THE UNITED REPUBLIC OF TANZANIA

PRIME MINISTER'S OFFICE
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

Local Government Council Development Grant (LGDG) System

Implementation and Operations Guide

[PROPOSAL 1 FINAL]

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Abbreviations and Acronyms

AAS	Assistant Administrative Secretary
ABP	Area Based Programmes
ACCGEN	Accountant General
ALAT	Association of Local Authorities of Tanzania
AT	Assessment Teams
BRN	Big Results Now
CAG	Controller and Auditor General
CB	Capacity Building
CBG	Capacity Building Grant
CBP	Capacity Building Plan
CDG	Council Development Grant
CDR	Council Development Report
CFR	Council Financial Report
CG	Central Government
CHRO	Council Human Resource Officer
CMT	Council Management Team
CPLO	Council Planning Officer
CSO	Civil Society Organization
DCC	District Consultative Committee
DPs	Development Partners
DPS	Deputy Permanent Secretary
ES	Executive Secretary
FY	Financial Year
GoT	Government of Tanzania
HLG	Higher Local Government
HRD	Human Resources Development
IA	Internal Audit
IAF	Internal Audit Function
IAG	internal Auditor General
IFMS	Integrated Financial Management System (Epicor)
IIA	Institute of Internal Auditors
IPF	Indicative Planning Figures
IPPF	international Professional Practices Framework
LAAC	Local Authorities Accounts Committee
LAFM	Local Authorities Financial Memorandum
LG	Local Government
LGA	Local Government Authority
LGMD	Local Government Monitoring Database
LGDG	Local Government Council Development Grant
LGRP	Local Government Reform Programme
LLG	Lower Local Government
M&E	Monitoring & Evaluation
MCs	Minimum Conditions
MDAs	Ministries, Departments and Agencies
MEG	Monitoring and Evaluation Grant

MKUKUTA	Mkakati wa Kukuza na Kupunguza Umasikini Tanzania
MEO	Mtaa Executive Officer
MoF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NSC	National Steering Committee
NSGRP	National Strategy for Growth and Reduction of Poverty
O&OD	Opportunities and Obstacles for Development
PBGs	planning and Budgeting Guidelines
PMs	Performance Measures
PMO	Prime Minister's Office
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
PMU	procurement Management Unit
PRS	Poverty Reduction Strategy
PS	Permanent Secretary
RCC	Regional Consultative Committee
RAS	Regional Administrative Secretary
RAT	Regional Assessment Team
RS	Regional Secretariat
SC	Steering Committee
TA	Technical Assistance
TAS	Tanzania Assistance Strategy
TC	Technical Committee
VA	Village Assembly
VEO	Village Executive Officer
WDC	Ward Development Committee
WEO	Ward Executive Officer
WF	Ward Facilitations
WFT	Ward Facilitation Team
WTC	Ward Technical Team
URT	United Republic of Tanzania

Preface

Part 1 Introduction

1.0 Introduction to the Guide

1.1   Objective of the Guide

The Local Government Development Grant (LGDG) system is the main vehicle for allocating development grants to Local Government Authorities in mainland Tanzania. Since its introduction, the LGDG system has contributed considerably in improving the performance of LGAs. For example, it has provided strong incentive for LGAs to improve in a number of functional areas including planning and budgeting, financial management, procurement, to mention a few. The inclusion of the sector windows made the LGDG a dominant modality for local investment funding to LGAs. There has also been an increase in share of development resources to LGAs. In spite of these achievements, the LGDG system has been facing a number of challenges. The challenges include among others, ineffective functioning of the system to realize the intended outcomes due to;

- Inadequate funding resulting in many unfinished projects
- Completed projects that were not functioning properly
- Too many community prioritized projects that were not realized
- Lack of a monitoring and evaluation (M&E) framework.

The community projects were not realized because they were either not included in the council plans and budgets or if included were not funded. There was also unfair distribution of the funds within the LGAs where remote communities were not given deserved consideration. The conventional[1] O&OD has not been able to effectively address itself to the above-mentioned challenges of realizing community organization and self-help as focus has always been on facilitating communities to propose projects expecting government funding; and this led to community frustration and severe "dependency syndrome".

The *LGDG Implementation and Operations Guide[2]* (hereinafter referred to as the 'Guide'), has been revised to address the shortfalls identified above. The intention of the review is to guide the implementation of the new LGDG system which is now mainstreamed into the government system. The main objective of the newly revised system is the realization of decentralized service delivery functions to satisfy the needs of the people of Tanzania.

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

- Promoting the quality of projects implemented through the LGDG system,
- Providing adequate funding to prioritized projects so that they become fully operational,
- Ensuring that community priorities are realized,

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[1] The conventional O&OD is the one still in use as a participatory development planning process introduced by the Government in 2002. More than 90% of LGAs in Tanzania have already experienced the O&OD process.
[2] This Guide was first released in 2005 and has never been revised since then

- Recognizing and providing support to community self help initiatives,
- Promoting, facilitating and strengthening community, self help initiatives,
- Promoting fair distribution of resources to LGAs and within LGAs.

The implementation of the new system is in accordance with current Government's standards and procedures. The new LGDG system becomes operational from the beginning of the 2015/16 Financial Year. It will be reviewed or revised after every five years to address the challenges encountered during its operationalisation as well as to accommodate any developments in policy or strategies that may warrant a review. However, the guide can be reviewed at any point in time in case major Policy Changes. The government's intention is to strengthen the LGDG system so as to ultimately create a uniform, transparent, and performance-based national system for channeling development resources to the local government levels.

The Guide is not meant to create parallel systems or procedures or to change the existing systems and procedures rather to promote and strengthen LGAs capacity for effectively adhering to national systems and procedures.

There are a number of policy documents, strategies, procedures and manuals, which are referred to in this guide. These documents are very relevant for the implementation of the new LGDG system and therefore they form part of the reference materials to all stakeholders involved in the implementation of the system.

The list of the key documents upon which this guide is based is attached as Appendix 1

1.2   Target Group and Scope

The Guide is intended to be used by the Central Government (CG), Regional Secretariats, Local Government Authorities (LGAs), Development Partners (DPs) supporting the government's development efforts and all other stakeholders that will be involved with the system in various ways.
Central Government users include:
- LGDG Oversight Committees;
- The Prime Minister's Office – Regional Administration and Local Government (PMO-RALG)
- Ministry of Finance;
- MDAs i.e. all Sector Ministries, Departments and Agencies participating in the system.
- Regional Secretariats (RS);

Local Government (LG) users include:
- Higher Local Government (HLG): i.e., the Standing Committees and Council Management Team (CMT) and Heads of Sections

- Lower Local Government (LLG): Wards, Villages, Mitaa and Service Facilities

In addition to the CG and LG users, the Guide is written for the Development Partners participating in the system. The guide may also be useful to all other stakeholders that will be involved in the system in various ways. The roles and responsibilities of stakeholders at LLGs is as provided for in the guide prepared by PMO – RALG.

1.3   The Structure of the Guide

The Guide is divided into the Introduction (Part 1), the main Guide (Part 2) and finally the Appendices.

Part 1 - The Introduction

Part 1, the Introduction, sets out the objective, scope and structure of the Guide, explains the policy context, and describes the main features of the system:

- The *Introduction to the Guide* (this Chapter) outlines the rationale and objective of the Guide. The Chapter also defines the target group and presents the Guide's overall structure and logic.

- The *Policy Context* presents the strategic perspective, decentralisation policies, programmes and strategies relevant to understanding the origins of the LGDG programme.

- Finally, the *LGDG System* includes a detailed presentation of the system to enable users and other interested parties to fully understand and appreciate the main characteristics of the LGDG system

Part 2 – The LGDG Implementation and Operations Guide

Part 2, the LGDG Implementation and Operations Guide, details the steps and procedures for implementation of the system. The Chapters in Part II are structured according to the main processes of the LGDG system (the LGDG cycle). These interrelated processes are:
- Assessment
- Planning and Budgeting
- Implementation
- Reporting
- Monitoring
- Auditing
- Evaluation

The necessary procedures for implementing each step are described in the individual Chapters of Part 2 and Part 3. All Chapters in Part 2 are structured as follows:

- The **Introduction** briefly sets out the rationale and main action areas for the particular step.
- A summary of the main **responsibilities** of various stakeholders: The intention is to give users at central and local level an overview of the main tasks and responsibilities to be executed at each step of the system.
- The **Operations Guide** which details the specific actions to be followed in sequential order. The actions are listed by responsible officers of various institutions.

