

**THE UNITED REPUBLIC OF TANZANIA**



**PRIME MINISTER'S OFFICE**

**REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT**

**LOCAL GOVERNMENT DEVELOPMENT GRANT  
(LGDG) SYSTEM**

**PROPOSED CHANGES AND RECOMMENDATIONS  
FOR EFFECTIVE OPERATION OF THE NEW LGDG  
SYSTEM**

**FINAL**

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## 1.0 INTRODUCTION

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The Local Government Development Grant (LGDG) system is the only main reliable vehicle for allocating development grants to Local Government Authorities (LGAs) in mainland Tanzania. The System was introduced as a unified national transfer method of providing development funding to LGAs with a view to achieving the following objectives:

- (i) to improve the access of communities especially the poor, to local services through expanding the physical stock of new and rehabilitated infrastructure;
- (ii) to improve the sustainability of local development infrastructure by ensuring proper planning and adequate operations and maintenance;
- (iii) to enhance the delivery and management capabilities, productive efficiencies and financial sustainability of local governments; and
- (iv) to provide a national system for the delivery of development grants to LGAs.

Transfers under the LGDG System are supposed to adhere some common principles which include among others, *allocations* based on an objective, equitable, efficient and transparent formula and which are performance-based, subject to a common performance assessment and *rules* of the LGDG system that are universally applied to all LGAs. The LGGD which is now fully mainstreamed within PMO-RALG, is thus a national performance-based grant system which allocates funds based on the annual performance assessment of LGAs. Financial management, internal audit, local revenue mobilization, development planning and budgeting, project implementation, human resources development, procurement, and council functional process are among the key functional areas assessed.

The essence for this has been to promote compliance with national policies and regulatory frameworks. In addition, the assessment is intended to create an incentive system that allows for adjustment of the annual grant allocation to each LGA depending on the level of achievements against a set of minimum conditions and performance indicators. To some degree, the system succeeded in achieving the intended objective of promoting compliance and strengthening the delivery of local public infrastructure and services through the Council Development Grants (CDGs). The amount of development resources flowing to LGAs has been increasing over the years while at the same time, LGAs' capacity in such areas as financial management, procurement, planning and budgeting has improved because of various training interventions funded by the Capacity Building Grants (CBGs).

Despite the achievements, the system has been facing a number of challenges. Some of the challenges were raised in the "*Evaluation of the LGSP Support for the Local Government Development Grant System*" Report of 2010 and others are based on the findings of this study. In summary main challenges facing the LGDG system, include the following:

- (i) The amount of the LGDG has always been too small compared to the ever-increasing number of community-prioritized projects. As a result, there are too many unfinished projects in the LGAs and/or finished but not properly functioning.
- (ii) It has been difficult to realise community priorities because of too the many prioritised community projects. LGAs find it difficult to include all prioritised projects in the council plans and even the few that are included receive very small amounts due to limited funds.
- (iii) The distribution of the limited funds within the LGAs is yet another challenge since remote and underserved communities are often overlooked, forgotten or neglected.
- (iv) The conventional O&OD has failed to organize communities to initiate and manage self-help projects as it has always focused on facilitating communities only to list up priorities they want

to be realized, but just waiting for the government to do for them. The long lists of community-prioritized projects in the LGAs, and the unmet expectations have often resulted in frustrations and lack of trust.

- (v) Community self-help initiatives have not been encouraged, and where they exist, they lack support.

