

# Zambia's Constituency Development Fund: Policy considerations

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The significant expansion of Zambia's Constituency Development Fund in the 2022 budget provides an important opportunity to make service delivery more responsive to public needs, strengthen decentralised local institutions, and promote economic development. This policy paper, drafted at the request of the Government of Zambia, outlines recommendations for policymakers to consider immediately, over the first year of the roll-out, and over the longer term that can improve the fund's effectiveness.

The paper is structured as follows: **Section I** provides a summary of recommendations. **Section II** outlines the institutional structure of the CDF with a focus on prominent bottlenecks. **Section III** provides an overview of cross-country economic evidence on similar community projects, with a focus on what design features have worked better than others. **Section IV** focuses on evidence on improving accountability with **Section V** providing insight on how learning can be built into the CDF's design and evaluation. **Section VI** concludes by focusing on longer-term design trade-offs to consider.

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## Section I: Recommendations

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### Before the end of January 2022

Determine and communicate government objectives of the CDF expansion clearly and widely to citizens

Establish a cross-governmental CDF working group

Earmark funds for a local council capacity development survey and programme

Amend the CDF project proposal forms to collect more standardised data

Create a standard monitoring framework for CDF projects

### During 2022

Develop an impact measurement strategy of CDF-funded projects

Undertake a survey of all CDF with a focus on capacity needs

Standardise and digitise key data for all local councils and create central repository at the Ministry of Local Government and Housing

Support local innovation to learn what works best

Improve monitoring of the programme, such as through random centralised audits and increased community audits

Move towards multi-year funding commitments

### Beyond 2022

Undertake an impact evaluation of the CDF, using rigorous scientific methods focused on answering two questions: 1. Is the CDF having the desired impacts on communities? 2. How can the implementation of the CDF be made more effective?

Consider bigger design questions of the programme, such as on giving more voice to local communities and changing allocation method

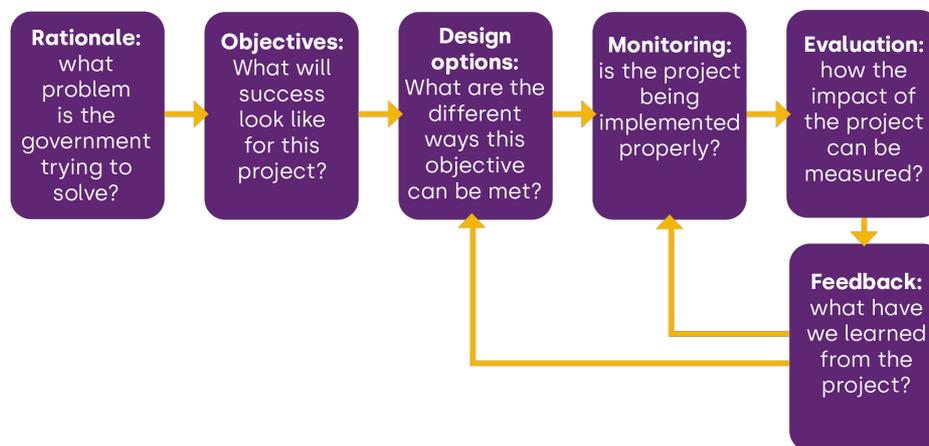
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## Before the end of January 2022:

### 1. Determine and communicate government objectives of the CDF expansion clearly and widely to citizens

The Government of Zambia (GoZ) should clearly and widely communicate the objectives and vision behind the expansion of the Constituency Development Fund (CDF). This will help create a shared sense of purpose among citizens in support of the programme, manage citizen expectations, and ensure that citizens understand how they can participate in the CDF. Part of this messaging should be one of learning and innovation: explain how the government will pilot different approaches to CDF implementation, learn from these successes and failures, and implement the lessons learned incrementally to improve CDF effectiveness over time.

Figure 1: Typical government policy cycle



### 2. Establish a cross-governmental CDF working group

Given the scale of the CDF, a whole-of-government approach is critical. This can be achieved through creating a working group with representation across key government departments including the Ministry of Finance, Ministry of Local Government and Housing, and the State House – led by a ‘CDF champion’. The working group should have a clearly defined scope, ideally focused on implementing these recommendations, national monitoring of the programme roll-out, identifying priorities for experimentation and learning, and guiding subsequent reforms to its design.

### 3. Earmark funds for a local council capacity development survey and programme

Local councils are at the core of CDF’s institutional structure. Building their implementation capacity is critical to delivering the CDF programme effectively. To achieve this, the government should consider fielding a survey of all councils, the Ward Development Committees (WDCs) and CDF Committee (CDFC) members to identify their needs and tailor technical assistance

programmes of support accordingly (see **Recommendation 8**). At present, the immediate first step required is to earmark funds to support this survey and the subsequent capacity development programme.

#### **4. Amend the CDF project proposal forms to collect more standardised data**

The CDF Guidelines include a proposal form for community-based projects which should be amended to capture more detailed and standardised information. Implementing these changes and systematically compiling the data collected from these forms will strengthen accountability and help the government gain a better understanding of the strengths, weaknesses, and impacts of the CDF. This would enable the GoZ to extract useful lessons for improving the programme. See **Section V** for a detailed list of proposed revisions to the proposal form, the project selection criteria, and the appraisal checklist.

More broadly, to improve project selection, a standard project scorecard can be added to the Guidelines for CDFCs to follow. The scorecard can assign specific weights to each project criterion set out in the Guidelines which, in turn, can be broken up into smaller, easily measurable questions. This maintains autonomy for the committees to select the more relevant projects, while providing more guidance on how to compare projects fairly. It also helps standardise the minimum project quality threshold across the country and capture data on what types of projects are being funded by CDF committees.

#### **5. Create a standard monitoring framework for CDF projects**

Under the new Guidelines, CDF projects will be monitored by wards, local councils, provincial governments, and the national government. While this is an excellent step, a monitoring framework to supplement the new Guidelines can provide an important blueprint to ensure rigorous monitoring.

The monitoring framework should include two components:

- First, a simple template that provides a checklist for government officials to follow when creating monitoring reports.
- Second, a clear structure that sets out the respective monitoring roles and responsibilities of the different levels of government. This is particularly important because monitoring functions should avoid overlaps and acknowledge the different scope and ability of each level of government to monitor projects and fund utilisation. For example, WDCs and community members can help provide first level oversight on project implementation through checklists associated with the timeline of the project and goal-setting activities for each quarter. Councils could instead have a role in monitoring the fiscal management

of project resources. The central government can provide oversight over the councils and ensure compliance with the law and guidelines.

## **During 2022:**

### **6. Develop an impact measurement strategy of CDF-funded projects**

Understanding whether the CDF is accomplishing its objectives is crucial to assessing its effectiveness and to increasing its impact over time. This will require designing an impact measurement strategy that identifies the desired outcomes, defines ways to measure them, and secures the budget needed to undertake an impact evaluation in the future.

The following recommendations flesh out various aspects of this strategy that can be implemented over 2022. More detailed background and guidance on this is provided in **Section VI**.

### **7. Undertake a survey of all CDF committees and WDC members with a focus on capacity needs.**

Roll out a survey that covers all CDF committees nationwide, the local councils, and WDC members. Data collection could focus on:

- Identifying areas of technical assistance needed for local councils through a capacity needs assessment. The assessment would determine gaps between current and desired performance of CDF structures and identify activities and investments needed to close them (such as more computers, people, training, etc.).
- Data on committee membership, such as their composition, attendance, qualifications, if they have bank accounts, etc.

The survey could also act as an opportunity for the Government to provide information on the new Guidelines to the committees and the local councils, in addition to laying the basis for a rigorous evaluation.

### **8. Standardise and digitise key data for all local councils and create a central repository at the Ministry of Local Government and Housing**

Data on project proposals, characteristics of approved projects, projects being procured, and those finished and evaluated should be standardised and digitised using basic software at the council-level and collected nationally in a central repository at the Ministry of Local Government and Housing.

This will enable the creation of data dashboards at local and national levels that provide real-time updates on the CDF's progress. As a first step, creating this software and rolling it out to higher-capacity councils, such as Lusaka which is home to multiple CDFCs, can provide an important foundation that can be scaled up.

## 9. Support local innovation to learn what works best

Working with specific councils and CDFC's that can act as reform champions can allow for experimentation with different practices. Doing so, can provide valuable evidence on what works best and the foundation for program-wide reforms beyond 2022.

