

Low Uptake of Constituency Development Fund among Small and Medium Enterprise in Kafue, Zambia

Joe Mubuyaeta Likando, Austin Mwangi, John Moose & Francis Simui
Institute of Distance Education, University of Zambia, Lusaka

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ABSTRACT

The **purpose** of this study was to explore the challenges that contribute to low uptake of Constituency Development Fund (CDF) among Small and Medium scale Enterprise (SMEs) in Kafue, Zambia. Small and medium enterprises (SMEs) have been identified as the substance for economic growth and national development for both developed and developing countries. **The method** in this study was sought to comprehend the challenges that led to low uptake of constituency development fund among the SMEs of Kafue District. The study adopted a qualitative approach and employed a purposive sampling. Primary data was collected from 40 study respondents using; semi-structured interviews, literature review and two focus group discussions (FDGs). The data was analysed in a thematic approach and there was document analysis and validating of data. **The results** of this study identified the challenges affecting the performance of SMEs in utilizing the existing CDF, and some of the findings were; inconsistent disbursement, lack of accountability, lack of new technology, lack of skills labour, government unfavorable fiscal policy and policy in consistences, lack of sensitization, political influence and little money or insufficient fund. The emergent themes reported in this study indicate significant qualitative, disparities on the challenges among SMEs on the low uptake of CDF. This in return, affects the development of communities where these SMEs operate with business dimensions across different contexts. Our findings in this study suggests increase of 40% allocation of funds in the current CDF policy of 2022, monitoring and implementation programs must be strengthened, and skills training should be given enough concentration on both SMEs and CDF technocrats. Lastly, the corporate entrepreneurs should inculcate the team spirit of training and developing their management and workforce in order to build a strong capacity building, that is ready to face business challenges and take advantage of Constituency Development Fund. In **conclusion**, the study suggests that policy makers may consider the findings in this study, to formulate policies which may create an environment that is feasible for the development of SMEs through Constituency Development Fund in Kafue, Zambia.

Keywords: Constituency Development Fund, Local government, Low uptake, Zambia

BACKGROUND

This study was derived from the importance of public policies meant to develop countries at local communities across the globe financially. It is known that quality public policies formulated by a country, is spawned by using correct implementation methods and utilizing finances allocated to that particular nation which will make great progress in its social and economic development program. Chibomba (2013:1) agrees that, many countries around the world have embarked on different kinds of policy reforms aimed at bringing about development. One such policy is decentralisation, which has been undertaken by many countries.”

Kapur (2008:691) defines decentralisation as, “the means of distribution of governmental powers and responsibilities between the centre and the local areas...for administrative convenience”. The Republic of

Zambia understands the importance of taking development from central to local people. Hence, in order to realize this dream the government came up with Constituency development Fund as a drive force to development among the local people. In Zambia decentralisation policy is being implemented through a legislative act of 2018 which is known as CDF. This legislative act is established under Article 162 of the Constitution of Zambia (Amendment) Act No.2 of 2016 and operationalized by the Constituency Development Fund Act No. 11 of 2018. The Act provides for the management, disbursement, utilisation and accountability of the CDF. This policy supports the implementation of Decentralization through public funds meant to empower citizens such as youths and women for corporate businesses,(CDF – Guidelines (2022:15).

However, it is important to note that, this empowerment policy known as CDF has challenges that need to be attended to. In order to avoid low uptake of the fund under the same policy by small and medium enterprises, Policy Monitoring and Research Centre (PMRC Zambia, 2014:1) argues that, “a number of key issues are affecting the ability of CDF to address grassroots development needs. For instance poor community knowledge of CDF; Poor guidelines and support for how CDF should be utilized, late release of funds affecting projects, implementation; lack of sanctions against offences or misuse and weak auditing processes”.

To promote people’s participation in the governance of any country, there is need of free and fair elections, devolution and exercise of power. The New Dawn government in Zambia, after analysing their efforts in the struggle to form government which was necessitate by youths who were unemployed, graduates without jobs and generally poor people who voted massively to see change of government. The government took a dimension of empowering citizens in every constituency, in order to reduce poverty by increasing Constituency Development Fund from one million, six hundred thousand (1.6million) to twenty-five million seven hundred thousand (25.7million), and later to twenty eight million and three Hundred thousand kwacha (28.3million),(Budget speech /National Assembly of Zambia :2021).

Furthermore, the presentation of Acting Secretary to the Treasury in Zambia,(Mukuli :2022) stated that, The low uptake of CDF by SMEs is worrying as most of the funds lies dormant in accounts and if this fund is not used most of the time it is diverted to capital projects and not investment related projects. Hence, when funds are disbursed to local districts, serious consideration must be taken to make sure that SMEs benefit in order to appreciate development gesture. According to Mukosa (2020) SMEs are the huge contributors to the overall economy when he did a study on the impact of covid-19 on small scale businesses in Zambia. This literature gives us the understanding that SMEs have a critical role in our local communities.

