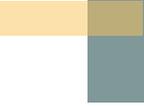




# An Analysis of the **2023** OAG Report On Value-for- Money Audit of Devolution Funded Projects



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ZIMBABWE COALITION ON DEBT & DEVELOPMENT



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## 1. Introduction

As part of its quest to promote transparency and accountability and broad inclusive participation of citizens in Zimbabwe's Public Finance Management, ZIMCODD presents its analysis of the Value for Money (VfM) Audit Report (on the Monitoring of Devolution Funded Projects) recently released by the Office of the Auditor General (OAG). The purpose of the analysis is to highlight the social and economic implications of the OAG's findings on service delivery and proffer recommendations for redress in the short and long term. The OAG report unearths several issues including under-disbursements of devolution funds, misuse of devolution funds, misappropriation of disbursed funds, procurement challenges, accountability and transparency challenges which undermines the effective and efficient utilisation of devolution funds. The OAG value for money report clearly indicates that Local Authorities (LA's) still have a long way to go if they are to effectively contribute to national development and growth. This analysis implores the government to recognise that the success of vision 2030<sup>1</sup> largely relies on optimum synchronization and performance of Central Government (CG) and LA's projects coupled with sound administration and timely disbursement of devolution funds.

## 2. Audit Findings

### Allocations and Disbursements of Devolution Funds

The OAG VfM report revealed that the disbursement of devolution funds has not been done optimally and in accordance with Section 301 (3) of the Constitution. The constitution requires the Treasury to allocate and disburse at least 5% of the annual national budget for devolution projects. However, the OAG findings show that the treasury has constantly failed to disburse all the allocated funds from 2019 to 2021. An extract from the report presented below shows a comparison of constitutional budget provision and actual allocations.

**Table 1: Devolution Annual Budget compared against actual allocations**

	2019 ZW \$	2020 ZW \$	2021 ZW \$
Annual National Budget	17 136 414 000	60 747 836 564	464 873 772 981
5% Constitutional Devolution Provision	856 820 700	3 037 391 828	23 243 688 649
Devolution Budget Allocation	703 000 000	2 932 000 000	19 540 000 000
Shortfall	153 820 700	105 391 828	3 703 688 649
Shortfall (%)	18	3	16

Source: Budget Estimates and Financial reports

Thus, the failure to meet the prescribed constitutional budget provisions undermines national development and growth, as it weighs negatively on service delivery. Despite the government's failure to meet the constitutional budget provision allocation, the Treasury further undermined devolution by failing to disburse all allocated resources. An extract from the report shows that, from 2019-2021 devolution disbursements percentage have been ranging between 6%-94% thereby undermining service delivery.

**Table 2: Devolution Funds allocated and disbursed from 2019-2021**

	2019 ZW \$	2020 ZW \$	2021 ZW \$
Devolution Budget Allocation	703 000 000	2 932 000 000	19 540 000 000
Amount Disbursed	658 624 863	1 035 445 396	1 162 000 000
Shortfall	44 375 137	1 896 554 604	19 333 800 000
Shortfall (%)	6	65	94

Source: Budget estimates and financial reports.

### Monitoring of devolution funded projects

The report shows that the Ministry of Local Government did not carry out monitoring visits of projects that are funded using devolution funds. Monitoring visits are part of an effective governance system that enhances transparency, accountability and responsibility in the utilisation of public resources. This failure was because treasury had not disbursed monitoring funds to the Ministry. This is a scenario that creates room for resource abuse. An extract from the OAG report presents allocation vs. disbursement data.

**Table 3: Allocations vs Disbursements**

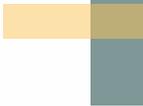
	2019 ZW \$	2020 ZW \$	2021 ZW \$
Operation Grant Allocation	35 150 000	293 200 000	977 000 000
Operation Grant Disbursed	Nil	Nil	Nil
Board fees Disbursed	1 953 382	1 894 125	1 739 782

Source: Devolution budgets and Financial Reports

### Utilisation of Devolution funds

The OAG did not audit the devolution projects that were implemented from January 2019 to December 31, 2021. This was because, the Ministry of Local Government did not have a data base which shows the projects which has been carried out. A review of projects reports for 2019-2021 shows that of the 27 projects that Harare City Council (HCC) and Ruwa Local Board (RLB) were supposed to implement, only 5 projects were completed. The major reason being the diversion of devolution funds to unapproved projects. Approximately, 74% of HCC devolution funds were utilised on unapproved devolution funds. Lupane RDC was also said to have not used disbursements funds for more than six months.

An extract from the project progress report below shows the status of devolution projects being implemented by HCC and RLB.