For example, some committees could adopt slightly different approaches to the project selection process, such as through a community-wide participatory approach in the budgeting. Comparing how different practices reflect on the programme outcomes and impacts could provide insights that could be replicated and institutionalised. For detailed guidance on this, see **Section VI.ii**.

## 10. Improve monitoring of the programme, such as through random centralised audits and increased community audits

Following from **Recommendation 6**, the government can consider several measures to further improve monitoring on two aspects of the CDF:

- *Fiscal monitoring* of the CDF to ensure that there is no leakage in project procurement.
- *Procedural monitoring* to assess if funded projects being funded are being implemented on time and in compliance with the Guidelines.

While some monitoring processes can be conducted for all projects through the system outlined in the Guidelines, this can be supplemented by central government conducting spot audits that assess the project's fiscal and procedural aspects. While auditing every project is expensive, a strategy used by other countries has been to randomly select certain projects to conduct in-depth monitoring of. This works well if the process is transparent, fair, and enough projects are audited.

Once audits or other kinds of monitoring take place, informing community members can prove effective at creating incentives for politicians to use resources in the best way possible. If this information also gives citizens actionable information to help with project monitoring on dimensions they can observe (e.g., who works in the project, for how long), the government can harness the positive effects of community monitoring and build local ownership. This may involve organising quarterly ward-level public meetings to highlight the project's progress and allow people to feedback. **See Section IV** for more detailed guidance.

## 11. Move towards multi-year funding commitments

Linking with the Medium-Term Expenditure Framework, the government should move towards making multi-year funding commitments to the CDF. This can promote longer-term planning and investment, allow larger projects to be more easily procured, demonstrate to local communities that the CDF is a

transformative source of local investment, and convey a strong commitment to decentralisation.

## **Beyond 2022:**

- 12. Undertake an impact evaluation of the CDF, using rigorous scientific methods focused on answering two questions: 1. Is the CDF having the desired impacts on communities? 2. How can the implementation of the CDF be made more effective?**

To gain a thorough understanding of how well the CDF is working, two broad sets of questions about need to be answered. The work on answering these questions needs to begin in 2022

- A. Is the CDF having the desired impact on communities: for example, is it enhancing socio-economic development, such as creating new jobs and reducing poverty?**

It is important to measure the impact CDF is having on people so that policymakers can assess if the programme's objectives are being met, such as creating jobs and reducing poverty. Well-designed evaluations can also shed a light on what features of the programme are working better than others and provide information on which tweaks on the design can be made to achieve to better outcomes.

There are several ways this can be done. One way is to introduce variation – like a lottery – that determines which communities receive CDF funded projects and which do not. Doing so allows researchers to capture the difference the CDF projects are making. However, considering the expanded CDF is being rolled-out to all constituencies at the same time and in equal amounts, using a lottery to measure the overall impact of the CDF would not be possible. However, this approach should still be considered when experimenting with tweaks to the within CDF, such as the use of a participatory budget.

Several alternative ways exist for an overall evaluation, such as collecting baseline data for specific areas, such as Lusaka, before funding is disbursed and capturing data on the same indicators after projects have been completed.

More methods are discussed in Section V.

- B. How can the administration of the CDF be made more effective? What audit or monitoring strategies work in reducing leakage of CDF funds? What types of technical assistance are effective at building implementation capacity at the community-, ward- and constituency-level?**

Different processes – like roving audits or provision of technical assistance to build capacity – can be workshopped in partnership with specific CDF committees or WDCs during 2022. Those process

enhancements that look most promising can then be randomly rolled out, for example through a lottery, to other constituencies over time. This allows policymakers to compare indicators of CDF performance – like the level of leakage or competence of committee members in their work – in those constituencies that benefit early from those that benefit later, and to determine how well the specific process enhancements worked in boosting CDF performance. Importantly, findings from these types of analyses can provide the government with valuable evidence to base future reforms to the CDF on.

**13. Consider bigger design questions, such as on giving more voice to local communities and changing allocation method**

**A. How to provide more voice to local communities?**

The policymakers can consider several options to give more voice to local communities in CDF projects. In Sierra Leone, for example, a hybrid model exists which gives grants both to communities and to local government committees. This ‘hybrid’ model might be particularly useful to experiment with if it improves socio-economic outcomes.

Another approach can be earmarking a certain budget for participatory budgeting. A way to test this in Zambia would be to randomly select some CDFs that will operate through the hybrid model. This can provide real-world empirical evidence on how this system compares to the current one in which the only CDF committees decide on the Fund’s allocation.

**B. Should all constituencies receive equal funds?**

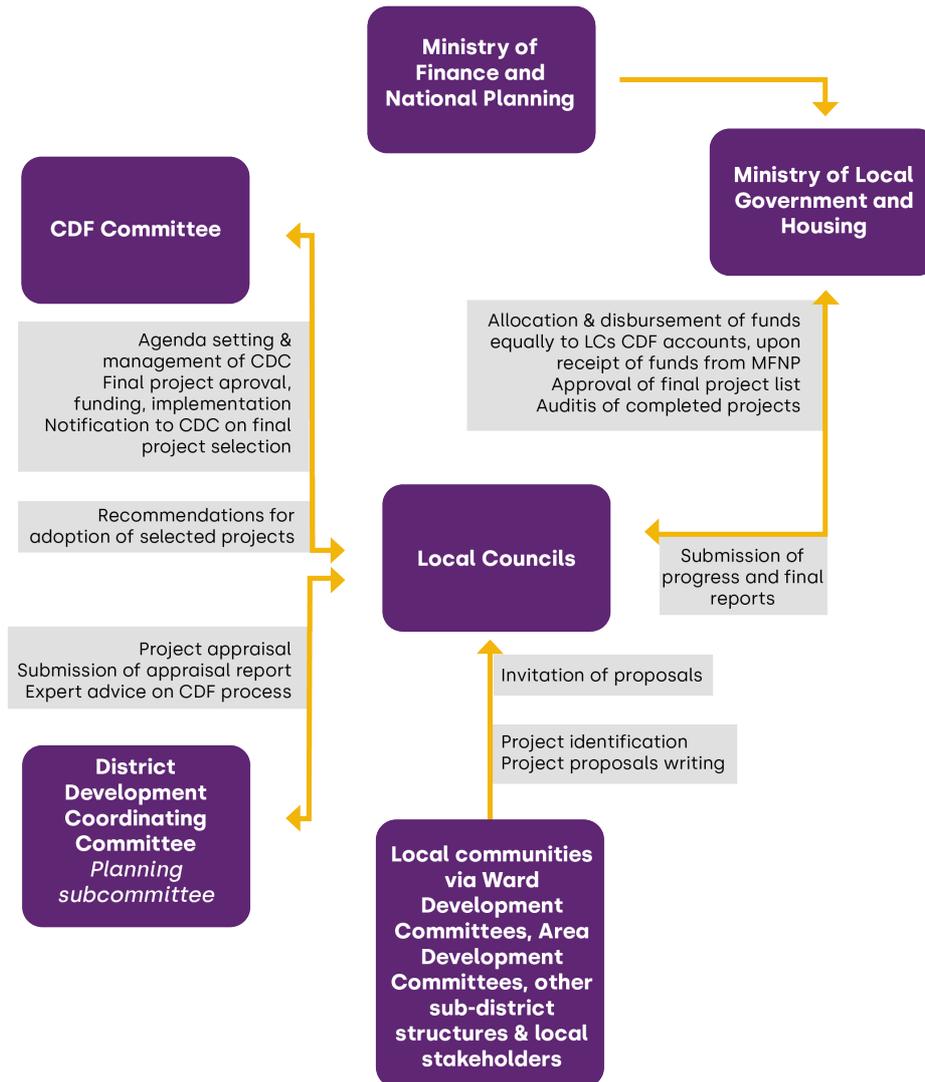
Another design question is whether CDF allocations across constituencies should be done depending on local needs or whether they should remain equal. A needs-based allocation could prove more equitable than a one-size-fits-all approach and more effective in promoting development. Population or other socio-economic variables could be used as a proxy for the need to distribute these funds. The Zambia Living Conditions Monitoring Survey could provide important data to base a needs-assessment on. Moreover, the upcoming census provides an opportunity for ‘add-on’ surveys along with latest available demographic data.

## Section II: Background

### The fiscal and institutional structure of the CDF in Zambia

The current fiscal and institutional structure of the CDF is laid out in the CDF Act of 2018 and the subsequent Guidelines. The CDF process is illustrated below, in **Figure 2**.