Additionally, Chishimba (2019) writes, the Local Authorities do not adhere to the prescribed guidelines on the utilisation of equalization funds. The local authorities may have challenges executing their duties well due to policy guidelines conditions on how they should use the fund from the central government; as a result it becomes difficult for SMEs to benefit fully their businesses due to the strings that are attached to the loans and grants.

In addition, literature from the study which was done by Bahl (2008:6), argues that, “A major drawback of conditional grants is that, they must be monitored by the higher level government and therefore this impose significant administrative costs on the higher level government, and significant compliance costs on the recipient governments”. To avoid the central government creating unnecessary expenditure at the local authorities the best is to recruit qualified personnel at the district that will enable to handle challenges of SMEs in order to have quality development.

Mulenga (2021) argues that, local government relies upon the statutory grants to cushion cash flow challenges during the pandemics. This is clear from this literature review on the topic assessing the performance of local authorities in Zambia that During the Covid-19 pandemic, the authorities limp when

they are natural disasters and it may be difficult to operate in their normal routines. This simply means funds that were meant for a particular section of stakeholders such as SMEs in the district will lose out due to emergency diversion.

Statement of the Problem

There has been low uptake of CDF among the citizenry, whereas there has been a vice in the allotment but citizens are not using the fund. CDF allocation was raised from **1.6 to 25.7 million** and recently increased further to **28.3 million** in the current national budget. The problem is that, the fund is partially accessed and it was worrying that money was lying in the accounts and was not been utilized for its intended purpose, (Mukuli: 2022). In Kafue the total number of registered SMEs under the ministry of community development & social welfare in the year 2022 were **40** and only **10** SMEs benefited,(Kafue Local council; 2023). Similar problem were identified in South Africa on Black Economic Empowerment program (BEE).Natalie et al, (2004:15) adds that, “The problem of accessing local empowerment fund remains pertinent in the economy. This problem is reflected in the highly inaccessible capital markets to their unemployment that has resulted in a lack of funding.” Another problem was noted by one scholar in Zambia who stated that, very few apply for empowerment fund due to literacy levels and avoid applying for little money. Nuwagaba (2015:23) argues that in Zambia “Over 90 percent of SMEs operate in the informal sector and this makes difficult for the government to support the sub sector efficiently”.

Specific Research Objectives

To explore the challenges faced by SMEs in utilizing existing CDF for community development.

Theoretical Framework

The study was guided by two theories, according to Sean (2023:51) quoted Henry Fayol who discovered principle of administrative model in 1908 as the father of modern management theory. Henry believed in five main functions of administration: focusing, coordinating, commanding and controlling. Fayol followed a top-down approach to organizational efficiency. He looks at the managers and situations they may encounter. The second theory used in this study is public finance theory as a complementary to management theory of Fayol. According to Juraj (1997) who quoted Musgrave(1959) the founder of “public finance theory”. The public finance theory broke down government economic activity into three parts: the allocation of resources, the distribution of goods and services and the stabilization of the broader economy. The theory gives an analysis of how governments allocates resources and responds to social needs. Juraj (1997:12) further, defines public finance as “a field of economics that studies government activities and the alternative means of financing government expenditures”

LITERATURE REVIEW

The review of literature that was done on (Babbie:2008) shows that, decentralization is the statutory granting of powers by the central government to constituency teams, these teams are categorized in terms of administration and implementation of investment priority areas, which creates for a faster decision-making approach on aspects that affects the constituency directly in reference with investment issues. The main challenge of Constituency Development fund is the disbursement and implementation of funds by local government. There are weak areas such as unacquainted ward committee members, who do not consider the importance of identifying investment stakeholders such as; SMEs to be part of full beneficiaries on CDF in order to have returns from the capital grants,(Chibomba: 2013).

The study done by (Onugu, 2005) argues that, the issues or challenges faced by SMEs can never be overemphasized and it is as a result of poor access to funds, management practices, low equity participation

from stakeholders, inadequate infrastructural facilities, societal and attitudinal problems, shortage of skilled manpower, little access to markets and lack of access to information. Onugu (2005) opined that, SMEs sector has not been performing well due to the inappropriate implementation of enormous government policies, as well as frequent policy changes or what he is calling policy inconsistencies, poor policy implementation deeply rooted in poor corporate governance and unethical practices; that abound in the public service.

Okekeocha (2013) supports that, Countries like Nigeria struggle to empower the SMEs, one of the drawbacks is mismanagement of local government funds due to lack of strong legal frame work to pin down erring officers. He further stated that causes of corruption in Nigeria are due to lack of strong government agencies to enforce laws and rules as sternly as they need to. This creates an opportunity for public officials to embezzle funds without fear of repercussion or punishment.

