



Zimbabwe Economic  
Policy Analysis and  
Research Unit

# **Review of Challenges and Capacity Gaps of Different Tiers of Government that can Undermine Implementation of Devolution**



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## **Review of Challenges and Capacity Gaps of Different Tiers of Government that can Undermine Implementation of Devolution**

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ZEPARU Discussion Paper

Compiled

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## LIST OF ACRONYMS

DDF	District Development Fund
GDP	Gross Domestic Product
IGFT	Intergovernmental Fiscal Transfer
OAG	Office of the Auditor General
PMCs	Provincial and Metropolitan Councils
PRAZ	Procurement and Regulatory Authority of Zimbabwe
RBM	Results Based Management
RDC	Rural District Council
TSP	Transitional Stabilisation Programme
ZACC	Zimbabwe Anti-Corruption Commission
ZESA	Zimbabwe Electricity Supply Authority
ZINARA	Zimbabwe National Roads Administration

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## I. BACKGROUND

Devolution is one of the fundamental values of the country's Constitution. Section 264 (1) of the Constitution of Zimbabwe provides that “Whenever appropriate, governmental powers and responsibilities must be devolved to provincial and metropolitan councils and local authorities which are competent to carry out those responsibilities efficiently and effectively.” Further, implementation of devolution is considered as key to achieving the country's vision of an upper middle income economy status by 2030.

Devolution is expected to empower local communities to decide on how resources should be governed and the public services they expect. This is in line with governance framework envisaged in Section 194(1)(e) of the Constitution of Zimbabwe that provides that people's needs must be responded to within a reasonable time, and the public must be encouraged to participate in policy making. In fact, devolution is expected to foster good governance and promote easy access of local communities to government. The three tiers of government namely: the central government, provincial and metropolitan councils (PMCs) and local authorities are expected to play different roles and functions in the implementation of the devolution agenda. The central government will be responsible for providing the policy direction, financing, creating the regulatory and legislative framework while PMCs will be responsible for initiating development programmes for their respective provinces. Local authorities on the other hand, will have the responsibility of representing and managing the affairs of people in urban and rural areas of Zimbabwe respectively.

Devolution is also expected to protect the interests of the marginalised communities and promote developmental equity across the country. Development in some of the districts and provinces has lagged behind partially due to under exploitation or utilisation of resources for the benefit of the local communities. Zinyama and Chimanikire (2019) noted that from a regional perspective, devolution presents an opportunity to correct historical injustices and entrench equity in the distribution of resources and other national development policies.

Implementation of devolution inevitably, brings with it new demands for institutional and human capacities across all the three tiers of government. Thus, failure to recognise and address these capacity gaps may derail implementation of the devolution agenda. For example, skills gaps in formulating development plans; accounting and utilising inter-governmental fiscal transfers as well as financial capacities to attract, recruit and retain critical technical competencies may undermine the achievement of devolution goals. Failure to address capacity gaps can undermine the implementation of devolution. Olum (2014) identified pre-conditions for successful implementation of devolution as robust institutional mechanisms; creation of spaces for effective citizen participation/engagement; political and civil will as well as capacity development at the local level among others.

Incidences of poor corporate governance; misuse of public funds; flouting of tender procedures; incomplete infrastructure projects and failure to produce financial statements on time noted in several Office of the Auditor General (OAG)'s reports could in part be attributed to capacity challenges within the central government and local authorities. These challenges are likely to be amplified if the implementation of the devolution agenda is rolled out without the adoption of deliberate efforts to address the identified capacity gaps and effective utilisation of existing capacities. It is in this regard that this discussion paper seeks to review challenges and capacity gaps of different tiers of government that can potentially undermine implementation of the devolution agenda.

This work is expected to stimulate discussion and dialogue on the strategies and actions required to strengthen institutional and human capacities across the different tiers of government in order to guarantee success in the implementation of devolution. This work acknowledges efforts that are already underway to set-up administrative structure, institutional, legislative and policy frameworks to guide the implementation of devolution. This includes the development of the intergovernmental fiscal transfer (IGFT) formula for distribution of devolution funds; memorandum of principles that will guide the drafting of the Provincial Councils and Administration Amendment Bill among others. This notwithstanding, capacity challenges across all the three tiers of government have the potential of undermining the pace of implementation. Thus objectives of this study is to review challenges and capacity gaps of different tiers of government that have potential to undermine implementation of devolution with a view to generate discussion and dialogue on what needs to be done to ensure successful implementation of the devolution agenda. This may entail identifying areas that need new capacities to be built; some of the areas with excess capacity that need to be channelled to deficit areas; and areas where capacity is underutilised or wasted. Ultimately if these capacity issues are not addressed the well-intended devolution objectives may not be achieved.

## **1.1 Objectives of the study**

Specifically, the study sought to:

- Assess the skills levels/mix; competences; capacity to mobilise own resources; capacity for planning, monitoring and evaluation; and implementation capacity of the three tiers of government to fulfil functions bestowed upon them by the Constitution of Zimbabwe
- Suggest policy interventions that Government may adopt to ensure the tiers of government are adequately strengthened to effectively implement devolution.

## 2. CAPACITY GAPS AND CHALLENGES AT CENTRAL GOVERNMENT LEVEL

Central government is responsible for providing the policy guidelines; creating IGFT systems; regulatory and legislative frameworks; providing oversight functions to lower tiers of government in the implementation of devolution of the devolution agenda.

This section provides a brief assessment of capacity gaps and challenges faced at central government level to drive the implementation of the devolution agenda.

### 2.1 Devolution Policy and Subsidiary Legislative Framework

Other country experiences show that the implementation of devolution is guided by constitutional provisions; subsidiary legislation on devolution as well as devolution policy guidelines articulating the roles and responsibilities on devolved mandates. The Constitution of Zimbabwe provides broad parameters for devolution and Government has pronounced itself through several policy documents including the Transitional Stabilisation Programme (TSP) and National Budget Statements. Several awareness and sensitisation workshops have been organised by diverse institutions at national, provincial and local government levels to articulate and unpack devolution issues.

However, the absence of detailed policy guidelines and subsidiary legislation that provides details on how devolution will be rolled out including the mandates that will be devolved to lower levels remains a missing link for the effective implementation of devolution. While government is already disbursing the 5% IGFT in compliance with the Constitution of Zimbabwe the gap created by the absence of the policy guidelines and subsidiary legislation is becoming more visible as challenges are being encountered in the utilisation of IGFT.

In terms of the legislative framework there already exists a number of pieces of legislation that govern local governance in Zimbabwe and these include the Constitution of Zimbabwe, Provincial Councils and Administration Act (Chap 29:11), Regional and Town and Country Planning Act (Chap 29:12), Urban Councils Act (Chap 29:15), and the Rural Councils Act (Chap 29:13). Section 264 of the Constitution of Zimbabwe provides for devolution of governmental powers and responsibilities. Legislative reform through the amendment of existing local governance laws to align them to the Constitution of Zimbabwe is still work in progress. For example the Urban Councils Act (Chap 29:15), and the Rural Councils Act (Chap 29:13) are being aligned to the Constitution of Zimbabwe to give greater autonomy to these tiers. Further, a number of Constitutional provisions such as Sections 265 (3); 266(4); 267 (2); 270 (2); 272(2); 272(7); 273(1); 274(5); 276(1) and (2); 278(2); 279 and 301 (1) provide for the implementation of devolution but still have not been given life.

Other pieces of legislation relevant to devolution include the Public Finance Management Act [Chapter 22:19], Audit Act as well as the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] and these require to be aligned to the Constitution of Zimbabwe. For example, the Public Finance Management Act [Chapter 22:19] will be amended to facilitate the allocation of sufficient resources for basic social services and economic development at the local level<sup>1</sup>. The Audit Act requires to be amended to include provisions that censure entities that fail to account for money allocated to them through Treasury. The Public Enterprise Corporate Governance Act [Chapter 10:31] governs central government but local governments are not bound by this Act despite governance challenges crippling their operations. In addition, the legal reform needs to restructure and realign the provisions in the various Acts such as the Environmental Management Act [Chapter 20:27]; Public Procurement and Disposal of Public Assets Act [CAP 22:23]; as well as Mines and Minerals Act [Chapter 21:05] among others with the Constitutional provisions on devolution.

While Government has initiated the crafting of the Provincial Councils and Administration Amendment Bill and development of policy guidelines, concerns have been raised by stakeholders regarding the slow pace of the process. For example, the Ministry of Local Government drafted memorandum of principles in 2018 for approval by Cabinet upon which a Bill would be drafted. Delays in passing the Provincial Councils and Administration Amendment Bill will further delay the establishment and operationalisation of PMCs which are spearheading economic development at the provincial level as stipulated in the Constitution of Zimbabwe.