The Focus and thrust of the new system is to ensure that LGDG system lead to real effective service delivery to the people by means of:

- (i) Promoting the quality of projects implemented through the LGDG system
- (ii) Providing adequate funding to prioritized projects so that they become fully operational
- (iii) Ensuring that community priorities are realized.
- (iv) Recognizing and providing support to community self help initiatives,
- (v) Promoting, facilitating and strengthening community, self help initiatives,
- (vi) Promoting fair distribution of resources to LGAs and within LGAs

Since the government’s intention is to strengthen the LGDG system to ultimately have a uniform, transparent, and performance-based system for channelling development resources to the LGAs, this has necessitated some important changes to the system. Key among them is the need to increase the amount of LGDG to address the unmet demands. Decisions regarding funding sources and sharing of the funds among the different levels and institutions involved have to be made. Similarly, the institutions for managing the process at the central government level have to be established and their ToR prepared. In brief the proposed changes are as summarized below.

## 2.0 THE PROPOSED CHANGES AND RECOMMENDATIONS

The table below summarises the proposed changes and needed interventions.

Sn	Proposed changes	Recommendations /Required interventions
1.	One of the main concerns of the LGDG system is the amount of the budget earmarked for the assessment process. In case the budget is from the LGDG pool, then the number of community projects that could be funded will be substantially decreased. The assessment budget should come from other sources	It is recommended an alternative source for the budget for the assessment exercise and other recurrent expenditures be identified. PMO-RALG should identify reliable sources of funds to meet the assessment and other recurrent expenditures including pre- planning, field work (assessment), production of reports, running of the secretariat, committee and Taskforce meetings, etc.
2.	The reviewed literature noted the LGDG as inadequate to meet or realise all community priorities. Currently, the government commits only 2% of “its budget” to the system and this is often not fully realized.	Increase the size of LGDG for LGAs to adequately address community priorities and make the system effective and sustainable. Effectiveness can only be realized if the projects are completed, meet the required stands and are providing the required services i.e. fully operational sustainably.
3.	Since the LGDG system is fully integrated into the government system (PMO-RALG) its management requires a new institutional set up. Bearing in mind that the assessment, reporting and decisions on the allocation of the	The following institutional set up is proposed. <ul style="list-style-type: none"> <li>a. A Reform Secretariat at PMO-RALG</li> <li>b. A LGDG Taskforce drawing experts from PMO-RALG and other Sector Ministries.</li> <li>c. Regional Assessment Teams (RATs) at all regions</li> </ul>

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	<p>funds among the LGAs are the responsibilities of PMO-RALG the new institutional setup becomes inevitable.</p> <p>Again, since the sector grants will eventually be integrated into the system then their participation is very important.</p>	<p>with experts drawn from the RSs and other public institutions from within the regions.</p> <p>PMO-RALG will form these new bodies (institutions), prepare their terms of reference and formal appointments; Formal appointment of the RATs will be done annually. In addition, an orientation programme to all key stakeholders (PMORALG, RSs LGAs etc) on the new system has to be carefully considered.</p>
4.	<p>In order to strengthen the effectiveness of the systems all LGDG funds will be pulled together to a single LGDG pool with contributions coming from various sources.</p>	<p>A LGDG pool is recommended with a large share of the contributions coming from the government supplemented by support from DPs and other sources. This grant pool will be used to meet all LGDG related activities i.e.</p> <p>a) CDG for funding LGA projects 82%</p> <p>b) CBG for CB related activities 10%</p> <p>c) M&amp;EG for M&amp;E activities 8%</p>
5.	<p>To strengthen further the systems there is need for the other sector contributions to the LGDG core to specifically address the problems related to completion and sustainability of the projects.</p>	<p>This recommendation is made on the basis that most projects funded through the LGDG core cut across almost all sectors. If the other sectors contribute part of their LGDG sector budgets to the LGDG core it can be spent on O&amp;M and meeting other recurrent expenditures. PMO-RALG will work on this (convince sectors to contribute)</p>
6.	<p>The allocation formula is not adhered to and allocations tend to favour rich LGAs.</p> <p>The allocation of the CBG and MEG should also be formula based because of disparities among LGAs</p>	<p>We understand that a team is working on this. We hope that the problem will be adequately addressed. We expect the formulas for the allocation of the CBG and MEG to also be considered.</p>
7.	<p>The distribution of the allocated funds within the LGAs often overlook underserved and/or remotely located(in hard to reach areas) communities</p>	<p>PMO-RALG will prepare a criteria for identifying hard to reach/underserved areas, the community projects from these areas to be included in the council plans and budget and the criteria for distributing the LGDG funds within LGAs.</p>
8.	<p>It is clear that the government alone cannot cover everything to satisfy the needs/priorities of the people. However, in this country there are a considerable number of cases of community-initiated activities with the spirit of “self help efforts” even without external support. Hence, we consider it indispensable to promote and strengthen community initiatives as well as the spirit of community contributions.</p>	<p>LGAs need to be facilitated to promote and strengthen community self help initiatives and the spirit of community contribution to local projects.</p> <p>The improved O&amp;OD piloted in few LGAs has proved that communities can manage their own development if facilitated. However, this has been through support from JICA. The government should decided to allow LGDG to be used for rolling out the O&amp;OD. If 10% of total LGDG Budget is set aside it will be enough to cover all the 166 LGAs in Mainland Tanzania</p>
9.	<p>Strengthen the LGDG system by mobilizing funds from various local sources to ensure full completion and sustainability of local development projects</p>	<p>PMO-RALG should encourage LGAs to enhance their own revenues to be able to commit at least 5% -10% to LGDG funded projects. LGAs on their part should mobilise/sensitise communities to contribute (labour, materials and or cash) to the LGDG funded projects</p>

