The CDF Challenge in Zambia

From Expansion to Accountability:
An Analysis of the Auditor General's CDF Reports (2022–2024)

April 2026

Acronyms

8NDP	Eighth National Development Plan
CDF	Constituency Development Fund
CDFC	Constituency Development Fund Committee
IDP	Integrated Development Plan
JCTR	Jesuit Centre for Theological Reflection
MLGRD	Ministry of Local Government and Rural Development
NDI	National Democratic Institute
PCEI	Presidential Constituency Energy Initiative
PF	Patriotic Front
UPND	United Party for National Development
WDCs	Ward Development Committees
ZMW	Zambian Kwacha

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Executive Summary

The Constituency Development Fund (CDF) has emerged as one of Zambia's most significant instruments for promoting decentralised development and improving service delivery at grassroot or community level. In recent years, the Government has substantially increased CDF allocations and expanded its scope to include community projects, empowerment grants, soft loans, and bursaries. While this expansion presents an opportunity to accelerate local development and reduce inequalities, evidence from the Auditor General's Reports for 2022, 2023 and 2024 reveals growing governance and implementation challenges that threaten the fund's effectiveness.

The analysis shows a concerning rise in financial irregularities across multiple CDF components. Empowerment grants, despite recording high absorption rates, have experienced escalating cases of non-compliance, including unaccounted-for funds, disbursements to unregistered entities, unauthorised project changes and disbursements to non-existent businesses. The monetary value of these irregularities just from empowerment grants has increased from **ZMW 18.7 million** in 2022 to **ZMW 25.7** million in 2024, signalling deepening weaknesses in financial controls and oversight systems.

Community projects have been affected by persistent underutilisation of funds, resulting in project backlogs and what can be described as implementation in reverse, where projects carried forward from previous fiscal years are executed and reported as current-year performance. This practice undermines the principle of budget credibility, delays service delivery and denies communities timely access to essential infrastructure such as water systems, sanitation facilities and health-related services.

Similarly, the loan component faces low recovery rates, raising concerns about sustainability and the risk of revolving funds gradually transforming into de facto social transfers. Weak adherence, accountability and enforcement mechanisms, coupled with limited monitoring and transparency, have allowed diversion of funds and poor repayment compliance.

A central finding cutting across all CDF components is the limited institutional capacity of local authorities to effectively manage the expanded fund. Local authorities have weak monitoring systems, insufficient technical expertise and administrative bottlenecks, which have constrained their ability to track project progress, enforce compliance and assess developmental impact. As allocations continue to grow, the mismatch between funding levels and institutional capacity increases the risk of inefficiencies and resource wastage. The worry is that while constituencies have increased from 156 to 226, following the enactment of Bill 7 into law, the same local authorities will be required to handle additional resources for the new constituencies, but with the existing challenges, this raises concerns.

Inasmuch as increasing the CDF remains a progressive policy direction with strong potential to uplift underserved communities, scaling up funding and scope without strengthening governance structures may weaken the developmental returns of the programme. **Key Policy Recommendations:**

Strengthen institutional capacity within Local Authorities through targeted investments in technical skills, monitoring systems and financial management.	**Enhance financial controls by enforcing compliance frameworks, improving audit follow-ups and tightening grant and loan administration.**	**Strengthen the administration of the empowerment grants component by piloting reforms, strengthening beneficiary verification and improving oversight before further budget increases.**
Improve loan recovery mechanisms to protect the sustainability of the revolving fund.	**Capacitate Ward Development Committees (WDCs) to not only support community sensitisation and application processes but also conduct grassroots routine monitoring of projects.**	**Link funding increases to demonstrated improvements in oversight, accountability and implementation performance.**

CDF is a transformative vehicle for inclusive development; however, its success will depend on the Government's ability to match expanded financial commitments with robust accountability systems. Strengthening governance today is essential to ensure that the fund delivers tangible and lasting benefits for Zambia's communities.

JCTR's Work in Promoting Accountable and Effective CDF Implementation

Our work as the Jesuit Centre for Theological Reflection (JCTR) is firmly rooted in the pursuit of social justice, good governance and citizen participation in public resource management. In recent years, JCTR has implemented a projects aimed at strengthening the capacity of local communities to actively participate in monitoring the implementation of the CDF using social accountability tools. These interventions have focused on empowering citizens with knowledge of the CDF Act, its guidelines, their responsibilities, the roles of duty bearers and practical mechanisms for demanding transparency and accountability at the local level.

Most recently, with support from the National Democratic Institute (NDI), Diakonia, BBC Media Action, WaterAid, JCP and Misereor, JCTR implemented social accountability projects across Kasama, Livingstone, Kabwe, Monze, Nkeyema, Ndola, Masaiti, Kanchibiya, Katete, Chipata, Chisamba, Lusaka, Mansa, Mongu, Kalabo and Kitwe districts. These initiatives actively engaged community members in conducting social audits to promote transparency and accountability. The interventions implemented in these districts yielded mixed outcomes. On one hand, there were observable improvements in citizen awareness, engagement and willingness to question decision-making processes related to CDF. On the other hand, the projects also revealed persistent accountability and transparency challenges in the administration and management of CDF, including limited access to information, procurement and tendering irregularities, weak feedback mechanisms and uneven responsiveness by local authorities.

1. Introduction

The CDF was established as a deliberate policy instrument to empower communities and advance decentralised development in 1995. Its creation initially responded to a financing gap that left community-driven micro-projects across constituencies unfunded. CDF was later anchored in the Constitution through the Amendment Act No. 2 of 2016 and is currently operationalised via the CDF Act No 11 of 2018. By providing a dedicated and predictable resource envelope at the local level, CDF aimed to ensure that grassroots development priorities could be addressed without being sidelined due to a lack of funding.

Over the years, CDF has experienced a significant transformation in both scale and scope, reflecting the government's commitment to decentralised development. Previous allocations of CDF were relatively modest, averaging around ZMW 1.6 million per constituency.[11] Following the change of government in 2021, the fund was repositioned as a central pillar of the government's development and decentralisation agenda, becoming widely recognised in national development discourse.

