



**Katete Town  
Council**  
CUMA CATHU CIRI MUNTAKA

# KATETE DEVELOPMENT FINANCE ASSESSMENT

2024



UNITED NATIONS  
ZAMBIA



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## ACRONYMS AND ABBREVIATIONS

<b>7NDP</b>	Seventh National Development Plan
<b>8NDP</b>	Eighth National Development Plan
<b>ART</b>	Antiretroviral Therapy
<b>CBOs</b>	Community Based Organization
<b>CDF</b>	Constituency Development Fund
<b>CEEC</b>	Citizens Economic Empowerment Commission
<b>CSR</b>	Cooperate Social Responsibility
<b>DDCC</b>	District Development Coordinating Committee
<b>DFA</b>	Development Finance Assessment
<b>DPP</b>	Department of Planning
<b>DWASHE</b>	District, Water, Sanitation, Health and Education
<b>EWSC</b>	Eastern Water and Sewerage Company
<b>FANSER</b>	Food and Nutrition Security, Enhanced Resilience
<b>FBOs</b>	Faith Based Organization
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>IDC</b>	Industrial Development Cooperation
<b>IDP</b>	Integrated District Plan
<b>IFA</b>	Intergovernmental Fiscal Architecture
<b>INFF</b>	Integrated National Financing Framework
<b>IPSAS</b>	International Public Sector Accounting Standard
<b>KDWDA</b>	Katete District Women Development Association
<b>KII</b>	Key Informant Interview
<b>LA</b>	Local Authority
<b>LAAP</b>	Local Authorities Accounting Policies
<b>LGEF</b>	Local Government Equalization Fund
<b>LLC</b>	Louis Dreyfus Company
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MEL</b>	Monitoring, Evaluation and Learning
<b>MGEE</b>	Ministry of Green Economy and Environment
<b>MLGRD</b>	Ministry of Local Government and Rural Development

## ACRONYMS AND ABBREVIATIONS

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<b>MLNR</b> .....	Ministry of Lands and Natural Resources
<b>MoFNP</b> .....	Ministry of Finance and National Planning
<b>MOGE</b> .....	Ministry of General Education
<b>MOH</b> .....	Ministry of Health
<b>NDPs</b> .....	National Development Plans
<b>NGOs</b> .....	Non- Governmental Organizations
<b>OSR</b> .....	Own Source Revenue
<b>PLGO</b> .....	Provincial Local Government Officer
<b>PPP</b> .....	Public Private Partnerships
<b>RDA</b> .....	Road Development Agency
<b>SDGs</b> .....	Sustainable Development Goals
<b>UNDP</b> .....	United Nations Development Program
<b>UNICEF</b> .....	United Nations Children's Fund
<b>WASH</b> .....	Water and Sanitation and Hygiene
<b>WDC</b> .....	Ward Development Committee
<b>WDP</b> .....	Ward Development Plan
<b>ZIPAR</b> .....	Zambia Institute for Policy Analysis and Research
<b>ZRA</b> .....	Zambia Revenue Authority

## FOREWORD

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The Development Finance Assessment (DFA) Report for Katete District, developed with the support of United Nations Children's Fund (UNICEF), United Nations Development Program (UNDP), the Ministry of Finance and National Planning (MoFNP), the Ministry of Local Government and Rural Development (MLGRD), and the Zambia Institute for Policy Analysis and Research (ZIPAR), marks a significant milestone as the first DFA at the district level in Zambia. This report serves as an instrumental element for guiding future financing strategies and local planning processes in the district. It offers key insights for potentially enhancing development financing in Katete District and provides learning lessons to other local authorities across the country.

The Katete DFA addresses key bottlenecks and challenges, while identifying opportunities for mobilizing financing for sustainable development. It emphasizes the importance of aligning national and sectoral plans (8NDP) with District Integrated Development Plans, Ward Development Plans, district budgeting processes, and financing strategies. The support provided by UNICEF and UNDP was vital for ensuring the development of an integrated district financing framework (IDFF). This framework will help Katete immensely to contribute to achieving Zambia's Vision 2030 and the Sustainable Development Goals (SDGs), while addressing challenges linked to climate change, limited revenue sources, and restricted land access for development.

The DFA Report will inform the revision of the Integrated Development Plan (IDP) for Katete District and guide budgeting and infrastructure development; this is particularly important in the wake of the recent remarkable increase in the Constituency Development Fund (CDF) budgetary allocation. Leveraging the increased CDF systematically and in an integrated manner will ensure inclusive, participatory, efficient, effective, transparent and accountable use of financial resources, leading to sustainable service delivery.

The report provides a detailed account of the challenges in achieving and financing IDP programmes, acknowledging the adverse effects of climate change. It underscores the crucial roles of the Katete Town Council, private sector, civil society, and development partners such as KFW and World Vision in financing projects that are aligned with the District's IDP. Accurate information from the DFA will provide essential insights for selecting, approving, implementing, and monitoring the best and most promising bankable IDP-related projects.

Katete Town Council sincerely appreciates the DFA report, particularly that it offers guidance for informing local level strategic thinking as well as guidance on policy direction and oversight from the parent ministry and other ministries. We thank UNICEF, UNDP, MLGRD, MoFNP, ZIPAR, the office of the District Commissioner, government officers from line ministries, and all stakeholders who contributed to this report. We look forward to continued collaboration with the various key stakeholders, towards improving the quality of life in Katete District and support Zambia's efforts to achieve the Vision 2023 and the SDGs.

**Kate Leo Mukonde (Ms.)**

**Council Secretary**

**Katete Town Council**

**Ministry Local Government and Rural Development**

## **ACKNOWLEDGEMENTS**

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Firstly, sincere thanks go to the Ministry of Finance and National Planning (MoFNP), who, in collaboration with the United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP), commissioned this first ever district-level Development Finance Assessment (DFA) for Zambia, the case of Katete District. The financial and technical contributions of these three institutions are greatly appreciated.

The assessment was conducted by a team from the Zambia Institute for Policy Analysis and Research (ZIPAR), comprising of Miselo Bwalya, Sydney Sihubwa, Liana Chikwekwe, Jones Bowa, and Mbewe Kaliyeka.

ZIPAR extends its sincere gratitude to the following individuals for their significant contributions to the completion of the MINI DFA report:

**Ministry of Finance and National Planning:** Trevor Mwaba, Principal Budget Analyst.

**Ministry of Local Government and Rural Development:** Dr. Ngoza Munthali, Director of Planning and Information, and Misheck Banda, Principal Rural Development Officer.

**UNICEF,** Daniel Kumitz, Chief Social Policy Zambia; Mervis Pepino, Social Policy Officer; Walusiku Luputa, Public Finance Associate; Kasamba Zobolo, Decentralization Associate; Bob Muchabaiwa, Chief Social Policy; Claude Kasonka, Health Supply Chain Financing Manager; and Tawanda Chinembiri, Social Policy Manager.

**UNDP:** Domingos Mazivila, Economic Advisor; Elda Chirwa, National Economist; Fred Mukonda, Liaison Specialist; David Mwabila, Programme Specialist; and Baraka Ochieng, Youth Specialist.

## EXECUTIVE SUMMARY

The collaborative effort between the Ministry of Finance and National Planning (MoFNP), United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP) resulted in the initiation of the Development Finance Assessment (DFA) for Katete District, Zambia. The primary objective was to strengthen local authorities' contributions to Zambia's broader development agenda by conducting a thorough examination of the district's financial landscape and identifying critical opportunities for improved financial flows and revenue generation.

The Katete DFA focused on analysing financing needs, costs related to local development priorities, and evaluating financial flows in connection to district goals and Sustainable Development Goals (SDGs). Employing the UNDP's DFA methodology<sup>1</sup>, the study followed a structured approach with four key building blocks: Assessment and Diagnostics, Elements of Financing Strategy, Monitoring and Review, and Governance and Coordination.

Based on the analysis, the study revealed that the district heavily relies on the Constituency Development Fund (CDF) and the Local Government Equalization Fund (LGEF) which constitute close to 90.0 percent of the revenues. This causes a significant gap in realizing the district's full resource generation potential and underscores the need for strategic interventions.

Key findings highlighted challenges such as low economic activities, a high dependency on government grants, the absence of a well-defined Own Source Revenue (OSR) Strategy, and limitations in forecasting mechanisms and awareness on property rates. These challenges have caused serious impediments to resource optimization. On the other hand, the challenges present opportunities for improvement such as exploring mining prospects, strengthening governance for economic growth, and leveraging upcoming key district infrastructure developments.

The existing structure for resource mobilization in Katete District lacks a dedicated governance and coordination framework, posing challenges in budgetary oversight, local revenue management, debt control, Public Private Partnerships (PPPs), and private sector engagement.

In response to these findings, a comprehensive set of recommendations has been formulated: (i) close collaboration with private sector to create opportunities to spur economic activity and diversify revenue sources; (ii) automation of revenue collection through implementation of an e-levy system to streamline revenue collection processes vis-a-vis reduce inefficiencies; (iii) Direct investments towards sectors with high growth potential such as agriculture to foster job creation; (iv) Revive the Advisory Committee within the District Development Coordinating Committee (DDCC) to streamline Constituency Development Fund (CDF) project approval processes; (v) Develop Ward Development Plans (WDPs) and ensure alignment of CDF projects with WDPs. These recommendations collectively aim to address identified challenges and optimize the district's resource potential for sustained and targeted development.

<sup>1</sup> <https://inff.org/resource/development-finance-assessment-guidebook>



## 1.0 INTRODUCTION

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Financing national development is a complex but well-guided process in Zambia. In general, the identification, mobilization, allocation, utilization and accounting for development finance is done through an Integrated National Financing Framework (INFF) under the custody of the Ministry of Finance and National Planning (MoFNP). Effective establishment and roll-out of an INFF involves, among others, a critical component of Development Finance Assessment (DFA).

In that regard, MoFNP, in collaboration with the United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP), commissioned the Zambia Institute for Policy Analysis and Research (ZIPAR) to undertake this first ever district-level DFA for Zambia. This was pursuant to the successful completion of the National DFA in 2023, which had aimed to leverage various sources of revenue for financing Zambia's development agenda. Aligned with the National Planning and Budgeting Act No.1 of 2020, which advocates for the decentralization of the planning process to the local level, the district-level DFA seeks to harness resources at the local level towards sustainably financing the development needs of the district.

In pursuit of the Vision 2030, Zambia has undertaken proactive measures to overcome economic challenges and make progress towards become a prosperous middle-income country by 2030. This Vision serves as a guiding framework for the nation's development aspiration, emphasizing a desire to attain sustainable economic growth and improved living standards.

The translation of the Vision 2030 into actionable strategies is done through National Development Plans. The current one is the Eighth National Development Plan (8NDP), which spans the period 2022-2026. The 8NDP serves as a comprehensive roadmap, outlining specific goals, priorities, and initiatives to propel Zambia towards the Vision 2030. Crafted in accordance with the global Agenda 2030, the 8NDP incorporates and prioritizes the achievement of the Sustainable Development Goals (SDGs) set by the United Nations (UN) system.

As part of this strategic planning, in 2023, Zambia devolved eight central government functions to the local authorities in accordance with Cabinet Circular No. 2. This was done following the approval of the Revised National Decentralization Policy by Cabinet in that year. According to the circular, eight functions under the Ministries of Transport and Logistics, Youth, Sport and Arts, Tourism, Home Affairs and Internal Security, Health, Fisheries and Livestock were to be transferred to the Local Authorities in a phased manner in 2023.

The Government's decentralisation agenda is consistent with Agenda 2030. In particular, it is consistent with key aspirations such as the empowerment of communities and the promotion of inclusivity in decision-making processes. It essentially supports the notion of advancing the SDGs<sup>2</sup>.

Zambia aims to use the strategic planning in the 8NDP to address its economic challenges, foster inclusive development, and create an environment conducive to sustained progress. The ongoing commitment to these initiatives reflects Zambia's dedication to positioning itself as a thriving and resilient economy on the path to middle-income status by 2030. This assessment plays a crucial role in assessing the preparedness of the subnational government institutions, particularly local government, to support these aspirations. It provides insights and recommendations to enhance the effectiveness of local-level development finance in contributing to the broader national development agenda.

## 1.1 DEVELOPMENT FINANCE ASSESSMENT (DFA)

As highlighted above, this DFA is premised on the need to establish and operationalize the INFF. The INFF serves as a comprehensive strategy for financing Zambia's national development priorities, fostering resource mobilization and investment from both public and private sectors. The establishment of an INFF typically involves three phases: an inception phase, which includes the undertaking of a DFA; the development of the financing strategy; and finally, the implementation phase. This framework ensures the alignment of financing with development priorities and enhances coordination among key stakeholders through financing dialogue, promoting inclusivity and broad-based participation in sourcing, programming, utilizing and accounting for developmental funds.

Currently, Zambia is implementing the revised Decentralization Policy, with a strong emphasis on Citizen-driven local governance within a unitary State for sustainable development. Past efforts to actualize this aspiration faced several challenges such as inadequate legislative frameworks, a high-strung political economy environment that stifled development, and limited institutional capacities at various levels especially in public institutions. The revised Decentralization Policy focuses on transferring functions, authority, and powers to sub-national authorities and aligning service provision with constitutional provisions. The implicit assumptions include that the devolution process itself will foster decentralized institutional capacity building and performance.

Given Zambia's first national-level DFA in 2023 and the renewed decentralization agenda, this assessment was conducted as the first of its kind within the INFFs. It serves as a timely undertaking as it aims to identify opportunities for an integrated roadmap and an effective coordination mechanism for local-level decision-making, planning, and budgeting activities. These are essential elements to a decentralized development process.