**Figure 2: Zambia’s CDF process**



### Key bottlenecks in the CDF process

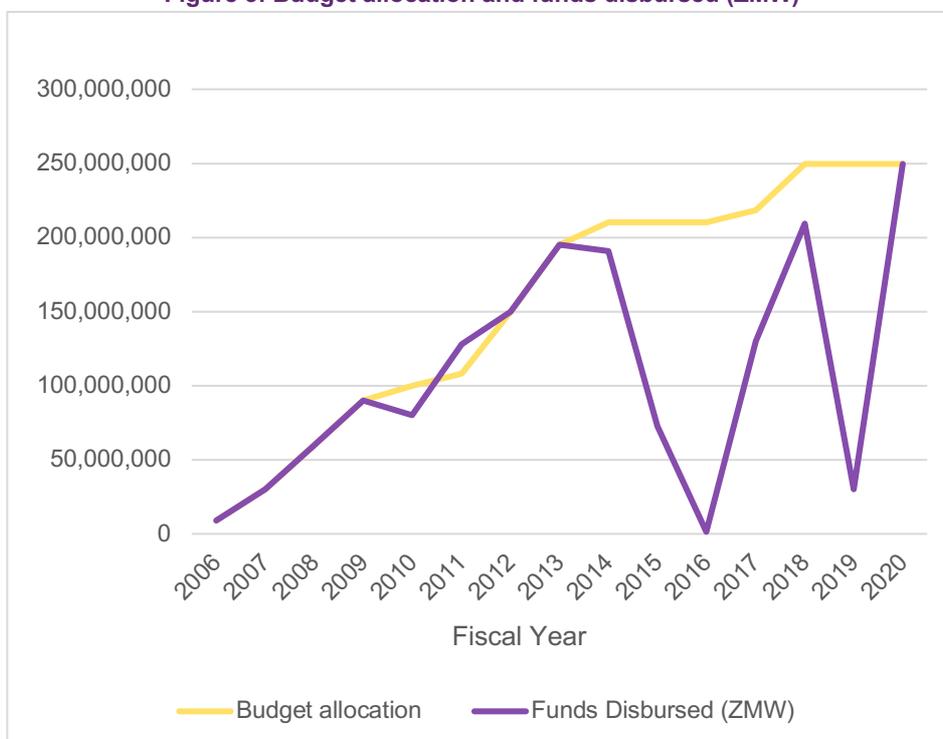
While there has not been a comprehensive evaluation of the CDF since its creation, available research and stakeholder interviews identify the following bottlenecks that restrict the quality of projects and the development impact of the programme:

### 1. Limited funding with significant variations in yearly disbursements

Before the recent increase in the CDF budget allocation under the 2022 budget, CDF financing to local councils was relatively limited, notwithstanding its growth over the years as outlined in the graph below (Chibomba, 2013). A persistently small funding pot has clear implications for the scale and quality of local services given that it limits capital investments with sizable development potential. Evidence also highlights how not only allocations to each constituency are small, but that CDC have shown a tendency to spread funding across multiple, small projects in the various wards of each constituency, with further negative implications for project quality (ibid.).

Notably, CDF Guidelines do not set specific limits on the number of projects that can be procured each year, nor does it establish quality thresholds that projects must meet to receive financing. Further, there has been significant year-on-year volatility in disbursements of the CDF budget. For example, in 2016 less than 1 percent of the CDF budget was disbursed to the local authorities. Such variation undermines the Fund's ability to act as a consistent source of investment in local projects and it is likely to have hindered local councils' ability to adequately plan and prepare ahead of the next budget cycle, with repercussions on the quality of investments. Ultimately, these variations have undermined the Fund's effectiveness and development impact.

**Figure 3: Budget allocation and funds disbursed (ZMW)**



## **2. Phased and delayed disbursement of funds hinders project completion**

An additional public financial management challenge relates to the timing of CDF disbursements. As funds are often disbursed in successive phases, this leads to accumulation of incomplete projects, which is exacerbated by delayed or partial release of funds (EAZ 2011; JCTR 2019; Chrine, Tembo, and Zyambo 2020). Although it is important to note that evidence from Ghana suggests that changeover in electoral representation contributed to the accumulation of incomplete development projects (Williams 2017), we do not know if the same is the case in Zambia.

## **3. 12-month project cycles restrict procuring larger projects**

Under current Guidelines, all projects need to be procured and completed within 12 months. Some of this time is consumed by receiving approvals from the MLGH on the project list, which increases the likelihood of unfinished projects by the end of the fiscal year. This is likely to become an even bigger challenge going forward. With a larger funding envelope expected for the next budget year, local councils are likely to start procuring larger projects which as such will demand even longer procurement and implementation span. Hence, unless the implementation calendar is extended, the number of unfinished projects can grow.

## **4. Unclear project identification and assessment method**

The currently enforced Guidelines do not provide an adequate framework for identifying, selecting, and prioritising the most impactful projects. Rather, they assign significant agency to the CDF committees in selecting projects. CDF Guidelines also lack clarity around who is responsible for projects' sustainability and maintenance over the long term. There are also concerns around the project's integration with district level planning and whether the role of the district planning office is adequate in maintaining a focus on priorities, although the proposed Guidelines make a significant attempt to rectify this concern.

## **5. Limited capacity of local councils to manage the CDF**

Local authorities play a critical role in the current CDF structure, however there are significant concerns on their ability to procure, monitor, and evaluate CDF projects adequately, especially with the newly increased funding envelope. Specific capacity constraints include lack of staff to manage the projects, inadequate funding for physical visits, and institutional design constraints. However, a capacity need assessment is needed to identify key constraint areas.

## **6. Poor community awareness, participation and agency hurts accountability, transparency, and effectiveness of CDF investments**

A core objective of the CDF is to finance projects that address the needs and preferences of the community and that promote local development and welfare. However, in practice, community participation is often only consultative in nature and takes place in the very early stages of the CDF cycle or in project implementation using unskilled labour (Musenge 2009; Chibomba 2013; JCTR 2019). By contrast, CDF committees, and especially the constituency Member of Parliament (MP), tend to retain disproportionate influence over the selection and prioritisation of projects (Chibomba 2013; Phiri 2016). In addition, one study also notes instances in which DDCCs' appraisal and scrutiny role ends up being ignored and used to rubber-stamp CDF committees' decisions (EAZ 2011).

The lack of cross-cutting and substantive community contribution to CDF processes has sometimes resulted in the realisation of projects that were highly misaligned from local priorities and needs and that ended up being left unused. Poor local participation is driven by multiple factors, including limited awareness of CDF processes in detail and of the opportunities it offers for citizens' engagement (Chrine et al. 2020), insufficient dissemination, illiteracy (Chibomba 2013), lack of technical skills, and poverty (Phiri 2016). Structural elements of the CDF also play a significant role in this. Over half of all CDF committee members are appointed directly by MPs or local Councillors, the Committee's ability to adequately represent and advocate for the preferences of local communities is likely to be diminished.

## **7. Undue political influence makes the CDF's vulnerable to manipulation and misuse, eroding citizens' trust and the Fund's effectiveness**

Given CDF committees current composition, CDF finances are highly exposed to risks of elite capture, political manipulation, and misuse. MPs and local councillors sitting on the CDF committees select over half of the CDF committees' members, including representatives of civil society and religious organisations, which impairs the Committee's independence and removes the ability of the community to influence its composition. This has resulted in implemented projects that differed from those initially selected by WDCs or other local structures, were mostly located in wards in which MPs enjoyed more support and popularity or did not align with local needs (Chibomba 2013). Over time, these dynamics are likely to fuel citizens' disillusionment with the CDF mandate and to erode institutional trust and the social contract. Multiple surveys also indicate MPs' tendencies to manipulate the CDF narratives to further political ambitions and gain support. For instance, CDF funding is incorrectly described as personal finances of the MPs or as having been secured only thanks to the local MP's advocacy and intervention rather than as a fixed and equal allocation made by the central government to all local authorities (ibid.).

Such pork-barrel dynamics also raise the question of whether CDF should rather be allocated to and managed by local councils (ibid.).

#### **8. Lack of integrated data**

Currently, little data is collected and integrated to assess the CDF. For example, data on project proposals such as their key characteristics is not standardised by the central government, restricting the real-time monitoring of the fund.