The absence of the overarching policy guidelines, subsidiary legislation providing details on devolved mandates and delays in realigning of other pieces of legislation relevant to devolution could reflect capacity challenges within central government to expedite these processes. For example, the Parliament of Zimbabwe (PoZ) Institutional Strategic Plan (ISP, 2018-2023) highlights a number of challenges and capacity gaps that could undermine its capacity to support the implementation of devolution. The PoZ ISP was developed within a context of *“limited funding of Parliament administration; Parliamentarians ill equipped for their job; inadequate skilling and staffing of Parliament administration and a political system that strengthens the powers of the Executive through the whipping system-see p. 13 of ISP”* which have implications to Parliament to deliver on its mandate which include enactment of laws. Capacity building to address capacity gaps at individual and organisational levels is seen as key strategy to enhance the oversight and legislative roles of Parliament. Annex I of the ISP on p. 37 outlines a detailed Problem Tree in which the capacity gaps and challenges which undermine the work of Parliament are identified. For example, Parliament acknowledges within this Annex that there is: slow alignment of laws to the Constitution of Zimbabwe; that quality of laws is compromised and that Parliament is not effective in its oversight roles.

<sup>1</sup><http://kubatana.net/2018/09/19/full-text-state-nation-address-president-mnangagwa-opening-parliament/>

Some of the reasons given for slow alignment of laws to the Constitution of Zimbabwe include lack of capacity in the Executive for drafting legislation; limited numbers of legal staff in Ministries; reluctance in the Executive to push Bills; lack of technical knowledge among Parliamentarians and Committee members to execute their mandates; and limited funding for capacity building of staff among other factors detailed in the Problem Tree alluded to above. Further, there is no consensus among all the relevant stakeholders on the form, content and funding of devolution in Zimbabwe thus partially explaining the delay. Failure to articulate the true nature of devolution framework to be implemented in Zimbabwe, at the legal level leaves people to interpret it differently. The current legal framework neither provides for monitoring and evaluation nor for norms and standards that should guide the tiers of government in the implementation of devolution.

## **2.2 Intergovernmental fiscal transfer (IGFT) system**

The sixth devolution objective in Section 264 (2) (f) of the Constitution of Zimbabwe is to transfer responsibilities and resources from the national government in order to establish a sound financial base for each PMC and local authority. It is therefore a Constitutional responsibility for central government to transfer resources to the PMCs and local authorities to ensure that devolution activities are funded. Section 301(1) (d) mandates the central government to transfer at least 5% of the national revenues to the devolved areas. Government has provided guidelines that specify what these funds are to be used for. The funds are supposed to be used for infrastructure development in the provision of water, health, education and roads. In 2019, a total of ZWL\$703 million was allocated for the (IGFT). For 2020, Government has allocated ZWL 2.9 billion for Provincial Councils and Local Authorities. The funds will be distributed to the lower tiers of government, in line with the agreed formula, targeting projects that have already been identified by local authorities (Government of Zimbabwe, 2019a). Lack of capacity within the lower tiers of government to develop bankable infrastructure projects, carry out feasibility studies, plan and speedily execute procurement of capital equipment and consumables in line with the Procurement and Regulatory Authority of Zimbabwe (PRAZ) is resulting in erosion of value of allocated resources due to inflation.

One major challenge the central government faces is the fiscal space to timely disburse resources to the PMCs and local authorities as planned. Delays in disbursements lead to delays in project implementation, escalation of costs necessitated by the unstable macroeconomic environment and frustration among project implementing agencies. Local authorities, inevitably have to review and reprioritise their projects implementation schedules in line with available resources. This results in them missing projects completion targets and many projects remaining as work in progress way beyond their initial project completion dates.

Local authorities reported that they received between 24% and 59% of their IGTF allocations in 2019 as shown in Table I.

**Table I: Examples of disbursements against budget allocations as at 19 December 2019**

Local Authority	2019 total Grant allocation (ZLW\$ million)	Amount disbursed (ZLW\$ million)	Disbursement as a share of the allocations (%)
Mvurwi Town Council	2.902	1.7	58.6
Rushinga RDC	3.078	1.1	35.7
Muzarabani RDC	6.154	1.5	24.4
Bindura RDC	6.014	1.5	24.9

*Source: Study field visits to the Rural District Councils*

Late disbursement of devolution transfers points to the capacity challenges by the central government to manage fiscal decentralisation. Some of the outstanding balances were disbursed in January 2020.

## 2.3 Capacity Gaps and Challenges in Key Ministries

The Ministry of Local Government and Public Works and Ministry of Finance and Economic Development have critical roles to play in fostering transparency and accountability by the lower tiers of government in devolution implementation. The Ministry of Local Government and Public Works for example, plays a pivotal role in the implementation and supervision of the two lower tiers of Government i.e. the PMCs and local authorities. As per the 2020 National Budget, the Ministry's policy priorities linked to devolution for the period 2020 – 2022 include:

- Capacity building for local authorities
- Revamping of sewer systems; rehabilitation of water reticulation systems; as well as facilitation of local production of water treatment chemicals
- Formulation of the Provincial Councils and Administration Amendment Bill and amendment of the Urban Councils Act , Rural District Councils Act; Municipal Courts and Police Act
- Capacitating the mobility of Provincial and District Development Coordinators to facilitate implementation of devolution
- Government infrastructure provisions and maintenance
- Accounting for devolution funds and monitoring of earmarked projects

The Ministry of Finance is responsible for resource allocation and disbursements to all the tiers of government as well as funding the Public Sector Investment Programmes (PSIP) construction projects critical for providing the requisite infrastructure. Capacity challenges with regards to timely approval of local authorities budgets including their project implementation plans and timely disbursements of funds is undermining the completion of infrastructure projects and ultimately infrastructure services delivery. These challenges are compounded by the non-synchronisation of the central government and local authorities' budget cycles.

The Ministry of Local Government and Public Works highlighted the need for capacity building in the area of effective stakeholder consultations/citizen engagement. Building consensus within the communities on project prioritisation for example, is key to successful project implementation as it improves stakeholder buy-in and ownership. Lack of coordination and information sharing between central government and local authorities was also noted as an area that undermines national infrastructure projects that are implemented in the local authorities' jurisdictions. Information sharing particularly between project engineers, monitoring and evaluations officials in central government and local authorities would enhance transparency and accountability to the local communities who are the ultimate beneficiaries of the infrastructure service delivery. For example, officials in local authorities in particular rural district councils interface with contractors implementing national road projects more frequently than ministry officials at head offices and hence would benefit from regular feeds on progress of project implementation if there was a structured framework for information sharing.

### **2.3.1 Relations with other tiers of government**

One key responsibility of the central government under devolution is supervision of the lower tiers of government. Supervision takes many forms namely regulation, monitoring, support and intervention (Chigwata, 2019). This role however, requires to be executed in such a manner that it preserves the autonomy of the local authorities. Boex and Ylman (2010) supported this view by highlighting that since the 1990s, increasing recognition has been given to the fact that the effectiveness of decentralised local governance depends to a great extent on the institutional space that is created by the central government for the local public sector.

Centralisation of revenue sources previously meant for local governments such as toll fees by Zimbabwe National Roads Administration (ZINARA); motor vehicle licensing; as well as the management of water resources by Zimbabwe National Water Authority has been cited as a major challenge in revenue mobilisation by local authorities. It has been argued that this starves the local authorities of the much needed financial resources for their operations. In some instances, it stripped the local authorities of a function that generated up to 80 percent of their revenue (Mapuva and Miti, 2019). Further, the collection of land rental and unit taxes

from A1 and A2 farmers fell under the responsibility of the Ministry responsible for Land rather than the local authorities themselves since June 2015 although this was later reversed. In a devolved system for example; management of roads, water, education and health is devolved to local governments (Mapuva and Miti, 2019). Thus, the scope and space for revenue mobilisation by lower tiers of government need to be discussed and common win-win position/revenue sharing formula be agreed upon to capacitate the lower tiers of government to effectively play their role in the implementation of the devolution agenda.

Further, despite the 5% budget revenue that local authorities and PMCs receive through the IGFT, revenue derived from exploitation of natural resources such as minerals and wild life resources have potential to unlock their developmental resources. Achievement of vision 2030 is premised on increasing productivity and enhancing provincial gross domestic product (GDP). In this regard a clear policy on the exploitation of natural resources and revenue sharing needs to be clearly articulated to incentivise innovation and enhancement of productivity within the local economies in the spirit of devolution. The fourth objective of devolution of governmental powers and responsibilities as espoused in Section 264 (1) (d) is to recognise the right of communities to manage their own affairs and to further their development. This may be achieved by using resources found in their areas hence the need for clear policy guidance. The Government of Zimbabwe (2018a) committed that the central government will devolve more powers to provincial councils and local authorities that will craft provincial and local authority economic development plans underpinned by resource endowments in the Province. Thus, clarity on the extent of lower tiers' access to local resources is imperative.

Section 265 (3) of the Constitution of Zimbabwe stipulates that an Act of Parliament must provide appropriate mechanisms and procedures to facilitate coordination between central government PMCs and local authorities. It is highly likely that there will be competition for power between the tiers as well as between the central government officials residing in the devolved areas. If this competition is not managed it may stifle the successful implementation of the devolution agenda. It is therefore expected that the envisage Act of Parliament will clearly define roles and responsibilities; parameters for the three tiers of government to avoid duplication. ZEPARU, (2019) underscored the need for a devolution plan or guidelines that further clarify division of tasks, functions and responsibilities between line ministries and the local authorities to reduce potential conflicts on the ground.

The Act must further clarify on how central government officials in devolved areas will interface with lower tiers of government i.e. it must clarify who is in charge and who is accountable. Moreso, the Act has to clarify on the role of the Provincial Ministers as current framework is silent. Further, the sitting of the Parliamentarians in the PMCs presents a conflict of interest on oversight role vs executive role by PMCs as alluded to above and the Provincial Councils and Administration Amendment Bill is expected to address this.

