

Does Zambia need to change the way it allocates the CDF?

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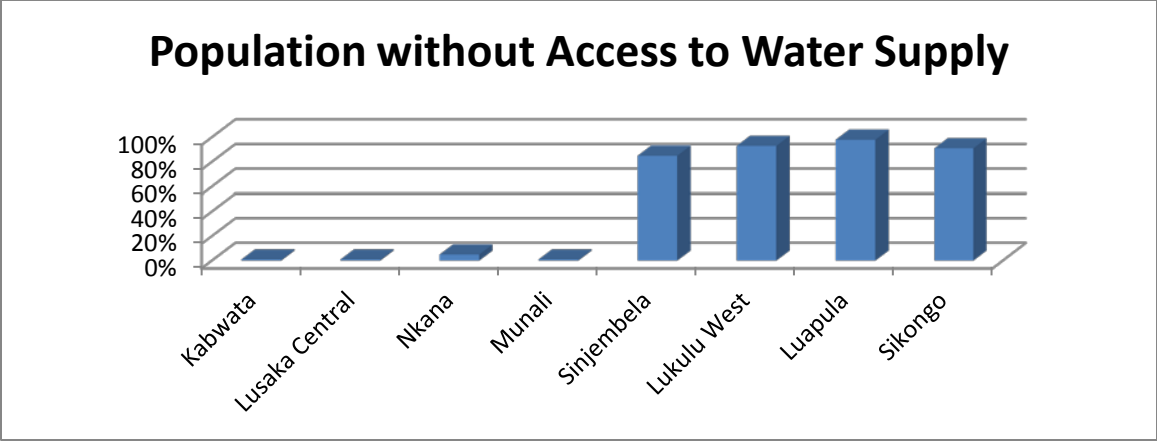
Based on ZIPAR Research Paper “Resource Allocation Model for the Constituency Development Fund

As the Ministry of Finance commences the preparation of the 2015 National budget, it is worth asking how the government allocates spending across the different programmes it funds. These decisions are often based on existing historic allocations and developmental plans. It is, however, rare for the government to base spending decisions on some measure of ‘need’: that is targeting funding at those areas that experience higher levels of poverty, or where the cost of delivering services is higher.

While there is evidence in Zambia of spending decisions based on some measure of need, for example funding to districts under the Ministry of Health uses a resource allocation formula, this is still rare. Governments tend to be weary of using measures of need because of the complexities it introduces to the budgetary process. ZIPAR believes that there is scope for a needs based funding approach. The aim should be to start small and innovate with an appropriate fund. One of the strongest candidates is the Constituency Development Fund (CDF), which accounts for 0.5% of the national budget but which is not distributed equitably.

CDF is intended to help constituencies in Zambia meet their development challenges and is disbursed annually to all constituencies. The CDF has evolved to become an important developmental tool for constituencies and has grown from K60, 000 in 1996 to K210 million in 2014. Constituencies use the fund to deliver certain services including construction of roads, bridges and health posts.

The CDF is disbursed equally to all constituencies when they differ significantly in terms of geographical size, population and levels of poverty. Constituencies in rural areas lack basic necessities such as adequate access to social amenities. Urban constituencies, in contrast, are better placed, in terms of developmental opportunities and levels of economic activity. Yet under the CDF because there is no attempt to take account of different levels of deprivation and poverty, each constituency receives the same amount of funding. The current allocation means that a constituency such as Kabwata in Lusaka where only 1% of its population is without access to proper water supply gets the same level of funding as Sikongo in Western Province the most deprived constituency, where 91% of its population lack access to water supply as shown below.



Under the current allocation, Sikongo given its high developmental needs has the same amount of funds to address these challenges as Kabwata which needs less funding to provide water to the 1% without water. To appreciate these varying challenges, ZIPAR has developed a formula that allocates resources based on the deprivation of the constituencies. The formula takes into account the population size of the constituency, access to education, health, water and sanitation, living conditions vis-à-vis the type of housing and employment in the area. The formula thus uses a needs-based approach.

The use of the formula entails that constituencies that are more deprived get more funding than those that are less deprived. ZIPAR proposes two ways of applying the formula. One way of using the formula is through a pure needs approach that requires allocating funds based on the deprivation of the constituency. Using this approach and the 2013 CDF allocation, we find that Kabwata constituency would get K2, 779 while Sikongo would get K947, 629. This realignment of the CDF means reducing the current K1.4 million per constituency significantly and may not be very desirable.

The second way of using the formula however does not significantly distort the current allocation but prescribes a minimum amount to all constituencies and then applies the formula on the excess amount. This alternative can be applied by allocating a minimum of K1 million to all constituencies and then the application of the formula on the excess funding. This way shows that while better-off constituencies do not lose out, worse-off places would be given a fairer slice of the pie. This model avoids creating winners and losers, but rather a win-win situation and should be given consideration.

There is sufficient international evidence to demonstrate the effectiveness of needs-based funding. Uganda for instance has successfully implemented the use of a resource allocation formula in health resources. Zambia as well through the Ministry of Health which has been using the allocation formula since 2004 has found the use of the formula to be relevant and useful.

Countries world over show that it is good practice to allocate resources on a needs based approach as it brings about equity in the nation. The use of a needs based formula will be a good move for Zambia to start allocating government funding based on the needs in the area to address equity concerns in the country.

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