It is incredibly urgent to address these bottlenecks given the increased funding envelope for the Fund. The risk of 'business as usual' would likely lead to:

1. Some projects being left incomplete because of the stringent project cycles and significant variation in funding disbursements.
2. Waste and leakage from the Fund, including project duplication and corruption, because of lack of monitoring and accountability.
3. Unclear impact of the CDF on local socio-economic indicators because of lack of data collection and systematic program-wide evaluation.

### Section III: What can we learn from other countries about similar community-based programmes?

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The goals and structure of the Community Based Projects – that account for 60% of the 2022 CDF allocation in Zambia and tie most strongly to the CDF's objectives – resonate strongly with the community-driven development (or CDD) approach that has been used in many countries worldwide.

Very much like the CDF, CDD programmes have generally included two prongs: first, they provide block grants to communities to fund local development projects, and secondly, they provide technical assistance to help make local decision-making more inclusive, transparent, and democratic.

What can Zambia learn from these programmes? To help answer this, we leverage a recent literature review (Casey 2018) to look at CDD programmes in seven countries: Indonesia, Afghanistan, Sierra Leone, the Democratic Republic of Congo (DRC), Liberia, the Philippines, and Sudan. See **Figure 4**.

## Box 1: Zambia's CDF is similar in its aim to community driven development (CDD), so what is CDD exactly?

Community driven development, or CDD, is a highly decentralised and participatory approach to local development. It devolves financial and operational control over public goods to communities, while simultaneously promoting an inclusive, transparent and highly participatory approach to local decision-making. In practice, the facilitation component typically involves quotas for women and other marginalised groups to hold leadership positions, sign off on financial transactions, and participate in the selection and implementation of sponsored projects.

While the exact details of implementation vary by context, most CDD programmes have a few core components, namely they:

- Create a community-level governing body to oversee project implementation, often referred to as a village development committee (VDC);
- Provide technical assistance and block grants for public infrastructure and services that communities manage directly; and
- Provide social facilitation that explicitly promotes the inclusion of marginalised groups and broad-based participation in decision-making and local governance.

Thus, **the basic aims and structure of CDD resonate strongly with the goals and Guidelines for Community Based Projects in the Zambian CDF** (CDF Guidelines, Part 5.1). They also resonate with the CDF earmarks for women and youth empowerment, as many CDD programmes allocate a portion of their funds to projects identified and implemented by women or youth, and many of these projects (particularly in Sierra Leone) end up focusing on small enterprises and skill development.

Several countries around the world have experimented with CDD programmes (Mansuri and Rao 2004, 2013), and many among them took a scientific approach to evaluate the CDD programmes that they were implementing (Casey 2018). This includes several large scale randomised controlled trials (RCTs), which is the 'gold standard' of impact evaluation. This means there is a wealth of international experience and evidence to draw from in understanding what a CDD model can (and cannot) reasonably be expected to deliver in Zambia.

**Figure 4: Highlights from “gold standard” evaluations of CDD in 4 countries**

Sierra Leone	Afghanistan	Liberia	DRC
<p><b>Impacts</b></p> <p>Large positive impacts on both local public goods and economic welfare (most effective program of these 4)</p>	<p><b>Impacts</b></p> <p>Strong positive effects on local public goods, little impact on economic welfare</p>	<p><b>Impacts</b></p> <p>Little impact on local public goods, strong positive effects on economic welfare</p>	<p><b>Impacts</b></p> <p>Little discernible impact on either local public goods or economic welfare (least effective program)</p>
<p><b>Size of grants</b></p> <p>Medium, roughly US\$4.5 per person per year in beneficiary villages</p>	<p><b>Size of grants</b></p> <p>Large, roughly US\$7 per person per year in beneficiary communities</p>	<p><b>Size of grants</b></p> <p>Medium, roughly US\$4 per person per year in beneficiary villages</p>	<p><b>Size of grants</b></p> <p>Small, roughly US\$1 per person per year in beneficiary villages</p>
<p><b>Strength of technical assistance</b></p> <p>Strongest investment in technical assistance, equivalent to roughly two-thirds of the block grant budget</p>	<p><b>Strength of technical assistance</b></p> <p>Medium level investment in technical assistance, equivalent to roughly one quarter of the block grant budget</p>	<p><b>Strength of technical assistance</b></p> <p>Medium level investment in technical assistance, equivalent to roughly one half of the block grant budget</p>	<p><b>Strength of technical assistance</b></p> <p>Very small investment in technical assistance, exact budget shares not reported</p>
<p><b>Scale</b></p> <p>Medium, this was a well-resourced programme evaluation covering 236 villages across two districts</p>	<p><b>Scale</b></p> <p>Very large scale, the single largest development programme in the entire country</p>	<p><b>Scale</b></p> <p>Small, programme evaluation covering 42 communities</p>	<p><b>Scale</b></p> <p>Large, a total of 1,250 beneficiary villages</p>

Some key takeaways are the following:

**1. If designed well, CDD can be effective in supporting local development projects and boosting economic activity.**

The CDD programmes evaluated have been effective in providing public goods and fostering local economic activity. If we pool data together from the 4 CDD programmes featured in **Figure 4**, all of which were evaluated by rigorous scientific methods, we can see that on average, they had strong positive impacts in both domains. Although there is quite a bit of variation across contexts in how impactful the individual programmes were.

The Sierra Leone programme stands out for having the largest positive effects in both public good provision and in fostering local economic activity. By contrast, the DRC programme performed the worst, with no tangible impacts on either infrastructure or economic activity. To analyse the causes of this, it is important to note the large differences between the Sierra Leone and the DRC

programmes in terms of their investment in grants and technical support. Sierra Leone had both larger grants (US\$4.5 per person per year in Sierra Leone versus only US\$1 in DRC) and greater investment in technical assistance (6 months of dedicated facilitation per community versus 4 days). This suggests that the **Zambian CDF should consider ensuring that implementing communities are provided with sufficient resources and technical assistance, which could potentially be built in via budgetary provisions to support training.**

## 2. There are three broad project allocation models for CDD

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### Project Allocation Models

Model	Key features	Comments
<b>Direct-to-community</b>	The Sierra Leone programme identified a large group of eligible communities and then used a lottery to allocate grants to a subset of communities in this group. Selected communities received US\$4,677 (roughly US\$100 per household) for local development projects. Communities worked with CDD project facilitators to draft a community development plan and prioritise specific projects within those plans.	<ul style="list-style-type: none"> <li>— Strong model on the equity dimension.</li> <li>— The programme set the eligibility criteria (in this case, it was not having benefited from another large-scale aid programme in the area) and realised that there were many more eligible communities than block grants available.</li> <li>— Fair way to allocate scarce resources is holding a lottery where every community has equal chance of winning.</li> <li>— Lottery also establishes a learning and impact evaluation framework, as the communities that do not win the lottery form a natural comparison group for those that do win and get a grant.</li> <li>— Critical design feature: ensuring that local communities have sufficient technical assistance to manage the grants well as they may lack technical expertise.</li> </ul>
<b>Competitive allocation</b>	The Indonesian model involves competition across communities at a higher district level. Each community is eligible to submit a project proposal and then leaders of the various communities assemble alongside district level government officials and residents, to determine which proposals will get funded.	<ul style="list-style-type: none"> <li>— This model gives more say to district level officials in allocating projects. This could be beneficial if the quality of project proposals varies a lot across communities and the government wants to prioritize the best proposals or if it wants to coordinate the types of projects or sectors funded across space.</li> <li>— Critical design feature: picking the right allocation process. As an example, in some communities the programme allowed everyone to vote directly. If criteria and processes are not clear or lack transparency, this opens room for corruption or low performance.</li> </ul>

<b>Multi-tier approach</b>	<p>The Sierra Leone programme gave grants both to communities and to local government committees. For the latter, the programme gave grants specifically to WDCs, each of which is chaired by the elected Local Councillor for that area. These grants were larger than the community-level grants and typically funded larger-scale infrastructure projects that benefited multiple communities.</p>	<ul style="list-style-type: none"> <li>— The multi-tier model shows that hybrid approaches are possible, where more than one level of grant or allocation process is implemented to enable experimentation and learning-by-doing.</li> <li>— A hybrid model might be particularly useful in the first few years of the new (larger) Zambian CDF, to give the government opportunities to experiment with different approaches and see which ones work better in this context.</li> </ul>
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### **3. Communities make different choices about how to allocate grants across sub-projects, in part driven by differences in grant size.**

Communities make different choices about how to allocate grants across sub-projects, in part driven by differences in grant size. The average CDD grant in Afghanistan is relatively large (US\$33,000) and varies with community population (Beath et al. 2013). Grants in Sierra Leone are smaller, uniformly valued at US\$4,677 per community (Casey et al. 2011), and support highly localised goods, namely: 43% in small-scale infrastructure like latrines; 26% in agricultural investments, like grain stores; and 17% in skills training and small business start-up capital. Infrastructure sub-projects in Afghanistan the budget allocation was on a larger scale: 28% in irrigation, 22% in transport, 19% in electrical power, and 18% in water and sanitation.