## 1.2 JUSTIFICATION OF THE SELECTION OF KATETE DISTRICT

This DFA captures the case of Katete District in Zambia's Eastern Province. The choice of Katete for Zambia's first district-level DFA stems from the district's strategic location in Zambia and the numerous socio-economic interventions being pursued by various development partners, including initiatives to support the decentralization process. Katete district is also an interesting case study in that despite its economic potential, the district faces a few notable challenges, particularly inadequate financial flows and a lack of economic diversification. Poverty rates in Eastern Province, Katete presumably included, have also increased from 70.0 percent in 2015 to 76.4 percent in 2022. With rural population standing at 89.0 percent and urban population at 11.0 percent in 2023 in Katete district, the poverty implications are high. The socio-economic status of Katete has been a key factor in impeding its development<sup>3</sup>.

It is envisaged that the recommendations of this DFA will not only influence the district's future financing strategy but also enhance the local planning processes in Katete. The DFA is meant to serve as a comprehensive guide for local authorities, the private sector, and development partners, offering specific and actionable insights into the crafting of effective plans, the harmonization and strengthening of financial management capacities and policies, and the harnessing of diverse financial opportunities for Katete. The Katete District DFA is anticipated to serve as proof-of-concept of an undertaking that could be replicated in other districts.

<sup>3</sup><https://www.zamstats.gov.zm/wp-content/uploads/2023/09/Highlights-of-the-2022-Poverty-Assessment-in-Zambia-2023.pdf>



## 1.3 OBJECTIVES

The specific objectives of the Katete District DFA were as follows:

1. Undertake an analysis of the existing estimates of financing needs and costs associated with realizing the local development priorities in the Katete District Integrated Development Plan 2020-2030: economic growth, health, social infrastructure, transport, and communication infrastructure, natural resources, and environmental sustainability, and coordinated spatial development.
2. Conduct an assessment of the linkage of mapped financial flows to the prioritized sectors at district level and key SDGs.
3. Review existing public and private financing policies and ongoing reforms which facilitate mobilizing and promoting investments and advance district sustainable development priorities.
4. Assess the local financing monitoring, tracking, and reporting systems in Katete District and their intra-district interlinkages.
5. Evaluate the Katete District institutional statistical capacity for monitoring public and private finance and their sustainable development outcomes.
6. Develop actionable recommendations for reforms to improve public and private finance policies, institutional structures, and capacities in Katete District.
7. Develop an Integrated District Financing Framework (IDFF) Roadmap for Katete, aligned with Building Blocks 2 to 4 of the UNDP DFA methodology, with key recommendations for the respective implied financing flows.



## 2.0 METHODOLOGY

This assessment utilized the standard DFA methodology developed by the UNDP, as applied in Zambia's national DFA.

In general, the UNDP's DFA methodology focuses on four key building blocks aligned with the INFF, notably the following phases: Assessment and Diagnostics; Financing Strategy; Monitoring and Review; Governance and Coordination. Therefore, the DFA begins with an Assessment and Diagnostics phase, which focuses on analyzing financing needs, mapping sources, and assessing financial flows' connection to national or sub-national (e.g. district) goals and the global SDGs. The next phase on Financing Strategy involves reviewing policies and regulations, legal frameworks and ongoing reforms, and making actionable recommendations. The third Monitoring and Review phase works towards evaluating national or sub-national (e.g. local district-level) monitoring, evaluation and learning (MEL) systems, and offering recommendations for systems enhancements. The final Governance and Coordination phase involves assessing local-level systems and structures and proposing recommendations to strengthen the systems and structures. The DFA process also includes the formulation of an IDFF Roadmap, concentrating on Building Blocks 2 to 4 of the DFA Methodology, providing actionable recommendations for each financing flow<sup>4</sup>.

The assessment employed the data collection methods elaborated in the ensuing sub-sections.

## 2.1 SCOPING AND STAKEHOLDER MAPPING

The Katete District DFA began with a comprehensive stakeholder mapping in two districts, Katete and Lusaka (Lusaka having been included as the national public administration and capital of Zambia). The mapping exercise encompassed purposively identified stakeholders from various organizations with a decentralization mandate, including the Ministry of Local Government and Rural Development (MLGRD), MoFNP, and the Citizen Economic Empowerment Commission (CEEC). Additionally, to ensure inclusivity and comprehensive representation, the assessment purposively selected stakeholders who were actively engaged in the development activities of the district. These stakeholders comprised entities such as the World Bank, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), as well as private sector participants like Atlas Mara Bank and Louis Dreyfus Company Cotton LLC – Zambia, as all those were found to be operating in Katete; however, many of them were interviewed in Lusaka, where their headquarters are located.

This systematic approach to stakeholder engagement played a pivotal role in shaping the data collection plan, ensuring that the study had a well-rounded understanding of the fiscal and financial dynamics between the Government and Katete actors at the local level and internally among actors within Katete Districts. The consultation process extended to a second scoping exercise, spanning five days in Katete Districts specifically. This phase involved engaging with 15 key stakeholders, including officials from the Town Council, the office of District Commissioner, senior officers from devolved ministries, and representatives from Zambia Revenue Authority (ZRA) stationed at the Chanida Border Post. Furthermore, this scoping exercise also encompassed interactions with the private sector, non-governmental organizations (NGOs), and international organizations actively involved in implementing projects within the district.

<sup>4</sup>Development Finance Assessment Guidebook: Supporting governments to build forward better through integrated national financing frameworks". Retrieved from <https://sdgfinance.undp.org/sites/default/files/UNDP-DFA%20Guidebook-D4-HighResolution%20%28002%29.pdf>



## **2.2 KEY INFORMANT INTERVIEWS (KIIS)**

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In terms of data collection methods, key informant interviews (KIIs) were conducted in the districts, engaging a diverse range of stakeholders, including local authority members of staff, central government staff, non-state actors (including representatives of the private sector and not-for-profit institutions). These interviews served as a crucial means to gather data and information on current and past financing scenarios, gain valuable insights into policy frameworks, and enhance understanding of the district-level monitoring, evaluation, governance and coordination systems. Additionally, these interviews played a pivotal role in identifying constraints to effective funds identification, mobilization, programming, utilization and accounting at the subnational level in Katete. Annex Tables 6 and 7 present a comprehensive list of the stakeholders who were engaged during the assessment.

## **2.3 CONSULTATIVE MEETINGS**

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A four-day consultative workshop activity was conducted subsequent to the completion of the scoping and stakeholder mapping exercises. The purpose of the consultative workshop was to delve into deeper qualitative focus group discussions regarding the needs, development opportunities, and potential revenue sources for Katete. The participants were stakeholders identified during the two aforementioned (scoping and KII) exercises who were organized into different focus groups based on their respective institutions. To prevent conflicts of interest, the designated groups attended on specific days. Moreover, the Provincial Local Government Officer (PLGO), the local council secretary, deputy secretary, and all heads of departments from the local council were present at all meetings. Their attendance in all meetings was to ensure their grasp of the contemporary issues affecting various stakeholders in realizing development. Additionally, UNICEF had representation from Lusaka in all these meetings (see, Anex Tables 6 and 7).



### 3.0 KATETE DISTRICT PROFILE

Katete district, located in Zambia's Eastern Province and spanning a land area of 2,433 square kilometers (km), 86 km from the provincial capital, Chipata and 489 km from the national capital, Lusaka. The district presents a landscape of both economic opportunities and challenges.

The district's Local Authority operates as a Town Council, established under Article 152 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 and Section 6 of the Local Government Act No. 2 of 2019. It operates as a body corporate, overseeing the administration of Katete District, comprising of an elected Council Chairperson, twenty Ward Councilors, and three Chiefs, as outlined in Article 153 (2) (c) of the Constitution of Zambia.

As at end of 2022, the district's population was approximately 214,072, with over 80 percent residing in rural areas. This demographic composition requires targeted agricultural and agro-business development for economic diversification. The district's healthcare and education systems face challenges such as inadequate staff and facilities, which impact the district's service provision. The education sector in the district struggles with insufficient funding and infrastructure issues, contributing to a low literacy rate of 45.5 percent, the lowest in the province. This situation is attributed to various factors, including early marriages and pregnancies, among others.

On the positive side, Katete has attracted increased domestic and foreign investment in various sectors, including tourism, agriculture, and light manufacturing. Agriculture is a critical sector providing livelihoods to over 42,645 smallholder farmers. The sector is however characterised by a high-risk profile emanating from climate change and emerging pests. The district also hosts a few manufacturing entities like Louis Dreyfus Company (LDC) Katete ginnery and Katete District Women Development Association (KDWDA) which are contributing to economic activity in the district. The Industrial Development Corporation (IDC) has a shareholding of 70.0 percent in the Eastern Tropical Fruit plant which lies in the district, which is considered a potential game-changer. Although the plant presents an opportunity to exploit the agriculture value chain, it was not yet operational at the time of the assessment.

The district also has a few of pipeline public sector infrastructure projects such as the rehabilitation of the Mozambique Katete road which connects the district to the neighbouring country. This is expected to increase activity on this route vis-a-vis increase export opportunities and border town services. Furthermore, the district exhibits significant mining potential, sharing a geological belt with neighbouring Mozambique and Zambia's Copperbelt region. Katete district geological and mining activity records and those at the Ministry of Mines and Mineral Development (MMMD) indicate the issuance of both small mining licenses and large-scale exploration licenses within the district, underscoring its status as a promising area for mineral resources<sup>5</sup>.

However, commerce, trade, and manufacturing encounter challenges such as a high cost of doing business, infrastructure limitations, and technology constraints. Efforts to boost non-traditional sectors are underway, seeking to overcome these challenges. Furthermore, the district is grappling with environmental challenges such as deforestation and increasing demand for land for housing, which have been exacerbated by longer-term climate change impacts.

<sup>5</sup> Republic of Zambia, Ministry of Mines and Minerals Development, Mining Cadastre Department. (2023, March). Reminder on Results of the 70th and 71st Mining Licensing Committee (MLC) Meetings Held in February and March 2023. Retrieved from <https://www.mmmd.gov.zm/?p=2555>

The dual land tenure system (statutory and customary) has confounded the district's challenges, leading to land disputes between the local authority and the traditional leadership, thus ultimately limiting infrastructural development. This is evident by in the slow pace of town expansion and limited foreign investments penetration in the districts.

### **3.1 KATETE DISTRICT INTEGRATED DEVELOPMENT PLAN**

This sub-section provides an overview of the Katete District Integrated Development Plan (IDP) tied to the 8NDP, and thus presents a synopsis of the strategic capital development initiatives in the district's integrated development planning process. The initiatives are aimed at fostering sustainable development through targeted capital projects across various sectors. Furthermore, the sub-section assesses the alignment of financing allocations of the initiatives to the SDGs. The assessment underscores the district's holistic approach to development planning, and to addressing economic growth, social inclusion, infrastructure enhancement and environmental sustainability challenges, towards promoting coordinated geo-spatial development.

In accordance with the provision of the Urban and Regional Planning Act No. 3 of 2015 and in consonance with several global agreements, treaties and charters such as the SDGs, the national guidelines for integrated development planning were launched in 2019 by MLGRD. The guidelines delineate the process of developing IDPs for the local authorities and other stakeholders involved in the process<sup>6</sup>. These IDPs stress the importance of linkages within the district in the identification of projects as outlined in the district plans.

To articulate and envision the inspirational goals for the district's overall development and attain the SDGs, Katete was among the nine districts in the province to develop an IDP. The district's IDP was formulated in 2019 but was only implemented in 2022. The plan was developed keeping in mind the district's vision and goals that must be actualised to attain the vision.

Anchored to the Vision 2030 and the predecessor Seventh National Development Plan (7NDP), the Katete IDP aims to guide and manage urban and rural growth, establishing a long-term, logical development path shaping the district's spatial form and structure by 2030. Given the concerns around climate change and resource depletion, the IDP emphasizes sustainable future growth to meet the needs of the growing population. While agriculture remains central in the district, the reliance on rainfall limits the annual output and exposes the activity to weather vagaries and climate risks. Inefficient agriculture markets, limited crop diversification and inadequate mechanization, modernization and commercialize all conspire to inhibit agricultural and overall development in the district.

<sup>6</sup><https://www.mlgrd.gov.zm/>

Furthermore, the transformation of the agricultural landscape, improvement of health and educational services, and expansion of transport and communication networks within each priority sector were carefully crafted to align with the broader objectives of the SDGs and the Strategic Development Areas (SDAs) outlined in the National Development Plan.

Several factors contributed to the delay in the implementation of the district's IDP, a prominent one being the political state of play, including the change of political administration of the government in 2021. This transition significantly slowed down the implementation, with signs of regained momentum only starting to show in 2022. The delays in implementation hindered the progress of the IDP, leading to a series of modifications in the plans at both national and district level. Notable changes include the transition from the 7NDP to the 8NDP, whose finalization and launch were delayed by several months as well as the revision and implementation of the National Decentralization Policy (2023). Furthermore, the devolution of key central government functions to the local authorities has been relatively slow and the noteworthy increase in the Constituency Development Fund (CDF) has been mean the considerable teething problems in many local areas (with an average utilization rate of about only 55% of allocated 2022 and 2023 CDF funds). These challenges have prompted calls for the review of the IDP.

Because of the perception surrounding IDPs as executively local authority matters, key stakeholders at ward level such as the Ward Development Committees (WDCs) were reportedly not thoroughly involved in the planning process. In other words, the district did not use a bottom-up approach in developing and implementing the plan. The limited participation of local key stakeholders in the development of the IDP possibly undermined the principle of representativeness and thus compromised its acceptability and broad-based local level ownership, and ultimately, its relevance and effectiveness.

### **3.1.1 KATETE'S IDP FINANCING PROFILE**

The estimated financing requirements for Katete district, as stipulated in the IDP, were projected to increase from K18.5 million in 2020 to K25.3 million in 2025. Table 1 shows that Katete district was expected to mainly rely on grants from the Central Government (i.e. Local Government Equalization Fund (LGEF) and Constituency Development Fund (CDF)), which constitute about 70.0 percent of total district financing, on average, with the remainder (about 30.0 percent) coming from own or other local source revenues over the 2020 – 2025 period.