Appendices

The Appendices form an integral part of the Guide and include information relevant to implementation of the LGDG system:

- The Summary of Key Manuals and Guidelines presents and summarizes all documents relevant to implementation of the LGDG
- The Indicative List of Investments at HLG and LLG levels that will be determined and agreed upon between the individual LGAs and the RSs but with coordination and supervision from the PMO-RALG
- The Template for guiding the preparation of the LGAs Individual Assessment Report
- The Templates for Training Needs Assessment, Training Plan and Evaluation of Training which will be reviewed from time to time and disseminated to LGAs by the PMO-RALG
- The current formats for Financial and Physical Progress Reporting i.e. the CDR and CFR reporting formats
- New Indicator sets for the Annual Assessment and Monitoring and Evaluation
- The References include all documents, which have been used to revise the Guide

2.0   Policy Context

2.1   Vision and Strategic Framework

The review of the LGDG system is in consonance with the effort by the Government of Tanzania of ensuring that LGAs provide adequate and quality services equitably and sustainably and thereby improving the general welfare of the population throughout the country.

The vision is therefore to have in place an efficient, transparent and performance-based mechanism for channeling development grants to LGAs to supplement community efforts and therefore realize a decentralized service delivery that satisfies the needs of the people.   This is also the long term ambition of the national policy for decentralization by devolution and is also linked to other national development strategies as described hereunder:

Tanzania Development Vision 2025
The overall development goals and objectives are established in the *Tanzania Development Vision 2025,* launched in 1999. The aspiration is that Tanzania will have developed from a 'least developed country' to a 'middle income country' by the year 2025. The Vision emphasizes the need for empowering local governments and communities and promoting broad-based grassroots participation in the mobilization of resources, knowledge and experience with a view to stimulating initiatives at all levels of society.

MKUKUTA
The principles of the LGDG system also reflect the objectives of the *National Strategy for Growth and Reduction of Poverty* (NSGRP, also known by its Swahili acronym MKUKUTA)*,* which in turn builds on the 2000 *Poverty Reduction Strategy* (PRS). The MKUKUTA, which is designed to achieve sustainable, broad-based and equitable growth, focuses on three main clusters:

- Growth and reduction of income poverty;
- Improvement of quality of life and social well-being; and
- Governance and accountability.

Currently the government is implementing MKUKUTA II, which is guided by key principles including among others:
- National ownership (the people, GOT, CSOs, Private Sector, etc);
- Political commitment, leadership, and enhanced accountability;
- Local partnerships and people's participation and community engagement;
- Sharper and focused prioritization;

The MKUKUTA identifies the roles to be played by different stakeholders and in the case of communities they are expected to participate in financing, planning, implementing and monitoring community activities supported by government and other actors. Communities are encouraged to monitor the quantity and quality of services delivered to them. Mechanisms are also developed to enable communities to make leaders, local authorities and central government accountable to the people they serve. The MKUKUTA also calls for institutionalizing principles of good governance, rule of law, accountability, and democracy.

Five Year Strategic Plan

The Five Year Strategic Plan is the formal implementation tool of the country's development agenda, articulated in the Tanzania Development Vision 2025. The plan preparation has taken into account overall national development goals and policy objectives; sectoral initiatives, the National Strategy for Growth and Reduction of Poverty II, as well as findings of the Review of Vision 2025. The Plan highlights provision of value for money on public expenditure through effective delivery of public services. A broad-based consultative approach with key stakeholders was undertaken to gauge the national and sectoral challenges, niches and to decide on priority interventions that will address the critical constraints towards the envisaged development path. The Plan provides insights into responses of Tanzania to the increasing challenges of development; and outlines what it will take to succeed, and the expected outcomes in delivering sustainable development. The Plan is premised on the principles of accountability, equality, credibility, integrity and effective resource utilization.

The reviewed LGDG system is in line with the national five-year strategic plan as priority is on development initiatives that are based on the needs of the community and which fits well with the sector and national development goals. Moreover, priority in the new system is on community initiated projects which if supported will lead to realization of the objectives of the Five Year Strategic Plan.

Big Results Now (BRN)

BRN is part of Tanzania Government's efforts to transform the country from low to middle income economy. The initiative aims at adopting new methods of working under specified time frame for delivery of step change required. BRN is an initiative that is intended to ensure smooth progress in achieving the Five Year Strategic Plan and the National Development Vision 2025. The initiative requires improved transparency where the public will learn about national development plans and share their views accordingly and participate in the implementation of the various development projects. The BRN has a comprehensive system of implementation which focuses on six areas of the economy namely Education, Water, Agriculture, Transport, Mobilization of Resources and Energy and Natural Gas. Indeed, the LGDG is geared at promoting transparency and ownership

of projects at community level. Moreover, since BRN targets specific sectors the system can provide a platform for promoting local level development through community participation.

2.2 Decentralisation

The Government's decentralisation policy was outlined in the 1998 *Policy Paper on Local Government Reform.* The paper introduced four main policy areas for reform; i.e.

- *Political decentralisation*: Creation of real, multifunctional local governments;
- *Financial Decentralisation*: Increased financial discretionary powers to local governments and institutionalisation of adequate, unconditional CG grant mechanisms;
- *Administrative decentralisation*: Delinking LGA staff from line ministries with a view to having LGAs take ownership and responsibility for staff and human resources;
- *Changed central-local relations*: Moving towards a system where the CG sets the overall policy framework and supports the implementing LGAs as appropriate.

The Local Government Reform Programme (LGRP)

The Local Government Reform Programme (LGRP), launched in 1999, is the main vehicle for operationalising the Government's decentralisation policy. The Programme which has just completed its second phase started to be implemented in the the LGAs in 2000 and has been mainstreamed into the Prime Minister's Office Regional Administration and Local Government (PMO-RALG).

LGRP I implementation was guided by the 2002 –2005 *Medium Term Plan and Budget.* Overall, the Programme was structured around the following outcome areas:

- Good governance;
- LGA restructuring;
- Finance: Increase in locally generated and centrally disbursed funds and improved financial management;
- Human resources development;
- Legal harmonisation;
- PMO-RALG and Regional Secretariat capacity building; and
- Improved coordination.

Fiscal decentralisation, human resource empowerment, and legal reform were singled out as systemic issues lying at the heart of the programme. These systemic issues, with considerable attention towards embedded decentralisation by devolution, formed the basis for the Medium term Plan 2005-2008. Adherence to the principles of good governance and capacity building of PMORALG and Regional Secretariats were also important parts of the Medium Term Plan.

LGRP II has maintained the same outcome areas but with focus on three components:

- Improving the framework for decentralisation at the national level (e.g. HR autonomy, Fiscal decentralisation, legal basis)
- Further capacity development of LGAs (HLG and LLG) and
- Strengthening downward accountability and political participation of the citizens

The New LGDG system is geared towards achieving the objectives of D by D Policy.

Area Based Programmes

One of the initial goals of establishing the LGDG system was to harmonise the ABP with the LGDG system so as to address the problem of inequality among the LGAs.   Although ABPs are still functioning, they are not the main *modus operandi* for supporting LGAs. The Government of Tanzania and the DPs should make more efforts of harmonising the aid flows so as to strengthen and make the LGDG a national sustainable system.

3.0   The LGDG System

3.1   Rationale

The ultimate objective of the LGDG system is to contribute to the goals and objectives laid down in the *2025 Development Vision,* the MKUKUTA and the decentralisation policy: Thus, the LGDG system has been redesigned to perform as a strong "driving force" towards realization of:

- An effective decentralized service delivery and local development system;
- Collaboration between LGA and communities i.e. Public-Private Partnership (PPP);
- Maximum use of people's *"self-help efforts"* and community initiatives.

Self-help efforts have played a major role in spearing development in local areas across the world. In Tanzania, self-help efforts have been in existence and have played a notable role in community service delivery. The LGDG system is also expected to effectively harness all potentials of peoples' self-help efforts in LGAs to cover the nationwide service delivery within limited resources.

In view of the above, it is expected that the revised LGDG System will lead to effective decentralization of service delivery functions to satisfy the needs of the people. More specifically, the LGDG System will realize the following:

- Facilities and Projects funded by LDGD function effectively to give the intended services to the people
- Projects implemented in remote LGAs are of desired quality
- Community priorities are realized

Self-help initiative is strongly advocated as it has the potential for realizing the following
- Effectiveness in the utilization of the funds; that the funds are targeting projects that are of priority to the communities.
- Ownership of the projects since they are identified and prioritized (homegrown) by the community unlike projects that are prescribed to the community.
- Efficiency in the sense of minimizing the costs through utilizing community contribution. This also has the potential of increasing the number of projects receiving the limited funds.

The LGDG System is therefore intended to guide actors on the following:
   (a) *To support poor and disadvantaged LGAs to improve their performance in meeting the Minimum National Service Delivery Standard.* The key thrust of the LGDG system is to ensure all LGAs in Tanzania provide services to meet national minimum standards. However LGAs across the country differ in terms of resource

endowment and geographical location which has caused several LGAs not to meet minimum standards of service delivery. The system therefore is intended to assist these LGAs to provide services at least up to the minimum national standards.