Furthermore, the evidence from Ekwem (2011) proves that, Finance is usually considered as the main obstacle of SMEs. In as much as this may be true, empirical evidence have shown that funds or finances contributes only about twenty-five (25%) percent to the success of SMEs, which sounds insignificant. Thus, the creation of other appropriate support systems and enabling environment are indispensable for the success of SMEs in Nigeria. Empowerment policies are there to guide and help solve certain challenges in a nation but when you have weak policies, the purpose of such policies may not be accomplished. The only way to support domestic investment is through corporate governance and this requires everybody being able to participate on national matters through safe and sound policies. SMEs may be just one of the entities in a community that government may support to drive development agenda.

Apart from that, (Parker and Steel, 1972:32) lectured that, “90% of all enterprises failure occurs as a result of inadequate competence and management”. Management issues hinder the performance of both SMEs and local government officers in Zambia. It has become apparent that, lack of management skills and lack of trained manpower constitute the significant challenges to SMEs when struggle to access CDF for investment activities. Similar studies that were done by Parker and Steel (2002) alludes that, inadequate record keeping and inefficiency in the overall management system are also the major features to most SMEs, lack of essential and required expertise in the production process such as maintenance, technical incompetence, procurement, marketing and finance have always resulted in funds misapplication, which results into costly and wrong decision-making.

Literature shows, (Langbein and Knack, 2010) purports that, when governments establishes numerous barriers to conducting business, it creates opportunities for public officials to collect bribes before delivering a service. By definition, corrupt governments set up entry barriers so that public officials can act as gatekeepers and collect (hidden) bribes before opening the gate to the briber-client. This study proves that, the disbursement of CDF in Zambia must not create barriers for SMEs to access this fund; otherwise there will be serious corruption among CDF technocrats. Similarly, recent survey evidenced from Ethiopia, Langbein and Knack (2010) shows that 91% of respondents are unaware of the extent of financial autonomy allocated to their local government. Taken together, this evidence suggests that CDF accountability is significantly constrained by information asymmetries, hinting to the importance of Local government transparency during and after the decentralisation process.

Another related literature review on the study which was conducted in South Africa aimed to establish whether the South African government plays a significant role in supporting SMME's in Kwa-Zulu Natal province in South Africa. (Peter and Naiker ,2013) undertook the research and concluded that, there was promotion of the SMME sector so as to create an enabling environment by reducing unemployment and creating a more equitable distribution of wealth as the overall ambition of government to support initiatives in South Africa. These initiatives had to ultimately lead to sustainable job creation and increased turnover for the SMME sector. However, 18 years into democracy and from the feedback of this survey, in line with

prior studies of similar nature in South Africa, the indication is that government support initiatives in this regard had been ineffective.

In addition, Local governments are constrained by insufficient management skills. For the case of South Africa, limited staffing ability of local governments especially for elected positions led to inadequate staff establishments, (Koelble and Siddle, 2012). Similarly, Sierra Leone has experimented with decentralized recruitment of staff but has resumed central recruitment after it was found that the skill sets of the newly recruited staff were far below those of (local) staff assigned by the (central) Office of the Establishment Secretary, (Kanu: 2009). This proves that there is a challenge when it comes to leadership skills to handle local management issues.

Another challenge is to do with technology; innovation must be at the heart of all governments in Africa to enhance development. Many managers are not aware of applying the accurate technology to their businesses, and they can't choose the appropriate technology for their companies. It was accepted that, small-scale firms are in a contrary position if compared with large-scale firms in terms of access to technology. Access to technology and making improvements to the current technology are not ends in themselves, but a means of achieving dynamic efficiency and innovativeness, (Harve et al., 2005).

Harve et al. (2005:16) adds that, "The process of decentralisation needs skilled people in technology and must not be seen as a political tool but a development agenda. SMEs tend to have low productivity and they are weak in terms of competition. This can be improved through introduction of technology in government system which results in using advanced technology. There is a serious challenge if this technology maximized in machinery utility due to inadequate support in terms of fund, both SMEs and local authorities experience technological problem, and it is clear that almost all the SMEs and council officers are users of knowledge not adaptors of it". The report of United Nations (2014) reviews that, many firms and institutions will react to objective indicators such as a decrease in revenues or profitability, a drop in market share or an exodus of its most competent staff. Often, these are a result of an inability to predict, adapt and absorb technology.

According to the study that was conducted in Ethiopia by Hagos (2012) identified that; weak government support to the SMEs has contributed to the failure of SMEs performance to their expected standard. The financial sector in Ethiopia is not adequately developed, coordinated and lack competition. The lack of alternative financial sources and access ,increases the difficulty of obtaining credit facility for SMEs,(Hagos:2012) .On the other hand, evidence from Ethiopia suggests that elected representatives tend to have lower levels of literacy rates compared to full time civil servants. This significantly constrains their ability to oversee the planning, budgeting and service delivery process and therefore reduces public accountability, (Yilmaz and Venugopal: 2009).The review from related literature shows that, there is a need of local councils to hire qualified personals to be in committees that oversees strategic planning for the constituencies to avoid too much of blunders in managing public resources of the country.