Sn	Proposed changes	Recommendations /Required interventions
		and both contributions should clearly be reflected in the LGAs budgets
10.	Quite a big number of completed projects are in bad shape or require rehabilitation. This is due lack of or to poor maintenance strategies. Either rehabilitation budgets are not provided for in the LGAs budgets or if they do then they are not spent as intended.	It is recommended that a 2 -3% of own revenue sources capped on LGA's CDG be set aside for rehabilitation. A guideline on rehabilitation will be prepared and PMO-RALG should instruct the LGAs to commit part of their own sources as well as the CDG for rehabilitation of existing infrastructure. LGAs should adhere to the guideline, which is an indicator during the annual assessment.
11.	A proposal is being made of reducing the assessment costs, as it has been one of the main concerns of various stakeholders.	Although not directly indicated in the documents we recommend an approach of assessment, which is cost effective as elaborated in recommendation 9 and 10 and in the guide. Local resources at the RS and LGA should be mobilised to realise this.
12.	Introduce a system of sharing the assessment costs among the CG, RS and LGAs	To reduce costs and promote ownership, It is recommended that assessment costs be shared among CG, RS and LGAs. RS and LGAs make use available resources (vehicles) and the government meets the rest of the costs
13.	The timing of the assessment is changed to match with the current budget cycle. Consequently, the assessment tools and reporting format require some improvements for easier use by the assessors.	Prepare simple user friendly data capture tools (assessment tools) and a reporting format that will enable the assessment teams complete and submit the LGA reports to the Taskforce electronically. This will be done immediately after a team completes assessing a LGA
14.	The assessment is held before the release of the CAG report. The CAG report is released in March of following year almost three months after the release of the assessment results. It is proposed that PMO-RALG take action against LGAs that receive negative CAG opinions.	It is strongly recommended that in the event that a LGA receives an adverse or disclaimer opinion. PMO-RALG will withhold all amounts of the LGDG grants allocated to that LGAs pending rectification of the situation as per the CAG recommendations. Strong oversight will be required from both PMO-RALG and the RS of ensuring immediate LGAs compliance to CAGs recommendations to allow for the release of the funds.
15.	Review and/or prepare guidelines for use at the LLGs.  Simple Guidelines on procurement, financial management, etc are very important	Some guidelines are not available while some of those available are outdated or not user friendly. The guidelines should also consider existing capacity at the LLG. These must be prepared/reviewed if the implementation of the system was to be effective. PPRA are preparing a procurement guideline for LLG. It might be necessary to liaise with them to establish progress and give suggestions if necessary.
16.	60% of CBG is spent in LLG to address the serious capacity gaps at that level	PMO-RALG should issues a circular on this and the assessment exercise will cover this aspect to ensure that LGAs and complying. The allocation of the CBG should also be formula based and disadvantaged LGAs should be given priority.
17.	Monitoring and Evaluation Framework for the LGDG system.	This is prepared to provide for a system of checking and reporting progress and outcome the