(b) *To avoid and prevent misuse of funds.* This is one of the core MCs expected for all LGAs. Practices such as theft, using funds for unplanned activities, unnecessary delays in utilizing the funds and improper sharing of funds between HLG and LLG amount to misuse of funds. The system is intended to prevent all these.

(c) *To reward LGAs that perform well in service delivery.* The LGDG system is not intended to punish communities. However LGAs that do not perform well in service delivery will be held accountable and disciplinary measures taken against the responsible staff. LGAs that will excel in service delivery and proper use of the funds will be rewarded.

The New LGDG System will have a single Grant mechanism divided into three sub-grants namely the Council Development Grant (CDG), Capacity Building Grant (CBG) and Monitoring and Evaluation Grant (MEG). The sources of funds for these grants will be the government contributions supplemented by contributions from other stakeholders including DPs, Sector Ministries, LGAs, and Communities. Funds for carrying out the assessment and other recurrent expenditures will be determined separately by PMORALG.

The funds will be pooled together in an LGDG Funds and made available to the LGAs through the Treasury based on the set conditions: (i.e. formula and normal government disbursement procedures from Treasury to LGAs). Funds from LGAs and community contributions (quantified in monetary terms) will be reflected in the LGA plans and budgets. The LGDG pool is purely meant for the sub-grants discussed above.

The apportioning of the funds into the sub-grants will be as follows;

Figure 1: LGDG Split
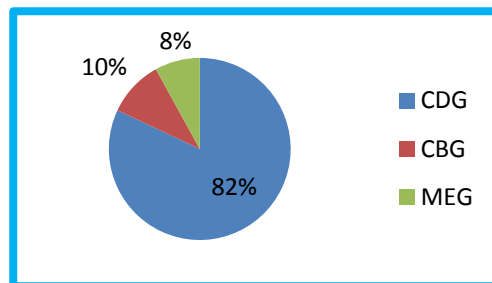
All grants (CDG, CBG and MEG) will be allocated to LGAs using a formula. There will be a fixed amount to be allocated to each LGA and topped up with an amount calculated using the formula. The formula for each grant will be decided and approved by the stakeholders.

The Grant mechanisms are described in detail in the following chapters. The three sub-grants are mutually supportive as activities financed under the CBG ultimately will enable the LGAs to improve their performance so as to effectively implement the projects funded through the CDG. On the other hand, all activities under CDG and CBG will be monitored through MEG.

The system is also innovative in the sense that it pools together the efforts of different stakeholders in funding local development activities. Access to the Grants is conditional upon the LGAs performing satisfactorily against a number of criteria. However, the access condition will not deny communities the right to benefit from the Grants. Instead, disciplinary actions will be taken against officers that might be found responsible for the LGA underperformance. The PMO-RALG will every year organise an Assessment of all LGAs to determine this. At the end of the assessment, PMO-RALG will communicate the results to the LGAs and other actors.

3.2   The Council Development Grant (CDG)

The CDG constitutes the biggest share (82%) of the LGDG. This amount will be committed to purely local development activities with special focus on community self-help initiatives.

Investment Menu

The CDG is designed to enable LGAs (HLGs and LLGs) adequately fund locally developed projects and ensure the projects are fully functioning. Thus, the investment areas will target community-prioritized projects based on community initiatives and "self-help efforts". This will create commitment and ownership of the projects by the community. Above all, the idea behind "self-help efforts" eliminates the perception that the government must fund all development projects.

Examples of projects financed at HLG and LLG level include the following construction and rehabilitation by sector:
- *Agriculture*: Farmer field schools, Ward resource centres, small irrigation schemes, charco dams, cattle dips, markets etc
- *Water supply*: Solar and wind-powered pumps; shallow wells and boreholes.
- Sanitation: Septic tanks; rain water harvesting tanks; public toilets; refuse collection points
- *Education*: Classrooms; latrines, laboratories, dormitories, libraries, staff houses

- **Health**: Health centers, dispensaries, maternity homes, wards, laboratories, mortuaries, incinerators, latrines, staff houses
- **Roads**: District road bridges; village and vitongoji roads, culverts, rehabilitation of access roads, drainage systems and foot bridges
- **Administration**: Ward offices. Ward and village offices, community centers,

50 % of the grant allocations should be allocated for LLG. Utilization of the funds will be overseen by the HLG. The allocated CDG to LLGs will be strategically distributed to ensure prioritized projects are fully completed and properly functioning.

Finally, LGAs should take note that the CDG cannot be used for any of the following expenditure categories:-
- Staff Salaries and allowances,
- Micro-credits,
- Land purchase, and
- Transport costs

Minimum Conditions

A Minimum Condition (MC) is a situation that ought to exist in any LGA in order to be able to effectively utilize the LGDG in accordance with existing laws and regulations. Realisation of the intended LGDG objectives requires some set of MCs. The MCs will be reviewed from time to time upon their attainment. The overriding objective of the MCs is to ensure that funds are properly used and in compliance with GoT requirements, as derived from laws, regulations, and guidelines. The MCs which are of concern with regards to LGA capacities and standards are Financial management (i.e. avoid misuse of funds) and Procurement.

The assessment against MCs will be repeated annually. Should an LGA fail to meet some or all MCs, reasons and/or causes for such failure will need to be identified. The spirit is to ensure improved performance by meeting the minimum national standards by all LGAs (HLG and LLG) i.e a move away from a perceived punitive system to a more positive and constructive system geared towards improving performance.

The MCs are identified as specific issues to be addressed by LGAs. MCs for the CDG are listed in Table 1 below;

Table 1: Minimum Conditions for Accessing Council Development Grants

Specific Issue	Minimum Condition	STATUS		EXPLANATION (*If YES explain the Situation. If NO, what are the causes for the Situation*)
		YES	NO	
Financial Management	No confirmed financial mismanagement reported in audit reports (internal/external)			
	CDR and CFR completed and submitted timely			
	Properly prepared and timely submitted Financial Statements			
Procurement	PMU in place and functioning as per laws and regulations			
	Projects implemented according to procurement Laws and Regulations			
Planning and Budgeting	LGA plans and budget adhere to planning and budget guidelines			
	Community prioritised projects included in the LGA plans and budget			
	Sharing of the CDG is according to the LGDG Guideline			

Performance Measures (PMs)

PMs are sets of indicators seeking to assess the performance of LGAs in key functional areas related to Service Delivery. PMs are qualitative in nature and are grouped into different functional areas. To quantify the performance of the LGAs, PMs are measured on a scale going from 0-100%, with 100% representing the best possible performance. Table 2 sets out the functional areas, suggested weights and thresholds.

Table 2: Performance Measures Thresholds by Functional Area

Functional Area	Total score	Minimum score to receive CDG allocation	Minimum score below which a penalty applies	Minimum score to receive performance bonus
A. Financial Management	20	11	11	18
B. Planning and Budgeting	15	7	7	12
C. Project Implementation	15	7	7	12
D. Procurement	10	5	5	7
E. Internal Audit	10	5	5	8
F. Fiscal Capacity	10	5	5	8
G. Human Resource Development	10	5	5	7
H. Council Functional Processes	10	5	5	8
Total	100	50	50	80
Corresponding CDG Allocation		CDG	- 10 % CDG	CDG + Bonus (to be determined)

CDG Access Criteria

In order for an LGA to access the CDG, it must meet at least 80% of the MCs and score not less than 50% of the PMs. LGAs meeting both MCs and PMs shall qualify for 100% of the CDG. Those LGAs excelling in the PMs i.e. scoring above 80% of the PMs will receive 100% of the CDG plus a Bonus. The amount of the Bonus will be determined annually by the Steering Committee. LGAs meeting the MCs but fail in PMs i.e. scoring less than 50% will receive 90% of the CDG. LGAs failing to meet the 80% of the MCs but score at least 50% of the PMs will also receive 90% of CDG amounts. In both cases, the reasons for underperformance have to be established and corrective measures taken through support by the RS before the end of the financial year.

LGAs failing to meet 80% of MCs and score less than 50% of the PMs will receive 80% of the CDG amounts. These LGAs will have to be subjected to strong oversight by the RS and PMO-RALG. If by the end of financial year there is still no improvement then the PMO-RALG, the CAG, the IAG and the LAAC) should intervene.

Some adjustment will be made in the CDG allocation with regard to "penalties" and bonuses (rewards). On "penalties"; the corresponding amount (-10%) or (-20%) will be withheld until the causes for poor performance in the LGA are rectified. The objective is to prevent or minimize misuse of the LGDG funds. On Bonuses, an amount (to be determined) that can stimulate improved performance will be added on top of the basic CDG. Future Bonuses will depend on the size of the resource pool. Table 3 below provides for the summary.