Another feature to note about the Sierra Leone programme is that a relatively large share of communities chose potentially income generating projects: over half was spent on agriculture, livestock, skills training, and small business start-up capital. notably, many of these enterprise projects focused on women and youth. This arose because CDD facilitators frequently broke these respective groups out to develop their own development plans and then were awarded sub-grants from the broader community-level block grant to fund them. Even if the Sierra Leone programme is a somewhat different model than what is currently proposed in the Zambian CDF Guidelines with regards to women and youth empowerment (for example, it is only based-on grants rather than micro-loans), it does still provide useful guidance for Zambia.

### **4. Some programmes have invested heavily in local capacity facilitation, and this is likely to be the key in how effective they have been:**

At the top, 47% of the total budget in Sierra Leone funded block grants and 30% capacity building. This implies that for every dollar given to communities

for infrastructure, 63 cents were spent on promoting inclusive and transparent decision-making (Casey et al. 2012). Adding in operational costs, like management time and monitoring, brings this ratio to one-to-one. On the ground, this investment afforded each village roughly six months of dedicated in-person interaction with a local facilitator, spread over three and half years of project implementation. At the other extreme, the DRC programme was very light touch, providing only four days of technical training at the start (Humphreys et al. 2012).

It is thus not a coincidence that the Sierra Leone programme achieved much stronger impacts on the ground than the DRC programme (see details on programme benefits in the **Box 2** below).

### **Box 2: Programme details on capacity building in Sierra Leone**

In Sierra Leone, each CDD front line staff member, or ward facilitator, covered six village-level and one ward-level intervention. Facilitators were required to reside in one of the six villages assigned to them and spend approximately one day per week in each of the remaining villages. Facilitators began work in January 2006 and completed all village-level projects by July 2009. This implies that each village received roughly six months of direct facilitation over a three-and-a-half-year period.

#### **5. CDD projects differ in their approach to institution building:**

The programme in Afghanistan reflects the most intensely democratic approach to assembling a local committee to oversee the project: universal suffrage, secret ballot election, requirement for gender parity in village district committee (VDC) membership (Beath et al. 2013c). Other projects are more informal, leaving it largely to villages to assemble their own VDC. Projects usually include explicit quotas for disadvantaged groups in holding leadership positions and signing off on financial transactions. For example, in Sierra Leone the CDD programme specified that at least a minimum percentage of VDC members had to be women, and another minimum percentage had to be youth (locally this means aged 18 to 35 years), and 1 of the 3 designated signatories on the community bank account was required to be a woman. While varied, the democratic processes introduced represent a substantial departure from the status quo, which in these locations tends to be traditional leadership by elder male chiefs who hold hereditary positions.

One implication for the Zambian CDF is that greater consideration and guidance might be warranted regarding the community-level structures and processes through which ordinary citizens can have a say in identifying projects and participating effectively in Zonal meetings (Guidelines, Section 5.1.2).

Establishing effective community-level structures, akin to a VDC, will likely require some dedicated technical assistance and capacity building.

**6. While the focus on using highly participatory and transparent methods of decision-making is an important feature of CDD, it does not appear to affect how communities interact outside the direct programme sphere.**

Given that most CDD programmes aim to both deliver local development projects through block grants and to build more inclusive and democratic institutions, it is important to understand their impact on local institutions more broadly. Here the question is: does the participatory experience of CDD change the way communities make other kinds of decisions? Across the case studies listed above, the evidence of the CDDs' impact on inclusive and participatory decision-making beyond the CDD programme is much weaker. For Sierra Leone and DRC, no effect could be found of CDD on a wide variety of institutional measures that capture decisions outside the direct purview of project activity. While the Afghanistan and Liberia studies found some evidence of positive effects, these were limited to different subgroups of the population or to only a subset of measures they collected.

Here is an example of how these null results on institutions were measured. Field teams in Sierra Leone presented communities with a choice between two small assets and discretely observed the resulting deliberation process. They kept records of what happened during the meeting, and later analysis of this data found no evidence of CDD impacts on the level of participation or inclusivity of the decision-making process, as measured by the number of participants, duration of the deliberation, number of public speakers, frequency with which women spoke, or the occurrence of democratic processes like voting.

As another example, researchers in the DRC introduced an unconditional cash transfer of US\$1,000 to communities for a development project and observed how communities managed the grants. However, they found no evidence that CDD impacted who was in charge of the project, how the community decided which project to implement, the amount of funds that could be verified in field audits, or how many people benefited from the project.

Given this, the implication for Zambia include:

- **If institution building at the community-level is a goal of the programme, then following the CDD approach outlined above is unlikely to be effective.** Note that the current Guidelines do not state that community-level institution building is an explicit goal.
- **The strong emphasis on participation, inclusion, and transparent decision-making at the community level, including the role of the VDC, cannot be separated from the positive effects of CDD on local**

**infrastructure and economic welfare.** Given that all beneficiary communities in Sierra Leone received both block grants and social facilitation, we do not know if the block grants would have been as effective in the absence of strong technical assistance and local participation. While we cannot say this definitively, it seems reasonable to assume that the grants would not have been as effective in their absence.

## Data and assessing impacts

The reason we can learn so much about impacts from these CDD programmes around the world is twofold:

1. The programmes were rolled out in such a way that communities that benefited directly from CDD funding and similar communities that did not benefit could be tracked and compared over time.
2. Data was carefully collected in both types of communities.

One of the most direct measures of programme impacts on local development projects is via a public goods inventory. In the Sierra Leone program, for example, this involved sending field enumerators to each community to conduct their own physical assessment of local amenities. This allowed them to determine how many of a standardised set of goods each community possessed. Specifically, the teams verified whether each community had any item(s) on a checklist of 12 commonly found public goods (this list includes, for example, latrines, water wells and primary schools). Importantly, the good was only counted as present if the enumerator saw it with his or her own eyes and determined that it was functional on the day of the field visit. Of course, if a similar approach were to be considered in Zambia, the exact list would need to be tailored to the local context.

Notice that there are natural synergies between a public goods checklist and efforts to increase accountability (see **next section**). Many activities supported by the grants will build the stock or quality of items on the standardised list. Therefore, if no tangible improvements are found across the sample of recipient communities over time, this raises red flags about leakage of funds.

## Section IV: What can we learn from other countries about improving accountability?

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Approaches to improve accountability can be separated into two categories:

- **Audits on expenditure managed by the central government.**
- **Strategies relying on community monitoring of local projects.**

These strategies can improve local spending and limit misappropriation of resources, provided that the right conditions are met. Below we review experiences from multiple countries that highlight the key design choices the Zambian CDF programme should consider when setting up its accountability mechanisms.

### How do centralised audits work?

Centralised audits are usually conducted by personnel from an independent government agency who knows the fund's allocation to each local government and the project that should have been financed with these resources. With this information, a team of auditors then travels to each project site and starts the process of verifying expenditures. This process involves examining the financial records of each project for proper accounting procedures and visiting the project site to assess its quality and verify that all expenses are accounted for. Additionally, the team of auditors would talk to community members, both leaders and ordinary citizens, to gather complaints and information about wrongdoings associated with the project. Part of this can also include assessing if the project follows the right procedure as laid out in the law and Guidelines. Experiences from countries shed light on key design choices for this type of policy. Two design choices commonly arise when auditing local governments:

1. **How to choose which municipalities to audit?**
2. **How to harness completed the audit reports?**

### The case of Brazil

A useful example to analyse is the audit programme implemented by the Brazilian federal government in 2003. The goal was to audit municipal governments as they received very large transfers from the central government. These audits were very successful as they uncovered losses of approximately USD550 million and found that 73% of municipal governments had at least one incident of corruption (Ferraz and Finan 2008 2011). As these audits were conducted on municipal governments with large budgets, they might be informative for the Zambian CDF programme on how to audit Councils managing the programme funds.