As a result, budgetary allocation to the fund significantly increased markedly, with distinct phases of change. Between 2021 and 2022, the allocation rose sharply from K25 million to ZMW 4.02 billion, representing the largest year-on-year increase and reflecting a major expansion from a very low base. Between 2022 and 2024, growth was more gradual. The allocation increased to ZMW 4.42 billion in 2023 and further to ZMW 4.78 billion in 2024, indicating steady but moderate annual increments. A larger adjustment occurred in 2025, when the budget rose to ZMW 5.63 billion, followed by a further increase to ZMW 6.25 billion in 2026. Overall, the changes show a shift from a one-off sharp increase to consistent year-on-year growth in subsequent years. The period under review covers the 2022 to 2024 CDF disbursements that have been audited by the AG's Office in accordance with the CDF Act.

The increment is illustrated in Table 1, which presents the actual absolute changes alongside their corresponding percentage increases from 2021 to 2026.

Table 1: Incremental Increase in the Total CDF Budget Allocation: 2021 -2026

Fiscal Year	Total Budget Allocation (Billion)	% Annual Growth
2021	ZMW 0.25	-
2022	ZMW 4.02	1,510.6%
2023	ZMW 4.42	9.95%
2024	ZMW 4.78	8.15%
2025	ZMW 5.63	17.78%
2026	ZMW 6.25	11.01%

Source: *National Budget Speeches: 2021 – 2026*

1 Ministry of Local Government and Rural Development - CDF Communication Strategy 2022-2024 : https://www.mlgrd.gov.zm/wp-content/uploads/2024/08/CDF-Communication-Strategy.pdf

The graph in Figure 1 further complements this by providing a representation of the incremental growth of the CDF over the same period.

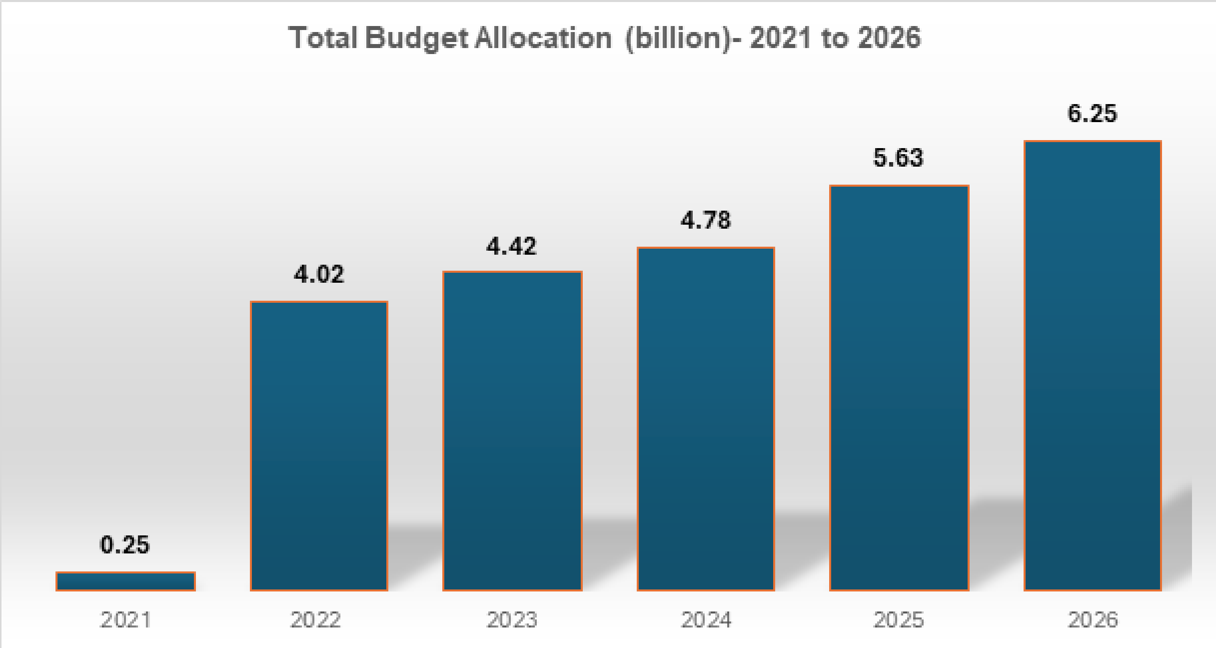
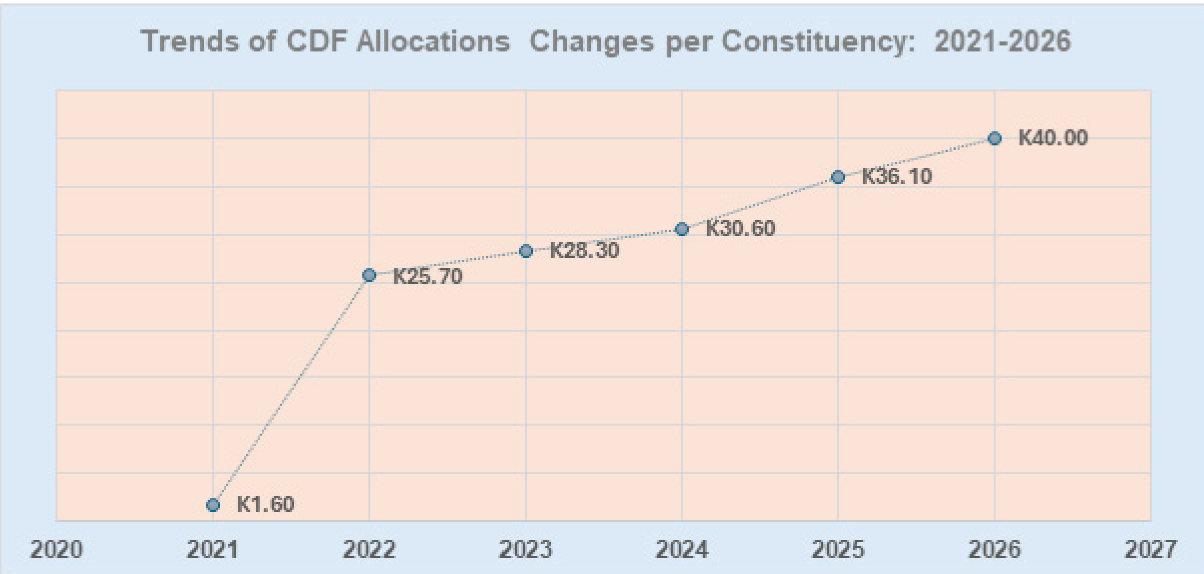