Table 3: Performance-Based CDG Amounts to be received by the LGA

Minimum Conditions	CDG Performance Measures		CDG Allocation to be Received	Performance Comments
Meet 80% of CDG MCs	Minimum Score in all Functional Areas	Aggregate Score		
YES	80	>80%	100%	Core CDG + Bonus
YES	50	≥50% to 80%	100%	Core CDG
YES	<50	<50%	90%	10% less Core CDG
NO	≥50	≥50% to 80%	90%	10% less Core CDG + Strong Oversight
NO	<50	<50%	80%	20% less Core CDG + Strong Oversight

To ensure equitable allocation of the CDG among the LGAs a transparent formula will be used that will consider among others resource endowment, population and land area. More important is to ensure that poor and disadvantaged LGAs are given priority.

At least 5% - 10% of LGAs' own sources revenue should be provided to support community self help initiatives. The requirement is introduced on the following grounds:

- To promote LGA ownership and commitment to promoting community self help initiatives among communities
- To ensure long-term sustainability of the investments at LLGs
- To strengthen incentives for raising more own revenue collections
- To promote and strengthen LGAs' commitment of working more closely with and through Communities (PPP).

3.3   The Capacity Building Grant

The CBG constitutes 10% of the LGDG. This amount will be committed to capacity building activities with special focus to LLGs.

Investment Menu
The CBG is redesigned to support LGAs' capacity for improved performance in undertaking the LGDG activities at both HLG and LLG. The LGAs' capacity development includes on the job training, skills development, mentoring and limited advisory services. A summary of the investment menu is as presented in Table 4. When preparing the LGA Capacity Building Plans, Councils are required to comply with the guidelines. For more details on the proposed capacity building activities, please refer to the attached template for Capacity Building Plans in Appendix D.

Table 4: Investment Menu for the Capacity Building Grant

Capacity Building Activities	Share of the CBG
Community facilitation	Max. 45%
On the Job Training /Skills development/ for elected leaders and staff	Min. 30%
Technical Assistance	Max. 15%
Retooling at LLGs	Max. 10%

Greater focus of the CBG will be the LLG where capacity needs are more needed. Key areas of concern at LLGs include the use of O&OD, financial management, procurement, management and governance as well as monitoring. At HLG, the CBG will be utilized for supervision, ward facilitation, M&E, dissemination of new policies, strategies and systems and internal auditing.

Minimum 60 % of the Capacity Building Grant has to be spent for LLG level. It is expected that the training needs of the LGAs will change as the LGAs draw experiences from implementing the LGDG system. Accordingly, the training areas will become increasingly demand-driven throughout the 5-year implementation period.

The PMO-RALG will review the current standardized courses to establish whether they are still valid. Consequently, TNA will be carried out to establish new training needs. LGAs on their part will carry out TNA covering both levels (HLG and LLG) which will lead to the

preparation of the Capacity Building Plans (CBPs). PMO-RALG will play an active role through effective coordination, quality assurance and evaluation of training interventions. The areas for consideration during carrying out TNA and training include;

- The LGA legislations, Roles and Responsibilities
- Leadership and Team Management
- Budget Planning and Management
- Financial Management and Control
- Procurement and Contract Management
- Revenue Enhancement
- O&M Budgeting from LGA Revenue Mobilisation and Investments
- Development Planning and Strategic Planning
- Project Planning and Management, EIA and Safeguard Policies
- Project Monitoring and Evaluation
- O&OD Methodology
- Data Collection and Information Management
- Record Keeping
- Human Resource Management in LGAs
- *Conflict Resolutions (focus on land conflicts.)*
- *Negotiations skills*
- *Drafting bye laws*
- *Subcontract making and management*

Minimum Conditions

Like in the CDG, the CBG will also have MCs, which will be reviewed from time to time upon their attainment. The key primary objectives of the MCs are as described under the CDG. The MCs for the CBG are elaborated in Table 5 below.

Table 5: Minimum Conditions for CBG

Minimum Condition	STATUS		EXPLANATION (*If YES explain the Situation. If NO, what are the*
	YES	NO	*causes for the Situation*)
Updated Capacity Building Plan derived from CNA/TNA for HLG and LLGs			
Evidence that 60% of the CBG was spent for LLGs			
Utilisation of the CBG according to the CBG Investment Menu			

Grant Access Criteria

In order to qualify for the Capacity Building Grant, LGAs must meet all the MCs indicated under table 5. If an LGA fails to meet 80% of the MCs will receive 90% of the CBG (see also table 6). Reasons for failing the MCs will be established; if the reasons are due to negligence, misuse of funds etc, the responsible official(s) will be held accountable and

applicable disciplinary measures taken in line with the rules and regulations for public servants. If the reasons are beyond the mandate of the LGA, then PMO-RALG will take necessary corrective measures e.g. posting qualified staff to the LGA, providing the capacity needed accordingly etc. the CBG amount will only be released after reasons and corrective measures have been identified.

The utilization of the released CBG will require strict supervision by the RS by ensuring that the CBP is in line with the guide and that the funds are properly utilized for the intended purposes.

Table 6: Capacity Building Grants to be received by the LGA

Minimum Conditions for the CBG	CDG Allocation to be Received
LGA complying with CBG Minimum Conditions i.e. meeting 80% of CBG MCs	Receives 100% CBG
LGA complying with CBG Minimum Conditions i.e. meeting less than 80% of the CBG MCs	Receives 90% CBG with strict oversight by PMO-RALG

The allocation of the CBG will also be formula based where the LGAs' magnitude of capacity building needs and resource endowment will be among the criteria. This means poor LGAs will receive more CBG than the rich LGAs.

3.4   The Monitoring & Evaluation Grant (MEG)

The MEG constitutes 8% of the total LGDG to be committed to monitoring and evaluation activities to ensure effective implementation of the LGDG activities in LGAs. Since a number of institutions i.e. PMO-RALG, RS and LGAs will be involved in undertaking M&E, this amount has to be shared relative to the workload of each institution. The sharing of the MEG will be as follows: 55% will be utilized by the LGAs i.e HLG and LLGs, 20% by the RS and 15% by the PMO-RALG specifically for M&E activities. The reason for this is that most monitoring activities will be undertaken by the LGAs themselves and only a few by the RS. Both LGAs and RSs will undertake most of the bi-annual or annual evaluation activities. PMO-RALG will only be involved in major evaluation activities. The remaining 10% of the MEG will be committed for Ward Facilitation (WF) training for improved O&OD.

The MEG has no MCs or PMs because all LGAs will in any case receive certain amounts of the CDG and the CBG. Therefore M&E become unavoidable exercises. More important is that an allocation formula will be determined based on the demand for M&E activities in individual LGAs.

Investment Menu for MEG

The investment menu is designed to cater for M&E activities at various levels. The LGA level monitoring and reporting progress of implementation of the LGDG activities will be the main focus. Consequently, the MEG will also meet costs for supervision, ward facilitation, transport and the production of the M&E reports. The apportioning of the MEG is as indicated in table 7.

Table 7: MEG investment Menu

MEG activities	Level/Timing	Share of the MEG
Monitoring Activities	HLG continuous quarterly, bi-annual and annual monitoring	25% of MEG
	LLG continuous monthly monitoring	20% of MEG
	RS continuous quarterly, bi-annual and annual monitoring	10% of MEG
Evaluation Activities	LGA bi-annual and annual evaluation	10% of MEG
	RS bi-annual and annual evaluation	10%of MEG
	PMORALG Periodic and annual evaluation	15% of MEG
WF Training for Improved O&OD	LGAs	10% of MEG

The responsibility for monitoring at the HLG will be by the HODs with activities funded by the LGDG under the coordination of Council Planning Officers/Economists. At the LLG monitoring will be undertaken by Ward Extension Officers, Heads of Service Facilities, WEOs and VEOs/MEOs.

Allocation of the MEG will also be determined by criteria/formula by the PMO-RALG. Among the considerations will be the number of LGAs in the Region, the size of the LGA in terms of number villages/mitaa, accessibility, and the number of LGDG projects being implemented during the FY.

3.5   Implementing the LGDG System

PMO-RALG

The PMO-RALG is responsible for implementing the mainstreamed LGDG system. The responsibility rests specifically with the Permanent Secretary (PS). A Local Government Reform Secretariat assigned by the PS owns the following responsibilities:
- Coordination of the overall implementation
- Preparation and implementation of work plans, preparation of budgets and semi- annual progress reports
- Financial management and reporting
- Procurement
- Preparation of disbursement schedules to LGAs

- Audit follow-up where required
- Monitoring and evaluation

A LGDG Taskforce will be formed comprising of experts in relevant fields such as financial management, auditing, procurement, planning, engineering and human resource management. The Taskforce will assist the Reform Secretariat in the overall management of the LGDG system.