However, the CDF allocation per constituency surged remarkably recently, increasing from K1.6 million in 2021 to K25.7 million and K28.3 million in 2022 and 2023, respectively. This sizable shifts, in practice, significantly altered the IDP's initial financial projections that are shown in Table 1. The increase in the CDF is in line with the Government's policy to bring development closer to its people through decentralisation. Furthermore, the Government has increased the CDF allocation for 2024 to K30.6 million. An analysis of the 2022 financial statement shows that Katete District exceeded its IDP projected revenues by 220.0 percent due to the marked increases in the CDF, with revenues rising in 2024 from a projected K20.3 million to K64.9 million.

**Table 1: Katete Financial Projections 2020-2025, ZMK Thousands**

	2020	2021	2022	2023	2024	2025
<b>Projected Revenues</b>						
<b>Total Revenues</b>	18,527.1	18,495.9	20,300.8	21,668.9	23,402.4	25,274.6
<b>o/w grants</b>	9,810.6	9,810.6	10,968.3	11,845.7	12,793.4	13,816.8
<b>o/w CDF</b>	3,200.0	3,200.0	3,200.0	3,200.0	3,456.0	3,732.5
<b>Planned Expenditures</b>						
<b>Total Expenditure</b>	18,527.1	18,495.9	20,300.8	21,668.9	23,402.4	25,274.6
<b>o/w Personal Emoluments</b>	4,849.3	5,320.4	5,948.2	6,424.1	6,938.0	7,493.1
<b>o/w Statutory Contributions</b>	1,784.6	1,682.4	1,881.0	2,031.5	2,194.0	2,369.5
<b>o/w CDF</b>	3,200.0	3,200.0	3,200.0	3,200.0	3,456.0	3,732.5

Source: Katete Integrated Development Plan

\*o/w – of which.

## 3.1.2 PRIORITY AREAS OF THE IDP

The Katete District IDP has six priority areas, namely to: enhance economic growth; enhance and improve quality health service provision; increase social infrastructure and service provision; improve transport and communication infrastructure; promote efficient use of natural resources and ensure environmental sustainability; and promote coordinated and spatial development. These are considered in turn in the sub-sections that follow.

### 3.1.2.1 PRIORITY 1: ENHANCE ECONOMIC GROWTH

Katete District has notable potential for transformative initiatives in the agriculture, fisheries, and livestock sectors to enhance productivity, and for posting sustainable development. The district's key targets include providing access to appropriate agricultural technology to 60.0 percent of farmers, increase crop and livestock productivity by 25.0 percent, diversify crops by 2025, and elevating livestock production by 20.0 percent by 2030.

The district aims to enhance early warning systems for livestock diseases, adopt climate-smart aquaculture practices, and improve credit access for 70.0 percent of farmers. Other goals involve strengthening value chains, establishing out grower schemes by 2025, allocating 100 hectares for an economic zone, and attracting investments in key sectors like mining, manufacturing, and tourism.

The Katete District IDP prioritizes agriculture as a key economic driver, with a significant financial allocation of K16 million to the sector. Further, the district recognises the role of manufacturing and tourism in complementing agriculture. It therefore, aligns resources with the SDGs as outlined below and strategic development areas outlined in the 8NDP such as economic transformation and job creation and environmental sustainability.

The district's vision is to enhance agriculture and livestock productivity as a pathways towards addressing SDG 2 (Zero Hunger) and SDG 8 (Decent Work and Economic Growth). It is therefore envisioned that strategic deployment of development financing would focus on broadening credit access especially in agriculture, thus strengthening value chains and establishing viable out-grower schemes. Several initiatives in climate-smart aquaculture and disease management are also foreseen, which align with SDG 13 (Climate Action).

Katete District's envisioned financial investments in these priority areas are crucial for fostering positive economic impact, and sustainable and inclusive growth. However, the challenges of limited arable land, dominance of traditional land, inappropriate technologies, and inadequate infrastructure remain prominent as recurring constraints on the district's development process and prospects.

### **3.1.2.2 PRIORITY 2: ENHANCING AND IMPROVING QUALITY HEALTH SERVICE PROVISION**

In the health sector, the IDP emphasizes the enhancement of health service quality and accessibility in tandem with improvements in community well-being and sustainable development. The recent devolution of primary health care services aligns with the district's commitment to immediate health improvements and long-term societal well-being, supporting SDG 3 and indirectly contributing to SDG 4 for early childhood education.

The district's healthcare-related commitments include efforts to upgrade 50.0 percent of health facilities, ensure proper accommodation for health staff, and construct 30 new facilities by 2030, largely through collaborative efforts between the Ministry of Health (MOH) and the local authorities. These strategic investments will be crucial for reducing malaria reduction and meeting the 95-95-95 targets for HIV/AIDS <sup>7</sup>. The financial strategy aligns with the 8NDP's Strategic Development Area 2, showcasing the synergistic impact of improved health services on human and social development. A budget of K70.6 million is allocated for these healthcare capital expenditures.

<sup>7</sup> The 95-95-95 targets for HIV/AIDS are a set of goals established by UNAIDS to help end the HIV/AIDS epidemic by 2030. These targets aim to make sure that: (a) 95% of all people living with HIV know their HIV status; 95% of all people diagnosed with HIV receive sustained antiretroviral therapy (ART); and 95% of all people receiving antiretroviral therapy have viral suppression.



The planned capital projects in the districts aim to enhance health services and outcomes by 2030, ensuring capacity building for health staff and early childhood skills development for community-based volunteers.

The comprehensive health enhancement approach in the IDP reflects the district's commitment to addressing major health challenges and enhancing overall public health quality and access.

### **3.1.2.3 PRIORITY 3: INCREASE SOCIAL INFRASTRUCTURE AND SERVICE PROVISION**

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Katete District has committed, in the IDP, to enhance education, law enforcement, and water and sanitation services by 2030. Collaborating with the Ministry of General Education (MOGE), local authorities will aim to upgrade 50.0 percent of community and primary schools and construct 40 new teachers' staff houses in rural areas, thereby bolstering educational infrastructure. The district also plans to establish recreation facilities in all wards, to construct a modern police station, and to add four new police posts in key growth centres towards improving community services and safety.

In the domain of water access and sanitation, the district plans to drill and equip 50 boreholes over five years, expand the water reticulation system to all urban households, and build community capacity for borehole maintenance. To address sanitation and hygiene challenges comprehensively, the district aims to establish efficient drainage systems and provide sanitary facilities in all wards. Furthermore, the district plans to focus on increasing adult literacy to 80.0 percent.

Educational initiatives, including construction of teachers' houses, and efforts in water and sanitation align with SDG 4 (Quality Education) and SDG 6 (Clean Water and Sanitation), respectively, ensuring inclusive and equitable education and lifelong learning opportunities. Similarly, the construction of a modern police station and new police posts are envisioned to contribute to SDG 11 (Sustainable Cities and Communities), enhancing safety and security. The district also prioritizes partnerships (SDG 17) with stakeholders, including the MOGE, local authorities, and the Eastern Water and Sewerage Company (EWSC) in the provisioning of adequate and high-quality services.

Recent positive general developments in the sector include the extension of the free education policy in 2022 to cover secondary school education in public schools. In addition, the district has initiated CDF interventions, which have led to significant investments in education and law enforcement infrastructure. Water and sanitation development are set to benefit from private sector engagement through Public-Private Partnerships (PPPs) or philanthropic activities by NGOs. Capital investments in water and sanitation will also include community sensitization, training of DWASHE committees and WDCs, and the construction of latrines. A total of K15.9 million is allocated, over the plan period, to the undertaking of activities for social infrastructure and services provisioning.

### **3.1.2.4 PRIORITY 4: IMPROVE TRANSPORT AND COMMUNICATION INFRASTRUCTURE**

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Katete District's IDP has planned improvements in transport and communication infrastructure to enhance connectivity and accessibility by 2030. In collaboration with the Road Development Agency (RDA), the local authority intends to rehabilitate and upgrade 200 km of feeder roads to all-weather gravel standards, opening outlying areas by 2025 to significantly improve rural access.

The district also plans to upgrade 50 km of township roads to bituminous standards, and to install street lighting along 60% of these roads by 2030 for enhanced urban mobility and safety. The construction of a strategic ring road, bypassing the Central Business District by 2025, is intended to alleviate traffic congestion and promote efficient urban transit.

In line with the national development agenda, Katete District's focus on transport and communication infrastructure upgrades seeks to foster sustainable development and economic diversification. These initiatives align with SDG 1 (No Poverty) by improving access to markets, healthcare, and educational facilities through enhanced rural connectivity. Additionally, the district aims to improve urban mobility and safety by 2030, aligning with SDG 11 (Sustainable Cities and Communities) and SDG 9 (Industry, Innovation, and Infrastructure).

The construction of a ring road by 2025 is a strategic measure to alleviate traffic congestion and minimize vehicular emissions, contributing to SDG 11 and SDG 13 (Climate Action). The district also emphasizes the importance of digital infrastructure, supporting SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth).

Despite the numerous challenges stemming from the national debt crisis, which have a strong bearing on local authority financing, the district remains committed to enhancing connectivity and communication infrastructure. Notably, K935 million was allocated toward transport and communications capital projects in the IDP, underscoring the district's dedication to these crucial developments.

### **3.1.2.5 PRIORITY 5: PROMOTE EFFICIENT USE OF NATURAL RESOURCES AND ENSURE ENVIRONMENTAL SUSTAINABILITY**

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Katete District is actively pursuing initiatives to achieve environmental sustainability, with a focus on significantly reducing greenhouse gas emissions and improving natural resource management by 2025. The district is prioritizing interventions to mitigate climate impact and strengthen the Forestry Department's capacity for sustainable timber harvesting and broader natural resource management, in collaboration with the Ministry of Lands and Natural Resources (MLNR), and the Ministry of Green Economy and Environment (MGEE).

To address environmental health and management, the district is enhancing waste management capabilities and raising community awareness about proper waste practices. Notably, plans are underway to establish 500 hectares of community-managed forests and to promote fruit tree planting as a business model; the efforts are in collaboration with the Forestry Department. They underscore a comprehensive approach to fostering environmental stewardship and economic opportunities through sustainable land use practices.

The district's initiatives as outlined above align with SDG 8 (Decent Work and Economic Growth) and SDG 7 (Affordable and Clean Energy), emphasizing the interconnectedness of economic growth and environmental sustainability. These efforts, in collaboration with the MLNR, MGEE, local authority, and the community, showcase a holistic approach to development that integrates economic growth with environmental responsibility and serves as a model for sustainable development.

Despite these efforts, it is essential to note that land ownership remains a challenge for realizing these priorities. This is because most of the land in the district remains under traditional authorities, thereby limiting the local authority oversight, coordination and control. Nevertheless, a budget of K2 million was allocated in the IDP for capital projects aimed at promoting the efficient use of natural resources and ensuring environmental sustainability.

### **3.1.2.6 PRIORITY 6: PROMOTE COORDINATED AND SPATIAL DEVELOPMENT**

Katete District is strategically prioritizing coordinated and spatial development, emphasizing inclusive land use planning and sustainable urban expansion. The local authority actively promotes citizen participation in land use planning for a collaborative approach to development. Efforts are underway to develop Local Area Plans for all Wards, although the completion timeline remains unspecified.

A key district-level priority focuses strengthening local planning, with close coordination between the local authority and traditional leaders. This is meant to secure land for town expansion within two years. This collaboration extends to the Department of Policy and Planning (DPP), fostering development control measures for coordinated infrastructure development. The district is also actively raising awareness among traditional leaders and communities about the critical nexus between land tenure and investment, aiming to enhance understanding, collaboration and positive outcomes in sustainable development within a two-year timeframe.

While the district demonstrates commitment to sustainable urban planning and governance, the allocated IDP budget of K320,000 for spatial development appears rather modest compared to the ambitious goals outlined in the Plan. Collaboration with traditional leaders is crucial for strengthening local planning and securing land for expansion, recognizing the importance of cultural and traditional governance structures in sustainable development.

The partnership between the local and traditional leadership is expected to facilitate town expansion, contributing to SDG 9 (Industry, Innovation, and Infrastructure) and fostering 8NDP's economic transformation and job creation agenda. The district's focus on development control for coordinated infrastructure development and awareness among traditional leadership, about the relationship between land tenure and investment lays a robust foundation for achieving sustainable urban growth, aligning with the SDGs and the 8NDP. The integrated strategy not only showcases Katete District's commitment to realizing the 8NDP and SDGs but also underscores the pivotal role of local governance in advancing both national and global development agenda through the district's key priorities.

## **4.0 POLICY AND LEGISLATIVE ENVIRONMENT**

This section provides an overview of the policy and legal environment influencing the development finance landscape in Katete District. Effective execution of Katete District's IDP is predicated on a range of legislative and policy factors that mould the local economy's development. These factors play a crucial role in determining the success of development initiatives within the district. To optimize the mobilization of development finance in Katete, a comprehensive review of pertinent policies and legislation is essential, ensuring a harmonized approach to revenue generation and utilization opportunities.

The review of the policy framework unearthed apparent lack of specific local policies and implementation plans tailored towards the mobilization of resources from the private sector and cooperating partners. While national-level policies<sup>8</sup> influence the broader development financing landscape, counterpart district level policies are absent. Moreover, some national policies lack detailed provisions, measures or mechanisms for engaging the private sector and cooperating partners at the local level, creating challenges in mobilizing external resources for local development initiatives. Additionally, the implementation of national policies at the local level has been constrained by factors such as limited capacity and human resources, leading to gaps in translating policy intentions into actionable strategies at the district level.