Studies and policies that, emanates from Zambia, shows that SMEs are uphold as key stake holders in reducing poverty levels and boost the economy, (Caritas Zambia; 2011).Furthermore, The Zambia SMEs Development policy (2008:9) states that, "The development of MSMEs is viewed as one sustainable way of reducing the levels of poverty and improving the quality of life of households through wealth and job creation. The contribution of MSMEs to employment, growth, and sustainable development is a widely acknowledged fact. MSMEs are believed to deepen the manufacturing sector, foster competitiveness and help in achieving a more equitable distribution of the benefits of economic growth, thereby helping in alleviating problems associated with uneven income distribution." This proves that, CDF is an engine that may boost SMEs to achieve their economic mandate in Zambia.

The study done by Bahl in (2009) is corresponding with Muyasani (2019)'s literature review in Zambia who

added that, there is inability of SMEs in Zambia to readily have access to credit from country’s financial institutions. The researcher’s case study was focusing on, ‘the challenges faced by small & medium enterprises (SMEs) in obtaining credit in Zambia’. Furthermore, added that, Inadequate funds for SMEs in Zambia is a crucial matter, the young men and women involved in small businesses finds difficulties to chance an opportunity where they can access funds from banks just by normal application due to illiteracy levels, unless there is a financial competition where a financial institution most of the time just awards first three prizes of the competition. For the SMEs to really have a capital that can support their businesses there is a need of support either from donors or government.

Ekwem (2011) concludes that, the most disturbing and the critical factor among challenges affecting the performance of SMEs in utilizing CDF is the aspect of not being attractive prospects due to little fund offered by local government and because they want to minimize their risk profile. SMEs are found to rely largely on their own personal savings or contributions, not only to grow and expand in operation and size but also to innovate, whereas enterprises often need real services support and formal financial assistance. The risk takers (SMEs) struggle a lot to have access to finances, and Community Development Fund (CDF) is the most reliable program that they can thrive on, under struggling economies like Zambia. This is so because; the money comes from government with the purpose of developing the community than the private sector who are more of profit oriented. However, due to little funds offered many SMEs are reluctant to participate in this empowerment fund.

METHODOLOGY

Case study was ideal for this study as it allowed the researcher to explore the low uptake of CDF among Small and medium enterprise in Kafue District. The design followed in this study is qualitative in nature.

Study Area

The study was conducted in 18 wards of Kafue District in Zambia, located in Lusaka Province. The town lies on the north bank of the Kafue River; after which it is named. The study focused only on SMEs that were recognized by CDF policy guidelines of 2022, such as corporate entrepreneurs not less than a group of 10 members.

Study Sample

The sample size for this research was comprised of 40 participants categorized as **18 SMEs**, and **6** members of CDF Committee, **8** WDC in Kafue constituency. **8** Local Council and SMEs officials that provided epistemology knowledge on study matter.

| S/N | Nature of the institution | Designation of the participants | Target sample size |
|-----|---|-------------------------------------|--------------------|
| 1 | Kafue local council officers | Planning department | 4 |
| 2 | SMEs | Business Owners/ employees | 18 |
| 3 | SMEs ministry officials | Coordinating Officers in Kafue | 2 |
| 4 | CDCC & WDC members | Selected members | 14 |
| 5 | Community Development & Social services | social service & community officers | 2 |
| | Total | | 40 |

SAMPLING TECHNIQUES

The study used homogenous and expert purposive sampling to select similar participants in order to

understand a phenomenon and describe a particular group in depth. This means that the researcher focused on participants with similar characteristics or traits in line with CDF and SMEs. The expert purposive sampling provided technic know-how on the study matter. In view of this, the experts assisted in clarifying on certain information that was not clear and guided the researcher to have credible study.

Data generation and Analysis

The primary data was collected through 18 Semi-structured interviews and 8 for the first Focus Group Discussion (FDG) AND 6 participants for second Focus Group Discussion. The two methods were used in this study to triangulate and probe themes emerging from the instruments.

Data was analysed using thematic method. The data analysis began with a transcription of 40 interviews.

Ethical Considerations

To carry out the study, formal clearance was received from Humanities and Social Sciences Research Ethics Committee for Ethical Considerations (HSSREC) Converge of the University of Zambia (UNZA). [Ref. No. 2023-Jan-006] In addition, the fundamental principles of ethics were adhered to in this study.