Figure 1: *Total Budget Allocation (billion)*

Budgetary allocation to constituencies between 2021 and 2026 has increased substantially from ZMW 1.6 million to ZMW 40 million, translating to 2,400% increase. The largest absolute increase occurred between 2021 and 2022, when allocations rose by ZMW 24.1 million, representing a 1,568.75% increase. Subsequent annual increases were smaller but steady: ZMW 2.6 million (10.12%) from 2022 to 2023, ZMW 2.3 million (7.52%) in 2024, reaching ZMW 30.6 million, ZMW 5.5 million (18.0%) in 2025 to ZMW 36.1 million and ZMW 3.9 million (10.8%) in 2026, culminating at ZMW 40 million. These have amounted to total budget allocations of ZMW 249.6 million (2021); ZMW 4.02 billion (2022); ZMW 4.42 billion (2023); ZMW 4.78 billion (2024); ZMW 5.63 billion (2025); and ZMW 6.25 billion (2026) as depicted in Figure 1. Figure 2 below depicts the trend in the increase in absolute amounts.



Source: *National Budget: 2021 – 2026*

Overall, the data indicates a substantial initial increase followed by more incremental growth in both absolute and percentage terms for subsequent years.

2. Context Analysis: The Transformation of CDF into a Multi-purpose Local Development Programme.

Originally, CDF was designed to primarily supplement financing gaps for micro-community projects, thereby providing locals with resources to address immediate development needs. Over time, however, the scope of the fund has expanded significantly. Today, CDF supports a diverse range of interventions, including economic empowerment through loans and grants, secondary school bursaries and skills development programmes. This expansion has transformed the fund into a multi-purpose instrument for local development.

In the Eighth National Development Plan explicitly recognises the Constituency Development Fund (CDF) as a financing mechanism for improving water supply and sanitation under Strategic Development Area 2 on Human and Social Development. Complementing this, the National Decentralisation Policy (2023) positions the CDF as a central instrument for promoting local empowerment and decentralised development. In response to this expanded mandate and the significant increase in CDF allocations, the Government initiated reforms to the legal framework governing the Fund, leading to the amendment of the Constituency Development Fund Act of 2018 and the enactment of the Constituency Development Fund Act of 2024.

Despite some reforms in the CDF framework, the increase in allocations to the fund (CDF) has narrowed the space for local decision-making due to growing central government involvement. Successive directives have required constituencies to ring-fence substantial portions of the fund to be used to finance projects that are centrally determined by the central government. For instance, in 2022, central government directed all constituencies to allocate ZMW 1 million for ambulances; in 2023, a similar amount for police vehicles; in 2024 and 2025, for the construction of chiefs' palaces and ZMW 3.2 million for feeder roads; and currently under the 2026 CDF budget, central government has directed that a total sum of ZMW 10 million should be for the Presidential Constituency Energy Initiative (PCEI)[1] which seeks construct and install a 2-megawatt solar power plant in each of the 156 constituencies. Taking 2026 as a case in point, the allocation reveals an important structural dynamic within the CDF framework: of the ZMW 40 million provided to each constituency, ZMW 10 million is effectively pre-committed to the Constituency Energy Initiative (PCEI). In practical terms, this reduces the discretionary funding available to constituencies to approximately ZMW 30 million for all other competing development priorities.

This raises critical questions about the balance between national priorities and local autonomy. To what extent does pre-allocating a significant portion of the CDF constrain constituencies' ability to respond to their most pressing needs? Does this approach enhance efficiency through standardization or does it risk overlooking context-specific development challenges? And ultimately, how might such earmarking influence the effectiveness and responsiveness of decentralized development planning? All these questions beg urgent and thoughtful answers.

From this increased involvement of the central government, it can be concluded that certain projects are 'imposed' on communities by the central government, whereas CDF is intended to be determined by grassroots communities, enabling them to set their own priorities that align with their needs and preferences and not those of the central government; however, this is not the case in practice. While the increased involvement of central government in guiding how the CDF should be utilised underscores the Fund's strategic importance in advancing national development priorities, it also raises critical concerns regarding local governments' autonomy regarding prioritisation of community projects that address the perceived needs of the community.

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1 https://www.facebook.com/citycouncil1/posts/kabwata-and-lusaka-central-constituency-development-fund-cdf-committees-have-hel/1310929001065699/

3.0 Problem Statement

In 2023, the Office of the Auditor General published the first audit of the expanded CDF, particularly for the 2022 financial year. The report uncovered a range of implementation challenges, among them significant under-utilisation of allocated funds across LA's, misappropriation of funds, weak procurement processes and low recovery rates of empowerment loans intended to support local development of Small and Medium Enterprises (SMEs). A subsequent audit showed similar concerns raised in the 2023 report, signalling systemic weaknesses in oversight and accountability. Despite these recurring concerns, CDF allocations have continued to rise substantially, as shown in Figure 1, yet there is little evidence that corrective measures have been implemented to address these issues identified in the first audit. This raises questions as to why the fund is continuously increased despite the teething problems and underutilisation.