Ministry of Finance (MoF)
MoF in collaboration with PMO-RALG is responsible for;
- Timely issuance of PBGs,
- Timely disbursement of funds to the LGAs
- Expenditure tracking

Regional Secretariats (RS)

Regional Secretariats will play an active role with regard to the LGDG system especially by:
- Undertaking monitoring and evaluation,
- Consolidating LGA reports,
- Carrying out annual assessment of LGAs, and
- Providing professional advice to LGAs

HLG and LLG level
Implementation structures at HLG and LLG will follow GoT procedures. Please refer to Chapter 3 in Part 2 of this Guide for more details on implementation.

3.6 Oversight Mechanism
Two oversight bodies (the LGDG National Steering Committee, the LGDG Technical Committee) are in place at central level.

LGDG National Steering Committee (NSC)
The LGDG National Steering Committee meets at least quarterly and is comprised of the following members:
- PS PMO, chair
- PS PMO-RALG (secretariat)
- PS MoF
- PS PO-PSM
- ES – Planning Commission
- PSs of sector ministries (i.e Health, Education, Agriculture, Water, Works, Lands, Natural Resources)
- PS of any other Ministry if deemed necessary

The National Steering Committee takes decisions following established GoT practice and is responsible for:
- Discussing and approving changes in allocation formulae and procedures
- Approving assessment reports and identifying LGAs meeting grant access criteria
- Approving LGA grant allocations
- Approving changes to the Implementation and Operations Guide, Assessment Manual and M&E Framework

LGDG Technical Committee

The LGDG Technical Committee meets at least quarterly and is comprised of the following members:
- PS PMO-RALG (chair)
- Local Government Reform Secretariat
- Appropriate Heads of Department from MoF and participating Sector Ministries
- Management team PMO-RALG,
- ALAT
- Selected LGA representatives (technical staff)
- DPs representatives participating in the system

The Technical Committee will have meetings with a broad representation of members and strive to reach consensus regarding the recommendations to be made to NSC. Specifically the TC will perform the following functions:
- Share experiences on the LGDG system implementation and make relevant recommendations on the Implementation and Operations Guide; Assessment Manual; Monitoring and Evaluation Framework, the assessment process, allocation formulae etc. to the NSC.

- Review work plans, budgets and progress reports for the LGDG system (including the Capacity Building and Council Development Grants) as well as annual assessment reports, and make recommendations on the basis of the benchmarks as defined for the system to the National Steering Committee

LGDG Task Force

There will be a LGDG Task Force which will be coordinated by a Local Government Reform Secretariat. Members of the Task Force include PMO-RALG staff (Planning, financial management, auditing, procurement, local government/HR and technical specialists), experts from MoF (ACGEN, Commissioner of Budget, Planning Division, 1 expert from Planning Commission and 1 expert from each participating sector ministries. The LGDG Task Force will be responsible for the following:
- Coordinating and monitoring the assessment exercise
- Preparing the LGA Assessment Tool and Reporting Template
- Preparing and conducting training for the RATs
- Preparing the assessment National Synthesis Report
- Proposing necessary improvements on the assessment process

- Recommending on modalities for integration of the sector grants

Regional Secretariats (RS)

The RS provides a link between LGAs and PMO-RALG. The RSs will be responsible for the following:

- Overseeing the implementation of the LGDG system in LGAs
- Coordinating Monitoring and Evaluation (M&E) exercise for the LGDG system
- Benchmarking performance of LGAs
- Providing technical support (backstopping) in relation to LGDG system implementation to LGAs
- Review various reports CDRs CFRs and M&E reports for use during the evaluation and provision of backstopping services
- Conducting the LGA annual assessment
- Preparing LGA individual assessment reports
- Preparing regional overview assessment report

The central level implementation, oversight and management framework for LGDG is depicted below.

Figure 2: LGDG Oversight Mechanism (Central level)
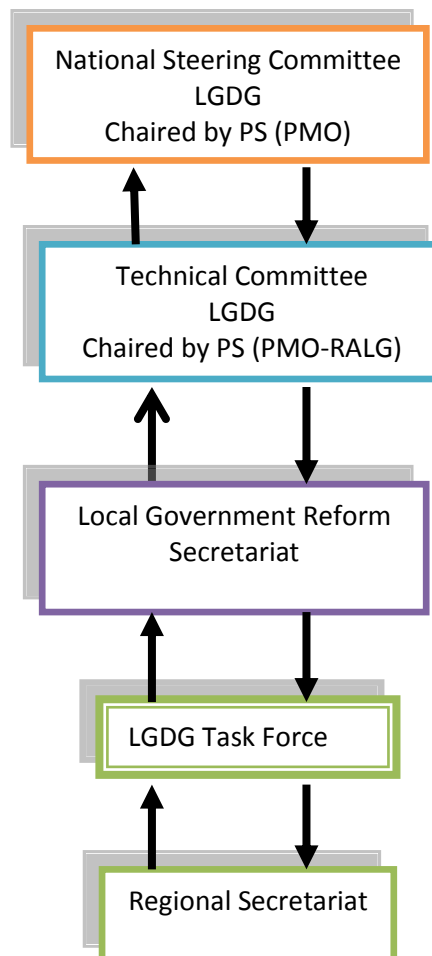
3.6 Flow of Funds

One of the cornerstones of the LGDG is the establishment of an equitable, transparent and reliable system of channeling development grants to LGAs. Accordingly, the funds for the LGDG are provided from different sources through different funding modalities. Funds from the CG and DPs will be channeled into one grant pool managed by the MoF. Funds from LGAs and Communities will be channeled directly to the implementation of the LGDG projects. These should be reflected in the LGA's Budgets.

The LGDG National Steering Committee approves release of funds from the Treasury to the LGAs. Fund release will be made on the basis of LGA Assessment Results. The PMO-RALG and the MoF will ensure quarterly release of funds to LGAs after approval of the LGAs Monitoring and Evaluation reports, CDR and CFR. The flow of funds is depicted below:

Figure 2: LGDG System Flow of Funds 1
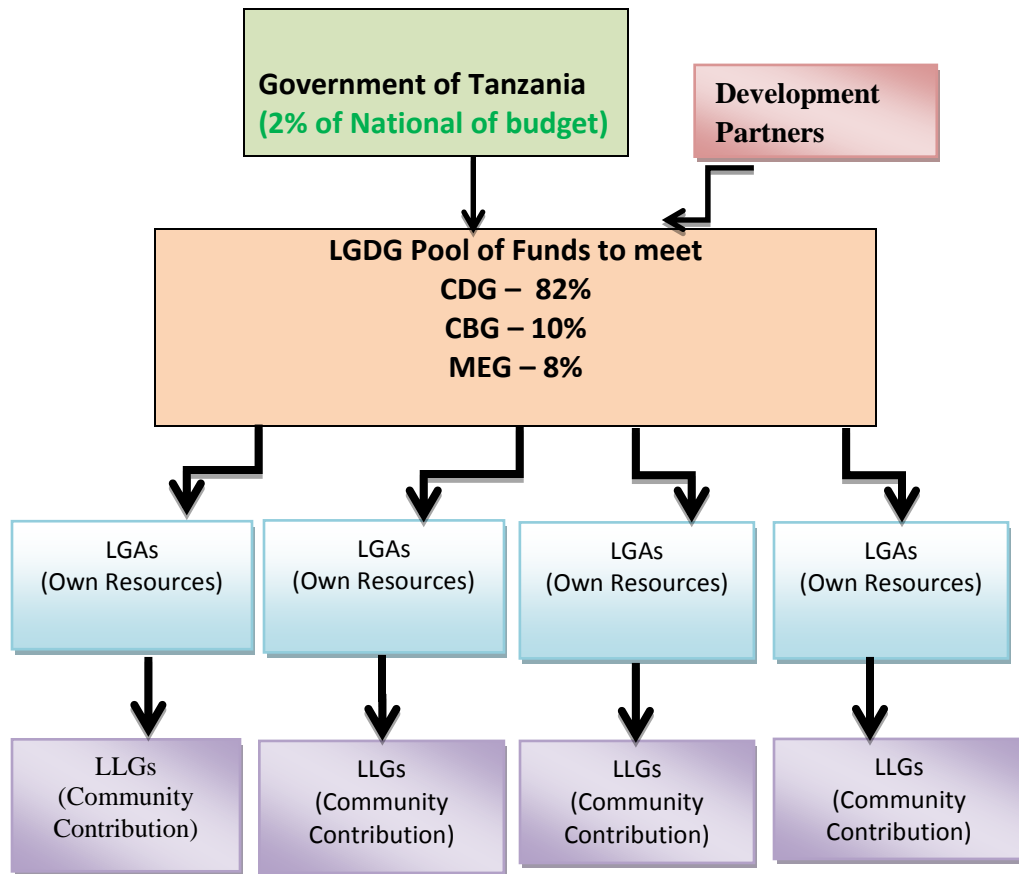
3.7   The LGDG Cycle

The LGDG cycle, depicted in Figure 3, describes the steps to be followed for implementing the LGDG System. The Cycle is structured according to the principles of Project Cycle Management and encompasses seven interrelated steps, which will be followed in Part II of this Guide.