From this experience, the first important lesson we can draw comes from the way the Brazilian government decided which municipalities to audit. As auditing all local governments was very expensive, they decided to audit only some municipalities chosen at random. To do so, the government set up a lottery (see picture below) to pick some municipalities in each state to be audited. This random process guaranteed fairness when selecting where to conduct the audits. Moreover, to ensure transparency, the lottery was held at a government building where representatives of the press, political parties, and members of the civil society could witness the lottery.

The second lesson from the Brazilian audits is related to how they leveraged the audit reports. Instead of keeping the reports as internal government documents, they made sure the findings of the audits were widely available. On the one hand, the audit reports were given to the multiple government entities in charge of investigating and prosecuting public spending. More importantly, the government made sure to disseminate the audit results to the public, both through media outlets and by posting them online. This meant the public also learned about how their local government was using public resources. Due to this feature, Ferraz and Finan (2008) find that when the reports were released before elections, politicians with multiple incidents of corruption received fewer votes. Thus, making sure the audit reports are known to citizens makes politicians more accountable and generates incentives for them to manage resources better.

### **The case of Indonesia**

In Indonesia, the government's attempt to monitor expenditures in local infrastructure projects included around 600 villages that received on average US\$8,800 for infrastructure projects. Audits involved a team of auditors that visited each project site to review financial records and to inspect the physical infrastructure. Results were not only taken to the programme managers but also read publicly to an open village meeting by the auditors.

To understand what works best, Olken (2007) designed an evaluation that randomly split projects into two types: projects that were told that they were going to be audited for sure as part of a special initiative, and, projects that would be only audited under the current system, which meant they had a low chance of being selected for an audit. The study found that in those councils that knew that they would be audited for sure, the number of missing expenditures coming both from unaccounted expenses in labour and materials reduced significantly. However, these findings mostly revealed procedural problems, and did not uncover enough information to take legal action.

When facing the choice of what to do with the audit reports, this example from Indonesia also reveals the importance of sharing information to the

beneficiaries of the projects. Specifically, as the audit reports were known to community members, they could result in substantial social sanctions, even if the audits did not come up with enough information to take legal action. Thus, the way of disseminating information from audits is key to create the right incentives for local entities managing public funds.

## How does community monitoring work?

A second approach to monitor local expenditures relies on community monitoring. Strategies to promote community engagement in monitoring projects usually involve organising community meetings during which community members usually receive some information on how the project's progress and then have an open discussion about project-related challenges and how to address them.

However, community meetings can vary in how they are implemented, with implications for their effectiveness in generating accountability. For example, in the same setting as the Indonesian audits programme mentioned above, researchers studied the impact of community monitoring in misappropriation of public funds (Olken 2007). They invited community members to attend accountability meetings which were held twice project implementation during which people discussed how the money was being spent. The attendees were also given anonymous comment forms so they could privately give information about the project to then be discussed during the meetings.

Researchers however found that even when this strategy of promoting community participation increased attendance to community meetings and generated comment forms by citizens, it did not reduce misreported project costs. **Centralized audits were more effective in this study than community participation.**

Yet, the study also provided results that can help design better community monitoring policies. Two key takeaways are that:

- **Community monitoring had only a small effect at reducing labour costs that were originally unaccounted for but did not influence material expenses.** Thus, when designing these types of strategies, governments need to think about the type of expenses ordinary citizens are in a relatively good position to monitor.
- **This study also finds evidence that community participation can be subject to elite capture.** Researchers highlight that this strategy was moderately more effective when local leaders could not target invitations to meetings and comment forms to their supporters. Therefore, when thinking about how to organise community meetings to monitor public spending, it

is very important to ensure these are open to a wide range of possible project beneficiaries.

A more successful example of community monitoring comes from Uganda, where instead of monitoring infrastructure projects they motivated community members to monitor healthcare provision. This policy was studied by Bjorkman and Svensson (2009), and as usual it was structured around several community meetings where citizens could discuss problems around health delivery and the best strategies to tackle them. Importantly, their implementation of these meetings had many components that explains their success at improving healthcare conditions.

This involved multiple meetings that were highly structured, one with community members, another with healthcare workers, and a final one with both groups. As a result, multiple groups associated with healthcare services in each community attended the meetings, and all of them had a voice in pointing out problems and coming up with solutions. This feature was carefully designed to avoid elite capture of meetings, as the authors of this study knew this was a problem in the Indonesian example.

Additionally, this policy also provided actionable information about healthcare conditions in the community to whoever participated in these meetings. As opposed to corruption, which is difficult to observe, researchers were able to do an initial assessment of healthcare services in each community where this policy was implemented. Then, when this information was shared with the community members it was easier for them to come up with strategies to improve service delivery.

Despite the positive effects of this strategy on healthcare in Ugandan, results here also echo a lesson from Indonesia: community monitoring proved to be effective at changing labour decisions of community members implementing the development initiative. In this case, community monitoring generated behavioral changes of the clinic staff members that translated to better health outcomes.

**Thus, an important lesson from these community monitoring examples is that citizens can be effective monitors only in some dimensions like overseeing labour inputs to development projects or service provision.**

The limitations highlighted before are informative of a more general pattern where policies of community monitoring have not always shown positive results. This calls for caution when relying on these policies to generate accountability, as the right conditions need to be in place for these policies to work. For example, community monitoring of healthcare services was studied again, 10 years later, in the Ugandan context. However, this time it was not as effective as before (Raffler, Posner, and Parkerson, 2020). Authors claim that this happened because community monitoring was able to help only when the initial

health conditions in Uganda were very low, and there was room for simple improvements. As a result, policymakers need to be careful with community monitoring strategies, as they might only have limited effects on development practices. This should be taken into consideration when deciding on a clearer role that WDCs can play in monitoring projects funded by the Zambian CDF program.

## Cross-country evidence of CDF policies

As many other countries also have CDF programmes, we can look at these other settings to learn about the implications of this type of policy, and how they should be designed.

- **CDF's have strong implications for politicians.** A study of CDF programmes across 12 African countries shows that CDFs can help improve accountability of politicians and create a virtuous cycle in politics (Bowles 2021). First, it appears that politicians across Africa that receive more funds per capita through CDFs are more likely to run for re-election and win. Moreover, this result appears to come from a positive effect of CDFs on voter's perceptions about politicians. As CDFs allow voters to have observable measures of politician's effort, the study shows voters perceive incumbents with more funds per capita to be less corrupt and reward them with votes. Then, more accountability is generated as only politicians who use funds properly can run for re-election. This in turn motivates better candidates to enter politics to improve development outcomes, thus improving the whole political system.

Other studies on CDFs leverage their discretionary nature and focus on where politicians choose to focus their development efforts. For example, using data from India, Keefer and Khemani (2009) show that politicians use less of their CDFs on party strongholds. In contrast, Harris and Posner (2019) leverage spatial data from Kenya CDFs funded projects and find that the number of political supporters does not predict the location of projects. However, other factors might play a role as projects appear to be in places with high population density and places with high numbers of co-ethnics to the politician, instead of places with a high number of people living in poverty. Overall, this suggests that discretion in CDFs allocation might direct the resources to places where they are not needed the most.

A key design takeaway from these concerns around biases in where projects are implemented is that evaluating the CDF programme can only be done with good data coming from the multiple steps involved using CDFs. This includes both data from proposals to be funded, and data from selected projects before and after implementation.

- **Without adequate monitoring and accountability mechanisms, CDFs can lead to significant leakage.** In Sierra Leone, Bidwell et al. (2020) conducted audits on sitting MPs focusing on their use of CDFs. From this exercise, they find that only 36% of the \$11,000 allotment could be verified as spent on the development of the constituency. Therefore, governments need to be cautious with CDF policies, making sure monitoring and accountability mechanisms are in place to make sure CDFs are used properly.

## Section V: How can we effectively learn from the scale up of the CDF, both immediately and longer term?

Given the magnitude of the resources involved and the unprecedented nature of the Zambian CDF expansion, it will be critical to learn as much as possible about how the programme works in real time and how it can be improved moving forward. Effective learning strategies can be implemented in three broad areas, detailed below in **Figure 5**.