RESEARCH FINDINGS AND DISCUSSION

Challenges SMEs Face in Utilizing CDF

It was found that SMEs face a lot of challenges in utilizing Constituency Development Fund (CDF) in the constituencies like Kafue. The major findings were the inconsistency disbursement of this fund due to red-tape. Others felt the fund was meant for only politicians and had no say over CDF. The other challenge identified by the study was lack of information on the updates about the time to apply and when funds are available. To others bemoaned that, the fund they were receiving was too little to meet the standard of their profile they belong to as SMEs, while others were suspecting that there is no proper accountability to know how funds are being used and how many are able to benefit in each ward. One R4, respondent stated that,

“we are always told to apply when we have no idea how many should benefit in each quarter because the council have not designed targeted figures in each quarter which is not fair because it leaves us with anxiety of waiting to benefit” Table:4. Below show shows the verbatim and themes generated from the objectives.

Summary of study semi- structure interviews

| THEMES | VERBATIM | SMEs (R) |
|---|---|--------------------|
| INCONSISTENCY OF DISBURSEMENT | R3 complained that, “CDF was unreliable and payments delay too much which results into SMEs fail to predict the flow of CDF in order to execute effective planning and implementation” | 3 |
| Lack of strategic planning | R16 “if planning was clearly set the council could have solved the application process of calling us to be traveling to their offices just to go and sign papers” | 16 & 17 |
| LACK OF PARTICIPATION & ACCOUNTABILITY | R4 Stated that, “DCDC fund committees just empower only their clubs and this empowerment is only affiliated to businesses projects where they are sure to benefit.” | 4 |

| | | |
|---|--|-------------------|
| LACK OF SENSITIZATION | R10 said “we have no idea when this fund reaches our district and ward because information is not availed to us and it becomes very difficult to apply for those funds”. | 10 |
| POLITICAL INFLUENCE | R7 argued “most of the time if you are not connected to the party in power it becomes very difficult to benefit from this Fund”. | 7 |
| LITTLE MONEY FOR GRANTS AND MONITORING | One member of Shimabala R16 complained that, “our group business project aimed to buy machinery amounting to k85 000 but we were just awarded K30,000 .R1 said “The CDF Money is too little for empowerment” | 16 & 1 |
| LACK OF NEW TECHNOLOGY | R6& R9 .explained that, “SMEs to thrive in hard economies like Zambia we need serious new innovation to be used to appreciate this CDF” | 6& 9 |

Inconsistency of Disbursement

The uptake of CDF among SMEs in Kafue District was plagued by a number of challenges that rendered it ineffective at worst and with limited development impact at best. Some of these challenges include inconsistent of disbursement of CDF in Kafue constituency. The responses were that, the community projects delayed due to the inconsistency of disbursement of CDF, that resulted into cooperate entrepreneurs failing to predict the flow of CDF in order to execute effective planning and implementation of projects for the benefits of citizens. Some projects such as small bridges and gravel roads delayed to be completed, as a result SMEs face challenges to ferry their merchandise to town for business especially those who got their goods from Chifwema, Lukolongo, Magoba and few places in Chiawa wards during rainy season. In other words we can say that, the limited flow of CDF to constituencies in order to execute effective planning and implementation of projects for the benefits of citizens was a timely challenge.

One respondent **R15** disposed his displeasure that “*the CDF act under the ministry of local government allows the minister or permanent secretary to sign each and every approved project proposal country wide. This is a setback to the progress of the local development and I refer to it as an irritation.*” He further argued, that decentralization is meant for the local people to decide what they want and approve the projects they wish to prioritize than the current situation of delaying the process because the executive is still involved, while others felt the way in which CDF is being approved, is very much okay as it reduces people who still aims to illegally cut deals amongst themselves from CDF. R1.Said that, “*This is people s money not personal money; hence the red tape of approving of funds must reach the highest level of government hierarchy such as the minister*”.

The study revealed that bureaucracy had a great influence of fund disbursement for section of government which affected Kafue constituency in Zambia. From the study it was concluded that, there has been a serious red-tape and inefficient funds disbursement to small scale businesses enterprise (SMEs) from the time the New Dawn government was ushered into power. PMRC Zambia (2014;2) argues that, “This is so because of the CDF policy guideline which are tedious for applicants and their business projects success fail because it takes too long to access the fund. The responsibility for local government is to maintain fragmented process in line with the policy guidelines in the Ministry and its departments. This fragmentation has led to inadequate coordination among the various players (SMEs) thereby undermining proper maintenance and drop of county community development”.**R15** confirms that, “*A desire to complete development projects on time can be enhanced or hampered by fund disbursement.*”

Stenstrom (2012:36) observes that, “*little is known about the factors that motivate politicians to be involved in decisions regarding finances in their jurisdictions and that their funding decisions were based on political and economic factors*

”. Political influence delays economic activities sometimes in some areas where SMEs depends on the Constituency Development Fund, the performance has been low than when dependence on the loans or grants came into place.