Thus, the absence of local policies poses a challenge for the district to effectively harness external resources for development initiatives. Local policies can provide specific guidance on engaging with the private sector and cooperating partners, establishing clear mechanisms for resource mobilization, and aligning development priorities with national strategies.

### **4.1. INTERGOVERNMENTAL FISCAL ARCHITECTURE**

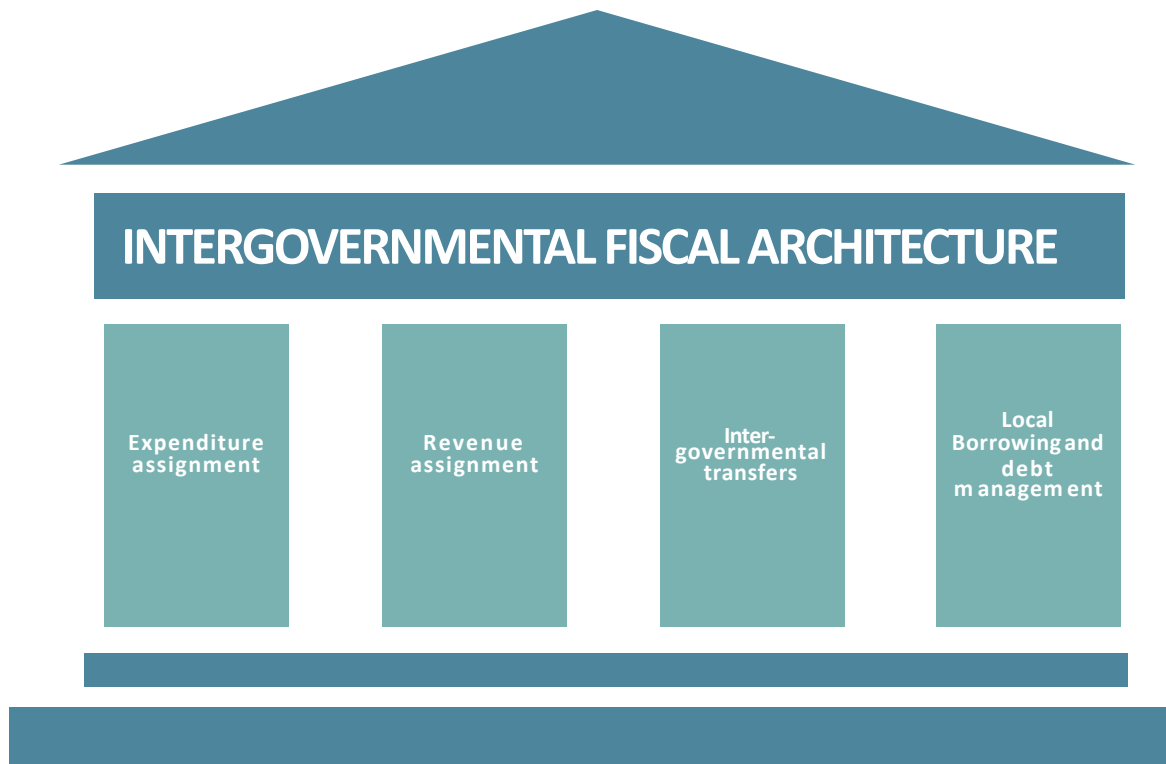
This paper provides a comprehensive review of the Intergovernmental Fiscal Architecture (IFA) which is the guiding policy document for public resource mobilization and management. The local authorities are therefore also guided by the IFA<sup>9</sup>. The Local Government through the Local Authorities are assigned specific expenditure and revenue functions, shaping their spending priorities and revenue sources. As shown in Figure 1, Zambia's IFA stands on four pillars, which are elaborated in the sub-sections that follow.

<sup>8</sup>ZIPAR (2024). Development Finance Assessment for Zambia.

<sup>9</sup>Republic of Zambia. (2017). Zambia's Intergovernmental Fiscal Architecture: "Towards a Stable, Transparent and Predictable Fiscal Arrangement."



**Figure 1: Intergovernmental Fiscal Architecture**



### **4.1.1 PILLAR I: EXPENDITURE ASSIGNMENT**

The first pillar, Expenditure Assignment, is the cornerstone of the IFA as it defines the service delivery responsibilities of local governments, including defining their autonomy in making decisions about the level and mix of budgetary resources and expenditures. An effective IFA framework must begin with a good understanding of the functions to be performed by which level of government. This is often referred to as the “finance follows function” when designing the intergovernmental fiscal framework. The 2023 National Decentralization Policy clearly outlines roles and overall functions to be performed at Central Government (First Schedule), Provincial level (Second Schedule) and Local Government (Third Schedule).

Given the geographical coverage of local governments, it seems logical that functions that have national coverage, such as national defence, be best assigned to central government. In the same vein, functions that have major spill-over effects into neighbouring jurisdictions might most efficiently be performed by higher levels of government. The Third Schedule contains a list of critical functions that have over the years been removed from the local authorities and inhibit their capacity to provide public services in their respective jurisdictions. These include selling of council housing stock, vehicle licencing, provision of electricity services, construction and maintenance of roads, disaster management and mitigation, etc.

## **4.1.2 PILLAR II: REVENUE ASSIGNMENT**

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Revenue Assignment, the second pillar, is the leg that guarantees a better degree of accountability of local officials to the community by giving local governments some taxing power, thereby being able to generate Own Source Revenues (OSR). This includes a diverse range of resources such as Rates (Residential, Industrial, Commercial, and Mining/Plant), Local taxes (Personal Levy and Grants from other sources), Fees and charges (Consent Fees, Market Fees, Parking Fees, among others), Licenses (liquor, retail, hawkers, and other licenses), Levies (Fish, Birds, Livestock, sand, charcoal, etc.), and Permits (fire certification, transportation of products, and other public permits).

Each level of government should be assigned taxes that are related to the benefits of its assigned expenditure functions. In general, the Central Government should be responsible for expenditures having benefits that extend across sub-national boundaries or that are characterised by economies of scale not realised at the subnational level.

To improve own-source revenues, the Government intends to provide the enabling environment, minimise political interference and fully support local governments in their local revenue mobilisation efforts. These measures include the amendment of the Rating Act in order to carry out the property rate reform and update rating valuation rolls; as well as rationalising of fees, charges and levies, among other things.

## **4.1.3 PILLAR III: INTERGOVERNMENTAL TRANSFERS**

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Intergovernmental Transfers, the third pillar, resolves the vertical balance problems and tends to the equalization of interregional disparities (horizontal balance). Intergovernmental grants are instrumental in securing vital funding from the central government to local governments, ensuring an equitable distribution of resources. Examples of these grants encompass the CDF, Capital Grants, Roads Grants, and LGEF, among others. Specific grants are strategically crafted to bolster devolved functions, enabling precise and targeted spending on local needs.

## **4.1.4 PILLAR IV: LOCAL BORROWING AND DEBT MANAGEMENT**

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Local Borrowing and Debt Management, the fourth pillar, addresses the need for local governments to finance deficits through debt. Governments, including local governments, need to borrow for short term cash management and to fund longer term capital investments. Appropriate local level debt financing can encourage local economic development, fiscal discipline and revenue mobilisation. On the other hand, irresponsible and unaccountable short- and long-term borrowing can lead to fiscal and debt distress and macroeconomic instability. The fourth pillar, local borrowing and debt management, is nonetheless essential.

Given the developments that have occurred in the planning process at both the national and district levels, the IFA is currently undergoing revisions and is set to encompass a wider range of revenue and expenditure assignments. The notable developments include the roll-out of the National Decentralization Policy, the enhancement of local level capacity debt management, as well as strengthening of local-level public financial management (PFM) policies and practices.

## 4.2 KEY LEGAL PROVISIONS

Based on findings from the scoping exercise and consultative meetings with stakeholders in Katete district, the following are the key legal provisions that were recommended for legislative review or reform in order to enhance the mobilization of development finance in Katete District.

- 1. Lands Act, 1996:** The Act stipulates the continuation of leaseholds and leasehold tenure, along with the ongoing vesting of land in the Presidency and the authority for land alienation by the President. Furthermore, it outlines the statutory recognition and persistence of customary tenure, allowing for the conversion of customary tenure into leasehold tenure. An observation indicates that the predominant ownership and control of land within Katete district is with the Traditional Leadership. As a result, new developments in the district on traditional land diminish the local authority's potential to collect revenues on these properties. Therefore, land application and acquisition procedures need to be reviewed to reduce restrictions and delays in the land acquisition process and strengthen land titling systems and streamline the district property database.
- 2. Rating Act, 2018:** The Act outlines provisions for levying rates, assessing rateable property, plant, and machinery, appointing and empowering valuation surveyors, and sustaining the Rating Valuation Tribunal with revised composition, jurisdiction, and powers. However, a crucial step is required to scrutinize the process of determining rates for specific sectors, ensuring they are not subjected to sub-optimal charges that lead to revenue loss for the local authorities. Moreover, the Act provides Local Authorities with the option to apply for mid-rating reviews on special request in writing to the Minister; Though, approvals are not guaranteed and are far in-between. It is also imperative to review and enhance the enforcement function of the Local Authority to facilitate efficient and timely collection of rates, addressing leakages in the current system due to non-compliance. It is important to note that at the time of writing the report, the Ratings Act was undergoing review.
- 3. Business Regulatory Act, 2014:** The Act provides a comprehensive framework for business licensing, incorporating guidelines for regulatory agencies, e-registries, regulatory services centres, clearance systems, and a regulatory review agency. However, challenges arise as the Business Regulatory Act limit the council's flexibility to introduce or amend levies. To address these issues, the recommended actions include conducting a benchmarking survey to establish a basis for revising the current framework for rates and levies; simplifying revenue collection regulations to encourage innovation and improve compliance; undertaking financial literacy campaigns to communicate the importance of compliance and service delivery to the general public; and conducting research to explore opportunities for revenue collection from the business community in sectors like mining, agriculture, and manufacturing, as well as properties and businesses operating under traditional land. These measures aim to streamline processes, broaden the local resource envelope, and improve compliance.
- 4. Public Private Partnership Act, 2023:** The Act establishes a regulatory framework to promote private sector participation in infrastructure and service delivery projects. However, this report highlights challenges for local authorities in effectively utilizing PPPs for development finance. These include technical capacity constraints, the 'one size fits all' framework, and institutional gaps in the district. Despite these challenges, there exist opportunities for private sector participation if the provisions of

the PPP Act are aligned with the local needs and opportunities in the district. This involves raising awareness of PPP's in Katete district. Furthermore, enhancing the participation of local private sector stakeholders through the dissemination of customized PPP guidelines for Katete District in collaboration with the PPP Unit.

## 5.0 ANALYSIS OF THE FINANCIAL FLOWS

This section presents the financial flow of Katete District from various sources. The main sources of information on the flows were the IDP and the annual financial statements of Katete Council for the years 2018, 2019, 2020, 2021, and 2022. These financial statements are crafted in adherence to relevant accounting policies and laws that regulate local authorities within the country. To enrich the information, the section incorporates insights from a systematic review of the district’s administrative documents augmented with interviews with key informants.

### 5.1 LOCAL REVENUE ANALYSIS

Katete district mainly relies on the following sources for its revenue: local taxes; fees and charges; licenses; levies; permits; LGEF; CDF and others<sup>10</sup>. Figure 2 below gives details on the contribution of each of the revenue sources from 2018 to 2022.

It is evident that during the period under review, the main sources of revenue for Katete district were the intergovernmental transfers mainly coming from the CDF and LGEF. Previously, the LGEF Fund held the leading position; this was until 2021, when the CDF outpaced it owing to a significant boost in allocation, in line with decentralization objectives. The district’s CDF funding increased from K3.2 million in 2021 to K47.5 million in 2022, becoming the predominant contributor to total revenue and constituting 73.2 percent of the district's total revenue.

**Figure 2: Katete District Source of Revenue**



Source: Katete District Financial Statements (2018; 2019; 2020; 2021; and 2022)

<sup>10</sup>Includes grants from stakeholders such as bilateral partners and NGOs.

Table 2 below presents key revenue sources as percentages of total district revenue. Own source revenues, which included local taxes, fees and charges, licenses, levies, permits, among many others, increased from 16.3 percent in 2018 to 20.3 percent in 2020 before declining to 15.0 percent in 2021. The LGEF, which had early on predominated the district's revenue profile as the main source of finance for Katete, accounted for 82.9, 71.8, 77.5 and 48.0 percent of total district revenue, respectively, in 2018, 2019, 2020 and 2021. As mentioned earlier, following its increased in 2022, the CDF took up the leading spot in financing, having increased from 16.2 percent of total district revenues in 2021 to 73.2 percent in 2022.

The analysis below underscores the district's reliance on government grants. In 2022, the primary government grants, CDF and LGEF, constitute a combined 89.7 percent of the district's cash inflows. This scenario poses both challenges and opportunities for the district. On the one hand, the district faces the challenge or risk of severely inadequate funding for its operations in the absence of these government grants. On the other hand, the substantial allocation to CDF also presents numerous opportunities for business development, job creation and social support, if the funds get strategically invested in viable projects that complement existing supply chains or create entirely new opportunities.