This situation presents a critical policy and accountability concern that needs to be addressed urgently, as expanding the Fund without first addressing structural weaknesses risks undermining the Fund's ability to deliver meaningful local development outcomes, especially for a country like Zambia, where competing national priorities and constrained fiscal space persist. It is therefore prudent that every Kwacha allocated to CDF must be effectively managed to achieve tangible results. Deliberate reforms to strengthen local authorities' administrative capacity, enforce strict accountability and enhance monitoring would help build local and national ownership of CDF and increase perceptions of it as purely a developmental tool. This matters beyond optics. Public trust in the CDF is a foundational ethical concern: when communities believe the fund is being managed with integrity and that resources reach those for whom they are intended, they are more likely to engage with it as a genuine instrument of local development. That confidence is not incidental to the programme's success; it is a precondition for it.

This analytical paper seeks to underscore the rising risks of expanding CDF without addressing persistent accountability and oversight gaps. Scaling up funding and scope in the absence of robust governance mechanisms exposes the fund to mismanagement, inefficiencies and diminished impact on local development. By linking rising allocations to recurring challenges identified in Auditor General reports, this policy calls for immediate, actionable and deliberate reforms. These reforms should improve administrative capacity, enhance monitoring and evaluation systems and improve local-level oversight, ensuring that every Kwacha invested in CDF, either in community projects, loans, or grants, translates into tangible community development, improved livelihoods and equitable access to essential social services for ordinary Zambians.

3.1 Approach to the Policy Brief Analysis

A desk review and comprehensive analysis of the Auditor General's Reports for 2022, 2023 and 2024 were undertaken to assess the performance and management of the CDF. The review was complemented by an examination of the CDF Act, its operational guidelines and relevant Presidential directives to ensure a thorough understanding of the legal, policy and administrative framework governing the Fund. This approach enabled a structured evaluation of implementation challenges and emerging trends in the utilisation of CDF resources.

4.0 Analysis of the Findings of the Auditor General's Report

4.1.1: Failure to Utilise Funds

Sound public financial management requires that approved budgets are implemented as ratified, with projects executed and goods or services procured within the designated fiscal year.[1] This principle is central to budget credibility, service delivery, and development outcomes. However, there are increasing concerns about the

1 https://www.icam.mw/wp-content/uploads/2017/08/B5.pdf

utilisation of CDF, suggesting that the funds are not being used optimally. Analysis of CDF utilisation reveals weaknesses of under-utilisation of funds, especially under the community projects component of CDF. For instance, according to the AG's report, in 2024, LAs received a much smaller allocation of ZMW 968.7 million, translating to about ZMW 6.2 million per constituency for community project purposes. The budget line was supplemented by ZMW 2.61 billion as funds brought forward from the 2023 funds that were not utilised. In 2022, ZMW 321.9 million was spent against a total allocation of ZMW 1.98 billion.

Surprisingly, the expenditure rate rose sharply to 83% in 2024, signalling, at face value, improved levels of fund utilisation. However, a closer examination suggests that this increase should be interpreted with caution. When the significant balances brought forward (ZMW 2.61) from 2023 are considered, the higher expenditure largely reflects the clearance of a backlog of uncompleted projects rolled over from 2023 rather than a genuine improvement in the utilisation of 2024 funds.

The analysis also reveals the practice by the central government to treat brought-forward funds as part of current-year performance. This approach masks underlying implementation challenges and distorts assessments of budget execution. The observed pattern suggests that there are delays in the disbursement of funds by the central government, thereby constraining local authorities' capacity to implement approved projects within the budget cycle. Ultimately, this weakens budget credibility, slows service delivery and delays the intended developmental impact of the CDF.

Recommendation to Improve Utilisation of Funds:

- The government should establish predictable timelines for the disbursement of resources. Timely funding is essential to prevent project delays, ensure efficient use of public resources and thereby deliver tangible developmental outcomes.
- Government should ring-fence the funds which are brought forward and classify them separately from new budget allocations to ensure they are used strictly for completing outstanding commitments from previous years. This would improve financial transparency and make it easier for citizens to track spending.
- Considering the increasing allocations to the CDF, there is an urgent need to prioritise and invest in strengthening the institutional and technical capacity of Local Authorities to ensure timely, effective and accountable utilisation of these resources.

4.1.2: Implementation in Reverse – Community Project Implementation

A recurring finding from all the audit reports, 2022, 2023 and 2024 is the issue of failure to implement approved projects. From the analysis, the trends in the implementation of community development projects from 2022 to 2024, as depicted in Figure 1 below, reveal both progress and underlying structural challenges.

An analysis revealed that the number of approved projects decreased from 4,168 in 2022 to 2,793 in 2023, then it increased marginally to 2,828 in 2024. Of these projects, the number of implemented projects dropped from 1,657 in 2022 to 1,109 in 2023, then rose sharply to 3,060 in 2024, indicating that the number of completed (3,060) projects was more than the approved projects (2,828). While the number of completed projects increased, this improvement was largely driven by the implementation of backlog projects from 2022 rather than the timely implementation of newly approved projects. Similarly, projects classified as "in progress" dropped from 1,136 in 2022 to 767 in 2023, then rose to 1,293 in 2024, which suggests strengthened execution capacity. However, this apparent progress is less indicative of improved efficiency but more reflective of a backlog of projects rolled over from the previous year. This could be the case, possibly due to the late disbursement of funds by the central government or the late procurement process to engage contractors by the local authorities.

It must be stated that the implementation of approved projects is closely linked to the timely disbursal of funds. Timely disbursement enables Local Councils to implement projects within the planned timeframe, whereas delays often result in growing project backlogs and consequently, the under-utilisation of allocated funds.