- *Assessment* – LGAs will be assessed annually in August – October to (i) guide and/or determine level of performance achieved by LGAs and (ii) ascertain adherence to standards, quality, guidelines, rules and regulations. The results of the assessment after approval by the National Steering Committee will feed into the planning and budgeting process of the LGAs and inform the training needs of LGAs;

- *Planning and budgeting* – The planning and budgeting procedure should follow the normal LGA planning cycle and should be participatory utilizing the O&OD methodology. After the assessment results are published in October, the LGAs will be in a position to include the allocated funds in their budgets. The LGDG funds should be allocated within the LGAs according to the LGDG guideline.

- *Implementation* of the LGDG financed activities starts with the new Financial Year on 1st July after the initial transfer of funds. LGAs are required to procure relevant services, goods and works and to continuously manage, supervise and monitor the procured activities both at HLG and LLG. Of critical importance is the timely and systematic record keeping of all LGDG economic events transpiring during the period.

- *Reporting* – Since the LGDG system builds on the normal GoT reporting arrangements, LGAs will be required to submit Council Development Reports (CDR) and Council Financial Reports (CFR) reports on a quarterly basis. Furthermore LGAs will be required to submit Monitoring Reports on quarterly basis. LLGs will prepare and submit their reports using the reporting format developed under the LGDG system on monthly basis to feed into the CDR and CFR at the HLG level. Satisfactory reporting on penultimate quarters is tied to the quarterly release of funds;

- *Monitoring*: In order to ensure that the LGDG system is working effectively to realize its intended objectives, an M & E framework is provided. Monitoring will be undertaken continuously and reported on quarterly basis by the LGAs under coordination of the Planning Department. Similarly at LLGs the Ward will be the coordinating centre for continuous monitoring of the LGDG projects and reported on monthly basis. The Regional Secretariats (RSs) on the other side will conduct monitoring of the LGDG projects quarterly and report semi-annually.

- *Audit* – Audit of the LGDG funds and/or activities will be carried out through internal and external audits. The Council Internal Auditor will carry out audit on regular basis in accordance with the approved internal audit plan and must cover LLGs. Timely production and submission of internal audit reports is critical to enable actions to be taken on any reported misuse of funds and/or any other observations and recommendations made by the auditors. On the other hand, the External Auditor (National Audit Office under the Controller and Auditor General-CAG) will carry out audit at the end of the year. In both audits, consideration will also be taken into account for

carrying out Performance Audit (Value for Money Audit), Procurement and Governance Audits.

- *Evaluation:* This process will take place at particular intervals i.e. before, during (mid) and at the end of the programme. Evaluation of LGDG activities will be conducted to determine the level of achievement of the outcomes against planned outcomes (A separate M&E Framework is in place for this purpose.)

Figure 3: The LGDG Cycle
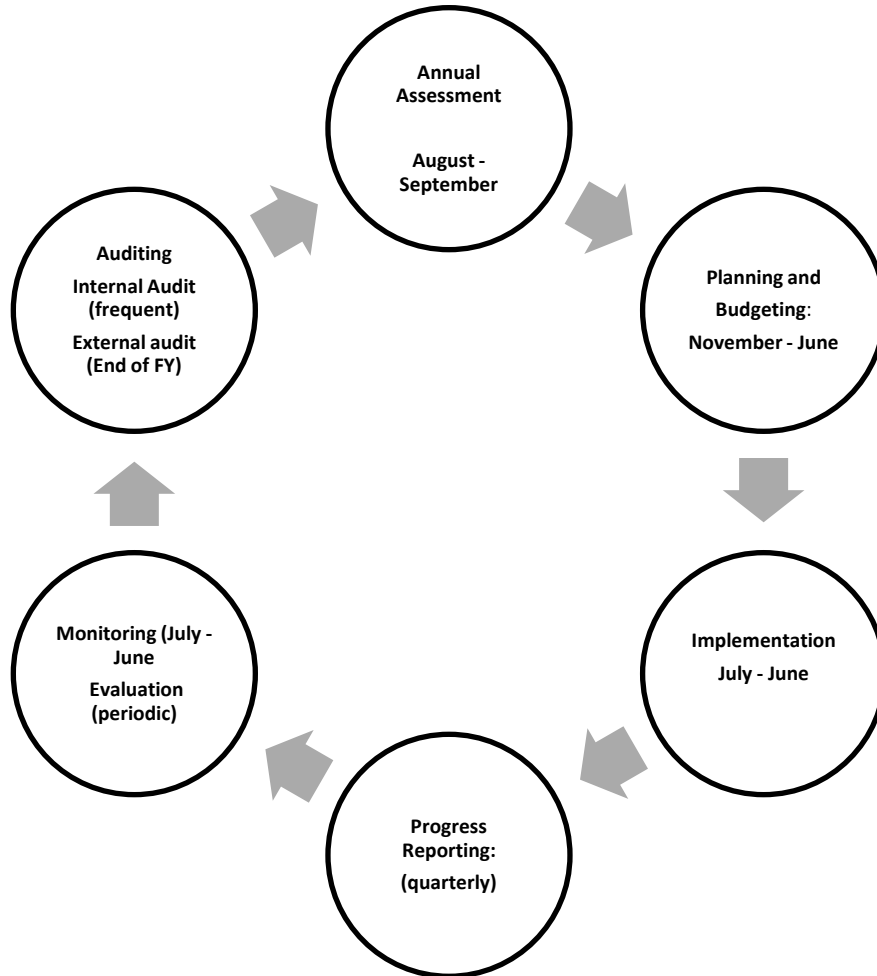
Part II: Operations Guide

1.0   Assessment

1.1   Introduction

The starting point of the LGDG annual cycle is the LGA Assessment Exercise. The current objectives of the assessment are to:

- Identify poor and disadvantaged LGAs that need to be supported through LGDG
- Check misuse of funds by LGAs,
- Determine and guide levels of performance to be attained by all LGAs including rewarding good performing LGAs,
- Establish LGAs adherence to standards, quality, guidelines, rules and regulations

The assessment exercise is therefore intended to establish whether the LGAs are performing effectively towards attaining those objectives. On the basis of the aforementioned a set of minimum standards and performance indicators have been prepared against which the LGAs will be measured. Those LGAs that meet 80% the MCs and attain a minimum score in the performance indicators (50%) will qualify for CBGs and CDGs respectively. For those LGAs, which do not meet the criteria, will receive 90% of the both grants but reasons for failing to do so will be established so that remedial actions are taken. LGAs scoring above 80% of the PMs will receive a Bonus. In summary, the access criteria for both CDG and CBG are as follows:

Table 8: Summary of Access Criteria for CDG and CBG

Grants	MCs	PMs	Action
CDG	Meets 80%	Scores 80% +	Qualifies for 100% CDG + Bonus
	Meets 80%	Scores 50 – 80%	Qualifies for 100% CDG
	Meets 80%	Scores <50%	Qualifies for 90% CDG
	Fails to meet 80%	Scores 50 - 80%	Qualifies for 90% CDG
	Fails to meet 80%	Scores <50%	Qualifies for 80% CDG
CBG	Fails to meet 80%	N/A	Qualifies for 90% of CBG
	Meets 80%	Scores 50% +	Qualifies for 100% CBG

The objectives of the assessment are to motivate the LGAs to perform and ensure that LGAs have the capacity to manage the grant and effectively execute the funded activities. That is why the LGAs that do not meet the performance requirements, the corresponding amount of funds will be withheld pending the rectification of the causes for failure.

Organisation of Assessment

The PMO-RALG will be fully responsible for organizing and coordinating the LGA Assessment. The first and foremost activity is the formation of the LGDG Taskforce, which will require the PMO-RALG to liaise with the government institutions mentioned in part I section 3.6 of this Guide to get approval and commitment of the Taskforce members. Similarly, PMO-RALG will prepare the Terms of Reference and an orientation programme for the Taskforce.