### 2.3.2 Capacity issues and challenges

Governance, planning, architecture, surveying engineering, monitoring and evaluation procurement and efficient and effective service delivery among others, are key for central government if devolution is to be a success hence the need for capacity building in these areas. The competence as well as the effective coordination of these institutions will determine the success of devolution.

#### I) Skills inadequacy

One of the major challenges that is likely to compromise the competency of the central government relates to adequacy of staff in key central government institutions responsible for facilitating the implementation of devolution. The OAG for example, has an approved staff establishment of 380 but 75 of these were vacant as at September 2019 (Government of Zimbabwe, 2019b). Similarly the Ministry of Local government and Public Works has an approved establishment of 3,809 but 761 posts are vacant (Government of Zimbabwe, 2019b). Weak institutional capacities particularly the adequacy of personnel with the requisite skills and competences to monitor the implementation of devolution or tracking the utilisation of devolved budgets can compromise the achievement of devolution objectives (ZEPARU, 2019).

The OAG's Report (2019a) revealed that there was no evidence to show that the Ministry Local Government and Public Works was utilising the services of the professionals in the departments of Architecture, Surveying, Maintenance and Engineering within the Ministry. Despite the fact that the Ministry highlighted that it is best practice in construction industry that you do not supervise your own work; it also disclosed that some of the projects are too big for the internal capacity. This implies that the Ministry of Local Government and Public Works is limited in terms of these skills that are critical for guiding the local authorities and PMCs in developing their areas.

The Central Government further suffers from huge skills gaps in engineers and planners. This is evidenced by the fact that the Urban Development Corporation that was set up for town planning by providing a technical reservoir for the local authorities is undermanned in terms of engineers and planners as these left for better opportunities. Skills retention challenges, staff loss and the general public sector capacity regression means that adherence to standard operating procedures is rare (Chatiza, 2019).

There are also challenges on finance and auditing as highlighted in the annual reports of the OAG. In fact, there are challenges at central government in relation to the accounting for resources. This has potential in breeding a bad accountability culture in the lower tiers of government where huge capacity gaps have been identified in the human skills and systems

to generate reports and run online accounting. In order to address the challenges, the government agreed to come up with the professionalisation programme for accountants and auditors in the civil service for them to be acquainted with the ever changing international standards in these professions. The civil servants in these departments are expected to undergo training to capacitate them with new skills and competencies. The programme is being spear-headed by the Public Accounting Office, Treasury with financial support from DFID. If this programme is implemented as planned, it can go a long way in closing the financial skills gaps in the three tiers of government. If not addressed however, transparent accounting of the public resources used in the implementation of the devolution agenda will remain a challenge.

## **ii) Capacity for planning , implementation and monitoring and evaluation**

Implementation of devolution requires adequate planning as well as monitoring and evaluation capacity on the utilisation of devolution resources at the central government level. These skills seem be inadequate. The Parliament ISP (2018-2023) Annex I on p. 37 highlighted that the OAG is unable to table timely audited reports to Parliament. Some of the reasons given for this include:

- i. Inadequacy of OAG personnel to cover fully the public sector;
- ii. Limited knowledge by the audit officers and supervisors to fully carryout their duties effectively and efficiently;
- iii. Limited organisational capacity (systems, policies, strategic plans etc.);
- iv. Inadequate audit and operational tools such as computers, motor vehicles and software licences and
- v. High staff turnover in the OAG's Office.

These challenges and capacity gaps within the OAG if not addressed will present further challenges to the OAG to effectively execute its mandate as the scope of work increases with the rolling out of devolution. The OAG's mandate is to audit the accounts, financial systems and financial management of all the departments, institutions and agencies of Government; all PMCs and all Local Authorities (Government of Zimbabwe, 2019b).

*Poor project management.* The OAG's Report (2019a) highlighted significant failures in project implementation under the Public Sector Investment Programmes (PSIP) construction projects. This is despite the fact that the projects are critical in the provision of the much needed infrastructure that will ensure effective implementation of devolution. The report shows that there were 232 outstanding works on Government Projects from all Provinces and 74 of these were stalled. The PSIP construction projects were not planned with the participation of Public Works Project Team which has the technical and professional expertise on construction works. The OAG also attributed the poor project success to the decentralisation of construction projects to line Ministries and the

implementation of multiple projects at the same time without adequate funding being released by Treasury (OAG, 2019a). Zimbabwe's infrastructure is either dilapidated due to poor maintenance or inadequate due to underinvestment in the construction of new infrastructure. AfDB (2019) observed that there has been deterioration across all major infrastructure services in the country over the past decade, reflecting poor maintenance and limited new investment in key infrastructure such as power and transport services. The Government's policy stance is that each Province and Local Authority will transform itself into an investment and economic zone, with its own GDP, and with the capacity to venture, with consent from Central Government, overseas in its own right to mobilise foreign direct investment (Government of Zimbabwe, 2018). Capacity challenges in addressing the infrastructure gap may jeopardise the devolution agenda given the strategic importance of infrastructure in economic development.

*Weak monitoring and evaluation capacity.* The capacity challenges in the OAG as noted above compromise the office's oversight role. Currently, the OAG has no capacity to audit the central government; state owned enterprises and local authorities' books but relies on outsourced audit services for some parastatals and local authorities. The extent of the incapacitation is highlighted in section 2.3.2 (ii) of this report. With the operationalisation of the PMCs tier through implementation of devolution, this challenge will even be more pronounced thereby exposing the public funds to misappropriation. Further, this will be misaligned to Section 298 (1) (a) of the Constitution of Zimbabwe, one of the principles guiding public finance in Zimbabwe, that provides that there must be transparency and accountability in finance matters.

The other issue is that there is no institution that really monitors the local authorities and OAG does not have administrative powers to compel the local authorities to timely produce financial statements. This gives the local authorities the laxity to have their financial statements on time.

### **2.3.3 Funding and its timely disbursement**

One big challenge facing the central government is that of inadequate funding and the timing of its disbursement. For example, the OAG is not adequately funded to fully execute its mandate. This Office was allocated 0.24% of the National Budget in 2020. In contrast, the Auditor General of South Africa's funding model targets 1-4% of the audit outcome and in 2018/19 it received 2.4%<sup>2</sup>. The 2020 Budget Estimates reveal that the OAG was allocated \$20,903 million in 2019 but only 36.6% had been disbursed as of 30 September 2019. A similar scenario of late disbursements that are below the budget allocation was encountered in 2018. The OAG was allocated \$5,058,000 in the 2018 Budget. Of this amount, Treasury releases by September 2018 amounted to \$2.4 million and that was expected to reach \$3.2 million by the end of the year. This resulted in the Audit Office conducting audit tours for

<sup>2</sup> <https://pmg.org.za/committee-meeting/29037/>

local authorities whose coverage was a mere 3% and for parastatals at 50%, percentages that are not satisfactory (Parliament of Zimbabwe, 2018). This compromises the role of the Audit office in fostering transparency and accountability of public resources and negatively impacts on public service delivery as resources will be open to misappropriation as alluded to above.

Another issue is that the OAG is funded by the Treasury, which is also its auditee. This tends to compromise its independence as audit results may determine the level and timing of the funding to the Office.

Similarly, state enterprises are insufficiently resourced to adequately support local authorities delivering their services. In terms of power, Zimbabwe suffers a huge deficit due to incapacitations. Zimbabwe Electricity Supply Authority (ZESA), is currently producing around 571 MW<sup>3</sup> against power demand of about 2,200 MW<sup>4</sup> per day. This significantly affects local authority service delivery including local communities' payment of bills particularly to those authorities that have not yet invested in solar powered systems.

### 2.3.4 Systems challenges

- *Limited systems interface between the central government and the local authorities.* In terms of systems the central government has a SAP accounting system but local authorities have different systems that do not interface. This implies the need for central government to provide resources for hardware and software for them to be able to monitor activities and consolidate data at the central government level. Central government's monitoring role on the other tiers of government can only happen if the other tiers have the same/compatible systems. Similarly, there are weak linkages between the state enterprises and the local authorities. Most state enterprises are not currently connected and accountable to local and provincial-metropolitan authorities but yet they are critical to local service delivery and development (Chigwata and Sithole, n.d).
- *Absence of manuals and other indicators key for devolution implementation.* Fiscal transparency and accountability indicators and other guidelines for the local authorities are yet to be put in place. More so, there are no performance management indicators to guide the operations of the local authorities. Output is linked to expenditure rather than performance. This may compromise the monitoring and evaluation function of the central government to the lower tiers of government. In addition, the Ministry of Local Government and Public Works does not have a register of all designated State lands. This may result in the Ministry double allocating land to land developers and/or local authorities if there are inadequate records. Further, the quantity of land available for distribution may not be known

<sup>3</sup> Power generation statistics on <http://www.zpc.co.zw/> as at 7 January 2020.

<sup>4</sup> Government of Zimbabwe (2018b) The 2019 National Budget Statement. 'Austerity for Prosperity' <http://www.veritaszim.net/node/3343>

with accuracy if records are not properly maintained (OAG, 2019a). The challenge is that state land becomes more open to fraud thereby militating against government goals of empowering local communities through provision of land on which they can conduct various economic activities under devolution.