The researcher found another challenge that, the biggest con of a business loan is that, whatever you borrow; you have to be prepared to pay back with great interest within a shortest possible time after receiving the fund, but they won't consider the period you waited to receive. This can put a financial strain on a business, particularly small consumer businesses and start-ups. Which simply means small businesses should be helped to get loans they can be able to pay back. R2.stated, “*In fact as it stands, we are many that applied and it is now a year plus and we have not benefited from CDF*”. R.1 asked, “*What is going on? Let the government learn to inform the nation on the delayment of this fund to the applicants or they have just failed with their lies.*”

R.18, warned that, “Citizens are not happy in the manner in which this money is taking too long to reach the intended beneficiaries, to be honest with you sir!”

R7 voiced out, “CDF delayment of funds to successful applicants and failure to know those who have gotten is a tool of decampaigning themselves. As far as I know CDF made all citizens across the country cheer the government for promoting the dormant policy in the other past regimes to be the talk of the day and how beneficial it is to all small businesses owners in the community. Most SMEs were expecting to get but why can't they tell us that we don't qualify.”

Lack of Strategic Planning

Lack of effective strategic planning for the district council can create obstacles in CDF implementation. To achieve the full flux of the concept, all stake holders must be involved when creating legal frameworks for CDF that can be adopted. Respondent R17 stated that, “*we are not happy with the current policy for CDF as it looks like its trial and error business for government. We expect SMEs representatives planning to be an integral part of strategic planning*”. Without a comprehensive strategic plan for SMEs, a corporation may find it difficult to execute a CDF plan efficiently. Therefore, the lack of strategic planning by the council is what is costing them not to be able to monitor and evaluate small businesses that have benefited from CDF in the field and this is considered a critical barrier for implementation.

Lack of Participation and Accountability

Constituency Development Fund in Zambia falls within the country's wider decentralization policy. Decentralization is aimed at bringing about community participation in decision-making and resource allocation; transparency and accountability; equitable and fair access to essential services. CDF has similar aims and its success in bringing about community development. Accountability and Transparency According to the CDF Guidelines, the MLGH is responsible for auditing of CDF in accordance with the Local Government Act CAP 281 of the Laws of Zambia and the Local Authorities Financial Regulations, (GRZ, 2006). R15 implied that, “*I know that public funds must be handled with care and those who handle CDF must remain honest as they discharge their duties to avoid penalties found in the law.*”

The CDF Guidelines stipulate the following: “Any abuse of the funds under the Constituency Development Fund by way of misapplication or misappropriation by the council shall result in the suspension of the council or the forfeiture of council grants until the reimbursement of affected Constituency Development Fund. Further, any abuse of the Constituency Development Fund by any member of the Constituency Development Committee or community based organization shall result in legal action against the culprit.

Any council official involved in abusing, mismanaging, defrauding or stealing any money from the Fund

shall be prosecuted GRZ (2006b:6).

In spite of the above, it was discovered from R14 interview that, *“there was no records of abuse of the funds and at no coast can the fund be in the hands of Kafue district officials due to the system which was introduced where applicants that were successful received their funds through the bank, meaning payment over the counter ceased whether it’s a grant or loan beneficiaries receives the funds from the bank after approval from the council”*. On the money which remains from CDF allocation for that particular year, is always brought forward to another year or quarter, and in order for the local council to use the funds they have to seek permission by applying to the ministry for consideration. Hence, very difficult to use this fund or abuse it because the fund is not coming direct to the districts accounts.

The study found that, most of the citizens had negative attitude towards CDF programs because of lack of participation in all governance issues. It was noted that most of the SMEs had given up to make their leaders account on how they use these funds. R6 observed that *“staying away from seeking help from women and youth empowerment programs was the best thing to do to avoid problems and blood pressure. This issue where every time you are told to apply but few benefits hurts”*. R1 stated also that, *“we want the Ward development members and Constituency Development Fund committee members to account for the resources. Today others are driving and don’t even greet us or assist us with transport when they are driving but when they wanted votes they came to us to beg for these positions in order for us to vote for them. Next time we may not vote for them to handle our CDF because there is too much I don’t care type to us citizens that seeks help from them.”*

The other response R10 stated that, *“mmmh when you go to ask about CDF, you are told this and that. Am not ready to apply for CDF that may cost my business, maybe later because paying interests is what I’m scared about. Moreover, we do not have proper information on how we can benefits from CDF. R7 stated “mukayenda kuma offices always they say ‘ma because’ and ‘ma why’ at the council” which is translated that, when you go to their offices you will be told in English many reasons why an application has failed to qualify to be a CDF beneficiary.*

Lack of Sensitization

The respondents from the local community stated that they did not know how much the Fund was, nor did they have any knowledge of how it was appropriated and disbursed. These respondents referred to CDF and associated it to either personal funding from the MP or money that had been sourced from UPND government or other donors by the MP. Members of the local community stated that they had heard about CDF through politicians during campaigns for election into political office. It was reported that during the campaign period, politicians made it seem that the money was either sourced by them, or that they would be the ones lobbying the government to make available the CDF. R6 explained that, *“we have no idea when this fund reaches our district and ward because information is not availed to us and it becomes very difficult to apply for those funds”*.