After the formation of the Taskforce the following activities will be undertaken;

- The PMO-RALG will decide on the most convenient and cost effective way for undertaking the assessment exercise so that the RATS can be assigned the Regions and LGAs in which to undertake the Assessment. This means the assigning of LGAs to a RAT should consider the maximum number of days (3days) a RAT has to spend in each LGA and the coverage HLG &LLG. It should not exceed 3 days and the LGAs should not be from the same region(s) the RAT members are based.
- The PMO-RALG will communicate with the RASs about the timing of the assessment and the required number and qualification of the assessors. The required number of assessors for each region will be 5 comprising of professionals in local governance, auditing (in local government), procurement/engineering, financial management, planning, human resources management and sector specialists. Two of these professionals will be drawn from other public institutions (not LGAs) within the regions.
- The RAS will identify and recommend to the PMO-RALG the professional staff for undertaking the assignment for approval and formal appointment. At the same time the RAS will inform all LGAs in the region about the assessment and the need to get prepared for the exercise.
- PMO-RALG will train/orient the appointed RAT members on the assessment process. A Team Leader for each RAT will be appointed immediately after the training. Initially all appointed RAT members will be trained in one centre by the Taskforce. In subsequent years PMO-RALG will decide on the most convenient and cost effective way of orienting/training of RAT members.
- The RATs will carry assessment in the assigned LGAs. RATs will not undertake the assessment in the LGAs within their own Regions. The assessment exercise will take a maximum of 30 days to cover the field visits and report writing.
- Each RAT will spend not more than 3 days in one LGA and 1 day for travelling. Out of the 3 days one and a half days will be spent at the HLG (for assessment and debriefing) and one and a half days at LLG level.
- After assessing an LGA the RAT will immediately complete and submit electronically the LGA assessment report to the LGDG Taskforce.
- After completing the assessment the team leader will prepare a report of the overall assessment in the respective region and submit to the LGDG Taskforce.

In each LGA, the RATs will hold an entrance meeting with the CMT members. During the meeting modality for carrying out assessment in the LGA (as detailed in the Assessment Manual) including sampling of LLGs will be agreed. It is therefore important that the CMT prepares well in advance for the assessment. The sampling of LLGs should consider hard to reach/disadvantaged villages/Mitaa (at least 2). Due to time constraint the RATs will have to rely on information from the monitoring reports at the HLG.

During the actual assessment, it is important for the CMT to work closely with the AT to ensure that the team can work efficiently and has access to data and monitoring reports and all other information as appropriate. A debriefing will be arranged at the end of the visit (day 3). This is an opportunity for the CMT and the assessment team to clarify all outstanding queries and/or, identified performance gaps and make sure that both parties agree about the findings.

Budget for the Assessment
The preceding parts and sections of this guide have so far no provision for the budgetary implication of the assessment exercise. The annual assessment is a costly exercise and therefore its budget and source(s) of funding need to be considered. This budget should be part of the recurrent budgets of PMO-RALG, the RSs and LGAs. There should therefore be a provision of an item in the recurrent budgets of the PMO-RALG, RSs and LGAs for the annual assessment exercise.

1.2 Responsibilities

PMO-RALG is responsible for the following tasks:
- Define and revise the procedures and criteria;
- Establish and strengthen a pool of resource persons for assessment teams;
- Establish the national assessment team for coordinating, supervising and preparing the synthesis report.
- Strengthen the capacity of the RS to undertake objective assessment of the LGAs
- Coordinate and monitor assessment exercise;
- Disseminate and discuss outcome of assessment exercise;
- Disseminate summary of the assessment exercise nationwide
- Compute allocations for LGAs and notify LGAs; and
- Approve individual LGA assessment reports.

RSs are responsible for the following tasks:
- Inform LGAs about the assessment exercise
- Carry out the assessment in the LGAs
- Prepare individual council reports
- Recommend actions for improving the assessment process
- Identify the other resources persons from within their regions and recommend names to PMO-RALG
- Mobilise resources for undertaking the annual assessment
- Use the evaluation reports to input into the assessment process so as to minimise time.

HLGs are responsible for the following tasks:
- Cooperate with assessment team, including timely preparation and submission of documents including monitoring reports (as requested by assessment team).

- Inform key personnel to be available during the assessment (as requested).
- Discuss with the ATs with a view to understand areas that need improvement and/or remedial action.
- Facilitate the ATs to identify the LLGs and services facilities to be involved in the assessment exercise

LLGs (Villages and Mitaa) are responsible for:
- Cooperate with the CMT and the AT to ensure that the assessors properly assess activities and processes at LLG level.
- Provided various documents/reports etc as may be requested by the ATs

Computation

Once the assessment exercise is completed, PMO-RALG will compute the size of the grants for the LGAs. As mentioned, the computation is based on a reviewed formulae allowing for an equitable and transparent allocation of the grants. To emphasize more, LGAs that fail to meet basic MCs and PMS will initially receive 10 or 20% less of the total CDG and CBG. This amount will be withheld to allow for thorough investigation on the reasons for poor performance. The investigation will allow appropriate corrective measures to be taken before the release of the withheld funds.

1.3 Operations Guide for Assessment

Responsible	Action	Timing	Details and References
Preparation and Assessment			
PMO-RALG (Reform Secretariat)	Form, orient and prepare TOR for the LGDG Taskforce, Prepare the orientation programme for RATs Mobilise resources for undertaking assessment , Decide on the organization of the Assessment, inform RSs about the assessment schedule and the selection of assessors (RATs) Approve RATs members	July	LGDG, Assessment Manual
LGDG Taskforce	Coordinate the assessment Train and orient the RATs Disseminate the routes and provide the logistics	July - August	LGDG, Assessment Manual
RATs	Attend Training/orientation Orient themselves to the assessment tools and reporting templates	August	LGDG, Assessment Manual
HLG (CMT) and LLG	Prepare all relevant documents/reports for the assessment teams and inform LLGs to do the same	August	LGDG, Assessment Manual
Assessment of LGAs Performance against MCs and PMs and Implementation of CBPs			
RATs	Undertake assessment in each LGA (HLG and LLG) as per the manual i.e Assess LGAs against MCs and PMs and implementation of Capacity Building Plans and Debrief the CMT after assessment	August	LGDG, Assessment Manual
Report Preparation			
RATs	Prepare individual LGA report and submit to	August	LGDG, Assessment Manual

Responsible	Action	Timing	Details and References
	Taskforce Prepare regional overall assessment report (team leader)		
LGA	Discuss with a view to adopt assessment Report and plan strategies for overcoming gaps	August	LGDG, Assessment Manual
Synthesis report preparation and Approval of Reports			
PMO-RALG/Reform Secretariat LGDG Taskforce	Review Individual LGA reports Make follow up or cross check with RATs (Team leaders) for clarification of issues if any Prepare National Synthesis report	September	LGDG, Assessment Manual
PMO-RALG/Reform Secretariat LGDG Taskforce	Submit reviewed Individual LGA reports and National Synthesis Report to Technical Committee	September	n/a
Technical Committee	Review assessment reports, identify Councils meeting minimum access criteria and performance against criteria and formulate recommendations to Steering Committee	October	n/a
National Steering Committee	Approve assessment reports	October	n/a
PMO-RALG/Reform Secretariat	Disseminate approved individual reports and synthesis report to LGAs and other stakeholders	October	n/a
LGDG Budget Preparation and Disbursement of Funds			
PMO-RALG	Ask LGAs to share their contributions to the LGDG for preparing current FY budget	November	PMO-RALG, MOF Planning Guidelines
PMO-RALG	Prepare LGDG budget	November	PMO-RALG, MOF Planning Guidelines
PMO-RALG	Determine allocation on the basis of approved allocation formula	November	PMO-RALG, MOF Planning Guidelines
Technical Committee	Review and make recommendations for SC	November	n/a
Steering Committee	Review with a view to approve LGA grant allocations	November	n/a
Notification and dissemination			
PMO-RALG	Issue award letter to Councils detailing what level of grant – if any - they have qualified for, conditions of award, and date(s) for monitoring purposes	November	LGDG, Planning Guidelines for Villages and Mitaa
PMO-RALG	Publish summary of exercise in daily newspaper	November	LGDG, Assessment Manual
PMO-RALG (with assistance from contracted parties)	Organise stakeholder workshop to discuss assessment reports	November	LGDG, Assessment Manual
LGAs	Disseminate to LLGs the amount of CDG, CBG and MEG allocated		

2.0   Planning and Budgeting

2.1   Introduction

The objective of the planning and budgeting exercise under the LGDG system is to develop an inclusive Capacity Building Plan for utilisation of the CBG along with a Plan and Budget for utilisation of the CDG. Both plans should be developed concurrently and as an integral part of the annual LGA planning process and should consequently respect the deadlines established by the Government annual planning cycle.