- A draft Inter-Governmental Fiscal Transfer Administrative Manual to guide the utilisation of the devolution resources by the PMCs and local authorities is in place. Some local authorities have reported that they are already facing political interference by Members of Parliament who seek to control and direct the use of the IGFT funds thereby determining the priority projects to be implemented by council. Prioritisation of projects based on political considerations as opposed to economic consideration may undermine the potential for such projects to become game changers in improving production and productivity of local communities as well as service delivery.
- *Results Based Management (RBM)* emphasises on results produced e.g. output, outcome and impact. Administrators therefore need to be capacitated to craft strategic plans in line with integrated performance agreements stipulated in the RBM. The RBM at central government level is not being followed the way it was introduced. Financial resources for its implementation have been a challenge owing to limited fiscal space. The RBM system needs to be promoted and adopted under devolution to ensure consistency in the planning frameworks across all the tiers of government. This is in line with the integrated Results Based Planning Framework being adopted in the development of the National Development Strategies/Plan which will succeed the TSP.

### 2.3.5 Governance challenges

*Corruption Challenges-* A concern raised by stakeholders within the context of implementing devolution is the possibility of devolving administrative deficiencies including corrupt practices that have been associated with some central government institutions<sup>5</sup> to lower tiers of government. For example, various reports from the OAG expose poor corporate governance and rampant corruption in the form of misuse of public funds, flouting of tender processes among deficiencies in several state owned enterprises. Mapuva and Miti (2019) observed that although ZINARA collects licence fees and toll fees, the disbursement of the revenue for upgrading and repairing roads remains non-transparent. The public media has been carrying stories alleging abuse of office in ZINARA<sup>6</sup>.

The Zimbabwe Anti-Corruption Commission (ZACC) was established to fight corruption in line with Section 254 of the Constitution of Zimbabwe. However, ZACC as a new

<sup>5</sup> <https://www.newsday.co.zw/2019/04/corruption-in-govt-institutions-run-deep-president/>  
<sup>6</sup> <https://www.theindependent.co.zw/2018/10/12/multi-million-dollar-scandal-rocks-zinara/>;  
<https://www.theindependent.co.zw/2019/03/08/zinara-chefs-face-corruption-probe/>;  
<https://www.herald.co.zw/ex-zinara-boss-explains-his-millions/>;

Commission inevitably faces a number of capacity challenges which have potential to undermine effective execution of its mandate to fight corruption. To this end, the Government through the 2020 National Budget committed to strengthening internal control systems; developing and implementing a national anti-corruption strategy aligned with good practice principles with periodic monitoring and evaluation results; enacting whistle blower legislation and protection, in line with leading practice; and capacitating institutions established to fight corruption among others. In this thrust by Government, ZACC has been given arresting powers. The initiative to computerise government systems under the –governance programme would reduce human interface and hence corruption. The recent training of ZACC and Judiciary Officers by Ugandan judge sought to address identified capacity gaps. However, capacity building is not an event but a process given the dynamic nature of corruption. ZACC and other oversight institutions need to be capacitated the deal with emerging challenges within the context of fighting corruption and enhancing transparency and accountability in government processes. More so, the fight against corruption can only be successful with an educated and engaged citizenry. Currently ZACC is centralised thus it is thin on the ground and not as accessible to the generality of Zimbabweans. Plans are underway to decentralise the Commission but this should be expedited if the Commission is to effectively execute its mandate.

Another point to note is that different arms of the State are involved in combating corruption. For example, after ZACC has done thorough investigations and arrests; it refers the cases to the National Prosecution Authority that will work with the courts to bring justice to the perpetrators of corruption. Consulted stakeholders have raised concerns with regards to the speed with which reported cases are investigated; delays in convicting and compelling the perpetrators of corruption to reimburse the ill-gotten wealth. Thus, efforts for combating corruption need capacitation of the whole criminal justice system for it to work in a more coordinated, speedy and effective manner to ensure convictions and recovery of stolen public and private assets.

### **2.3.6 Weak coordination**

In general, devolution entails the transfer of decision-making power and responsibility over policy implementation to lower tiers of government. Inevitably capacity to co-ordinate policy and development initiatives at the central government and the other tiers of government becomes important. Lack of co-ordination can lead to costly duplication of functions within the three tiers of government. This may lead to unnecessary resource leakages and ineffective performance which undermines the benefits derived from a devolved system of governance.

Procurement has been delegated to Accounting Officers within public institutions i.e. Ministries, Parastatals, PMCs and local authorities. However, lack of long term procurement planning and weak co-ordination among local authorities with regards to procurement of

equipment and consumables for infrastructure projects could add additional expenses than under a centralised system of government. Adoption of inappropriate procurement methods could also lead to unnecessary loss of public resources through the procurement processes. Long term procurement planning and co-ordination of purchases especially of pieces of capital equipment i.e. for road construction could result in saving due to economies of scale. Adoption of inappropriate procurement methods and loss of value due to delayed procurement processes within public institution could be reflective of capacity challenges of which the PRAZ needs to address through a comprehensive training and awareness programme. The procurement training and awareness programme could help in addressing procurement challenges being observed through the implementation of IGFT funded infrastructure projects within local authorities. More so, PMCs and local authorities will inevitably compete for domestic and foreign investment under devolution where there is weak policy co-ordination within the context of the whole government approach.

Consulted stakeholders also observed another area that shows central government failure to foster policy coordination as reflected in the recent indigenisation and economic empowerment policy reforms. In 2017, all the minerals were removed from the reserved list of sectors earmarked for citizens of Zimbabwe except for platinum and gold. Through the 2018 Finance Amendment Bill government further amended the Indigenisation and Empowerment Act, by removing platinum and diamonds from the reserve list and shareholding will depend on negotiations with investors (Government of Zimbabwe, 2019c). Stakeholders noted that these reforms took away the legal obligation to mining companies to contribute towards local development through community share ownership. More so, this move has been viewed as taking away the local community ownership of resources endowed in their areas which they must use for development in line with Section 264, 2(d and e) of the Constitution of Zimbabwe.

### **2.3.7 Harsh macro-economic environment**

The harsh macro-economic environment characterised by high inflation rates (i.e. 521% year on year), and high levels of indebtedness at the national level will undermine efforts to mobilise investment funding by lower tiers of government to achieve the upper middle income status envisaged in Vision 2030. Furthermore, the high inflationary environment will lead to loss of value of funds allocated to infrastructure projects through the IGFT which is already threatened by weak project implementation capacity. The economic environment is also characterised by a shortage of electricity, water; foreign currency shortages<sup>7</sup> critical for imports such as fuel, power, essential medical drugs and critical raw materials for industry), have potential to undermine implementation of the devolution programmes

Further, the economy shrunk by 6.5% in 2019 and is expected to grow by 3% in 2020 (Government of Zimbabwe, 2019a). The current harsh macro-economic environment and

poor economic performance of the economy also point to capacity challenges within central government to craft and implement economic policy reforms that place the economy on higher and sustainable growth path.

In addition, the country's business operating and regulatory environment is not business friendly. For example, Zimbabwe has been ranked 140<sup>th</sup> out of 190 economies of the world on the 2020 World Bank Ease of Doing Business Index. The ease of doing business index provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency<sup>8</sup>. Under performance in the ease of doing business indexes reflects the high cost of doing business and low levels of competitiveness within the country. If the constraints to ease doing business are not urgently addressed, they may undermine the benefits that should be derived from a devolved system of governance.

<sup>7</sup> In 2018, Zimbabwe's foreign currency reserves were equivalent to 0.4 months against the recommended 3 months cover by IMF or the agreed SADC macro-economic convergence target of 6 months.

<sup>8</sup> <http://www1.worldbank.org/publicsector/decentralization/fiscal.htm#3>

### 3. CAPACITY GAPS AND CHALLENGES IN PROVINCIAL AND METROPOLITAN COUNCILS (PMCS)

#### 3.1 Institutional framework at provincial levels

Zimbabwe has a total of 10 provinces, namely Mashonaland Central, Mashonaland East, Mashonaland West, Manicaland, Masvingo, Midlands, Matabeleland North, Matabeleland South, Bulawayo and Harare. Part 2 of Chapter 14 of the Constitution of Zimbabwe ( provides for the establishment of provincial PMCs within provinces. The Constitution of Zimbabwe requires that the two mainly urban provinces of Harare and Bulawayo be governed by metropolitan councils whilst the other eight provinces be governed by provincial councils. The PMCs are tasked with the responsibilities of overseeing and managing the socio economic development within their respective provinces. According to Section 270 of the Constitution of Zimbabwe the provincial council is tasked with:

- i. planning and implementing of social and economic development activities;
- ii. co-ordinating and implementing governmental programmes in its province;
- iii. planning and implementing measures for the conservation, improvement and management of natural resources in its province;
- iv. promoting tourism in its province, and developing facilities for that purpose;
- v. monitoring and evaluating the use of resources in its province;
- vi. exercising any other functions, including legislative functions that may be conferred or imposed on it by or under an Act of Parliament.