**Table 2: Katete's District Source of Revenue, 2018 - 2022**

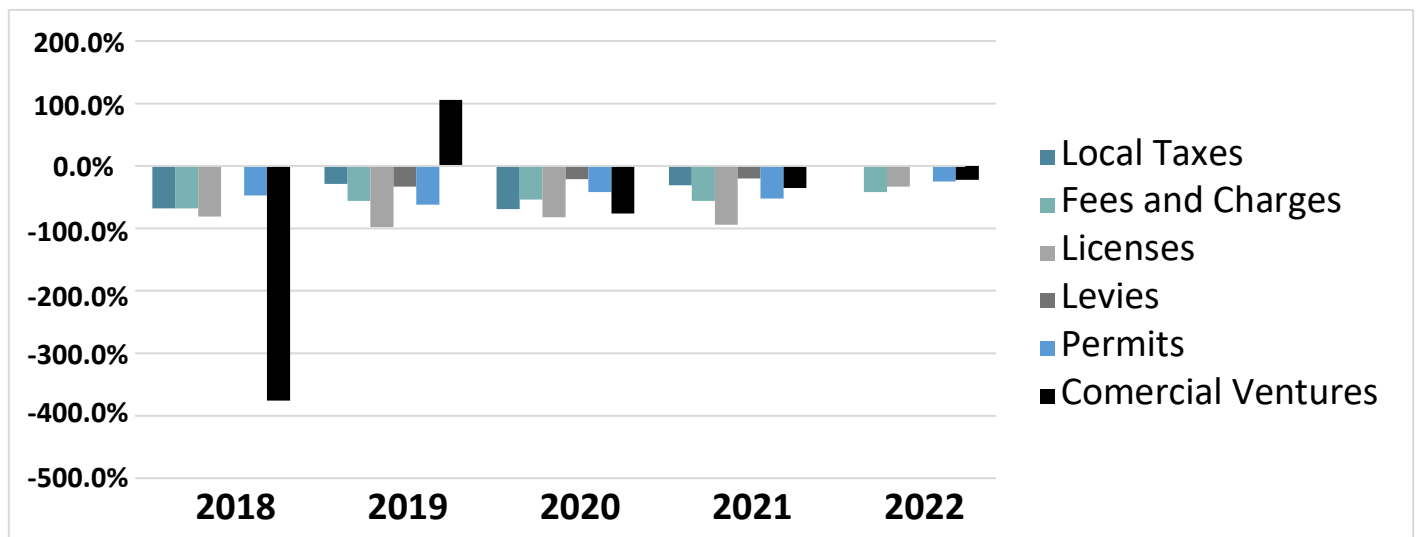
	2018	2019	2020	2021	2022
<b>K,000</b>					
Own source Revenue	4,758.6	1,993.3	2,555.1	2,968.0	3,273.6
Other Grants	200.0	715.0	50.0	140.0	3,160.8
Commercial Venture	100.0	205.9	26.2	61.9	74.8
Other Receipts	90.0	120.7	201.3	7,140.2	193.9
LGEF	8,367.4	7,740.5	9,761.0	9,509.2	10,703.7
CDF	3,200.0	-	3,200.0	3,201.2	47,484.5
<b>% of Total District Revenues</b>					
Own Source Revenue	12.6%	14.3%	16.2%	12.9%	5.0%
Other Grants	2.2%	5.1%	0.3%	0.6%	4.9%
Commercial Ventures	-1.9%	1.5%	0.2%	0.3%	0.1%
Other Receipts	0.3%	0.9%	1.3%	31.0%	0.3%
LGEF	64.4%	55.4%	61.8%	41.3%	16.5%
CDF	22.4%	22.9%	20.3%	13.9%	73.2%

Source: Katete District Financial Statements (2018;2019;2020;2021;and 2022)

## 5.1.1 PERFORMANCE OF OWN SOURCE REVENUES

Upon delving into the district's financial statements, it becomes apparent that the district consistently falls short of actualizing its own-source revenue projections. The performance of own source revenues was measured using variances. Figure 3 shows the own source revenue performance rates for the period 2018 to 2022. Specifically, local taxes faced substantial negative variances of 68.0, 29.0, 69.0 and 31.0 percent, respectively, over the period, 2018, 2019, 2020 and 2021. The year 2022 was the only one where local taxes collection recorded a break-even variance of 0.00 percent. Furthermore, licenses and commercial ventures recorded negative variances averaging 77.0 percent and 81.0 percent, respectively over the same period. The district's ability to collect revenue is hindered by various obstacles, including diminished agricultural crop harvests exacerbated by high district grain levies, community resistance of specific district levies, lack of knowledge about payment obligations by non-tax-payers, and unregistered properties on customary land; these challenges were confounded by the repercussions of the COVID-19 pandemic.

**Figure 3: Own Source Revenue Performance Rates**



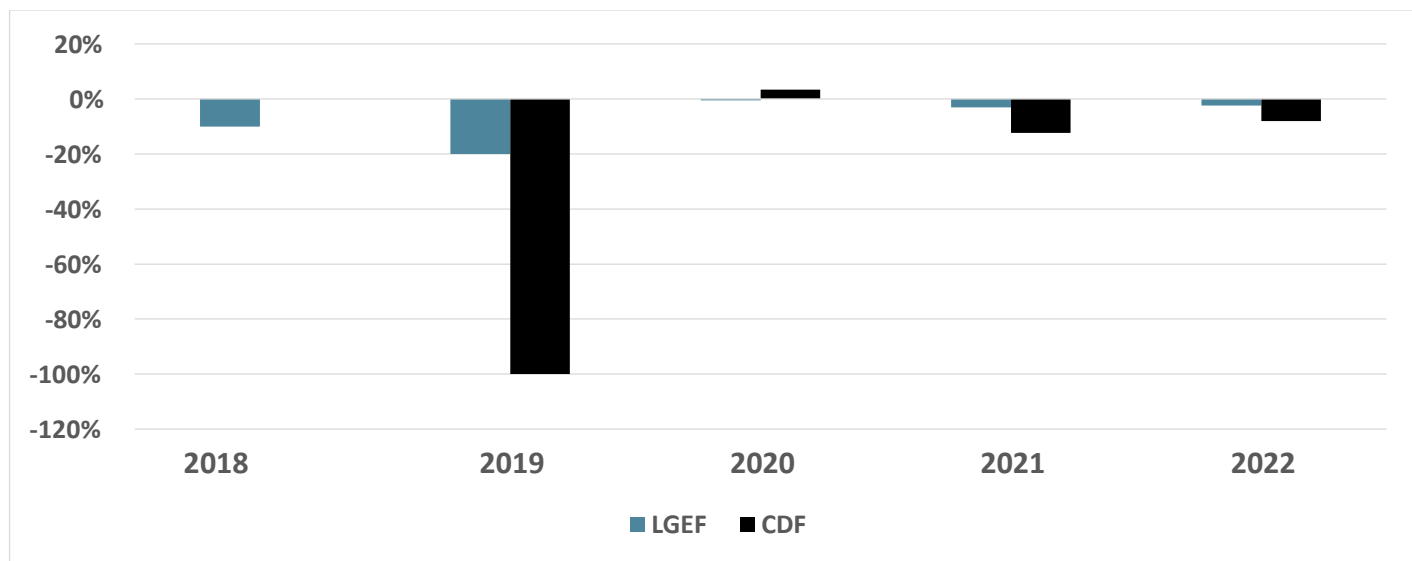
Source: Katete Town Council Financial Statement 2018-2022

## 5.1.2 PERFORMANCE OF CENTRAL GOVERNMENT GRANTS

As earlier mentioned, central government grants became the mainstay of Katete District financing profile. Jointly holding the largest share of total district revenues, the performance of the intergovernmental fiscal transfers, posted minimal variations over the period 2018 to 2022, with only CDF posting a negative variance of 100.0 percent in one year, 2019 (Figure 4). According to the 2019 financial statement, Katete did not receive the allocated amount for CDF during this period due to the shrinking fiscal space at the central government level, largely on account of a mount public debt burden and high debt servicing costs that took up around 46.0 percent of domestic revenues nationally.



**Figure 4: Intergovernmental Fiscal Transfers variances, 2018 – 2022**



Source: Katete Town Council Financial Statement 2018-2022

### 5.1.3 RESOURCE MOBILIZATION CAPACITY

While Katete District has demonstrated relatively higher efficiency in revenue collection compared to the national average, a significant gap remains in realizing its full resource generation potential. The nationwide revenue collection efficiency stands at 37.0 percent, on average, with Katete District surpassing this at 66.0 percent. However, a critical observation, as earlier seen, is that the share of own source revenue contributes less than 15.0 percent to the district's financial resources. This marks a decline of own source revenue collection from a previous high of 16.0 percent, down to a low of 5.0 percent in 2022. Notably, this decline coincides with an increase in central government grants between 2021 and 2022.

Key informants interviewed during the assessment shed some light on various impediments hindering Katete District from fully tapping into its resource generation capacity. During these interviews, factors such as low economic activity, insufficient awareness, staffing limitations, and inadequate resource mobilization mechanisms emerged as prominent challenges to the district's own source revenue generation. The ensuing sub-sections delve into a detailed consideration of these challenges, aiming to uncover the intricacies of the hurdles faced by the district in optimizing its resource generation potential.

### 5.1.3.1 CHALLENGES IN RESOURCE MOBILISATION:

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- 1. Low economic activities:** Low level of economic activity in Katete emerges as a major hindrance to resource mobilization in the district. Despite the presence of large private sector players in the cotton and ginning industry, a substantial portion of economic activities remains informal, mainly involving subsistence farmers with limited financial capacity and business acumen, inadequate business infrastructure, and an unfavourable business environment. The district's heavy reliance on agriculture revenue, primarily through grain levies, exposed its vulnerability to risks associated with agricultural output. Additionally, initiatives for economic diversification, such as mining, are still informal and nascent; they are still far from reaching their full potential despite that some small-scale and artisanal miners have been issued with mining and exploration licenses. Concerning transportation activities, their transitory nature makes revenue collection difficult.
- 2. The high dependency on government grants:** Katete District faces a significant risk due to its high dependence on the LGEF and CDF. The district relies on the government for up to 90 percent of its annual revenue. This overreliance poses a potential threat as any delays in government fund disbursement could be deleterious through derailment in project implementation. To enhance financial sustainability, it is imperative for the district to establish strategies that diversify the resource base. Exploring alternative revenue sources and reducing dependence on a single or narrow range of funding streams will contribute to a more resilient and sustainable financial framework for Katete District
- 3. Absence of Own Source Revenue Strategy:** The absence of a well-defined Own Source Revenue (OSR) Strategy poses significant challenges to Katete District's revenue mobilization efforts. The current approach relies on ad-hoc methods for revenue collection, lacking clear revenue targets or structured strategies. The ad-hoc approach to revenue mobilisation undermines importance of systematic planning and organization, impacting the efficiency and effectiveness of resource mobilization function. Furthermore, the capital investment plan lacks specificity in terms of outlining explicit revenue mobilization strategies. Instead, the sources of funding are presented in a generic manner without detailed insights into the district's planned approaches for revenue generation. The lack of specificity raises concerns about the district's ability to actualize and strategically harness its resource potential for sustained and targeted development. It is important to note, however, that currently there is no local authority in the country with a purposeful OSR Strategy.
- 4. Lack of revenue forecasting mechanism:** Katete District encounters a challenge in revenue forecasting, particularly for local taxes. The estimates for local taxes are generated manually, lacking a documented and formalized process. Target setting relies on field assessments conducted during peak and off-peak revenue periods. This manual approach hampers the efficiency of the forecasting process, impeding the district's ability to plan and budget effectively. The absence of a structured revenue forecasting mechanism calls for the development and implementation of a systematic and documented approach to enhance forecasting accuracy and planning.

- 5. Limited Awareness on Property Rates:** A significant challenge faced by Katete District is the lack of awareness among landowners regarding property rate payment requirements. The unrestrained acquisition of land from traditional authorities contributes to this information gap since landowners may not be fully aware about their property rate payment obligations. Limited property rate payment awareness is a major contributing factor to low property rates payment compliance which impairs the overall revenue collection outcomes. Moreover, the local authority faces a challenge of limited sensitisation exercises. The absence of regular awareness campaigns, particularly in the rural parts of the district, exacerbates the challenge. Addressing this challenge could be through targeted awareness campaigns and education initiatives to inform landowners about their responsibilities; this could foster greater compliance with property rate regulations.
- 6. Resource Constraints and Dominance of Traditional Authorities:** Katete District faces substantial resource constraints, especially concerning recent property developments situated on traditional land beyond the local authority's jurisdiction. This predicament implies that property rates cannot be levied, hindering the district's ability to harness revenue from growing property development, especially in rural areas. Addressing this issue demands strategic collaboration between local authorities and traditional leaders to formulate inclusive solutions that align with cultural governance structures while promoting sustainable development. However, all developments whether under the local authority's jurisdictions or the traditional authorities are subject to planning control and permits. This represents another source of revenue for the local authority.
- 7. Resource Constraints and Dominance of Traditional Authorities:** Katete District faces substantial resource constraints, especially concerning recent property developments situated on traditional land beyond the local authority's jurisdiction. This predicament implies that property rates cannot be levied, hindering the district's ability to harness revenue from growing property development, especially in rural areas. Addressing this issue demands strategic collaboration between local authorities and traditional leaders to formulate inclusive solutions that align with cultural governance structures while promoting sustainable development. However, all developments whether under the local authority's jurisdictions or the traditional authorities are subject to planning control and permits. This represents another source of revenue for the local authority.
- 8. Manual Revenue Collection Processes:** The district faces challenges in its revenue collection processes as it still relies on manual collection and recording methods without incorporating modern electronic processes. The lack of technological integration, particularly with mobile money services, limits the efficiency of the local authority in the collection of smaller amounts (e.g. K5, K10), as individuals often find it inconvenient to look for and pay cash. Additionally, the lack of incentives and accessible facilities at points of business operation further exacerbates low levels of compliance with local fee payments. This challenge underscores the need for the augmentation of the district's revenue collection system for enhanced effectiveness.
- 9. Limited human resource for revenue collection:** The district grapples with challenges stemming from inadequate human resources dedicated to revenue collection. The high informality of the local economy's currently requires a larger number of staff for effective revenue mobilization. Currently, the local employs 15 part-time agents compensated through commissions and eight revenue collectors (with