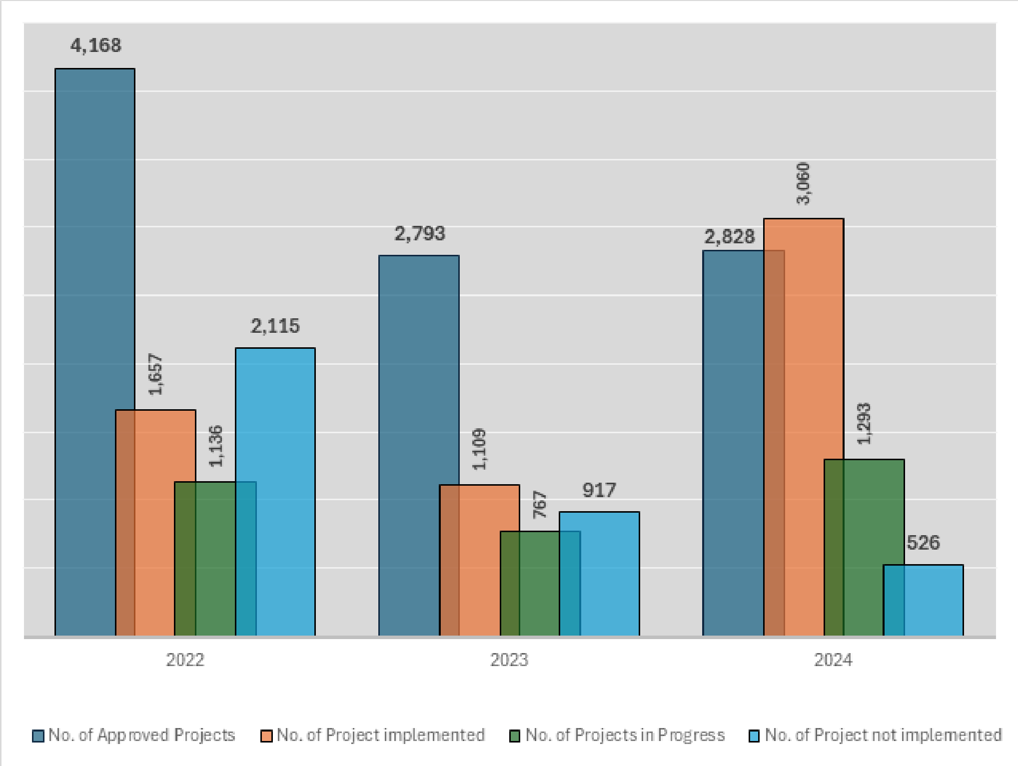

Figure 3: Performance of Implementation of Community Projects: 2022 - 2024

It is commendable that the number of projects not implemented has been declining significantly from 2,115 in 2022 to 917 in 2023 and then to 526 in 2024. This downward trend suggests progress in reducing delayed projects and reflects improvements in the implementation of community projects. However, the increased number of projects executed is largely attributed to the backlog of projects carried forward from the previous implementation year. This situation can be described as implementation in reverse, where projects and funds rolled over from prior years are executed and reported as part of current-year performance. This practice conceals inefficiencies in planning and delays in fund disbursal, distorts utilisation and performance indicators and creates a misleading perception of efficiency. As a result, newly approved projects often remain unimplemented, thereby delaying service delivery and postponing the intended development benefits.

Therefore, persistent use of this approach undermines budget credibility and erodes public confidence in the effective management of public resources. This erosion is not a minor reputational concern. In a democratic polity, the CDF is one of the most visible mechanisms through which citizens experience the state's commitment to their welfare. When communities repeatedly observe approved projects going unimplemented or see prior-year backlogs presented as current-year achievements, it breeds disillusionment and disengagement. Restoring credibility in project implementation is therefore inseparable from restoring public trust in the fund itself.

The Ministry of Finance and National Planning (MFNP) should issue guidance on this matter to address gaps and clarity issues in the reporting of local authorities. While the Ministry of Local Government and Rural Development (MLGRD) should also enhance the CDF Guidelines, the implementation and reporting of projects that are brought forward.

These delays are hindering the achievement of key targets outlined in Vision 2030 (2006), the 8th National Development Plan (8NDP), the National Water Policy (2024), the Health Policy (2012), the National Gender Policy (2023) and the National Social Protection Policy (2025), as well as the CDF Guidelines (2022) regarding water supply and sanitation which is one of the critical components that CDF is addressing. These delays exacerbate challenges in water reticulation, plumbing, drainage and waste management. Compounding these infrastructural delays are administrative bottlenecks at the Constituency Development Fund Committee (CDFC) and WDC levels. Therefore, WDCs require additional support to sensitise communities, manage CDF forms and facilitate logistics within the ward. Furthermore, community members still lack sufficient knowledge of the CDF application process and need capacity-building assistance to engage effectively with the district's Integrated Development Plans (IDP).

Recommendation to Improve Project Implementation

- Local authorities must urgently reinforce contractor supervision and accountability to ensure projects are delivered on time, to standard and in line with contractual commitments.
- The MFNP and the MLGRD should tighten statutory instruments/directives/guidelines to local authorities on implementation and financial reporting to ensure clarity of data and overall transparency.
- The councils should also prioritise the implementation of water and sanitation projects as these are key areas of improvement for both national policies and human dignity.
- Additional administrative support for WDCs to sensitise community members and facilitate the processing of CDF forms to avoid delays.
- All project proposals submitted to CDFC should be linked to the existing district IDP.
- A law should be enacted to effect recommendations 1 and 2 and hold local authorities accountable should they fail to carry out their mandates prescribed by recommendations 1 and 2.

4.1.3: Local Authorities' Failure to Issue and Recover Loans

In April 2025, MLGRD announced its intention to restructure the loan component of the CDF following concerns over the facility's performance, which was reportedly to be below 10%.[1] An analysis of the three most recent Auditor General's reports on CDF reports substantiates these concerns, revealing persistent weaknesses in the issuance of loans to the beneficiaries and the recovery of loans. For instance, the 2022 audit found that 72 out of 156 constituencies failed to disburse a total of ZMW 245.38 million allocated for soft loans, while the total number of beneficiaries was not audited. In the subsequent year, issuance of loans increased significantly as LA's were able to issue ZMW 570,887,190 of loans.