The Act of Parliament referred to in Section 270 (2) of Constitution of Zimbabwe is expected to provide for the establishment, structure and staff of the PMCs and the manner in which they exercise their function. Thus, the delays in enactment of Act of Parliament to operationalisation of the PMCs will further constrain the implementation of devolution by this tier of government. Furthermore, PMCs are expected to be accountable collectively and individually to residents of their province and national government for the exercise of their functions. There is anxiety on the part of residents to see action in driving the devolution agenda in a co-ordinated way by the PMCs.

Membership of PMCs as defined in Sections 268 and 269 is composed of elected officials who are mainly politicians and supported by a secretariat composed of civil service officials. The administrative structures of PMCs are not fully capacitated to undertake their mandates. Section 265 of the Constitution of Zimbabwe states the general principles that PMCs must adhere to and these include;

- ensuring good governance by being effective, transparent, accountable and institutionally coherent;

- assume only those functions conferred on them by this Constitution or an Act of Parliament;
- exercise their functions in a manner that does not encroach on the geographical, functional or institutional integrity of another tier of government;
- co-operate with one another, in particular by informing one another of, and consulting one another on, matters of common interest, harmonising and co-ordinating their activities;
- preserve the peace, national unity and indivisibility of Zimbabwe;
- secure the public welfare; and
- ensure the fair and equitable representation of people within their areas of jurisdiction

Thus, delays in the amendment of Provincial Councils and Administrative Act (Chapter 29:11) for it to be aligned with the Constitution of Zimbabwe, is subsequently deferring the full operationalisation of PMCs. The legislative framework should spell out how the devolved powers are to be exercised and this includes setting standards which must be adhered to when the PMCs perform their functions<sup>9</sup>. It has been argued that for devolution to be successful there should be clear demarcation of functions among the various levels of government and appropriate administrative support structures have to be put in place thus there is need to train personnel and establishing horizontal linkages among various agencies and departments<sup>10</sup>.

### 3.2 Existing Structures at provincial government level

There are already existing structures at the provincial level to which the new provincial council will be accommodated. Through the Ministry of Local Government and Public Works, the central government already had office of the provincial administrator that was responsible for coordinating government programmes and activities within the province. These structures are expected to offer secretariat services to the PMCs through coordinating their activities and undertaking key technical services. It has been observed by some stakeholders<sup>11</sup> that the use of existing Provincial Administrators/ Provincial coordinators office structures which directly report to central government results in centralisation of power and undue political interference. Recruitment of competent personnel with a track record of public administration<sup>12</sup> has been noted as key in capacitating PMC secretariats. Promotion and driving of economic development agenda within provinces requires building capacity and competences in economic development and spatial planning. All provinces have agricultural land as a key resource and thus developing and

<sup>9</sup> <http://www.justice.gov.zw/imt/wp-content/uploads/2017/11/Legal-Advisory-Opinion-on-Chapter-14-of-the-Constitution.pdf>

<sup>10</sup> T. Zinyama and D.P. Chimankire The nuts and bolts of devolution in Zimbabwe - designing the provincial and metropolitan councils; Volume 11 Number 2,

<sup>11</sup> Jun 2019, p. 148 <https://journals.co.za/content/journal/10520/EJC-18123d8bbb>

<sup>12</sup> i.e. Centre for Community Development in Zimbabwe (CCDZ) and Harare Residents Trust (HRT).

<sup>12</sup> Policy brief on the implementation of devolution in Zimbabwe: Recommendations on the Structure/Composition, Functions and Funding of Provincial and Metropolitan Councils (PMCs); <http://kubatana.net/wp-content/uploads/2018/11/CCDZ-HRT-POSITION-PAPER-ON-IMPLEMENTATION-OF-DEVOLUTION-.pdf>

implementing programmes to enhance agricultural production and productivity will provide a basis for establishing agro-processing industries that will further unlock value within these provinces.

### **3.3 Challenges and capacity gaps**

Setting and staffing of administrative structure for PMCs secretariats and enactment of the enabling subsidiary legislation to operationalise PMCs are key in ensuring the activation of this tier of government. The office of the Provincial Development Coordinator which was formerly called the Provincial Administrators Office has largely been a department under the Ministry of Local Government and Public Works relying mostly on skills and expertise provided by its head office. The new role of the Provincial Development Co-ordinators and the designation of the PMC as another tier of government means that this office needs to be capacitated with the requisite skills to fully support the planning and implementing; monitoring and evaluation of social and economic development activities in the provinces. This may entail undertaking a detailed capacity needs assessments for each province to establish the extent of capacity gaps and the requisite strategies to address these capacity gaps.

Inclusion of all the Members of the National Assembly and Senators elected from the province in the PMC which has Executive functions introduces potential conflict of interest and undermines the oversight role of Parliament on the Executive. In this regard the principle of the separation of powers as reflected in Constitution of Zimbabwe Section 3 (2e) between the Executive and Legislative branches of State needs to be upheld. Furthermore, the Constitution of Zimbabwe is silent on the role of Provincial Ministers of State in the administrative structure of the PMC. However, the Provincial Ministers of State have been driving the sensitisation and promotion of devolution within their provinces. Thus, a framework needs to be developed to facilitate harmonious working relationships with Provincial Administrators and Chairpersons of PMCs.

## 4. CAPACITY GAPS AND CHALLENGES IN LOCAL AUTHORITIES

### 4.1 Local authorities skills levels and mix

Section 264(1) of the Constitution of Zimbabwe places a condition for the devolution of governmental powers and responsibilities to local authorities. It states that the powers and responsibilities will be devolved to those local authorities that are competent in effectively and efficiently discharging such powers and responsibilities. This implies that local authorities should have appropriate skills and skills mix to effectively and efficiently execute their mandate.

Most of the councillors who are supposed to make policy and give oversight on the operations of the Executive do not have the skills and expertise to do so. For example, the OAG's Report(2019b) notes that in Harare the Council Committee responsible for finance did not have anyone with requisite accounting/audit qualifications which are necessary for playing an oversight role on council's resources.

The Handbook for Councillors highlights that a councillor should be able to conceptualise, formulate, manage and evaluate policies and programmes of action for the council. Councillors should also be able to monitor and evaluate the use of council resources be they financial, human or capital. However, councillors are not able to effectively discharge these duties because they lack the requisite skills. Zinyemba and Shumba (n.d) note that a councillor should have skills in budget analysis, policy formulation, legislative analysis, corporate governance, debate, leadership, strategic thinking, and effective communication, presentation and reading. In addition, the Handbook for Councillors identifies representation, consultation, decision making, negotiation, research and facilitation as some of the key competencies required for councillors to be effective in executing their mandate.

In Zimbabwe, the electoral and other relevant laws do not consider formal education and professional qualifications as minimum requirements for a person to be eligible to contest as a councillor. According to the laws, an aspiring councillor should be at least 18 years of age, be a registered voter in the area s/he wishes to represent and must have a clean criminal record. However, for councillors to be effective they also need to have formal education and professional qualifications as a necessary condition. Having formal education means that a person can relatively acquire new skills with ease, hence even if they do not have skills required for councillors they can be trained effectively. Councillors with professional qualifications and experience in the relevant areas of council responsibilities would most likely increase the effectiveness of council.

The selection process of councillors does not take into account the ideal characteristics of a councillor. As a result, some councillors wilfully break legislation that guides council business. For instance, the OAG Report (2019b) on local authorities highlights some cases where councillors use council resources for personal gain. Such instances are a result of councillors who lack the desired attributes of a councillor. The Handbook for Councillors indicates that a councillor should be respectable, honest, transparent, resourceful and committed and should exhibit integrity and empathy. With these qualities, issues of corruption and corporate governance violation would be kept minimal.

Unlike the case of Councillors, the Council Executive staff appointments take into consideration formal educational qualifications and the requisite technical skills and experience. However, because of limited budgets the local authorities are not able to recruit all the required skills. For example, some local authorities interviewed indicated that some departments are being operated by the heads of departments (e.g. procurement) without supporting staff. Some departments are also being operated by supporting staff without the key technical personnel such as engineers.

Most of the local authorities which were interviewed indicated that they had a Procurement Management Unit in line with procurement legislation. Although most of the local authorities have the procurement management units, some of these units are manned by the head of procurement without any supporting staff. Most of the Procurement Management Units are not well acquainted with procurement laws and regulations. This is understandable because these procurement laws and regulations were promulgated recently; hence there is a lot of learning that has to be done.

However, there are some local authorities that still do not have a Procurement Management Units. As a result, these local authorities were sitting on large sums of the IGFT funds<sup>13</sup> without utilising them because of lack of expertise on the requisite procurement processes.

Although most of the local authorities have an internal audit function, it was observed that this function is not visible in local authorities. This is partly the reason why the OAG has been reporting numerous issues against local authorities. In 2019 the OAG reported a surge in the number of governance violations from 49% in 2017 to 67% in 2018. Operating without policy and procedure manuals and violation of statutory requirements were some of the governance issues raised against local authorities. The current systems are weak and open to the risk of manipulation, fraud and undetected errors, resulting in potential loss of revenue and assets.

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<sup>13</sup> When the fieldwork was conducted in December 2019

Most of the local authorities are not proficient in the area of financial accounting. Most of them are failing to produce audited financial statements on time. According to the OAG's (2019b) Report on local authorities, only 3 out of 92 local authorities had audited financial statements for 2018, while 19 were working on the statements and 70 had not submitted their financial statement for audit as at 31 May 2019. This shows that most of the local authorities have limited capabilities in timeously producing financial statements. The OAG's Report also shows that the books of accounts for local authorities have inconsistencies such as non-reconcilable balances, and variances between similar entries in different books of accounts. It was highlighted that the Public Financial Management Act [Chapter 22:19] did not have adequate provisions that punish misbehaviour and noncompliance with financial management issues such as production of financial statements and instances of qualified audit reports.