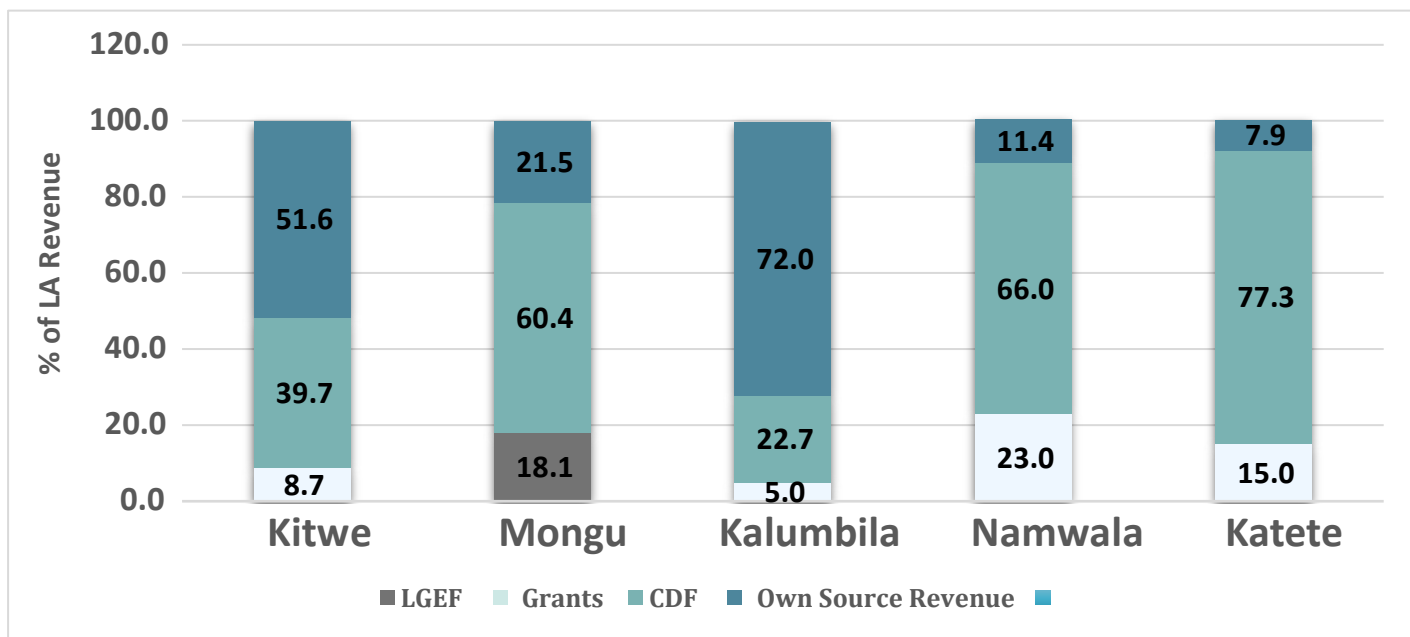
two redesignated to other functions) to collect revenue throughout the district. Even with such a large number of revenue collectors, the revenue collection process and its efficiency are complicated, and are impeded by several factors, including: inadequate transport; higher operating cost compared to revenue yields; and unsatisfactory taxpayers inventory data (owing mainly to the fact that many property occupants do not provide accurate information on the actual owners). Addressing these challenges requires strategic efforts to augment human resources and enhance the internal processes for efficient data collection.

### **5.1.3.2 OPPORTUNITIES IN DISTRICT REVENUE COLLECTION**

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- 1. Opening Up of Other Economic Sectors:** Another key area with the potential to enhance the economic profile of the district is the mineral exploration and exploitation. The district presents potential for mining, sharing the same geological conformation with neighbouring Mozambique mining belt and the Copperbelt of Zambia. As earlier mentioned, records indicate the issuance of both artisanal and small-scale mining (ASM) licenses and large-scale exploration licenses within the district. Therefore, the district is open for mineral exploration to determine the extent of mineral deposits and ASM minerals. The realization of mining activities in the district could result in a substantial windfall in revenue for the local authority through property rates and business levies. Outcomes similar to Kalumbila District, a rural district with a large share of own source revenue owing to the presence of large-scale mining activities, could be expected. Figure 5 shows the financing of five local authorities for 2022. It is evident that districts with high economic activity such as mining have a higher share of own source revenue, for instance Kitwe and Kalumbila.
- 2. Strengthening The Governance And Utilisation of CDF To Spur Economic Growth:** The district's heavy reliance on CDF allocation poses both a risk and an opportunity. The opportunity lies in strategically selecting projects that contribute to local economic growth and generate revenue. The project selection process can be used to prioritize viable initiatives that enhance the district's economic landscape. Moreover, CDF-funded projects could be used to complement and reinforce existing supply chains in the district as well manage disasters such as drought as it has allocated 5.0 percent for such occurrences. For instance, the Industrial Development Corporation's Eastern Tropical Fruit plant, a potential game-changer, presents an opportunity to allocate part of the CDF funding to projects within its value chain. If executed effectively, CDF could help develop product value chains that support the revenue mobilisation goal of the local authority.
- 3. Upcoming Key District Infrastructure:** Currently, the district is witnessing an increase in infrastructure construction activities from both the private and public sectors. Key among these activities is the rehabilitation of the Mozambique-Katete Road, which is meant to connect the district to the neighbouring country, opening up export opportunities and border town services. Other key activities are the rehabilitation of the district bus station and district market, both financed by the Government of Germany through its agency the KFW.

**Figure 5: Financing of Local Authorities, 2022**



Source: ZIPAR & UNICEF. (2023). *Local Government Budget Analysis: A Report Spotlighting the Constituency Development Fund in Katete, Kalumbila, Namwala, Mongu, and Kitwe.*

## **5.2 EXPENDITURE ANALYSIS**

This section presents an analysis of Katete's District's expenditures, based on a synopsis of the accounting framework used in Katete District and subsequently, an analysis of Katete's expenditure outturns.

### **5.2.1 ACCOUNTING FRAMEWORK**

According to the financial statements and the KIIs findings, the local authority uses cash basis and not accrual basis accounting. The distinction between the two accounting methods is in the ensuing paragraphs.

At local government level in Zambia, the accounting method adopted only records cash transactions also known as the cash basis accounting framework, and this is according to the International Public Sector Accounting Standards 1 and International Accounting Standards 1 frameworks. This framework is predominantly adopted by entities ranging from individual proprietors to small and medium-sized enterprises due to its simplicity and direct approach to managing taxes and cash flow. It is convenient for use where income is not taxed until its received.

Nonetheless, the application of cash accounting presents significant limitations in offering a holistic view of an entity's fiscal health. It also omits transactions not accompanied by immediate cash flow, as this practice leads to financial statements that may not fully capture an entity's economic activities or obligations. Consequently, this framework could result in skewed financial analyses, necessitating the adoption of the Generally Accepted Accounting Principles (GAAP) for certain financial undertakings, such as securing credit.

Conversely, the accrual basis accounting system stands as a more nuanced and comprehensive method, records financial transactions based on earned revenues and incurred expenses, irrespective of cash transactions and this is according to the Internal Public Sector Accounting Standards 1 and International Accounting Standards 1 frameworks.

Accrual-basis accounting aligns more closely with the principles of transparency and accountability which are essential in public sector management. It ensures accurate reflections of financial reports on the entity's performance and facilitates more informed cash management and planning.

While this framework enhances the reliability of financial statements by including provisions for various financial elements, it introduces a level of complexity that requires higher human resource competencies and demands a higher workload. Notwithstanding the challenges that the frameworks poses for smaller or less sophisticated local government entities to manage, the current Public Financial Management reforms in Zambia, demand to transition towards the accrual basis accounting aligned with International Public Sector Accounting Standards (IPSAS). IPSAS advocates to elevate public financial management standards and bolster performance evaluation within local government.

## 5.2.2 EXPENDITURE PERFORMANCE

Using cash accounting, for instance, Katete Town Council divides its expenditure into four broad categories: Personal Emoluments; Goods and Services; Non-financial Assets (NFA); and other Expenditures (i.e. financial assets, social benefits, and loan repayments) as shown in Table 5 in showing expenditure variations for 2018-2022).

Notably, personal emoluments were below target from 2018 to 2021 and only exceeded target by a small margin in 2022, as illustrated in Table 5. On another scene, non-financial assets acquisition expenditures showed notably high volatility. Thanks to huge disbursements in 2018, capital expenditure was a staggering 5,284.4 percent higher than targeted due to the unbudgeted purchases of capital assets necessary for road maintenance and provision of other services to the district. Again, capital expenditure then swung to 444.6 percent over expenditure in 2019 and then to an under expenditure between 2020 and 2022. The use of goods and services were also below target between 2018 and 2022 albeit with decreasing under-expenditure each subsequent year.

**Table 3: Expenditure Variations Compared to Targets, 2018-2022**

	<i>Personal Emoluments</i>	<i>Use of Goods and Services</i>	<i>Non- Financial Assets</i>	<i>Other Expenditure</i>
<b>2018</b>	<b>-6.3%</b>	<b>-51.2%</b>	<b>5284.4%</b>	<b>-52.1%</b>
<b>2019</b>	<b>-14.4%</b>	<b>-41.7%</b>	<b>444.6%</b>	<b>-50.5%</b>
<b>2020</b>	<b>-11.9%</b>	<b>-41.9%</b>	<b>-53.3%</b>	<b>-93.3%</b>
<b>2021</b>	<b>-1.8%</b>	<b>-36.4%</b>	<b>-25.6%</b>	<b>806.7%</b>
<b>2022</b>	<b>0.4%</b>	<b>-12.0%</b>	<b>-80.6%</b>	<b>-8.7%</b>

*Katete Town Council Financial Statement 2018-2022*

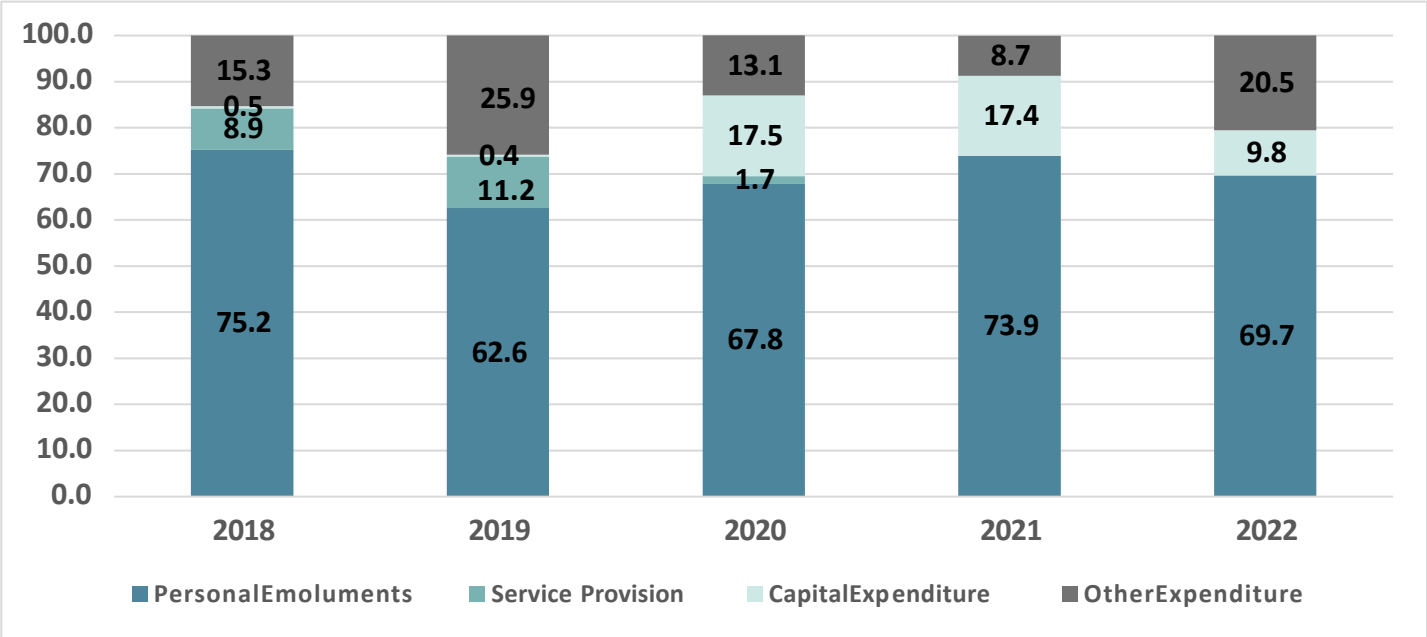
## 5.2.3. EXPENDITURE AS A RATIO OF THE LOCAL GOVERNMENT EQUALISATION FUND

To gain a better understanding of Katete's expenditure, the assessment further analysed the expenditures as a percentage of the LGEF, as depicted in its financial statements. This analysis was necessitated by the fact that Katete Town Council had a relatively small share of its own-source revenue compared to the LGEF. Furthermore, despite the increase in the allocation, the CDF component does not support any operations of the local authority as stipulated in the CDF guidelines which states that 60.0 percent should be allocated to community projects, 20.0 percent for Youth and Women Empowerment and 20.0 percent for Secondary School (Boarding) and Skill Development Bursary.



According to the LGEF guidelines, 20 percent is to be used on capital projects and 80 percent on operations and salaries, therefore, we gauge to see if Katete Town Council has been meeting the prescribed thresholds. Figure 6 illustrates that personal emoluments consumed disproportionately larger shares of the LGEF, above 60 percent, throughout the reference period. This clearly indicates that Katete is operating deficit budgets, and that the majority of own-source revenues are going to salaries and wages. In contrast, expenditure on capital projects has consistently remained below 20 percent throughout the period under review, breaching the prescribed LGEF guidelines. This is largely due to the bloated wage bill. The allocation to service provision, including Water and Sanitation and Hygiene (WASH) and street lighting among others, declined from 8.9 percent in 2018 to 0 percent in 2022 due to the shrinking fiscal space as a result of the wage bill and other expenditures that take up larger shares of the LGEF.