However, another challenge of the recovery of loans rose. The AG's report revealed that even though a total of 6,664 beneficiaries accessed these soft loans across the 156 constituencies, the recovery rate was significantly low. Of the expected recoverable amount of ZMW 254,000,285 (comprising both principal and interest). Of this amount, only a meagre ZMW 26,848,925 was recovered, translating into a recovery rate of 10.7%. This outcome signals substantial inefficiencies in credit management within the CDF framework. The gravity of this performance becomes more worrisome when compared to banks, which generates its highest profit from loan facilities. This underscores the magnitude of underperformance of the CDF loan scheme. While it must be noted that the CDF loan scheme is not designed as a profit-making facility, such low recovery rates threaten the sustainability of the revolving fund model and constrain the scheme's ability to extend support to additional beneficiaries.

The picture in 2024 remained similar to the 2023 findings. The major difference is that the loans issued increased to ZMW 656,956,701. Of this amount, a target of ZMW 375,336,251 was expected to be recoverable. However, actual recoveries slightly improved to ZMW 63,798,269, yielding a recovery rate of 17.0%. While this represents a noticeable improvement from 2023, the recovery rate remains far below the target and underscores persistent weaknesses within the CDF loan scheme.

1 https://web.facebook.com/watch/?v=571799991934408

This poor performance undermines the purpose of the scheme, which was initially designed to be a revolving fund. Based on its past performance, the CDF loan scheme can best be described as a de facto social cash transfer rather than a sustainable credit mechanism. Therefore, the proposed restructuring presents a critical opportunity to strengthen loan administration, including enhancing beneficiary screening, enforcing repayment obligations and establishing more robust monitoring mechanisms to safeguard public resources and improve the developmental impact of the fund. The table below highlights the performance of the loan facility, with an outstanding balance of ZMW 538,689,342 for 2023 and 2024 that is yet to be recovered, but what are the prospects that this outstanding balance will be recovered?

Table 3: Summary of the Performance of Loans between 2023 and 2024

Year	Loan Amounts Disbursed (ZMW)	Expected Recoverable (ZMW)	Amount Recovered (ZMW)	Outstanding Balance (ZMW)	Recovery Rate (%)
2022	*Mising Data*				
2023	570,887,190	254,000,285	26,848,925	227,151,360	10.6%
2024	656,956,701	375,336,251	63,798,269	311,537,982	17.0%

(Recovery Rate = Amount Recovered ÷ Expected Recoverable)

Disparity between Loans disbursed, Expected Recoveries and Actual Recoveries: 2022 – 2024

The figure below depicts the disparity between loans disbursed, expected recoveries and actual recoveries, highlighting trends in the facility's performance over the years under review.

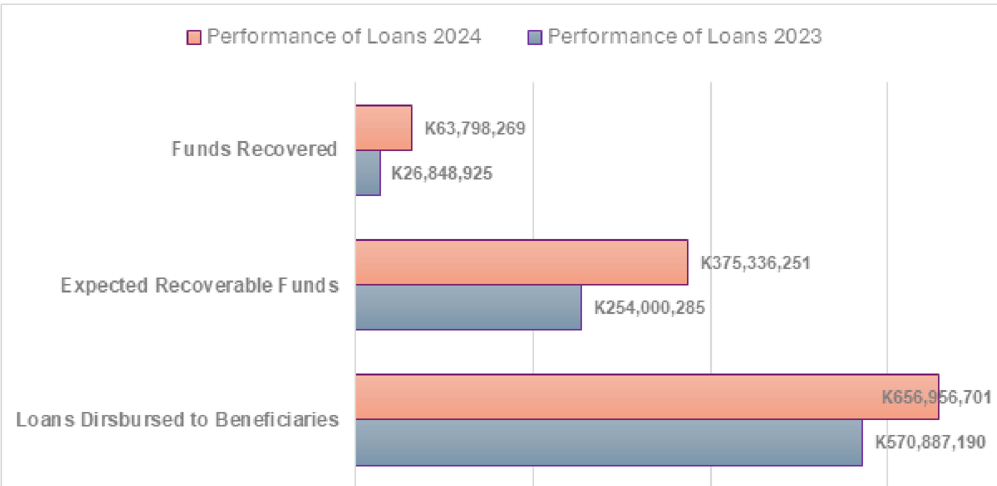

Figure 4: Performance of Loans

Another factor that affected the recovery of CDF loans is the failure by local authorities to enforce penalties on defaulting beneficiaries, despite having the mandate to do so. JCTR acknowledges that this is a developmental fund and having citizens, particularly the vulnerable incur penalties, is not advantageous. However, financial literacy or only issuing grants would help address this rather than treating the loans as grants. According to the Auditor General's report, this lack of enforcement, when combined with weak monitoring and oversight systems, has directly undermined recovery performance. It has also created opportunities for loan funds to be diverted to unintended uses without consequence. Such systemic weaknesses in loan administration raise serious questions about the capacity of local authorities to effectively manage credit-based programmes, highlighting structural and operational gaps that compromise the sustainability of the revolving loan facility.

The persistent weaknesses in loan administration and monitoring do not limit access for eligible SMEs but also undermine the programme's developmental impact. compromise the programme's developmental objectives. Without meaningful reforms, the loan facility risks perpetuating dependency rather than empowering SMEs and fostering sustainable local economic growth.

Recommendation to Improve Loan Recoveries

Government should urgently harmonise all public empowerment loan-based programmes under a single, specialised institution such as the Citizen Economic Empowerment Commission (CEEC). To enhance effectiveness and accessibility, CEEC should be decentralised at least at district level and formally mandated to administer the loan component of the CDF. Given its technical expertise and institutional experience in SME loan management, CEEC is better positioned than Local Authorities to conduct rigorous due diligence, enforce repayment mechanisms and improve loan recovery rates.

This approach would strengthen accountability, safeguard public resources and restore the SME empowerment intent of the CDF loan component by ensuring that this becomes a revolving fund. The government should also take this as a teachable moment for its citizens, as this is a clear indication that financial literacy is limited. There needs to be adequate sensitisation of community members on CDF guidelines and the basics of financial literacy.

Alternatively:

- To safeguard access for SMEs, NATSAVE Bank should be revitalised as the administrator of the CDF loan facility. Otherwise, relying on commercial banks to administer this facility will be business as usual; it could exclude many SME's who are the target for this facility.
- Or the Government could make the halt of loans permanent and continue to purely issue grants. This would remove the socio-political hurdle of instituting penalties on predominantly vulnerable populations.