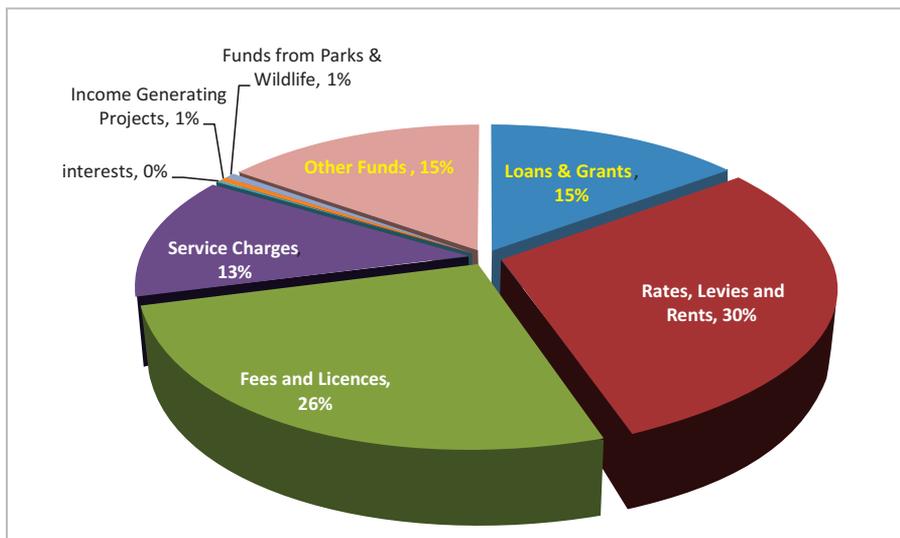
Some of the reasons explaining shortages of staff at local authorities include limited budgets and the Ministerial Directive CX 1/54 of 29 September 2010 which barred local authorities from employing staff members without Ministerial approval.

## **4.2 Local authorities capacity to mobilize own resources**

Under Section 276(2b) of the Constitution of Zimbabwe, local authorities are given power to raise revenues that are sufficient to carry out objectives and responsibilities subject to other relevant laws. Devolution will expand the roles and responsibilities of local authorities. This implies that they will require more revenues to meet those responsibilities. Therefore, it will be important for local authorities to have strong revenue mobilisation capabilities.

The sources of revenue for local authorities include property taxes (rentals and hire charges), user fees/charges, license/permit fees, profits from income generating projects, inter-governmental fiscal transfers, borrowing, interest, levies, royalties, special rates, sale of assets and official development assistance.

Property taxes (rates, levies, rates, etc.) are the main contributor to local authorities revenues at 30% of total revenues (see Figure 1). Property taxes also have a great potential to improve. The OAG's Report (2019b) noted that some local authorities had out dated property valuation and tariff determination models. This implies that the taxes and tariffs levied by these local authorities are less than those implied by the current market values of the properties.

**Figure I: Sources of revenue for local authorities, 2018**

Source: Ministry of Local Government, Public Works and Housing Development, 2019

Fees and licences are the second highest source of revenue for local authorities contributing about 26% of total revenues. Subdued economic activity which is reflected in the expected contraction and low growth rates in GDP in 2019 and beyond, will likely depress revenues from licences. In the context of devolution, one of the responsibilities of local authorities is to attract investments in their areas. Nevertheless, there is still potential for improving licence fee revenues if local authorities boost their capacity to attract investments into their jurisdictions.

Government grants and loans are the third largest source of revenue for local authorities at 15%. A survey of urban local authorities conducted by Dube (2019) indicated that government grants make up the bulk of the government grants and loans at 11%. In other countries, for instance South Africa, government grants are high contributing about 23.5% of total revenue (Dube, 2019). In Zimbabwe the government is facing limited fiscal space which translates to limited transfers to local authorities. However, government grants will increase due to the IGFT which local authorities started receiving in 2019. The advantage of these transfers is that local authorities are guaranteed by the Constitution of Zimbabwe to receive at least 5% of the total revenue collected by the central government. The disbursements made by the Ministry of Local Government to all local authorities in 2019 for the IGFT (ZWL\$703 million) were about 2.9% of the total government revenue (ZWL\$23.9 billion). This indicates that there is still capacity for local authorities to receive more since the constitutional minimum threshold of 5% has not been reached yet. However, the pitfall of these transfers is their potential to crowd out other alternative sources of revenue as local authorities may become complacent in their efforts to collect alternative revenues.

According to the local authorities who were interviewed, another pitfall of the IGFT is that it is not exempted from the intermediated money transfer tax. The tax is charged at 2% with a maximum limit of ZWL\$10,000 per transaction. As a result, local authorities may lose up to ZWL\$10,000 per transaction, which could have been utilised for infrastructure development in their jurisdictions. Local authorities also highlighted the problem of reallocation of the IGFT from originally planned use. There was a Ministerial Directive in 2019 that local authorities should prioritise the rehabilitation of infrastructure that was destroyed by weather storms despite that the funds were already committed to other priority projects.

The other drawback with the IGFT is that they are conditional grants. This means that they can only be used for the purposes that the central government has earmarked them for. This therefore limits the autonomy of the local authorities in using the funds. Thus, local authorities become constrained to innovatively use the funds in response to the challenges facing the community. For example one of the local authorities indicated that they enlisted the services of District Development Fund (DDF) staff in implementing one of the projects funded by IGFT in order to reduce costs. Since the DDF staff fall under another government department, they were not being paid a salary for their services provided towards the council's projects. However, a daily subsistence allowance is what they were being paid, but this had to be paid from councils other alternative sources of revenue since the IGFT is not allowed to cover such expenses, despite that they are directly related to the project funded by IGFT.

The Devolution Guidelines Circular No. 1 from the Ministry Local Government and Public Works requires that local authorities open a separate bank account and books of accounts to facilitate accountability and reporting in line with section 49 of the Public Finance Management Act [Chapter 22:19]. However, most of the local authorities interviewed indicated that they did not have an operational dedicated account for IGFT funds and were in the process of opening such account. The disbursements made so far have been deposited in other accounts for Council which are already operational. Because financial resources are fungible, a mixed pot of funds raises difficulties in monitoring if the funds were used for the intended purposes.

Borrowing either domestically or internationally is another source of revenue for local authorities. In a survey of urban local authorities Dube (2019) found that about 2% of total revenues come from borrowing. It is important for local authorities to be able to borrow internationally because of limited foreign currency availability locally. One of the local authorities interviewed in the study indicated that they have queued for more than two years in order to access foreign currency from the Reserve Bank of Zimbabwe to purchase spares to repair equipment. Borrowing internationally would enable the local authorities to easily access foreign currency. However, due to high country risk, such loans would come at high cost in terms of interest rate premiums. In addition, borrowing either locally or

internationally, is limited to short-term loans only by the Urban Councils Act, hence limiting access to funds for projects with longer gestation periods (e.g. infrastructure projects). Nevertheless, local authorities may seek approval from central government to access long-term loans. Borrowing is also limited by weak local authority balance sheets that give poor indicators of credit worthiness and financial soundness. The Transitional Stabilisation Programme indicated that about 70% of the local authorities are insolvent. Also, local financial markets are poorly developed, limiting the scope of borrowing locally. Nevertheless, there is still potential to increase borrowing.

The fourth highest contributor to revenue is service charges (or user fees) which constitutes about 13% of total revenue (Figure 1). Service charges have a great potential to improve but face a myriad of challenges in collection. Service charges depend on the willingness and ability of residents and business community to pay for the services rendered by local authorities. Residents' willingness to pay is affected by their perception that services are for free; hence they do not prioritise payment. Some do not pay as a protest against poor service delivery by local authorities. In line with the fiscal psychology theory, they are not motivated to pay as they do not see the benefit for fully paying for services that are poorly and inconsistently rendered. Political polarisation is also a big factor influencing the willingness to pay. Residents that do not belong to the political party which controls Council deliberately fail to pay as a form of political punishment to the other party. Local authorities also indicated that the 2013 Ministerial directive to write off residents' debts to Council negatively impacted on the willingness to pay by those residents with the ability to pay.

The ability to pay by residents is mainly affected by economic instability which has eroded their purchasing power. Some residents have lost jobs due to companies that are closing and rescaling down. Inflation has increased disproportionately at a pace that salaries and wages have failed to keep pace with. As a result the national prevalence of poverty is high at 60.6%, implying that just about 40% of the households are living above the total consumption poverty line. This limits the capacity of residents to pay for the services rendered by local authorities.

Income generating activities contribute about 1% of total revenues for local authorities. This lower level of income generation is reflective of weak entrepreneurial capacity among local authorities. Boyle (2013) noted that local authorities require entrepreneurship capabilities in order to effectively expand their responsibilities on economic and community development. Thus, local authorities need to be competent in partnering, risk taking and in developing an entrepreneurial culture, while at the same time ensuring a strong public service ethos.