**Figure 5: Learning strategies**



### 1. Immediate stocktaking activities

Given past implementation challenges, it will be important to quickly assess the readiness of CDFCs and WDCs to ramp up CDF operations. Such immediate stocktaking activities broadly aim to understand whether each constituency has the leadership, institutional arrangements, and processes in place to successfully scale up activity under the 2022 allocation. As an example, to motivate this stocktaking, a sitting MP was recently quoted in the popular press as indicating that his “constituency only has three members of staff comprising a secretary, security and an administrative officer and none had capacity to dispense the ZMW25.7 million.”<sup>1</sup>

Much of the stocktaking can be implemented through a committee survey (covering both CDFCs and WDCs), which could be conducted by enumerators during brief field visits to all 156 constituencies in the first quarter (Q1) of 2022. More specifically, a committee survey could collect information in the following areas:

- **Data on CDFC and WDC members.** This includes basic demographics (e.g., age, gender) and qualifications (e.g., education level, current leadership positions, previous experience in government or private sector). This includes an accounting of whether all the positions outlined in the CDF Act (Part II) and CDF Guidelines are currently filled; whether the selection processes in the CDF Act and Guidelines have been followed (e.g., who nominated members, and for those designated as elected, who voted in

<sup>1</sup> <https://www.themastonline.com/2021/11/09/excitement-over-cdf-the-case-of-placing-a-fattened-calf-before-a-pack-of-hungry-wolves/>

their selection process); and whether each committee is functional and active.

- **Project elicitation and prioritisation strategy.** What plans and processes does the CDFC and WDC currently have in place to identify and prioritise local development projects? This includes any processes the committees used in the recent past and the committee's current plans for 2022. The committee survey further presents an opportunity to distribute information on any new regulations determined at the central level to guide this process. As an example, the CDF Guidelines (Section 5.1.2) articulate a series of steps to be followed, and it will be critical to know whether the WDCs have the members and technical capacity in place to implement the proposed steps. This is also an area where experimentation in Year 1 might be particularly useful (see for example, with different models of project allocation described above in **Section III.2**), we return to this idea in the next subsection.
- **Financial management.** Verify that the CDFC and relevant Local Authority have a dedicated bank account and list of co-signatories for withdrawals. As mentioned in **Section IV**, including multiple signatories, including members of marginalised groups, has been a useful strategy in other countries. Thus, the Guidelines could be amended to include representatives of women or youth as co-signatories (either at the constituency level or at the local level, tied to specific projects). It is also important to assess whether the Local Authority has the staff and competencies in place to carry out their accountability and cashbook maintenance responsibilities outlined in the Guidelines (Section 6).
- **Technical assistance needs.** Elicit from CDFC and WDC members their own perceived areas of competence and requests for areas in which they would benefit from technical assistance. This data will help inform the design of technical assistance and capacity building packages that could be piloted in Year 1 and potentially evaluated more formally in Year 2 (see below). This is one avenue to directly inform the role and needs of the WDC in "identifying areas for capacity building within the Ward" (Guidelines, Section 3.3.8). Thus, technical assistance needs should be assessed, and packages designed to deliver such support at three distinct levels: CDFC; WDC; and community.

This stocktaking serves the immediate diagnostic purpose of identifying shortcomings that can be remedied quickly. It also serves as a baseline against which future progress can be assessed. Some of this assessment can be done in the short run, in a correlational sense (e.g., which factors at the CDFC or WDC level seem to correlate positively or negatively with performance during Year 1?). Other aspects of the assessment can inform longer-run questions about how the scale-up of the CDF affects local political economy issues (e.g.,

in the next elections, do we see that the experience with the larger CDF programme induces more experienced people to run for elected office or serve on CDF committees?). The information elicited regarding current project allocation plans and technical assistance can be further used to design and roll out innovative pilots that can be implemented by local champions over the course of Year 1 (see next subsection).

### Box 3: Recommended changes to the community-based project proposal form:

The following changes to the **community based project proposal form** can be helpful (in Appendix B of the CDF Guidelines):

- **Question 3** – Expanding it to first identify the project type (as is) and then ask for a brief but more detailed description of exactly what the proposed project entails.
- **Question 14** – In the List of Project Committee Members, establishing a minimum number of members from underrepresented groups, such as women and (separately) youth.<sup>2</sup>
- Add a question that requests an estimated project budget.
- Add a question that requests a detailed implementation plan and timeline, such as “describe your project implementation plan: what activities are needed, who will carry out each activity, and when will you start and complete each activity”.

Related to this, the **selection and assessment criteria** (section 5.1.4.b of the proposed CDF Guidelines) should be revised to ensure that they directly respond to the overall goals of the CDF program. For example, consider including:

- a. Does the project contribute to the socio-economic development of the local community?
- b. Explain why this project should be prioritized over others (e.g., what are its key strengths and feasibility)

These same items can further be added to the Appraisal Checklist for Community Based Projects (Appendix D of the CDF Guidelines):

- a. Is there evidence of genuine community participation across the project cycle of this project?
- b. Does the project contribute to the socio-economic development of the local community?
- c. Does the project deliver good value for money?

Where possible, include multiple-choice format questions which makes it easier to standardise data.

<sup>2</sup> Note that this is recommended for the general community-based project application (not just for the women / youth empowerment projects).

## 2. Identify champions to pilot programme innovations

The magnitude and rapidity of the Zambian CDF scale up is unprecedented. This necessarily implies that there are many unanswered questions which cannot be addressed before the roll out. Importantly, this underscores the value of systematically building in opportunities for learning-by-doing throughout Year 1 and beyond.

The basic idea behind champions is to identify specific CDFC or WDCs that have highly engaged, competent members who are willing and able to experiment with innovative practices and institutional arrangements. These constituencies could then become laboratories to pilot and evaluate potentially beneficial variations to the design of the CDF programme. Those that work well can become a model for other constituencies to emulate. Those that fail will inform broader national efforts to avoid practices that do not work.

Here follows a list of topics that could potentially be interesting to implement as innovation pilots:

- **Project identification and selection processes.** The CDF Act classifies the “identification, prioritisation and classification of projects” as an area where the Minister may make regulations for better carrying out the programme (point 30). Experimenting with different approaches during Year 1 can be an effective way to inform such guidelines. As outlined in **Section III**, there are a variety of approaches that have been used in other contexts to elicit and prioritise local development projects (e.g., direct community, competitive allocation, hybrid models outlined in **Section III.2**). There are also different prioritisation criteria that could be relevant (e.g., targeting the poorest communities for direct allocations, or using a population-based measure to spread resources equally, etc.). And there are different selection procedures that could be useful (e.g., majority vote by committee members only versus eliciting the input of the broader community). Along each dimension, some interested CDF committees could implement different models and compare how well the distinct processes worked in their respective constituencies. Experimentation along these lines can inform the evolution of guidelines (see Section V).
- **Technical assistance programmes.** Eliciting CDFC and WDC member preferences about technical assistance will straightforwardly identify common themes of support that could be piloted in champion constituencies. As one example, the CDF Act outlines the scope for CDF committees to invite guests to their project deliberations (Schedule 5.3.7). This poses the interesting question of what kinds of technical expertise could be brought into the CDFCs in a way that could help them perform

CDF allocations more effectively. As there are multiple levels that require technical support (CDFC, WDC, community), and multiple actors with expertise or some responsibility for providing technical support (e.g., the private sector in Guidelines Part 3.3.7), it would be useful to develop and pilot different packages of support that target specific levels and sources of expertise.

- **Institutional arrangements.** The stocktaking exercise may identify several constituencies without a fully formed or functional committee in place. If so, some of these constituencies could experiment with different ways of selecting members (e.g., instead of MP appointments, perhaps communities themselves could vote for the community representatives).
- **Accountability programmes.** The Guidelines list several different entities with responsibilities in the areas of monitoring and evaluation of CDF projects, as well as financial management oversight. One immediate consideration is to clarify more distinct roles and responsibilities (who exactly does what) and pilot different approaches for them to conduct their oversight work effectively. As an example, roving spot audits in a randomly selected subsample of constituencies or wards could be carried out on a rolling basis throughout the year. Identifying one actor with responsibility for this, and helping that actor develop and implement an audit protocol would be useful to pilot. This applies to financial audits, but also to audits of project implementation (e.g., this could be linked to the disbursement process, whereby some constituencies experiment with doing a physical verification that infrastructure has been built under the Q1 tranche before disbursing subsequent tranches, Guidelines Section 4.1)
- **Community engagement.** As discussed in **Section III**, one lesson from CDD projects in other countries is the importance and challenge of ensuring that communities have a real voice in this process, since ‘community participation and decision making in socio-economic development at the local level’ is a key aim of the CDF (Guidelines, Section 1.1). Greater clarity is warranted in the Guidelines Section 5.1 about how ward level actors can ensure that local communities and representatives of marginalised groups, have voice. Alongside this clarification, there is the challenge of ensuring that ward level actors understand the process and have the capacity to implement it effectively. Experimentation would be useful here in both refining the recommended structure, tailoring lessons and practices from abroad to fit the Zambian context, and building local capacity to implement the participatory approach.