4.1.4: Weak Public Finance and Procurement Management

Procurement of goods and services remains a critical governance and implementation challenge at both Local Authority and central government levels. Since 2022, adherence to the Public Finance Management Act, 2018 and Public Procurement Act, 2020, has been a challenge for the Local Authorities. The main issues regarding finance management have been unsupported or unapproved payments, lack of record-keeping, missing payment vouchers and assets, unaccounted fuel costs and unretired imprest.

In 2023, Local Authorities planned to spend ZMW 493,999,599 to procure ZMW 371,341 desks for distribution across 116 constituencies. By 31 October 2023, only 258,006 desks had been procured at a cost of ZMW 331,142,142, despite the availability of allocated funds. This gap between planned and actual procurement highlights weaknesses in planning, contract management, and absorption capacity.

More concerningly, the Auditor General's report identified serious quality assurance failures: 2,982 desks supplied were substandard, exhibiting defects such as breaking, bending and separation shortly after delivery. These issues point to systemic lapses in supplier vetting, inspection and enforcement of contractual standards, undermining value for money and limiting the intended service delivery outcomes.

Recommendation to Strengthen Procurement Processes

- From a policy perspective, these findings underscore the urgent need to strengthen procurement oversight, build technical capacity within procuring entities and enforce compliance with quality standards. MFNP and the Zambia Public Procurement Authority (ZPPA) will need to deliberate steps to strengthen capacities of Local Authorities to ensure that they are able to deliver.

Doing so is critical to safeguarding public resources and ensuring that CDF-funded investments deliver sustainable benefits to communities.

4.1.5: Weak Monitoring of CDF Projects

The CDF Guidelines (2022) permit up to 5% of each constituency's allocation to be used for administrative costs, including project monitoring and supervision. In 2023, ZMW 219,610,294 was allocated for administrative expenditure, of which ZMW 215,589,577 was utilised, representing a 98% expenditure rate. To further support monitoring of projects, every constituency now has a CDF project vehicle fully dedicated to monitoring. However, despite this high utilisation of administrative funds and the availability of dedicated vehicles, the Auditor General reported that project monitoring and supervision remain weak - a finding that is further reinforced by JCTR's own research, which shows that monitoring is inadequate across the MLGRD, Ministry of Infrastructure, Housing and Urban Development, Provincial Local Government Office, local authorities, CDFC, WDC and community levels . This misalignment between high administrative spending and poor oversight raises serious concerns regarding the effectiveness and prioritisation of administrative expenditures. It must be stated that inadequate monitoring weakens accountability, enables contractors to deviate from contractual obligations and increases the risk of substandard works. Therefore, strengthening the efficiency and results-oriented aspect of administrative spending is critical to actualise value for money and ensure that CDF-funded projects deliver their intended developmental outcomes.

Regarding project monitoring, local authorities have the primary mandate to monitor projects; however, this function is often not carried out consistently. In theory, WDCs should undertake monitoring activities at the ward level, but this rarely occurs and is usually not with the community involved, contrary to the 2022 Guidelines. This results in a lack of ownership, thereby reducing transparency and accountability. Additionally, their effectiveness is constrained by limited financial and logistical capacity, which restricts the frequency and scope of their monitoring efforts. Strengthening support to WDCs would enable more regular, community-based oversight rather than relying solely on council-led monitoring that is often delayed.

At its core, the monitoring deficit is also a participation deficit. Catholic Social Teaching identifies participation as a fundamental principle of human dignity and good governance, the idea that people have both the right and the responsibility to contribute to decisions and processes that affect their lives. The CDF, by design, is one of Zambia's most direct expressions of this principle at the community level. Where monitoring systems are weak and communities are excluded from meaningful oversight, that participatory character is hollowed out. Strengthening WDCs and enabling genuine community-based monitoring is therefore not merely a technical fix; it is an act of democratic governance that deepens public confidence and reinforces the legitimacy of the fund.

Moreover, there have been delays in releasing new CDF guidelines based on the CDF Act of 2024. Despite multiple consultations and validation meetings, there seems to be slow progress on this front. The new guidelines would help give life to the Act's more equitable provisions and increased administrative support, not present in the 2018 Act or 2022 Guidelines.

Recommendations to Strengthen Monitoring Mechanisms

- Local Authorities and other monitoring duty bearers should institutionalise structured and regular monitoring schedules for all ongoing projects to ensure contractor compliance with contractual obligations, quality standards and agreed delivery timelines. In addition, while the CDFC also needs to ramp up monitoring, it is the Provincial Local Government Officer whose presence is rarely felt on the ground. We acknowledge that due to the vastness and remoteness of our provinces, it is not feasible to visit every ward, but they can visit recurring problematic sites/authorities to provide oversight.
- To address recurrent issues of delayed implementation and poor-quality outputs highlighted in Auditor General reports, WDCs should be capacitated to conduct routine monitoring of CDF projects and provide timely feedback to Local Authorities. This will enable early corrective action and reduce reliance on post-implementation audits to identify deficiencies.

- Allocation of additional funds to the WDCs to engage in routine monitoring on a regular basis by considering giving them bicycles/motor bikes for ease of transport when performing their duties, thereby giving the WDCs greater mobility and coverage.
- Finalisation and release of the new CDF guidelines based on the 2024 Act, allowing for greater equity and administrative support. Although a full review of the local government legal framework is needed to address the issues, not just with CDF, but the whole system. Service delivery, revenue generation, tendering, maintenance and accountability issues are among the recurring themes.

4.1.6: Rising and Widespread Irregularities in the Administration of the Empowerment Grant

Another key area of concern under the CDF relates to Empowerment Grants. Unlike community projects, which have faced challenges of underutilisation, the Empowerment Grants component has recorded a relatively high absorption rate. However, this rapid absorption has been accompanied by a widespread increase in irregularities, raising serious concerns about compliance, oversight and the effective use of funds. A comparison of issues raised across the three years shows a clear and concerning upward trend in the monetary value of irregularities. In 2022, the total value of issues amounted to **ZMW 18.7 million**, largely driven by misapplication of funds through unapproved projects, unaccounted-for grants and questionable disbursements to unregistered clubs.