It was learnt that, SMEs in Kafue most of them have information especially those in town but in rural areas very few had information. **R.9** bemoaned that, *“I have no TV to know how CDF works. I run a farming business but my challenge is I have no water at my farm, but if is to write a proposal to receive a grant unless you write for me. CDF in our community is only known by our councilors. R5 stated “I have never seen a bill board or a poster written on how CDF works and whom to see when you desire to apply.”*

CDF is good catalyst as it helps develop the community. However, more needs to be done to sensitize the local community. CDF can be a very good catalyst for genuine development. However, politicking intrudes the process.

Although it was found that civil servants are involved in entrepreneurship projects were put aside by the ward communities on CDF.

R13 another SME added a voice that, “There is no sensitization on CDF much has to be done especially in rural areas. As teachers and nurses, we have an influential position in the community and those charged with the responsibility of overseeing CDF should use us to help carry out sensitization of this important programme for community development. This framework which is in place was just targeting members of the community than the learned one. As civil servants in the community we are not fully aware of the release mechanism of the Fund, I for one know that it involves the Community and the district council,”

From the above, it can be observed that, although most people are aware of CDF, there are varying levels of knowledge as regards to the objectives of the Fund, depending on the position held by the respondents in the community. It is apparent that most of the SMEs do not have access to CDF documents and other information. A lot needs to be done to educate the local community on what the Fund can do to help our small scale enterprise in order to develop their communities. Without proper knowledge of CDF, members of the constituency will not be able to fully participate in the decision making processes surrounding the funds, and will also not fully participate in monitoring, evaluating and accountability processes. MPs and councilors have a big role to play in information dissemination as regards to CDF. However, it would appear as though they have more to gain from the perceptions that exist of CDF as MPs money as this helps to increase their levels of popularity.

If the local community such as SMEs does not have enough information about CDF, they will not have the strength to oppose undue influence over decisions regarding its utilization. Without enough information on CDF in terms of its objectives and its source, members of the local community entrepreneurs (SMEs) will not be able to ensure that they are part of the process of project identification and selection. This has the potential of breeding corruption as there will be low levels of vigilance among community members, thereby weakening monitoring and accountability mechanisms.

Political influence over constituency Development Fund (CDF)

Group discussions respondents; said that some community entrepreneurs delivered their challenges that CDF has become more political than a tool of development. R9 a member of the focus group discussion stated that *“most of the time if you are not connected to the party in power or known to the MP or the ward counselor it becomes very difficult to be among those that can benefit from this Fund”*. Others accused district officials and supported to have contributed to the failure of not giving a slot for more SMEs to benefit, and this is what R7 said,

“District constituency fund committees just empower or recommend only their clubs and this empowerment is only affiliated to businesses projects where they are sure to benefit.”

CDF is a serious catalyst for development but the major challenge coming out of the research is that, the fund is not meant for everyone and whatever government says is just lips statement. On the ground the fund is referred as a scam due to difficult procedures involved for an ordinary member of the community to benefit from this financial support. One respondent R4said, *“I think CDF was brought for development but only works for politicians and favours those who are in good books with the current government. All the benefits of CDF are for politicians because as local people we have little education and little say on how it is utilised.”*

Among one of the district council officials understood the reason that political interference was a serious key to the low uptake of CDF and sometimes nothing at all. R8 added that, *“When applicants try to apply*

there is political interference, the officers in charge of selecting applicants will say; Let us look for Tonga names among applicants. If you are a cooperative without a Tonga name it will be very difficult to benefit first. And no individual SME has ever benefited from the fund. So we encourage some applicants to incorporate some Tonga names as members to their cooperatives whether women or youths cooperatives. Otherwise it's hard to access the fund without a connection to the party."

Another voice was recorded by R10 who implied that, *"we have heard the order by the ministry of local government to Kafue constituency to buy police vehicle and ambulance for the hospital from the fund. This decision was not made by the local committee but the central government"*. Research indicates significant difficulties in implementing of CDF projects and questions the logic in diverting such substantial funds away from local government. R10. *"The root problem is that CDF is essentially a flawed process, in existence largely due to political motivations and failings in existing systems of service delivery and development."*

Essentially, the newly revamped CDF for 2022 seeks to address the fiscal gaps in the drive for decentralization which has long been cited as a key component which has been missing from earlier strategies to enhance development in our community. It was noted that the guidelines to access the CDF was another serious hiccup, hence government has also since produced revised guidelines for the administration of CDF, (CDF-Policy guidelines 2022).