There are important forward linkages between these local laboratories and the formal evaluations outlined in the next sub-section. In particular, the laboratories identify promising programme innovations in Year 1 that can be

more systematically assessed via formal evaluation in Year 2, and if proven effective, subsequently rolled out nationwide.

### 3. Formal evaluation

Formal evaluation aims to provide credible evidence, using rigorous scientific methods, to measure the impacts of the CDF program, and to evaluate which specific aspects of the programme work better or worse than others. This process provides an honest accounting of progress and missteps during execution and maps out a schedule of improvements for future design iterations.

It is instructive to organize our thinking about formal evaluation along three dimensions:

- **Level of impact.** The two levels of primary interest are community-level impacts, which investigate the local effects of development projects on communities that receive CDF-funded projects; and constituency- (or ward-) level impacts, which investigate the effects of different CDF management processes and institutional arrangements on the performance of the CDF programme more broadly.
- **Research methods.** There is a continuum of research methods that vary in the rigor, or standard of proof, of the evidence they produce. While methods can be clearly rank ordered by rigor, not all methods are feasible or appropriate for all questions, so frequently a mix-and-match strategy is warranted.
- **Sources of data.** Much of the data needed for monitoring and evaluation will need to be built into the administration of the CDF programme itself (e.g., project dashboard and audit data). Additional data can be outsourced to independent survey or research groups (e.g., for impact evaluation). Other data collection can be built into ongoing government surveys (e.g., the census could collect an inventory of standard local public infrastructure in each community).

Community-level impacts can be evaluated whenever there are more communities, or more project proposals, than the constituency-level budget can fund each year. The key is to identify a similar set of non-benefiting communities which are comparable to the benefiting communities in all regards save the allocation of a CDF-sponsored project. As discussed in **Section III**, the most rigorous, or ‘gold standard’, way to do this is via a lottery, or an RCT. If communities are directly financed (see **Section III.2**), the lottery can select communities from a large pool of eligible communities for a project. Similarly, if a CDF Committee receives many qualified proposals, a lottery could determine which proposals would be funded in Year 1 and which would have to wait for a subsequent allocation.

Moving away from lotteries to slightly less rigorous methods, another strategy that works if there is some competition or priority ranking involved (see **Section III.2**), would be to compare communities just above or below allocation threshold cut-offs. Another approach is to match communities on their baseline characteristics (potentially from pre-existing survey or census data) forming pairs or groups of beneficiary and non-beneficiary communities that are as like one another as possible.

#### **Box 4: Different methods for evaluation**

If a lottery is used to determine which communities receive grants out of a larger set of eligible communities, one could compare communities that won the lottery with communities that lost. This is because, as the lottery results are random, the losers of the lottery are expected to be very similar to those that won the lottery. This is the foundation of an RCT.

Another possibility is to look at communities just above and below the cutoff threshold in a prioritised list of project proposals. In other words, many proposals are ranked from first to last priority, and only a subset of the first N proposals on the list get funded. Then one could collect data on those communities who just barely got a grant to those that just missed the cutoff and did not get a grant.

Finally, baseline data could be used to match communities that receive grants to other communities that do not get a grant but otherwise look very similar on their observable characteristics before the programme starts

Using any of these methods, the same data would need to be collected in both the beneficiary and comparable non-beneficiary communities. If a lottery is involved, post-project data is often sufficient. If other methods are used (like matching or threshold cut-offs) then having both pre- and post-project data is useful to isolate the effects of the CDF from other confounding factors.

Turning to constituency-level effects, it would be interesting and instructive to evaluate some of the promising innovation pilots developed in Year 1 in a more systematic way during Year 2. As an example, if a particular package of technical assistance worked well in a given constituency as a pilot, it could be randomly rolled out to other constituencies in Year 2, evaluating its impacts along the way (for example, reaching half of the remaining constituencies in Year 2 and half in Year 3, and collecting data on their performance managing the CDF at the end of each year). This is an area where some of the most fertile research questions lie, those that are both intimately tied to CDF policy yet also speak to deeper trends in the political economy of development.

For example, Bowles (2020) uses historical data from Zambia to show that more funds coming from the CDF makes voters more aware of how MPs are accountable to them. These results leverage the fact that some constituencies

receive more funds per capita than others, allowing us to compare these constituencies and draw conclusions on the effects of more resources coming from this program.

## Section VI: Can the CDF be restructured to better meet local needs over the long-term?

Beyond the short and medium term, the government of Zambia should consider more structural reforms to the CDF programme that could improve its effectiveness. These may focus on:

1. Considering alternative ways to distribute CDF across constituencies
2. Strengthening community participation and ownership in the CD
3. Strengthening local councils

### 1. Considering alternative ways to distribute CDF across constituencies

The current system of equal allocation presents clear advantages, such as it being easy to administer, but also likely ends up favouring smaller or wealthier constituencies that have less need over poorer, more populous ones. Given these trade-offs, the government can consider broadly three allocation options, described in the table below:

Table 1. Alternative allocation methods of CDF transfers

Allocation method	Equal	Needs-tested	Hybrid
<b>Definition</b>	All constituencies receive equal transfers.	Each constituency receives transfers based on predetermined needs, such as poverty level or population.	All constituencies receive a minimum transfer plus a conditional tranche on top, based on needs-tested criteria.
<b>Pros</b>	Relatively easy to administer Provides a starting point for a more complex allocation approach	More complex and costly to administer: it involves <ul style="list-style-type: none"> <li>— Establishing criteria (e.g., poverty, population)</li> <li>— Collecting data</li> <li>— Assessing constituencies accordingly.</li> </ul>	Partly easy to administer, through the equal component, while still providing conditional allocation that is reflective of local differences  Can be designed in ways that incentivise specific projects e.g., a % of can be allocated to projects in national priority sectors
<b>Cons</b>	Ignores the differing needs of constituencies	Broadly, a needs-based allocation can be significantly more progressive as it aims to provide more resources to poorer areas than richer ones.	

### 2. Strengthening community participation and ownership in the CDF

Improving community participation and ownership can help improve the CDF's effectiveness in meeting local needs. Failing to build ownership would undermine the accountability of the CDF, paving the way for political misuse,

waste, and citizens' erosion of trust. The government of Zambia should consider interventions aimed at strengthening the substantive engagement of the local community. This can be done through:

- **Making information available and accessible about the CDF, its purpose, and its opportunity for local engagement** - This may entail a country-wide awareness and sensitisation campaign co-led by the Government, including key ministers, and local authorities that leverages multiple channels, including media platforms, in-person sessions, and leverages community leaders.
- **Over time, allowing citizens to vote for the local stakeholders' representatives on the CDF committee members.** This could be an important way to get public ownership over the Fund and represent a marked departure from the current system under which the MPs retain full power over the appointment of local stakeholders' representatives.
- **Earmarking a portion of the budget for participatory budgeting** which would allow for people to directly vote for projects to finance. This is used extensively in other countries, such as in Brazil.

It is important to note that socio-economic challenges such as poverty and unemployment reduce citizens' willingness to dedicate time and efforts to activities such as proposed above. Therefore, explicit strategies to provide citizens with concrete incentives that encourage greater involvement could be devised, including monetary or in-kind contributions from the CDF budgets.

### **3. Strengthening local councils**

The CDF falls within a wider range of government reforms to promote decentralisation and strengthen local institutions. As such, it should be leveraged as a complementary source of funding that reinforces the existing local councils' budget, rather than a substitutionary one. The scaling of the CDF should happen in coordination with other government efforts aimed at reinforcing the institutional and financial capacity of local authorities. For example, the government may consider assigning revenue raising powers to local authorities, such as fees and charges for the use of localised goods and services. Fiscal receipts could be retained locally to improve councils' service delivery. Moreover, the government should ensure that district-level plans and CDF strategies align and coordinate in such a way that avoids duplication and waste, but rather is complementary and promotes strategic synergies.

## Please cite as:

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