**Figure 6: Expenditure as % LGEF, 2018 – 2022**



*Katete Town Council Financial Statement 2018-2022*

**5.3 OTHER SOURCES OF FINANCING**

Katete District has embarked on a series of transformative development projects supported by a diverse array of financing sources beyond its regular budget. These off-budget financial contributions from cooperating partners, the private sector, and the public sector play a crucial role in realizing the district's ambitious development goals.

### 5.3.1 COOPERATING PARTNERS

The district has successfully secured significant support from various international organizations, NGOs, and foreign governments. These partners and partnerships have facilitated the funding of key initiatives aimed at improving health services, enhancing education infrastructure, and bolstering sustainable agricultural practices. For instance, a notable project aimed at enhancing maternal health services received \$2 million from an international health foundation, demonstrating the critical role of cooperating partners in addressing urgent community needs. Table 3 highlights a key development activity from one cooperating partner, as a practical illustration.

**Table 4: Development Activity from Cooperating Partners**

<i>Organization</i>	<i>Development Activities</i>	<i>Financing Allocation</i>
<b>GIZ</b>	Food and Nutrition Security, Enhanced Resilience (FANSER) Project (2015-2024) Global Project "Promotion of Agricultural Finance for Agri-based Enterprises in Rural Areas" (GP AgFin) in Zambia	Euro 21,332,455.16

*Source: KIIs with GIZ Lusaka and Chipata Office*

### 5.3.2 PRIVATE SECTOR

Private sector engagement in Katete District's development is demonstrated through direct financial contributions, public-private partnerships, and corporate social responsibility (CSR) initiatives. A leading example includes a \$5.0 million investment by a multinational corporation to establish a vocational training center, aimed at improving local youth employment opportunities. This reflects the private sector's pivotal contribution to fostering economic growth and skill development in the district. Another practical example is the Mphepo Power Metrological Mast for a 200 MW wind project in the district, which was launched in 2019<sup>11</sup>.

### 5.3.3 PUBLIC SECTOR

Contributions from the public sector, including funds from central and local government bodies, have supplemented the district's efforts in infrastructure development and service delivery. An additional allocation of \$3 million from the national government through the Provincial Office has been earmarked for the construction of a new water treatment facility, highlighting the importance of public sector support in enhancing the district's public utilities and services (Table 4).

<sup>11</sup><https://www.evwind.es/2019/11/01/wind-energy-in-zambia-200-mw-wind-power-project-launched-in-katete/71604>

**Table 5: Development Activities from the Public Sector**

<b>Organization</b>	<b>Development Activities</b>	<b>Financing Allocation</b>
<b>CEEC</b>	<ul style="list-style-type: none"><li>● Marketeer booster Empowerment Loans</li><li>● Busulu empowerment loan</li><li>● Big Loans</li><li>● AFDB Aquaculture project1</li></ul>	<ul style="list-style-type: none"><li>● K576,476 in Loan support for marketeer booster and financed 269 SMEs.</li><li>● K91,630 supported the 11SMEs.</li><li>● K992,160and sup ported 2clients</li><li>● K3,626,523</li></ul>

*Source: KIs with CEEC Officials*

## **6.0 GOVERNANCE AND MONITORING**

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### **6.1. COORDINATION AND GOVERNANCE STRUCTURES IN KATETE DISTRICT**

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The District Development Coordinating Committee (DDCC), mandated by the Planning and Budgeting Act, plays a crucial role as the primary coordinating council at the district level, led by the Local Authority. Comprising key representatives, including the District Commissioner (DC) as the Chairperson, the Town Clerk or Council Secretary as Vice-Chairperson, heads of district ministry offices, chiefs' representatives, and stakeholders from civil society, faith-based organizations, parastatals, and the private sector, the DDCC ensures comprehensive development coordination.

However, the current structure lacks a dedicated governance and coordination framework for resource mobilization in Katete District, both within and outside the Local Authority. Resource mobilization at the district level remains solely within the purview of the Local Authority, specifically the Council Treasurer, who heads the efforts and reports to the Council, supported by a team of revenue collectors.

Establishing a robust governance structure is essential for effectively addressing critical questions related to budgetary oversight, local revenues, debt management, Public-Private Partnerships (PPPs), and engagement with the private sector. A designated governance body overseeing the budgetary cycle can ensure fiscal discipline, transparency, and optimal resource allocation. Additionally, this structure can facilitate coordination between the central and local government, aligning development objectives with national priorities.

The absence of a structured governance framework in Katete District inhibits efficient resource mobilization. This is exacerbated by the communication irregularity between the Ministry of Local Government and Rural Development and the Local Authority, particularly with regards to deductions made from source for the Local Authority's debt obligations. Clear guidelines and oversight mechanisms are essential for maximizing revenue mobilization efforts. Without a comprehensive Own Source Revenue (ORS) strategy, the Local Authority operates without cohesion in revenue mobilization limiting its efforts in financing the district's development needs.

Beyond central-local coordination, the governance structure is required to enhance collaboration between local government and development partners. Establishing a well-defined platform for engagement ensures streamlined communication, joint planning, and effective utilization of resources. Similarly, fostering a conducive environment for collaboration between local government and the private sector is crucial, and this involves platforms or forums that bring together private sector stakeholders.

Identifying and promoting existing private sector and civil society organizations in Katete is integral to the governance structure's effectiveness. Understanding the landscape of the private financing in the district allows for targeted engagement, leveraging their expertise and resources for local development efforts. Moreover, the governance structure can explore ways to improve the functioning of the DDCC, enhancing coordination mechanisms, clear roles and responsibilities, regular meetings, and effective communication channels.

Considering the information gathered, the current governance structure has the potential to serve as the oversight committee for the Integrated Financing Framework (IFF) in Katete district. Aligning its functions with IFF requirements ensures a cohesive and integrated approach to financial management, fostering sustainable development and inclusive growth. The presence of audited financials further enhances the district's ability to attract development resources, acquire debt for development, and interest private sector partnerships, showcasing a commitment to transparency and accountability.

## **6.2. ACCOUNTING, REPORTING AND MONITORING MECHANISMS OF FINANCIAL RESOURCES**

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The study revealed that Katete District consistently upholds a commendable level of financial prudence, as evidenced by the financial diligence, maintaining a history of unqualified audited financial statements. Further, they align with the stipulations outlined in key legislative frameworks, including the Local Government Act No. 2 of 2019, the Public Finance Management Act No. 1 of 2018, and the Local Authorities Accounting Policies (LAAPs) of 2019.

It is crucial to emphasize that Katete's audited financial statements not only met national standards but also successfully met the benchmarks set by the World Bank. This noteworthy achievement is particularly commendable when considering the historical prevalence of financial irregularities that have plagued councils across the country. Katete's ability to establish and maintain a robust mechanism for tracking its financial resources demonstrates not only a commitment to good governance practices but also positions the district favourably in the broader development landscape.

Importantly, the presence of audited financials enhances the district's credibility and trustworthiness in the eyes of potential investors, donors, and partnering financial institutions. This, in turn, boosts the district's ability to attract development resources and secure debt for essential development projects. Furthermore, the adherence to high financial standards creates an attractive environment for potential private sector partnerships. Businesses and investors are more likely to engage with a district that demonstrates financial transparency, as it provides assurance and mitigates risks associated with financial mismanagement.

Nonetheless, staffing constraints present significant challenges for the Local Authority in Katete District, as limited resources limit their ability to effectively collect and manage revenue. With a shortage of revenue collection staff, there is need to find innovative ways such as leveraging on ICT services to ensure efficient revenue mobilization, as some revenue streams incur higher collection costs than revenue collected. One potential solution involves leveraging grassroot structures in the communities to streamline revenue mobilization processes and optimize resource allocation.

Furthermore, the Local Authority faces difficulties in revenue forecasting, as observed through the lower

than planned revenue collections. This hinders financial planning, budget management, and development outcomes. Furthermore, the preparation of the district's budgets is based on a cash basis rather than an accrual basis, which does not provide a true picture of the financial position. Strengthening the Local Authority's capacity for revenue forecasting remains essential in addressing these discrepancies and ensure fiscal sustainability. Moreover, the Local Authority can make informed decisions regarding resource allocation and expenditure prioritization, ultimately driving more effective development finance strategies in Katete District.

### **6.3. LIMITED PARTICIPATION AND INTEGRATION OF NON-STATE ACTORS**

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The study highlighted a legal framework for involving non-state actors in coordinating development activities at the district level, but a notable finding was the limited engagement and operational integration of the private sector and non-state actors within the council's functions. Despite their participation in the DDCC, private sector and other non-state actors were observed to have minimal involvement in the regular development planning structures of the council. This apparent disconnect led to information gaps, with local authorities rarely interacting with non-state stakeholders, who, in turn, preferred direct collaboration with line ministries.

The lack of coordination extended to interactions between the central government, local authorities, and non-state actors, causing confusion among the latter about which entity to engage with for development discourse. The limited engagement between non-state actors and the IDP further contributed to fragmented implementation of activities. Private sector stakeholders expressed concerns about delays in local authority approval processes and reported restricted engagement beyond essential transactions, such as rate payments. The absence of a robust engagement platform between the local authority and the business community signifies a missed opportunity for fostering collaboration among key development players in the district, potentially impacting compliance with levy payments. Addressing these coordination challenges is imperative for establishing a more integrated and cooperative development environment in Katete.



## 7.0 CONCLUSION

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In conclusion, despite Katete District demonstrating commendable efforts in revenue mobilization and collection, surpassing the national average, a considerable gap nonetheless exists in actualizing its full resource generation potential. Notably, the OSR contribution to the district's finances has declined sharply from 16% to 5%. This decline coincides with an increase in Central Government grants, signaling a potential overreliance on government grants.

This assessment identifies key challenges hindering Katete's resource mobilization, including low level of economic activity, dependence on government grants, absence of an OSR strategy, lack of revenue forecasting mechanisms, limited awareness on property rates, resource constraints, and inadequate monitoring. These challenges underscore the need for comprehensive reforms and strategic interventions to optimize the district's resource generation potential.

Addressing these challenges requires a multi-faceted approach, as outlined in the recommendations. Key recommendations include the formulation of a detailed OSR strategy, enhancing private sector participation through partnerships, effective coordination of partner resources, automation of revenue collection, leveraging mobile money services for easier revenue collection, and aligning the IDP financing strategy with current policies. The revival of the Advisory Committee within the DDCC, streamlining interactions with the CDF Committee, and developing Ward Development Plans are also crucial for improved governance and project coordination.

Furthermore, opportunities in the mining, transport and logistics and other sectors, strengthening governance, and utilization of infrastructure projects provide avenues for economic growth. Establishing a dedicated governance and coordination framework is essential to address critical questions related to budgetary oversight, local revenues, debt management, PPPs, and engagement with the private sector.

This assessment makes several key recommendations in the section that follows. By implementing both the forgoing general and ensuing specific recommendations, and capitalizing on the existing opportunities, Katete District can fortify its revenue mobilization efforts, diversify its resource base. Ultimately, it can foster sustainable and inclusive development. The proposed reforms aim to create a resilient financial framework, reduce dependence on government grants, and enhance collaboration with diverse stakeholders for the overall advancement of the district.

## **8.0 RECOMMENDATIONS**

This assessment makes the following recommendations:

### **1. Develop a Concise OSR Strategy for the District**

The Katete District local authority should formulate a detailed OSR strategy, which will provide a structured and organized approach to revenue mobilization. The Strategy should meet the following benchmarks:

- Specify clear and realistic targets
- Describe an effective implementation plan.
- Articulate a framework for identifying revenue sources,
- Articulate an efficient revenue collection mechanism.
- Prescribe regular reviews and updates (crucial to adapt to changing economic conditions).
- Incorporate WDCs in revenue mobilisation (in identification of revenue agents)
- The revenue mobilisation strategy for local authorities under development by Ministry of Finance

### **2. Enhance Private Sector Participation in Economic, Business, Social Support and Developmental Activities**

The district should strengthen collaboration between the private and public sectors through regular consultations, forums, and partnerships. The following should be explored and concretized:

- Establish open communication channels, such as public-private dialogues and business roundtables,
- Explore public-private partnerships (PPPs) for leveraging resources and expertise from local businesses.
- Jointly identify investment opportunities and
- creation of an enabling environment for private sector growth.
- Hold annual business brunch meetings
- Hold business expos just before major traditional ceremonies

### **3. Coordinate Development Partner Resources Effectively**

The local authority should enhance coordination between governmental and non-governmental development partners to avoid duplication and waste, promote efficiency, and ensure a harmonized approach to development projects.

- Establish clear frameworks for information sharing and joint planning through coordination meetings.
- Align partner resources with the district's priorities to optimize support for projects that align with the overall goals of the IDP.
- Hold regular updates and feedback mechanisms

#### **4. Enhance Revenue Collection Systems**

The local authority should modernize and enhance the revenue collection systems of the districts, including through the following:

##### **a. Automation of Revenue Collection**

- Create a revenue collection database
- Automate revenue collection by implementing an e-levy system, similar to Chipata Council

##### **b. Leverage Mobile Money Services**

- Embrace innovative solutions such as mobile money services to simplify the payment process.
- Encourage compliance among individuals remitting smaller amounts
- Awareness campaigns to educate the public on the benefits and ease of using mobile money for local payments.

#### **5. Review and Update IDP Financing Strategy**

The local authority should align the district's IDP financing strategy with current district-level and national policies and aspirations, to ensure that it remains relevant and effective.