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		implementation of the LGDG system. As such, a certain amount of the budget (LGDG) should be set aside for this and therefore PMO-RALG should issue a circular for enforcing this.
18.	Introducing and reinforcing a system of succession Planning in LGAs. Currently there are many people retiring and many new employees in the LGAs and even at PMO-RALG. The experienced and near retiring staff have no formal system of sharing with new and inexperienced staff their experiences and grooming them for more challenging positions	One of the findings during the field survey was the existence of a big number of staff both senior and junior with hardly any idea about the LGDG system or in general the functioning of the LG system. Succession planning does not exist and effective continuity of the management system is therefore at risk. Inexperienced staff need to be groomed up so that they can take the positions of those retiring without problems.
19.	Baseline data on Service Delivery from each LGA is required to ensure fairness, equity and support to disadvantaged/hard to reach LGAs and communities.	PMO-RALG should conduct a comprehensive baseline study on service delivery and the existing endowments in each LGAs. Alternatively, each LGAs should prepare its profile guided by a format by PMORALG. The profiles will be reviewed frequently to provide for reliable decision making on application of the formula
20.	50% of the CDG to be channelled to LLG and developing criteria for allocating it within the LGAs	It is still recommended that 50% of the CDG should be channelled to the LLG and therefore there must be criteria for allocating the funds within the LGAs. This is important to ensure remote communities are not marginalized or political interests do not influence the allocations
21.	The major focus of the new LGDG system is on community self help initiatives and commitment of all levels of governance to local development. Consequently, the CBG should be utilized with a focus at realizing this endeavour. New courses will thus be developed and quality assured at all levels	It is recommended that the PMO-RALG implement the recommendations that were made in the Training Needs Assessment Study in 2012, and the newly arising training needs because of the changes to the LGDG system. Mindset change for councillors, LGA staff and community members alike is very important to break off the overreliance on central government funding for local development initiatives.
22.	The revised system has some implication in terms of knowledge and skills required for carrying it through. It is important to review the standardized courses and identify emerging training needs generic to all LGAs	PMO-RALG should play its role in this to ensure that the redesigned courses address newly emerging training needs of LGAs (HLG and LLG). Important also is to identify and shortlist training providers that are credible and can provide the training cost effectively.
23.	There is critical shortage of WEO, VEOs and Extension Officers. These are critical in the whole LGDG implementation cycle.	It is recommended that the CG formerly allows to directly recruit these staff to avoid the problem of vacancies in LGAs
24.	Record keeping and reporting at the LLG remain a challenge because of limited capacity. Preparation and dissemination of recording keeping (filing) systems and a simple reporting format for LLGs is proposed	This simple format will be prepared by PMO-RALG and should address all the information needs of the government (PMO-RALG) from the LLGs.
25.	Most LGAs rely on <i>Local Fundis</i> for small projects and in some cases because of failing to attract qualified and competent contractors. Sometimes the amounts allocated to LGA	Since the use of <i>Local Fundis</i> is legally not allowed, PMO-RALG should liaise with the CRB and/any other authority to request clarification on this and if possible request for the registration of " <i>community</i>

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	<p>projects are too small and/or do not consider the locations (distances and accessibility), haulage costs and availability of construction materials.</p>	<p><i>contractors</i>". These community contractors will be used for construction of various infrastructure in the LGAs particularly those which are underserved.</p>