In 2023, the total value of irregularities increased to **ZMW 20.4 million**, reflecting a shift towards governance and control weaknesses, particularly changes to approved projects without authorisation and persistent failures to account for funds. Although the types of issues remained similar, the higher monetary values indicate a deepening scale of non-compliance and weak financial controls.

Summary of CDF Audit Concerns by Category (2022–2024)

YEAR	CATEGORY	KEY ISSUE	VALUE (ZMW)
2022	Project Approval & Compliance	Misapplication of Funds – Implementation of Unapproved Projects	7,312,795
	Financial Accountability	Unaccounted for Grant Funds	4,361,682
	Beneficiary / Disbursement Issues	Disbursements to Unapproved Beneficiaries	90,000
	Questionable / Invalid Projects	Disbursement to Unregistered Clubs	4,799,678
	Misappropriation	Misappropriation of Funds	2,130,486
		2022 Total	**18,694,641**
2023	Project Approval & Compliance	Change of Projects without Approval	9,441,537
	Financial Accountability	Failure to Account for Funds	8,344,145
	Beneficiary / Disbursement Issues	Misappropriation of Grants	2,569,002
		2023 Total	**20,354,684**
2024	Project Approval & Compliance	Unauthorised Change of Approved Grant Project	7,836,855
	Financial Accountability	Unaccounted for Empowerment Grants	7,136,478

2024	Beneficiary / Disbursement Issues	Overpayment of the Empowerment Grant	172,000
	Questionable / Invalid Projects	Non-existent Projects / Businesses	5,108,201
	Implementation Failures	Failure to Implement Projects	3,943,083
	Misappropriation	Misappropriation of Grants	1,505,360
		2024 Total	**25,701,977**

Audit concerns increased from K18.7 million in 2022 to K25.7 million in 2024, signalling persistent weaknesses in accountability, project oversight, and fund utilisation.

By 2024, the total value rose sharply to ZMW 25.7 million, representing the highest level over the three years. The issues expanded beyond procedural breaches to more severe irregularities, including non-existent projects or businesses, unauthorised changes to approved grant projects, and significant unaccounted-for empowerment grants.

The monetary value of the issues raised is substantial, warranting careful reflection on how the government should implement the Empowerment Grants programme to genuinely benefit communities and intended recipients. Rather than immediately increasing funding, the government should have piloted this component and developed a structured implementation model. Such a model could initially have been managed by the Ministry of Community Development and Social Services before transitioning to the Ministry of Local Government and Rural Development.

Recommendation To Curb the Rising Widespread Irregularities in the Administration of the Empowerment Component of CDF

- The programme should target Social Cash Transfer beneficiaries, enabling capable recipients to transition from receiving social support to actively engaging in income-generating enterprises using funds from the Empowerment Grants. This would create a more coordinated social protection system.
- With consideration to increasing irregularities, the MLGRD should strengthen financial empowerment grants and strengthen monitoring mechanisms. Weak or irregular monitoring increases the risk of undetected misappropriation and misuse of funds
- Suspend increment to the empowerment grants component until a good model is developed

Conclusion

The expansion of the CDF marks an important step toward deepening decentralisation and bringing development closer to communities. However, the effectiveness of the fund will depend less on the size of allocations and more on the systems established to manage, monitor and account for these resources. The evidence suggests that while progress has been made in broadening access to development financing, existing administrative and institutional structures have struggled to keep pace with the rapid growth of the programme.

Addressing capacity constraints within Local Authorities must, therefore, become an urgent priority. Strengthened oversight, improved financial management and more efficient project implementation processes are essential to ensure that public resources translate into meaningful and timely development outcomes. Without these improvements, the intended benefits of the CDF may remain uneven and delayed.

Running beneath these technical and administrative concerns is a deeper ethical dimension. Equitable access to CDF resources is a matter of social justice. When communities are excluded from, or poorly served by, a fund explicitly designed for their benefit, it represents a failure of democratic governance. The CDF is, at its core, a mechanism through which citizens participate in the socioeconomic development of their country, and its proper functioning is therefore inseparable from the values of a democratic polity: accountability to beneficiaries, transparency in decision-making and meaningful participation at the community level.

Participation, as a foundational principle of Catholic Social Teaching, is not an optional feature of good governance but a moral requirement. Where communities actively identify needs, oversee implementation and demand accountability, the CDF is more likely to deliver results that are relevant and sustained. Conversely, where participation is weak or tokenistic, even well-resourced programmes tend toward elite capture and inefficiency. Strengthening participatory structures, including through adequately supported WDCs and transparent reporting, is therefore central to CDF reform, not peripheral to it.

As the analysis in this brief has shown, public confidence in the CDF is already under pressure. Implementation in reverse, weak loan recovery, rising empowerment grant irregularities and inadequate monitoring have all contributed to a growing perception gap between the fund's stated purpose and its experienced reality. Rebuilding that confidence requires more than rhetoric. It requires communities to see projects completed on time, resources accounted for, and their voices reflected in local development decisions. When that happens, the CDF becomes not just a funding mechanism but a civic institution, one that reinforces citizens' engagement with Zambia's democratic governance structures.

As the Government continues to position the CDF as a flagship tool for local development, emphasis should now shift toward consolidating governance frameworks and enhancing operational efficiency. A deliberate focus on accountability, institutional strengthening and participatory practice will not only protect public funds but also deepen the democratic compact between the state and its citizens.

The opportunity presented by the CDF is significant. With the right reforms, it can serve as a powerful catalyst for equitable growth and community transformation. Realising that potential requires sustained commitment to prudent management, transparency and results-oriented implementation, but it also requires treating the communities it serves not as passive recipients but as active participants in Zambia's development.

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