Interviews conducted with local authorities highlighted some challenges associated with raising revenues through income generating projects. It was noted that the problem with income generating activities is that such activities will create competition with the private sector which may conflict with the Council's role as a promoter of private enterprise

development. It was also observed that initiating income generating activities would not make sense when local authorities are already struggling to adequately provide for services which are within their mandate. It was however, noted that venturing into profit making business would be ideal in areas where they have a monopoly so that they avoid directly competing with the private sector.

Revenues from development partners are another important source of revenue for local authorities included in the 'other funds' category. Dube (2019) found that for urban local authorities, development partners contribute about 2% of total revenues. Some of the development partners that work with local authorities include Cesvi, Welthungerhilfe, GIZ, African Development Bank, Oxfam among others. Development partners are usually biased towards water and sanitation projects. During interviews with local authorities it was observed that some development partners do not prioritise supporting resettlement areas. It was also revealed that when they undertake their procurement processes the level of involvement of local authorities is limited. This has resulted sometimes in the procurement of inferior and incompatible components that have compromised the infrastructure rehabilitation programme with some of the rehabilitated infrastructure breaking down and becoming non-functional within a year.

In general, the revenue collection capacity of what local authorities have billed/are owed is low. Dube (2019) noted that local authorities were able to collect between 30% and 75% of revenue owed to them. On average the surveyed local authorities collected about 52%. The uncollected revenues are estimated to cover an average of about 35% of the desired level of service provision of local authorities. There are several issues underpinning the low revenue collection capacities of local authorities which include weak control systems that erode the revenue base. For example, the OAG's Report (2019b) showed that some local authorities have non-functional water meters, unmetered connections, water leakages, service accounts not captured in the system and weak accounting systems that fail to detect loss of revenue due to fraud.

### **4.3 Local authorities capacity for planning, monitoring & evaluation**

With devolution there will be increased responsibility upon local authorities to plan for the economic and social development of the people in the jurisdictions. There are several plans that local authorities should produce. These include integrated performance frameworks, budgets, ward plans, council/district plans, land-use plans and strategic plans.

However, the capacity to plan in local authorities is weak. In 2019, Treasury with financial support from UNICEF, organised an Infrastructure, Implementation, Monitoring and Evaluation Workshop to review and develop Sector Strategies towards 2019 infrastructure projects implementation as well as to commence planning for priority projects for the 2020

Budget Year. During the workshop deliberations and presentations by the Ministries, Departments and Agencies including the local authorities, it was noted that local authorities still face challenges regarding the following: (1) Project planning; (2) Ability to undertake or cause to undertake pre-feasibility and feasibility studies; (3) Defining and developing bankable project proposal (4) Project implementation planning and execution; and (5) Monitoring and evaluation. This observation resulted in two separate training workshops for rural and urban local authorities being organised.

Almost all the local authorities lack the capacity for monitoring and evaluation. Information obtained from the interviews indicated that only Harare City Council has a monitoring and evaluation officer. Effective monitoring and evaluation is a non-negotiable imperative for local governments (Kiriuki and Reddy, 2017). It was also observed that most of the local authorities do not have procurement plans as required by the procurement regulations.

The OAG's Report (2019b) revealed that some local authorities did not have layout plans for sold stands. Interviews with local authorities also revealed that local authorities require capacity building on economic planning particularly on development planning.

#### **4.4 Local authorities' capacity to implement**

One of the indicators for assessing capacity to implement is the ability to fully utilise the budget allocated to the local authority<sup>14</sup>. Local authorities were asked if they were able to fully utilise the total budget allocated to them under the IGFT. Most of the local authorities indicated that they have been able to utilise all the funds, save for those that had recently been disbursed for which procurement processes were underway to expend the funds. Although some local authorities indicated that they still had positive balances in their accounts, these balances were already committed for the purposes of implementing the intended projects.

However, there were reports that some local authorities have not been able to significantly draw down on their IGFT due to challenges associated with the procurement regulations. The procurement regulations are fairly new, therefore some local authorities fear to break them and risk being arrested. This is exacerbated by, as some local authorities highlighted, the PRAZ. It was noted that PRAZ over-emphasise on the risk of being arrested if the regulations are broken, resulting in local authorities being overly cautious in expending, thus failing to utilise their budgets within expected timelines. In addition, the procurement procedures are slowed down due to the iterative consultation process between the local authorities and PRAZ as local authorities seek clarity on the procurement regulations from PRAZ to avoid violating the regulations.

<sup>14</sup> However, the ability to fully utilize a budget may not be a good indicator of capacity to implement in an environment with high inflation as all the money is expended mainly because it has lost its value.

While one of the objectives of the procurement legislation is to ensure that procurement is effected in a manner that is transparent, honest, fair, cost effective and competitive, information obtained through interviews with local authorities indicates that this is partly not being met. The reality on the ground is that the procurement processes take time and end up being costly as the value of allocated resources is eroded by inflation. For instance, the regulations require going to tender for amounts above the threshold (ZWL\$10,000), but the process takes about 20 to 40 days complete. Under the unstable macroeconomic environment where prices change rapidly, such procedures are not efficient. Lengthy procurement processes result in prospective suppliers and contractors requesting for contract variations as prices change. Contractual re-negotiations result in stalled projects as no work would be undertaken during contract variation negotiations.

It was also observed that reputable suppliers are not willing to tender and register as potential suppliers of government as required by the regulations. Some of the reasons given include poor payment history by government and the perception that it is difficult to win a government tender due to corruption. The reason why some local suppliers are not registering is that the registration is centralised in Harare; hence it is expensive for them to drive to Harare to register. Some local authorities interviewed in the study even highlighted that some suppliers are not willing to provide quotations when asked to by local authorities. As a result, it is only the middlemen who submit bids in the tender process. The prices of middlemen are usually very high thus increasing the costs of infrastructure projects implemented by local authorities.

It was also revealed during interviews with local authorities that the procurement regulations require tenders to be first advertised in the Government Gazette which has limited readership, closes early on Monday at 10am for adverts intended for the week and is only published once in a week on Friday. This makes the tender advertising process inefficient. Advertisements in other newspapers are only permissible after the tender has been first flighted in the Government Gazette. Moreover, the payment terms for advertising in the Gazette are rigid as payment is made up front.

While it is acknowledged that the procurement regulations have their shortfalls, the inability to manoeuvre the changes in the procurement regulations is a reflection of weak capacity to manage change. In the context of change management, local authorities need to manage change through efficient procurement planning rather than react negatively and lose money in the process. Most of the local authorities interviewed sounded more negative about the changes in procurement regulations. As a result, some were reported to have not drawn down on IGFT allocated to them citing procurement regulations as being inhibitive.

All the local authorities interviewed indicated that the IGFT was not enough compared to the infrastructure demands that they intended to address. The inadequacy of the funds is

partly attributed to high inflation which is eroding the purchasing power of the budgeted funds. For instance, one of the local authorities purchased a tractor which was initially quoted at ZWL\$87,000 and the final price was ZWL\$375,000 due to inflation and delays in the procurement processes. The delays in the disbursements of intergovernmental transfer funds have also been blamed for inducing the loss of purchasing power due to inflation.

Thus, building capacity of local authorities in procurement planning is key to timeous execution of infrastructure projects funded through the IGFT. Safeguarding the erosion of value of public resources allocated through IGFT will enable local authorities to accomplish more infrastructure projects for their communities. Fuel shortages were also highlighted as another challenge affecting the implementation of infrastructure projects. Local authorities can also adopt a co-ordinated approach where they pool their resources and procure equipment and consumables at best advantage using their market power.

## 5. CONCLUSION

The study unearthed a number of challenges and capacity gaps that need to be addressed across all tiers of government to guarantee effective implementation of devolution. Capacity of central government to expeditiously provide the devolution policy guidelines and the subsidiary legislative framework that clearly stipulate the roles and responsibilities of devolved mandates is paramount. Central Government still needs to clarify roles and responsibilities not only across the tiers of government but within the tiers in order to avoid costly duplication of roles. Capacity of the lower tiers of government to absorb and utilise the IGFT needs to be enhanced through improving transparency in the disbursement of funds, training on procurement issues, expeditious approval of budgets and project implementation plans of the lower tiers of government.

Furthermore, interface between accounting systems at central government and lower tiers of government needs to be enhanced to facilitate real time monitoring of utilisation of funds. Capacity of central government to set standards to be followed across all tiers of government in implementing IGFT funded infrastructure projects; project implementation and monitoring and evaluation of the utilisation of resources will enhance the achievement of devolution objectives. The devolution policy guidelines are still work in progress and a number of Acts of Parliament that are relevant to the implementation of devolution still need to be aligned to the Constitution of Zimbabwe to allow for effective implementation of devolution.

The administrative structures of the PMCs still need to be capacitated with the full staff complement with requisite skills and experience to drive the implementation of devolution at this level of government. Furthermore, the operationalisation of the PMCs requires the enactment of the enabling legislation that will provide powers and responsibilities to PMCs to exercising their statutory obligations. That includes clarity on the roles of the different stakeholders at provincial level and coordination of activities within and across the different tiers. Furthermore, there is need to capacitate PMCs in terms of own resource mobilisation to supplement over and above what they are getting from central government. Potential conflict of interest arising from the composition of PMCs needs to be addressed to avoid the potential pitfalls in the implementation of devolution.

