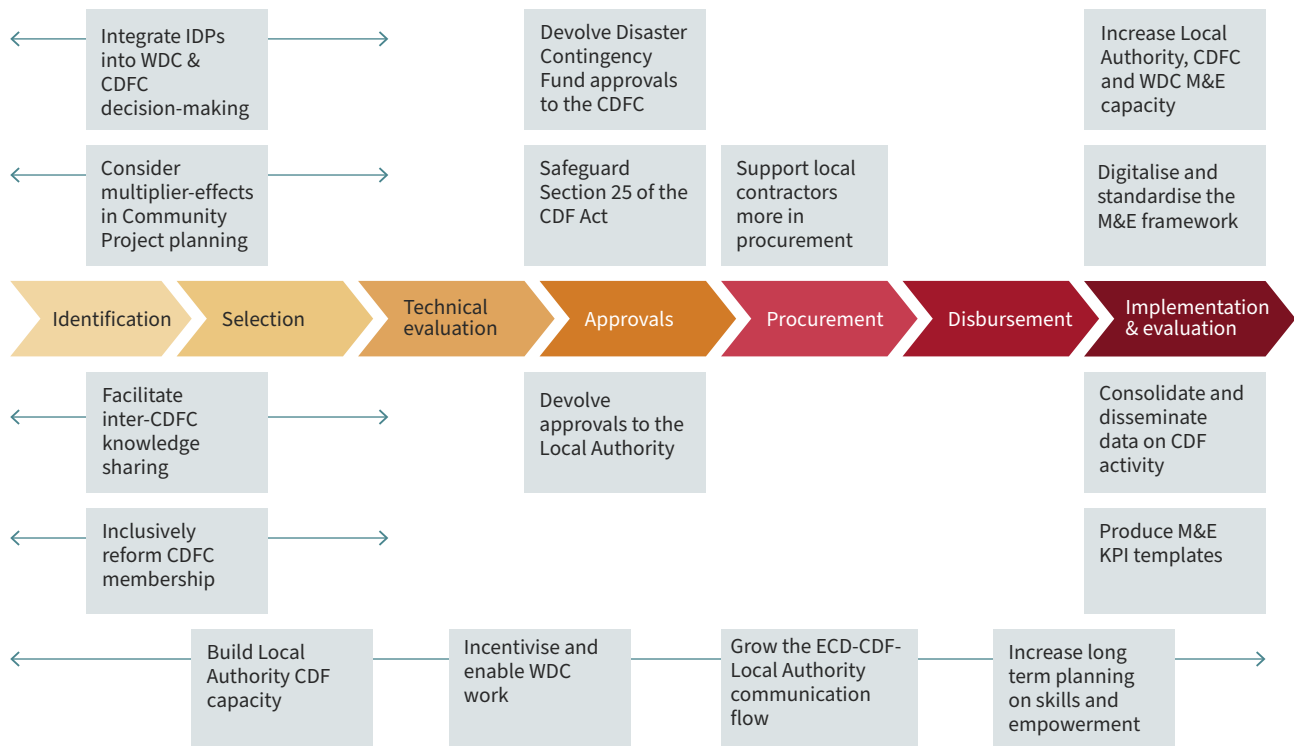
### 3. Governance and inclusion

- 3.1 Equitable access to CDFs:** Our preliminary analysis of CDF projects identified significant variations by Province in terms of the level of funds disbursed, number and type of projects, and progress to completion. Some of this variation is to be expected given the diverse composition of Zambia's constituencies. However it may also reflect some structural imbalances that merit further investigation.
- 3.2 Composition of CDFCs:** In our field research, stakeholders highlighted that the community representation at WDC level is often much more apparent than it is at CDFC level, particularly in terms of people living with disability. Youth groups do not have a formal voice on the CDFC, and there is often no process for ensuring gender balance. This deserves remedying.
- 3.3 Safeguarding Section 25 of the CDF Act:** The Minister of Local Government and Rural Development currently has overarching power to dictate CDF spending decisions. While centralised decision making can be useful, it risks undermining the principles of the CDF. Directed spending under Section 25 should be limited to avoid undermining community determination.
- 3.4 Wider public consultation on CDF reform:** The mandate and performance of the CDF is a subject of mainstream public interest, and we would propose that future reviews of the CDF Act and Guidelines attempt to include an element of public consultation. This could effectively be coordinated through the same organisational structures that are used to identify projects and disburse funds.

### 4. Impact and additionality

- 4.1 Employment opportunities for bursary recipients:** Our research highlights a concern that unless follow-on funds are available to support recipients of Empowerment and Skills bursaries, there may not be the high-quality jobs available to accommodate newly skilled labour. A strategy for creating employment opportunities is important for the long-term sustainability and impact of the CDF.
- 4.2 Start-up loans to stimulate economic activity:** The market for repayable CDF finance (i.e. concessional loans) is still nascent. In the medium term, this could be an important source of capital for projects that seek financial self-sustainability. It could be an opportunity to develop e.g. the Citizens Economic Empowerment Fund, and capital providers beyond the government.
- 4.3 Use of Integrated Development Plans (IDPs):** Many indicators of inclusion, need and development impact can be iteratively monitored and incorporated within frameworks that are increasingly being used by local authorities for planning decisions. Our research suggests there is still work to be done in consolidating IDPs within the workflows of CDFCs and WDCs.
- 4.4 Optimising scale for impact:** Whilst the CDF's power is in the local identification of needs, there are risks that this creates diseconomies of scale. There is a need therefore for central Government to maintain a holistic view across CDF projects, ensuring constant improvement through for example annual summary reporting and forum creation.

## Integrating our recommendations within the CDF process



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