- Conduct regular reviews to address emerging challenges and opportunities;
- Identify new funding sources and diversify existing ones;
- Engage with stakeholders to solicit input on potential improvements and adjustments to the financing strategy

#### **6. Identify Monitoring and Evaluation Leads within the Local Authority**

The local authority should:

- Identify specific leads within the Local Authority to be responsible for monitoring.
- Establish clear reporting structures and regular review meetings to assess progress and address any challenges promptly

#### **7. Revive the Advisory Committee within DDCC**

To enhance CDF project identification, development and coordination and monitoring during implementation in Katete, the local authority should:

- Revive and expand the Planning Advisory Committee within the DDCC. Ensure representation of the private sector, NGOs, line ministries, and local authority staff.
- The committee will scrutinize CDF projects submitted by WDCs;
- Ensure alignment of the CDF projects with the IDP.
- Establish clear terms of reference and conduct a comprehensive training program for committee members.

## **8. Streamline interactions with CDF Committee**

Streamline the approval process for CDF projects in Katete

- Define a clear process for the advisory committee to submit well-scrutinized project recommendations to the CDF Committee.
- Establish a reporting mechanism;
- Organize regular meetings, and
- Develop a communication strategy for disseminating project information.

## **9. Develop Ward Development Plans**

The local authority should ensure a comprehensive approach to project proposal and implementation in Katete by developing WDP.

- Provide technical assistance to wards for the development of WDPs aligned with district objectives and the IDP.
- Facilitate WDP drafting, and conduct a thorough review involving community members and local authorities, and ensure seamless integration into the district's IDP.
- Regularly update the WDPs to reflect changing community needs and align them with broader development goals.

## **10. Strengthen Revenue Forecasting**

The local authority should implement robust revenue forecasting mechanisms to accurately predict income streams.

- Conduct regular assessments of revenue sources, market trends, and economic indicators to inform budgeting and financial planning.

## **11. Liaise with Ministry of Local Government and Rural Development (MLGRD) on Recruitments**

- The local authority should submit a resolution to the MLGRD on staff recruitment to ensure that the Local Government Commission's hiring practice aligns with the local authority's staffing needs and resource requirements.

<b>A. Develop a Comprehensive Own Source Revenue (OSR) Strategy</b>				
<b>Action</b>	<b>Timeline</b>	<b>Lead Agency</b>	<b>Partner Agency</b>	<b>Assumptions</b>
<b>1</b> Formulate a detailed OSR strategy with clear targets and effective implementation mechanisms.	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MOFNP</li> <li>MLGRD</li> <li>DDCC</li> </ul>	Cooperating Partners <ul style="list-style-type: none"> <li>UNDP</li> <li>UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the finalization of the Resource Mobilisation Strategy for Local Authorities by Ministry of Finance and National Planning</li> </ul>
<b>2</b> Integrate the OSR strategy into the district's overall financing framework to enhance generation and financial sustainability.	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MOFNP</li> <li>MLGRD</li> <li>DDCC</li> </ul>	<ul style="list-style-type: none"> <li>UNDP</li> <li>UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the finalization of the Resource Mobilisation Strategy for Local Authorities by Ministry of Finance and National Planning</li> </ul>
<b>3</b> Establish a framework for regular reviews and updates to adapt to changing economic conditions	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MOFNP</li> <li>MLGRD</li> <li>DDCC</li> </ul>	<ul style="list-style-type: none"> <li>UNDP</li> <li>UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the finalization of the Resource Mobilisation Strategy for Local Authorities by Ministry of Finance and National Planning</li> </ul>
<b>B. Enhance Private Sector Participation</b>				
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>		
<b>1</b> Enhance private sector participation through collaborations and partnerships: <ul style="list-style-type: none"> <li>Host annual business brunch in Katete to engage with private sector.</li> <li>Conduct expos before traditional ceremonies to interact with local and international business communities.</li> </ul>	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority,</li> <li>Private sector</li> </ul>		<ul style="list-style-type: none"> <li>Support of chamber of commerce</li> </ul>

	<ul style="list-style-type: none"> <li>Enhance communication from secretariat in inviting the business community to attend planning meetings, providing ample lead time</li> <li>Ensure inclusivity in planning advisory by extending invitations to business community</li> </ul>			
<b>2</b>	<p>Explore opportunities for public-private partnerships to leverage resources and expertise</p> <ul style="list-style-type: none"> <li>Establish a Joint Business and Investment Committee</li> </ul>	Short-Term (2024-2025)		
<b>C. Coordinate Partner Resources Effectively</b>				
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>		
<b>1</b>	<p>Enhance coordination with governmental and non-governmental partners to avoid duplication.</p>	<p>Short-Term (2024-2025)</p>	<ul style="list-style-type: none"> <li>Local Authority</li> <li>DDCC</li> <li>Ministry of Lands</li> <li>MLGRD</li> <li>MIHUD</li> <li>NGOs</li> </ul>	
	<ul style="list-style-type: none"> <li>Conduct bi-annual sensitisation campaigns on IDP for partners and local stakeholders providing maps of population growth projections sharing maps of population growth projections and areas of planned expansion for e.g. schools, healthcare facilities etc.</li> <li>Develop Planning Agreements with Traditional Authorities to enhance coordination and information sharing</li> </ul>	Short-Term (2024-2025)		



<b>D. Enhance Revenue Collection Systems</b>				
<b>a) Automate Revenue Collection</b>				
<b>Action</b>	<b>Timeline</b>	<b>Lead Agency</b>		
<b>1</b> Automate revenue collection by implementing an e-levy system, similar to Chipata Council. This would streamline the entire process from issuing demand notices to payment and receipt.	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> </ul>	<ul style="list-style-type: none"> <li>Smart Zambia</li> <li>MoFNP</li> <li>ZRA</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on Govt rollout of e-bus</li> <li>Depends on availability of Probase to offer service</li> </ul>
<b>2</b> Conduct comprehensive training programs and awareness campaigns on the new system for staff and the public	Short-Term (2024-2025)			
<b>b) Leverage Mobile Money Services</b>				
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>		
<b>1</b> Embrace mobile money services to simplify the payment processes and encourage compliance	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> </ul>	<ul style="list-style-type: none"> <li>Mobile Service Providers</li> <li>Bank</li> </ul>	<ul style="list-style-type: none"> <li>Alternative to Probase</li> <li>Subject to consultation with smart Zambia on rolling out govt service bus</li> </ul>
<b>2</b> <ul style="list-style-type: none"> <li>Partner with mobile services providers and conduct awareness campaigns</li> </ul>	Short-Term (2024-2025)			

<b>E. Review and update IDP Financing Strategy</b>			
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>	
<b>1</b> Align the district's IDP financing strategy with current policies (8NDP) and aspirations to ensure relevance and effectiveness through regular reviews	Short-Term (2024-2025)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> </ul>	<ul style="list-style-type: none"> <li>MoFNP</li> <li>UNICEF</li> </ul>
<b>2</b> Engage stakeholders to solicit input on potential improvements and adjustments of the strategy	Short-Term (2024-2025)		<ul style="list-style-type: none"> <li>Dependent on availability of Partners' support: UNICEF, UNDP</li> </ul>
<b>F. Improve Governance/Coordination</b>			
<b>a) Identify Monitoring Leads within the local authority to oversee monitoring and evaluation</b>			
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>	
<b>1</b> Appoint principle officers within the Local Authority to act as leads to spearhead and improve Monitoring and evaluation.	Short-Term (2024)	<ul style="list-style-type: none"> <li>Local Authority</li> <li>Line Ministries</li> </ul>	
<b>2</b> Establish clear reporting structures and assign clear roles and responsibilities to monitoring leads, ensuring regular review meetings	Short-Term (2024)		
<b>b) Revive Advisory Committee within the DDCC to improve project selection and coordination</b>			
<b>Action</b>	<b>Timeline</b>	<b>Responsible Agency</b>	

<p><b>1</b> Revive and expand the advisory committee within the District Development Coordinating Committee, incorporating representation from diverse stakeholders including private sector, NGOs, ministries, and local authorities.</p>	<p>Short-Term (2024)</p>	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> <li>DDCC</li> </ul>	<ul style="list-style-type: none"> <li>Line Ministries</li> </ul>	<ul style="list-style-type: none"> <li>Technical and Financial support for training: MLGRD, UNICEF, UNDP</li> </ul>
<p><b>2</b></p> <ul style="list-style-type: none"> <li>Hold orientation on terms of reference for the committee and</li> <li>Conduct comprehensive training sessions to enhance their capacity in project evaluation and appraisal</li> </ul> <p><b>c) Streamline Interactions with CDF Committee</b></p>				
<p>Action</p>	<p>Timeline</p>	<p>Responsible Agency</p>		
<p><b>1</b> Make mandatory, the attendance of Planning Advisory Committee members of the DDCC in CDF Committee meetings dealing with project appraisals</p>	<p>Short-Term (2024)</p>	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> </ul>		
<p><b>2</b> Establish a regular reporting mechanism and communication strategy for disseminating project information effectively (e.g. have a brand ambassador, regular and defined appearances on social media and radio, use WDCs to disseminate).</p>	<p>Short-Term (2024)</p>	<ul style="list-style-type: none"> <li>Local Authority</li> <li>MLGRD</li> </ul>		
<p><b>d) Develop Ward Development Plans (WDPs)</b></p>				
<p>Action</p>				

<p><b>1</b> Develop 22 comprehensive Ward Development Plans and align the IDP with current Ward Development needs.</p> <ul style="list-style-type: none"> <li>● Include orientation of the WDCs on project management</li> </ul>	<p>Short-Medium Term (2024-2026)</p>	<ul style="list-style-type: none"> <li>● Local Authority</li> <li>● DDCC</li> </ul>	<ul style="list-style-type: none"> <li>● Line Ministries</li> <li>● WDCs</li> <li>● Traditional leadership</li> <li>● NGOs</li> <li>● Private Sector</li> </ul>	<ul style="list-style-type: none"> <li>● Technical and Financial Support from MLGRD from cooperating.</li> <li>● Support from the Minister</li> </ul>
<p><b>2</b> Facilitate community involvement and ensure integration into broader development goals</p>	<p>Short-Medium Term (2024-2026)</p>			
<p><b>e) Establish a feedback mechanism</b></p>				
<p><b>Action</b></p>				
<p>Establish a mechanism for receiving feedback from the community</p> <ul style="list-style-type: none"> <li>● Hold regular Call in radio programmes</li> <li>● Use Business brunches to receive feedback</li> </ul>	<p>Short-Medium Term (2024-2026)</p>	<ul style="list-style-type: none"> <li>● Local Authority</li> </ul>		
<p><b>f) Liaise with Ministry of Local Government and Rural Development (MLGRD) on Recruitment</b></p>				
<p><b>Action</b></p>		<ul style="list-style-type: none"> <li>● Local Authority</li> <li>● MLGRD</li> </ul>		
<ul style="list-style-type: none"> <li>● Liaise with MLGRD on staff recruitment to ensure that the Local Government Commission's hiring aligns with local authority staffing needs and resources.</li> </ul>				
<p><b>3</b> Identify any gaps or shortages in staffing needed to effectively carry out revenue generation activities and overall service delivery</p>	<p>Short-Term (2025-2025)</p>	<ul style="list-style-type: none"> <li>● Local Authority</li> </ul>		

**Table 6: List of Stakeholders visited during the Katete Scoping Exercise**

<i>Stakeholder</i>	<i>Office</i>
Provincial Local Government Office	Provincial Local Government Officer – Eastern Province
District Commissioner	Office of the District Commissioner
District Administrative Commissioner	Office of the District Commissioner
District Agricultural Coordination Officer (DACO)	Ministry of Agriculture
District Education Board Secretary (DEBS)	Office of DEBS
Council Deputy Council Secretary	Katete Town Council
Council Deputy Treasurer	Katete Town Council
Ministry of Small and Medium Enterprises	Department of Cooperatives and Entrepreneurship Development
District Health Officer	Ministry of Health
Coordinating officer	Citizens Economic Empowerment Commission
Plant Manager	Eastern Tropical Fruits Company
District Coordinator	World Vision
Owner	Pangani Hotel
Owner	Paris Shop
Social Welfare Officer	Ministry of Community Development and Social Services- Dept of Social Welfare

**Table 7: List of participants**

1	Katete Council Secretary
2	Katete District Commissioner (DC)
3	District Administration Officer (DAO)
4	District Provincial Officer
5	Katete Town Mayor
6	Council Treasurer
7	Deputy Council Treasurer
8	Deputy Treasurer
9	Council Planner
10	CDF Chairperson
11	WDC Chairperson

12	WDC Chairperson
13	Councillor- Matunga Ward
14	Councillor- Vulamkoko Ward
15	Councillor- Kapoche Ward
16	DCS
17	DDOW
<b>Traditional Leadership Representatives</b>	
18	Induna
19	Chief Representative- Kawaza
20	Chief Representative- Kathumba Ward
21	Chief Representative- Mbangombe Ward
<b>Government Officials</b>	
22	District Education Board Secretary (DEBS)
23	District Health Officer
24	District Agricultural Coordination Officer (DACO)
25	Deputy Director of Works
26	Deputy Community Development Officer (MCDSS)
27	Food Reserve Agency (FRA)
28	District Agricultural Information officer
29	Deputy Council Secretary
30	Local Court Magistrate
31	KCAM
32	HRMO
33	Forestry Technician
34	Technician
35	Provincial Local Government Officer
36	MCDSS
37	MOA
38	Judiciary
39	Zambia Correctional Services (ZCS)
40	ZANIS
41	Social Welfare Officer (MCDSS)
42	Health Coordinator (ZCS)
43	Buisness community Representative
44	Representative- Buisness community



Private Sector and NGOs	
45	Katete Buisness Community
46	YMCA
47	CINDI
48	IDC Fruit Processing plant Manager
49	IDC Fruit Processing plant Liason Officer
50	World Vision
51	CEEC
52	GIZ
	Louis Dreyfus Company (LDC)- Chief Financial Officer
Marketeers	
53	18 traders



**Katete Town  
Council**  
CUMA CATHU CIRI MUNTHAKA

# KATETE DEVELOPMENT FINANCE ASSESSMENT

