

ZAMBIA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: ZAMBIAN KWACHA (ZMW)

POPULATION AND GEOGRAPHY

Area: 752 610 km² (2017)
Population: 17.1 million inhabitants (2017), an increase of 3.0% per year (2010-2015)
Density: 23 inhabitants / km² (2017)
Urban population: 41.8% of national population (2017)
Urban population growth: 4.2% (2017 vs 2016)
Capital city: Lusaka (14.8% of national population)

ECONOMIC DATA

GDP: 69.2 billion (current PPP international dollars), i.e. 4 050 dollars per inhabitant (2017)
Real GDP growth: 3.4% (2017 vs 2016)
Unemployment rate: 7.8% (2017)
Foreign direct investment, net inflows (FDI): 866 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 36.4% of GDP (2016)
HDI: 0.588 (Medium), rank 144 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Zambia is a unitary state with two levels of government: national and local. Chapter 9 of the 2016 Zambian Constitution states that “the management and administration of the political, social, legal and economic affairs of the State shall be devolved from the national government level to the local government level” (Art. 147(1)).

Decentralisation in Zambia has its roots in the Public Sector Reform Programme of 1993. For the first time in the 1996 Constitution, local governments were given a constitutional basis. Subsequently, a National Decentralisation policy was adopted in 2002 and launched in 2004. In 2009, the Ministry of Local Government and Housing (MLGH) published a Decentralization Implementation Plan to operationalise the main elements of the decentralisation policy. The National Decentralisation Policy (NDP) contains the government’s vision for the establishment of a devolved system of governance, and sets out a new decentralised structure of governance by introducing provincial, district and sub-district levels (referred to as wards in the Constitution). The policy considers the provinces as the central link between the centre and the districts, and the districts as structures that provide a platform for local communities to play a role in development and service delivery. The NDP also includes objectives to a) empower local communities by devolving decision-making, functions and resources from the central level to the lowest level of governance; b) enhance local political and administrative authority; c) build capacity for development and maintenance of infrastructure at local level and d) provide legal and institutional frameworks to promote decision-making at local level.

In 2013, the NDP was reviewed and relaunched. Key revisions to the revised Decentralisation Policy include recognition and emphasis on public participation and traditional authority within local governance.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	84 District Councils, 15 Municipal Councils, and 4 City Councils			
	Average municipal size: 165 962 inhabitants			
	103			103

OVERALL DESCRIPTION. Zambia is divided into 10 provinces, which are in turn divided into 103 councils, which are further divided in 1258 wards. City councils are situated in urban areas characterised by a dense population and substantial economic activity; Lusaka which is also the capital city of Zambia, is the largest city council. Municipal councils are located in suburban areas and district councils are located in rural districts.

The Barotseland, also known as the Western Province, currently identifies itself as an independent state from the Republic of Zambia. The contestation of this region dates back to independence when the Barotseland Agreement was passed and recognised the land as its own principal authority. The agreement was cancelled in 1969; with the enactment of the 1969 Constitution, then president Kenneth Kaunda announced that it would be referred to as the Western Province of Zambia. Since then, tensions have arisen which led Barotseland to officially proclaim itself as an independent state in September 2011. The region has an estimated population of 3,5 million. The recent 2016 amendment to Zambia’s Constitution continues to refer to the region as the Western province.

COUNCILS. The 1991 Local Government Act (consolidated in 2006 and amended in 2010 and 2014) provides that each council must be composed of members of the Parliament in the district, two representatives of traditional chiefs and all elected councillors of the district. Chiefs are appointed by all other district chiefs. Councillors are elected according to the first-past-the-post system for each ward for a five-year term. A mayor and deputy mayor are elected in the case of city and municipal councils, while a president and vice-president are elected in district councils from among the members of the council. The term of office of the mayor or the president of the municipal council is five years. The councils also have an administrative division. The Local Government Services Commission is responsible for hiring members for the administrative division.