Little money offered as Grantor Loan

Another significant challenge was the size of the fund which limited the scale and number of projects that could be undertaken in comparison to the development needs prevalent in the communities. The challenge which is there is that, individual loans or indeed group loans cannot meet the needs for the SMEs who have decided to go for new projects to boost their businesses. One member of Shimabala complained that, their group business project and machines needed to run chicken feed business which required k85 000 plus but they were just awarded k30, 000 and in a group of 10 members the fund was too limited to achieve their projects hence, R16 feels, *"new modalities have to be redesigned so that citizens who access the fund, should feel the fund being purposive to the community"*.

Another concern from R1 was that, *"it is not every citizen in a community who will be an entrepreneur, so it's not everyone who should benefit because this fund is too little for empowerment"*. The researcher discovered that, an amount of K30 000 or K40, 000 which those who applied got was too little to meet the needs of most of the cooperative members that benefitted from the fund. A lot of them, wanted grants or loans for individuals, however, in line with policy guidelines, they were made to form cooperatives where some of them were not serious to work as a corporate business resulting into failure to achieve the intended goals. R7 noted that, *"due to the little fund we had received, we got tempted instead of investing the grant to the intended projects; we shared for our own personal means, the grant which was amounting to (K10, 000)"*

R10 also pointed that, *"the real challenge is that, the grants are too small to solve one's challenges in a business. Most grants have very stringent requirements that must be met in order for one to have access to the same grants"*.

Lack of new Technology

Lack of technology by those that are in charge of CDF in the district is another drawback, there is a need of new technology when handling applicants for CDF and SMEs too, and as they run their businesses they equally need latest technology in their businesses. Information technology has developed rapidly and one of the challenges that could have contributed to low uptake of CDF in Kafue is failure to embrace Information and Technology (IT.) SMEs have been unable to sufficiently utilize opportunities for their clients on internet sales and government support to applications over the counter.

R9 Argues that, *“if government could introduce website specifically for constituency development fund updates on all applications and those who benefited and including all CDF activities for each district, I have faith that CDF may be accessed by every potential SME”*.

There is need of e-commerce for cooperate businesses expansion. The non- use of information technology has not only damaged SME growth but also made many SMEs unfamiliar with the ongoing support available for Constituency Development fund. The local authority should provide close mentoring style support to SMEs for teaching them how to use information technology in their businesses. R6 explained that,

“For SMEs to thrive in hard economies like Zambia we need serious new innovation to be used to appreciate this CDF”

Lack of SMEs database at the council is another serious challenge for SMEs to stake holders such as interested researchers on government activities to empower SMEs. Our findings on the study matter indicate that, their financial and non-financial accounts are often difficult to access at the council. Therefore, there is need of making this information open to interested stakeholders. The database should show names of corporate entrepreneurs who have benefited, those who have qualified but are on waiting list and those who failed to qualify with justifications at the district offices.

Study Limitations

The study was delimited to selected categories of SMEs targeting respondents in Kafue District of Zambia based on CDF policy guidelines. The findings of the study may not be generalised for they represent only the views of the sampled population.

CONCLUSION AND RECOMMENDATION

Conclusion

In conclusion, the motivation behind this study was to look at the challenges that contributed to the low uptake of CDF among SMEs in Kafue. In order for Local government to achieve their competence objective of disbursing and utilization of existing CDF, they must work on the challenges that were related to both SMEs and local authorities. The study managed to identify some challenges which are the root causes of low uptake of CDF among SMEs in Kafue District, some of the challenges that have really hit the corporate entrepreneurs were; management incompetency over CDF, the inconsistent disbursement of the fund, lack of accountability, lack of new technology, lack of skills labour, government unfavorable fiscal policy and policy in consistences, lack of sensitization, political influence, little money or insufficient fund, lack of monitoring and implementation by local government. Therefore, it's very important to provide crucial services to SMEs as a way of implementing CDF act of 2018 in line with the decentralization policy to avoid such challenges, which inevitably affects particularly districts that are not economically positive.

Recommendations

1. Based on the current findings, it can be concluded that there is need to ensure of sensitization of citizens from different profiles of SMEs in Kafue on how government funds can be accessed apart from CDF by the responsible ministry or institutions.
2. The government may consider increasing the 40% of CDF and establish specific offices in each district that will be very neutral to handle all the application processes and monitoring and evaluation of projects.
3. Local government ministry may ensure to work with other line ministries such as: SME&

Development ministry and other stakeholders, to speed up CDF disbursement process in every constituency

4. The local government to ensure that capacity building is undertaken, such as baseline data collection and review council schedules and audit process.
5. Monitoring and implementation by the authority in charge of CDF is lacking, hence central government should support CDF local activities financially.

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