**Table 4: Percentage Completion of Uncompleted Projects**

Project	Start Date	Planned Completion Date	Completion (%) as at 31/12/21
Rujeko Primary School	13/10/21	17/12/21	3.6
Damofalls Clinic	27/06/21	15/11/21	10.6
VSD Installation (Water Plant)	15/9/21	30/12/21	0
Water Reactor 5 MG (Water Plant)	1/8/21	4/11/21	5
Seke Road Market	1/1/20	15/3/20	60
Morton Jeffrey	24/10/19	31/12/21	60

Source: Project progress reports

Thus, the two Local Authorities have successfully missed their project completion dates. Although the reasons are not entirely internal, the LAs also contributed by diverting devolution funds to support unapproved projects.

### Acquisition

The OAG VfM report stated that the procurement of devolution-funded projects was not carried out in accordance with the public procurement regulations stipulated by the Public Procurement and Disposal of Public Assets Act [Chapter 22:14]. Most of the projects undertaken by HCC and RLB were not included in their annual procurement plan, creating room for anomalies and dealings that promote tenderpreneurship. It was also discovered that some of the purchased equipment was not delivered at the time of the audit.

### Devolution Accounting Records and Acquittals

Circular No. 1 of 2019 issued by the Ministry of Local Government required LA to open separate books and bank accounts for devolution funds. Nevertheless, most of the LAs did not follow the instructions prescribed by the circular. Additionally, LA was also not submitting their annual acquittals, a direct violation of the Public Finance Management Act [Chapter 22: 19]. Consequentially, HCC failed to account for devolution funds amounting to \$ 32 686 017. An investigation report issued in September 2020 by the Ministry revealed a few instances where LAs ended up diverting devolution funds by expending the funds on travel and subsistence allowances, buying provisions. An extract below shows devolutions funds which were diverted for other unapproved activities.

**Table 5: Devolution Funds Transferred from the Devolution Account to City Council of Harare Main Account.**

Date	Recipient	Purpose	Amount (\$)
11/12/20	City of Harare	Not Disclosed	2 500 000
11/12/20	City of Harare	Not Disclosed	2 771 300
24/6/21	City of Harare	Creditors	7 006 029
27/8/21	City of Harare	Not Disclosed	10 190 500
27/8/21	City of Harare	Not Disclosed	6 219 100
18/10/21	City of Harare	Not Disclosed	9 270 388
<b>Total</b>			<b>\$32 686 017</b>

Source: CABS Account Bank Statements.



The findings of the OAG report on Value-for-Money Audit on the Monitoring of Devolution-Funded Projects are worrying and reveal anomalies in the utilisation of public resources. The report also shows how the Treasury has constantly delayed disbursing funds, thereby undermining the optimal implementation of devolution projects. At the same time, the inability of the Ministry of Local Government to conduct monitoring visits affected effective implementation evaluation, which is essential to guarantee project success. Therefore, since Zimbabwe seeks to achieve vision 2030, prudent use of public resources is critical.

### **3. Implications of Audit Findings from a Social and Economic Justice Perspective**

The findings presented by the OAG Value for Money report on devolution funded projects have negative impact on social and economic justice. Some of the effects are presented hereunder:

#### **Poor Service Delivery**

Mismanagement of devolution funds by LA has undermined effective public service delivery across the country. Equally, late disbursements by the Ministry of Finance has the same implication. In all these scenarios residents and ratepayers suffer the most – as the circumstances facilitate poor service delivery. A gender analysis reveals that the services currently rendered by LAs are not gender sensitive. This is evidenced by poor ablution facilities which are critical in supporting the needs of women and girls. Additionally, infrastructure gaps currently experienced are a result of poor service delivery. Many LAs have outdated infrastructure which can no longer sustain the growing population. The current sewer system, water works, housing allocation systems, roads and hospitals are wanting. Water shortages and electricity blackouts have increased the burden of unpaid care on the girl child, who is expected to fetch water and firewood. This is because of the cultural configuration which views “care work” as women responsibility.