PROVINCES. The provinces are a deconcentrated level of national government. They are headed by provincial ministers. As heads of government in the provinces, ministers are mandated by section 117(3) of the Constitution to ensure the implementation of national policies in all districts and that local authorities fulfil their exclusive functions. Ministers are appointed by the President.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The second schedule of the Local Government Act lists 63 functions of local councils: Primary healthcare; public health service and protection; housing; town and regional planning; roads; environmental protection; slaughterhouses; theatre and concerts; and parks and open spaces are joint responsibilities of national and local government. Economic activities, such as agriculture, forests and fisheries; local economic development; trade and industry and tourism are discretionary services provided by local councils.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

LOCAL LEVEL	
1. General public services	Real estate management; Civil status; Civil registration
2. Public order and safety	Public order and security including emergency response
3. Economic affairs/transport	Local roads (maintenance and construction); Local public transport; Telecommunications
4. Environmental protection	Zoning and local environmental protection; Waste management (since 2013)
5. Housing and community amenities	Spatial planning (local planning, water and supply sewage treatment, maintenance of landfills); Public areas (including cemeteries); Electricity, gas and heat supply; Housing; Maintenance of buildings and public facilities
6. Health	Health promotion; Primary healthcare services
7. Recreation, culture & religion	Market places; Promotion, management of municipal libraries and other cultural institutions; Monument protection; Promotion of sports
8. Education	Pre-primary and primary education; Kindergarten; Elementary education
9. Social protection	Social services including family benefits (since 2004) through municipal social assistance centres

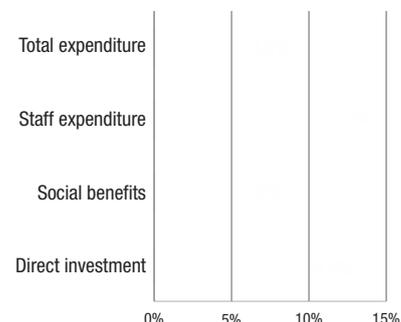
SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: district, municipal and city councils.	SNA 2008	Availability of fiscal data: Low	Quality/reliability of fiscal data : Low
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GENERAL INTRODUCTION. The following legislative tools regulate and set the financial provisions in which councils are allowed to operate: Article 198 of the 1996 Constitution provides the guiding principles of public finance that apply to the different levels of government. Section six of the Local Government Act forms the basis and context for the financial management of councils. Article 46 in particular states that “the Minister shall, by statutory instrument make regulations for the control and management of finances of councils...”. Finally, other laws that have financial implications for councils include the Rating Act of 1997, the Trade Licensing Act (2011) and the Personal Levy Act (1994).

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure				
Incl. current expenditure				
Staff expenditure				
Intermediate consumption				
Social expenditure				
Subsidies and current transfers				
Financial charges				
Others				
Incl. capital expenditure				
Capital transfers				
Direct investment (or GFCF)				



EXPENDITURE. The level and nature of local government expenditure in Zambia is unknown. The government of Zambia, in its effort to improve the efficiency of local service delivery, has started developing service charters and integrity committees in selected public service institutions including local authorities. Once these measures are fully operational and monitored, it is expected that transparency and accountability in the service delivery process by public institutions will be improved.

DIRECT INVESTMENT. Generally speaking, the expenditure structure of all local authorities shows that more than 90% of their resources are used for operating expenditure and that only a small balance is devoted to capital expenditure. As a result, there is little direct investment. Councils generally tend to reduce their services and are frequently in default of payment of amounts due.

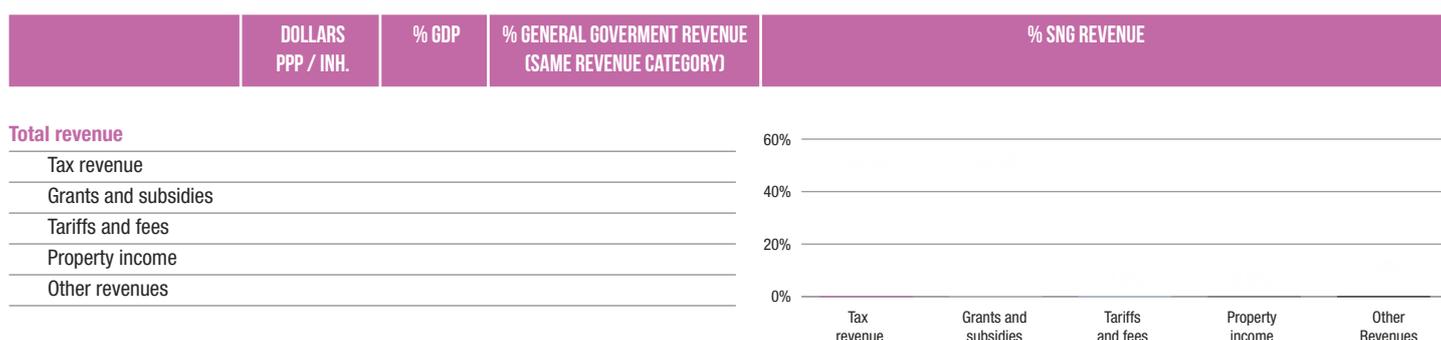
ZAMBIA

UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. Councils are responsible for raising and collecting local taxes and user fees, however not all are able to collect their local revenues as budgeted. There is no comprehensive data available on the level of revenues collected by councils. Councils, generally, raise funds through rates, rent, property taxes, fees and charges, licenses, levies, permits and other sources. The main source of revenue for the councils are central government grants.