There is also need for a coordination framework that smoothens the implementation of devolution and to manage potential competition for power. Capacity issues and challenges that are likely to hinder effective implementation at the central government level relate to poor governance, planning, architecture, surveying engineering, monitoring and evaluation.

Local authorities face a number of challenges and capacity gaps that could undermine their ability to assume increased responsibilities that come with devolution. They are

inadequately staffed and lack some of the skills required for effective local governance. Their capacity to mobilise revenue is constrained. Their capacity to efficiently implement projects is mainly affected the procurement regulations which are not favourable in an unstable economic environment. Capacity to monitor and evaluate is weak as most of the local authorities lack monitoring and evaluation personnel.

## 6. DISCUSSION POINTS

### 6.1. Central Government

1. What more needs to be done to expedite the legislative reforms that strengthen the legal framework governing the implementation of devolution in Zimbabwe? We know that there are already processes in place to realign the various pieces of legislation to the Constitution of Zimbabwe; to give life to Constitutional provisions on devolution; and that the Provincial Councils and Administration Amendment Bill and devolution policy guidelines are being crafted. Capacity challenges among other factors could in part explain the delays in enactment of the enabling Act of Parliament; publication of policy guidelines on devolution and operationalisation of PMCs.
2. Capacitation of the OAG with the requisite personnel and administrative powers have been identified as key in enhancing transparency and accountability on the use of IGFT funds and hence deserves due attention from central Government. We have noted challenges with regards to financial management in particular their failure to timely produce audited accounts for the local authorities. These challenges are likely to intensify especially with increased public resources being transferred to lower tiers of government through the IGFT.
3. IGFT should not substitute but complement resources mobilised by local authorities. The success of devolution depends to a large extent on the capacity of local authorities to collect what they bill and compliance by residents in paying their bills. Failure to mobilise funding by local authorities to meet operational costs will put IGFT funds at risk. Improvement of the capacity of local authorities to deliver service to residents should translate into increase compliance in payment of rates. The scope and revenue raising measures may need further interrogation in light of differentials in factor endowments within the jurisdiction of local authorities. This may further inform the fine tuning of the distribution of the IGFTs.
4. Growing the economy will increase central government's capacity to mobilise more tax revenue which in turn will increase the quantum of IGFTs. Thus, the link and impact of macroeconomic stability to the achievement of devolution objectives deserves a more critical consideration.
5. Capacity building and utilisation across a broad spectrum of areas including: governance, planning, architecture, surveying engineering, monitoring and evaluation, procurement is required to ensure local authorities and PMCs deliver on their devolved mandates. A coordinated and collaborative approach may be required to build these capacities with institutions of higher learning playing a leading role.
6. Capacity to grow provincial Gross Domestic Product (GDP) should be underpinned by harnessing and utilising capacities to map the resource endowments within the

provinces; as well as crafting and implementing economic development policies at provincial level and capacity to mobilise domestic resources to finance investment in the respective provinces. The role of banks and micro-finance institutions in mobilising investable resources to finance investment within the context of devolution deserves attention.

7. Attracting both domestic and foreign investment in provinces and districts is key to making them vibrant economic hubs for development. The question is what capacities are required to create and sustain this conducive environment?
8. Enhancing capacity in project management, monitoring and evaluation of infrastructure projects has been noted as key for implementation of devolution. Linked to this is the need for frameworks/platforms for information sharing across institution and tiers of government to facilitate project implementation and coordinating capacity building initiatives.
9. Crafting of Inter-Governmental Fiscal Transfer Administrative Manual to guide the utilisation of the devolution resources by the PMCs and local authorities is still work in progress. There is also need to consider and agree on fiscal transparency and accountability indicators which will form the basis for evaluating performance of PMCs and local authorities.
10. There is need for systems interface between central government and the local authorities. This relates particularly to their accounting software systems. Further, there is need for devolved management of public enterprises (parastatals) including allowing those responsible for locally-deliverable services to collaborate with local and provincial authorities e.g. energy, transport, agriculture, mining, forestry, parks and wildlife estate through Public Public Partnerships (PPP) to improve service delivery.

## **6.2. Provincial and Metropolitan Councils**

1. The potential conflict of interest caused by inclusion of Members of the Parliament of Zimbabwe in the PMCs needs to be resolved. This may entail amending the relevant Sections of the Constitution of Zimbabwe (Sections 268 & 269) to ensure the separation of powers principle is adhered to. The Constitution of Zimbabwe is silent on the roles and responsibilities of Provincial Affairs Ministers and yet they are driving the development agenda of the Provinces. There is potential risk of conflicts arising from lack of clarity on roles responsibilities the PMCs and the office of the Provincial Affairs Minister. In setting up administrative structures of PMCs, clarity is required in order to avert costly duplication of roles and power struggles that may stall development in the provinces.

2. PMCs, like local authorities and as independent constitutional bodies must be allowed to recruit own members of the provincial secretariat within the guidelines of the Civil Service Commissions. The current proposed set up where former provincial administrators/ coordinators provide secretariat services to the provincial councils does not boost confidence of institutions implementing the devolved mandates.
3. IGFT constitute the main source of funding for PMCs. A question has been raised as to whether there is scope to further empower PMC to mobilise/generate own resources/revenues within their jurisdictions without increasing the tax burden on citizens.
4. It has been noted that PMCs need to undertake a resource mapping exercise to facilitate planning for the development of their provinces and contribute to the achievement of Vision 2030.

### **6.3. Local Authorities**

1. Suggestions were made that the electoral legislation needs to be strengthened by including:
  - a. requirements for formal educational and professional qualifications for prospective councillors so as to enhance their capacity to handle council business;
  - b. ideal personal attributes such as integrity, honesty, empathy were noted as critical to reduce incidence of corruption;
  - c. stringent penalties for councillors and council staff that violate laid down procedures/rules or engage in corrupt or fraudulent activities that lead to loss of council resources.
2. Strengthening the Public Finance Management Act [Chapter 22:19] by making adequate provisions for the punishment of non-compliance with financial management issues and qualified audit reports was noted as critical in enhancing capacity to enforce transparency and accountability.
3. A key observation in this study is the diverse capacity challenges faced by local authorities within the administrative structures and oversight functions. Thus, capacity development initiatives across the board were recommended. This includes capacity development programmes for councillors, capacitating local authorities staff on economic/spatial/project planning and implementation; procurement, monitoring and evaluation; undertaking feasibility studies, developing bankable projects and the skills/competence mix within council. The issues that need further reflection include the modalities and partnerships to be forged by local authorities in order to deliver these capacity building initiatives. Other public institutions and commissions have a role to capacitate local authorities on procedures that need to be followed i.e. procurement procedures by PRAZ. Lack of long term procurement planning was noted as one key

weakness in the local authorities. Production of user friendly and flexible procurement guidelines will reduce time spent by local authorities in consulting with PRAZ or inaction on procurement matters for fear of being on the wrong side the law.

4. Scope and challenges faced by local authorities to mobilise resources and generate revenue to fund their operations deserves further reflection given the low rates of collection of revenue billed. Local authorities need to invest in expanding their capacities for service delivery especially in services for which user fees are chargeable. We know there are some local authorities that are borrowing to meet recurrent expenditures such as salaries which is not sustainable. Borrowing that finances productive activities increases the capacity to service the debts and deliver services. Thus entrepreneurial capacities within local authorities need to be enhanced. This can be done through establishing business development units that work towards generating business for council in a manner that avoids direct competition against the private sector. Local authorities also need to update the valuation rolls and tariff determination models so that they boost property revenues in line with market trends. Local authorities also need to strengthen their balance sheets so as to enhance their ability to borrow for capital expenditure and to attract private sector partnerships. The restriction on long-term borrowing by the Urban Councils Act needs to be reviewed.
5. Budgetary constraints faced by local authorities demand that they make the best use of what is available including the IGFT funds. Thus, adopting cost saving measures; improving on allocative efficiency; procuring at best advantage and focusing on value for money in infrastructure projects implemented by local authorities will go a long way in enhancing the capacity of local authorities to respond to service delivery demands from their communities. There is also scope for local authorities to leverage on the available IGFT to crowd in private sector funding to deliver infrastructure projects which should be game changers in the way local authorities do business.
6. Other modalities such as outsourcing provision of some services, shared services and community involvement can be pursued as local authorities build their capacity to provide services to their communities. Some local authorities interviewed have demonstrated these competencies. They indicated that they leverage skills from other local authorities whenever they have a skills deficit. Some indicated that they use community volunteers to minimise costs and ensure that they undertake more projects using less resources. Others indicated that they hire artisans who bring their own tools of trade and hence contain costs of having the local authority procure tools and equipment.
7. Risk of reallocation of IGFT funds away from the intended infrastructure projects to operational expenses is real especially where there is co-mingling of funds within local authorities' accounts. There is need to consider safeguards that should be put in place within the policy guidelines to avert this risk. Local authorities should also consider acquiring group insurance for infrastructure within their jurisdictions against destruction by adverse weather conditions, fire etc.

8. Programming implementation of local authorities' infrastructure projects to follow the flow of government revenue collection will reduce the adverse effects of late disbursement of the IGFTs. This entails proper cash flow and project implementation planning. Suggestions have been raised with regards to improving flexibility in the use of the IGFT funds to cover operational expenses which are directly related to the implementation of the infrastructure projects.

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