#### **Entrenched Inequality**

The inability to effectively utilise devolution funds has resulted in entrenched inequalities and deepened vulnerability of communities. Majority of LAs have poly clinics and satellite clinics which function as primary healthcare facilities which is a positive stride in providing universal access to health. However, a lot of LAs do not have ambulances and well-equipped maternity wards. At the same time women are [giving birth on the floor](#), a factor that increases [maternal deaths](#). The statistics of infant mortality rate remains high for a country that seek to achieve an upper middle-income economy by 2030. Below are [some of the statistics](#):

- The current infant mortality rate for Zimbabwe in 2023 is 34.096 deaths per 1000 live births, a 2.65% decline from 2022.
- The infant mortality rate for Zimbabwe in 2022 was 35.025 deaths per 1000 live births, a 2.58% decline from 2021.
- The infant mortality rate for Zimbabwe in 2021 was 35.954 deaths per 1000 live births, a 2.52% decline from 2020.
- The infant mortality rate for Zimbabwe in 2020 was 36.882 deaths per 1000 live births, a 2.46% decline from 2019



Although the trend from 2019 is on the decline, it's not significant enough to enhance Human Capital Development (HCD) as stated in the NDS1. Equally important to note is the fact that, maternal and infant mortality rate mainly affects the marginalised and vulnerable communities who have limited or no alternatives to access better health care facilities. This serves to buttress that the country's health sector needs urgent intervention, one of the issues the 2024 national budget is expected to address.

### **Impunity**

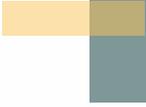
The citizens should worry about the growing impunity. The findings of the OAG clearly show that there are suppliers who consider themselves above the law – as they deliberately fail to deliver on the goods purchased from them. This is not the first OAG report to highlight on such an injustice. OAG reports on LAs, State Enterprises as well as special reports on COVID-19 funds have all raised the same issue which seems not to be addressed. It is alleged that some of the suppliers do not have the capacity to deliver on procured goods but simply have access to the highest echelons of power.

### **Fiscal Injustice**

The findings of the OAG show great concerns of fiscal injustice. Fiscal justice includes revenue raising through taxation, allocation and spending on public services in a just and equitable manner. In short, it is about how tax administrations are built, how taxes are collected, how public money is spent and who benefits. Therefore, with this concept in mind it is clear that devolution funds are generated from taxes and they are public funds which should be utilised in a manner that benefits the entire nation on an equal basis. However, currently majority of communities are not benefiting from devolution funds either because the ministry has failed to timely disburse the money or the LA has diverted the money to fund travel and subsistence allowances, administrative expenses and other non-core expenses as uncovered in an investigation report issued in September 2020 by the Ministry of Local Government.

## **4. Conclusion**

The findings of the OAG are worrying. There is need for urgent intervention by responsible authorities to ensure that devolution funds are optimally utilised. The Ministry of Finance should make timely disbursements of both implementation and monitoring funds. LA must adhere to their annual procurement plans, utilise devolution funds on sanctioned programs. The inability of LA to use devolution funds in an effective, economic and efficient manner has resulted in the entrenchment of social and economic injustice due to poor service delivery and fiscal injustice. Thus, taking into consideration of the above there is need for responsible authorities to urgently redress the challenges highlighted by the OAG report. The recommendations proposed hereunder might be stepping stones towards robust utilisation of devolution funds.



## **5. Recommendations**

### **OAG Recommendations Tracking Matrix for the Public Accounts Committee of Parliament and Ministry of Local Government**

There is need for the Ministry of Local Government in collaboration with the parliament, citizens and Civil Society Organisations (CSOs) to develop an OAG recommendation tracking matrix. A matrix that will enable everyone to monitor LA progress on OAG recommendations implementation. ZIMCODD has developed a framework for such a matrix and is willing to collaborate as a development partner.

#### **Timely Disbursements**

The Ministry of Finance must disburse devolution funds on time to ensure smooth implementation of projects. A national devolution disbursement framework must be developed and timed. The Office of the President and Cabinet (OPC) unit responsible for monitoring government projects must set parameters and tracking indicators for monitoring efficient performance by the ministry of Finance and Investment Promotion to ensure that timely disbursements are done, understand and eliminate bottlenecks in the process.

#### **Adherence to Annual Procurement Plans**

LAs must adhere to submitted and approved annual procurement plans. The Procurement Regulatory Authority of Zimbabwe (PRAZ) must fully execute its mandate of monitoring public procurement plans and implementation.

#### **Depoliticize the development and devolution agenda**

Devolution funds and projects are public funded by all citizens of Zimbabwe regardless of political inclination, race, colour or tribe. As such, it is constitutionally discordant for any single person to attempt a political mileage out of such public resources as they must be enjoyed by all taxpayers. Most importantly government, through Cabinet and Parliament must ensure that there is an alignment to the Constitutional provisions guiding structure and process of devolution. Full implementation of devolution is required urgently to put in place structure that supports the devolution agenda and strategy. A strategy without structure is doomed to fail. The provincial and district structures must be instituted and commissioned to oversee the efficient use of devolution funds for the benefit of local communities.