TAX REVENUE. Section 161 of the Constitution gives local councils the power to levy, collect and retain local taxes, including property taxes. Budget guidelines for councils were produced by the government in 2010. In practice, councils have great difficulty in collecting taxes and consolidating their financial base. Local councils face serious challenges especially in collecting property taxes on residential properties. Local authorities can only collect property taxes on properties that have been valued and entered on their valuation roll. As these roles are rarely updated, property taxes do not represent a stable source of income for local governments.

GRANTS AND SUBSIDIES. Section 45 of the Local Government Act gives the MLGH the authority to allocate development grants and loans to councils. The Ministry's constitutional mandate to oversee local councils includes the active monitoring of their financial situation. From 2002 to 2014, the subsidies mobilized by the Ministry were multiplied by more than 240 in nominal terms and 65 times in real terms. The 2014 amendment to the Local Government Act created an Equalization Fund, funded by 5% of the income tax collected at the national level and distributed according to a formula based on population and poverty levels. In addition to this Fund, there is a Constituency Development Fund distributed equally among all the districts according to the projected revenues for the fiscal year. In 2016-2017, the amount of grants and subsidies allocated to local governments amounted to nearly ZMW 890 million, i.e. 250 million PPP dollars, or about 15 PPP dollars per capita.

OTHER REVENUES. Fees and levies collected are classified into two categories: those imposed and collected by the councils under their own regulations (e. g., rental of Council equipment) and those imposed by the national government but collected and retained by the councils, such as commercial licences. Local councils also collect development assessment fees, i.e., fees to recover from users or developers of land serviced by the local council - they cover administrative costs, materials, loan repayments and the construction of infrastructure such as roads, water supply systems, pipes and sewer systems. Income from small-scale income-generating activities (manufacturing and selling school uniforms, public transport, motels and rest houses) is also a source of revenue for local councils in Zambia. Finally, local councils receive rents for the use of their buildings, offices, shops, market stalls and residential housing.

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. All local councils’ budgets must be approved and aligned to the national budget as approved by Parliament and in line with the 7th National Development Plan. Following the 2016 constitutional amendment, the Office of the Auditor General (OAG) has a mandate to audit the accounts of the local Councils. The Ministry of Local Government monitors the preparation of the councils’ financial statements, which must be completed no later than six months after the end of the fiscal year. Local government auditors appointed by MLGH visit all 103 councils to audit their annual financial accounts. Audit reports must be submitted to both the council and the ministry. Each council must then submit an ‘action taken’ report within 60 days of receipt of its audit report. MLGH consolidates these reports and submits them to the parliamentary committee for scrutiny, then MLGH issues an annual budget circular with budget guidelines.

According to the end-of-year Reports of the Auditor General on the Review of Operations of Local Authorities in 2013, 2014 and 2015, the main issues observed among the Zambian local authorities included understaffed councils; inadequate operational systems; no risk management strategies; and underqualified accounting staff that led to poor financial management.

DEBT. Section 47 of the Local Government Act states that local governments may borrow in order to carry out their functions, either by contracting a loan from the central government or sources other than foreign governments and organizations, a mortgage, a temporary loan (such as an overdraft) or by issuing stocks or bonds. The extent to which the available options for borrowing have been used is unknown.



Lead responsible: UCLG
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www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data:

Other sources of information: Government of the Republic of Zambia and World Bank, PEFA (2017) Report on the Evaluation of the Public Financial Management System of Zambia // CLGF (2018) The Local Government System in Zambia: Country Profile 2017-18 // Cities Alliance and UCLGA (2018) Assessing the Institutional Environment of Local Governments in Africa // Chitembo, Andrew & B. Sakala, J & Mukwena, Royson & S. Mwasile, F & Zulu, Jobe & K. Lolojih, P & Mbolela, M. (2014) 50 Years of Local Government In Zambia // LusakaTimes (2013) Zambia: Government Approves the Decentralisation Policy to Empower Provinces and Districts Manage Their Own Affairs // Committee on Local Governance, Housing and Chiefs’ Affairs. National Assembly of Zambia.