Capacity Building Grant

For the purpose of budget preparation, all LGAs are requested to prepare appropriate Capacity Building Plans using the estimated allocations provided in the Planning and Budget Guidelines issued by Ministry of Finance. A template Capacity Building Plan is provided in Appendix D of this guide which will help in the budget preparation. The Template Plan, divided into four chapters, requires the LGAs to state *inter alia* the current situation with regard to staffing and Capacity Building activities that can make the implementation of the LGDG successful. Capacity Needs of LGAs will be derived from TNAs, the annual Assessment, M & E and OPRAS results. On the basis of the identified needs, LGAs will prepare CBPs indicating the activities and budgets in detail and quarterly work plans reflecting monitoring activities.

Preparation of CBPs should be part of the general LGA planning cycle. It is in this context imperative that the Capacity Building Plan is established in close consultation with LLGs as minimum 60% of the grant will be utilised at the lower local government level.

Meanwhile, PMO-RALG is responsible for coordinating tailor- made courses and training provided to the LGAs. Capacity building efforts will to a large extent include tailor-made courses designed by PMO-RALG with a view to enable LGA users to operate the LGDG system. More focus will be improving capacities at LLGs.

Council Development Grant

The planning and budgeting for utilisation of the Council Development Grant will, in accordance with the GoT planning cycle, formally begin in November each year. This follows the issuance of Planning and Budget Guidelines by the Ministry of Finance in collaboration with the President's Office- Planning Commission in the first week of November. The planning and budget guidelines interpret the national priorities included in the National 5 years Development Plan issued by the President's Office - Planning Commission. The Planning and Budgeting Guidelines will also include LGDG expenditure ceilings for the respective FY.

The LGA (annual) Plan and budget should be derived from a rolling three-year Medium Term Expenditure Framework (MTEF). The most important is the inclusion of community

self help projects in the Council Plans. Consequently, LGAs must update their rolling MTEF as part of the planning exercise (through PlanRep where available).

The annual plan and budget will be translated into quarterly work plans which, following Council approval, should be submitted to PMO-RALG through RS for approval. The approval of quarterly Work Plans is harmonised with the approval of quarterly progress reporting. Please refer to Chapter 4 in Part 2 for details.

To instill transparency and accountability, LGAs are required to report the outcome of the planning and budget exercises downstream to members of the community. This should be done through publication of plans and budgets in public places (notice boards) and through dissemination at Council meetings.

LLG Planning
Since 50% of the CDG will be utilised for the LLG level, an inclusive planning process should therefore be initiated at this level involving the communities, facilitated by the Ward Facilitation Teams, backed up by District Facilitation Teams[3]. The Council Directors are responsible for supporting these teams.

The *Planning Guidelines for Villages and Mitaa and LGA Planning and Budgeting Handbook* describe the LLG planning process in detail, including establishment and responsibilities of the Facilitation Teams. Planning should be conducted in a transparent and participatory manner through the use of the Opportunities and Obstacles to Development (O&OD) approach.

Key manuals and guidelines for planning and budgeting
The following documents guide the planning and budgeting process (please refer to Appendix A for brief summaries):

- LGA Planning and Budgeting Handbook, August 2012
- LGDG, Planning Guidelines for Villages and Mitaa, October 2004
- MoF: Planning and Budgeting Guidelines, Issued annually
- PMO-RALG: PlanRep Operating Manual – Local Authority Level, (PlanRep Manual), latest version
- PMO-RALG, Opportunities and Obstacles to Development Community Participatory Planning – Handbook, 2004;
- PMO-RALG, Guidelines for the Opportunities and Obstacles to Development Participatory Planning, (O&OD Guidelines), March 2004

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[3] This is the case of the conventional O&OD. In the case of the improved O&OD facilitation will be made by the WFs with support of District Task Forces (DTFs).

2.2   Responsibilities

PMO-RALG is responsible for the following tasks:
- Contract and supervise preparation of core courses for capacity building;
- Support LGA capacity building planning;
- Ensure adherence to systematic training procedures;
- Coordinate evaluation of training;
- Consolidate LGA Plans and Budgets;
- Approve LGA planning documents

MoF is responsible for the following tasks:
- Timely issuance of the PBG
- Timely transfer of funds to LGAs

Regional Secretariats are responsible for the following tasks:
- Offer technical support and facilitation to LGAs in management, economic development, fiscal planning, and engineering and social development issues in relation to LGDG.
- Provide strict supervision to ensure the released CBG funds are properly utilized on the CBP in line with the guide.

HLGs are responsible for the following tasks:
- Develop Capacity Building Plan
- Prepare/update and approve Capacity Building Plan,
- Consolidate LLG prioritized development plans
- Prepare LGA MTEF Budget
- Prepare Procurement Plan
- Ensure that all development plans conform to national and/or sector standards

WDCs are responsible for:
- Mobilise communities to participate in local development planning
- Facilitate and appraise development planning in LLGs; and
- Consolidate and forward development plans to HLG.

Finally, Villages and *Mitaa* are responsible for:
- Prepare draft plans using O&OD or other participatory planning methods;
- Convene meeting to discuss and approve LLG plan; and
- Forward LLG plans to WDC.

2.3 Operations Guide for Planning and Budgeting

Responsible	Action	Timing	Details and References
Plan and Budget Preparation			
LGA Director	Initiates the Preliminary planning in the LGA (HLG and LLG)	August	O & OD Guidelines or Similar Participatory Guidelines, LGA Planning and Budgeting Handbook MOF, Planning and Budget Guidelines (Previous Year) LGDG, Planning Guidelines for Villages and Mitaa
LLG/ Facilitation teams	Identify and formulate investment proposals including "self-help initiatives" for inclusion in the LLG Development Plan, facilitated by Ward and District Facilitation Teams	August-September	O & OD Guidelines or Similar Participatory Guidelines
	LLG starts preparing draft plans and budgets	August-September	O & OD Guidelines or Similar Participatory Guidelines
LGA Director	Receive Budget Guidelines from MoF	October	MOF, Planning and Budget Guidelines LGDG, Planning Guidelines for Villages and Mitaa
LGA Director	Disseminates budget guideline within LGAs	October	MOF, Planning and Budget Guidelines

Simplified guidelines to LLGs |
LLG/ Facilitation teams	Perfects draft plans and budgets on the basis of the guidelines to include the allocated LGDG funds	November	O & OD Guidelines or Similar Participatory Guidelines Simplified guidelines to LLGs
LLG	Approve LLG plans and submit to LGA through WDC	November	Simplified guidelines to LLGs
LGA HoDs	HLG starts preparation of LGA Plans and Budget including the approved LGDG funds	October-November	MOF, Planning and Budget Guidelines LGA Planning and Budgeting Handbook LGDG, Planning Guidelines for Villages and Mitaa
LGA HoDs	Incorporates approved LGDG for both HLG and LLG	November-December	MOF, Planning and Budget Guidelines LGA Planning and Budgeting Handbook LGDG, Planning Guidelines for Villages and Mitaa
Council Planning Officer and HoDs	Compilation of draft LGA Plan and Budget	December	MOF, Planning and Budget Guidelines
CMT	CMT discusses draft LGA Plan and Budget	December	MOF, Planning and Budget Guidelines
Relevant Standing Committee	Draft LGA Plan and Budget discussed by Standing Committees	December	MOF, Planning and Budget Guidelines
Finance Committee	Draft LGA Plan and Budget discussed by Finance Committee	December	MOF, Planning and Budget Guidelines
Full Council	Discusses and Approves LGA Plan and Budget	January	MOF, Planning and Budget Guidelines
DCC and RCC	Approved LGA Plan and Budget discussed by DCC and RCC	January	MOF, Planning and Budget Guidelines
LGA Director	Inputs from DCC and RCC incorporated into LGA Plan and	January	MOF, Planning and Budget Guidelines

Responsible	Action	Timing	Details and References
	Budget		
LGA Director	Submission of Draft LGA Plan & Budget to PMO-RALG through RS for Review	January	MOF, Planning and Budget Guidelines
PMO-RALG through RS	Feedback to LGAs to incorporate any directives	February	MOF, Planning and Budget Guidelines
PMO-RALG	LGA Plans and Budgets reviewed and approved by PMO-RALG for submission to MoF	February	MOF, Planning and Budget Guidelines
MoF	LGA Plans and Budgets reviewed by MoF	March	MOF, Planning and Budget Guidelines
MoF	Feedback to PMORALG with changes (if any)	March	
LGA Director	Individual LGAs adopt changes made by MoF	March	MOF, Planning and Budget Guidelines
LGA Director	LGA Plans and Budgets submitted to Parliamentary Committees for Scrutiny	March- early April	
LGA Director	LGAs Incorporate Changes into the Plans and Budgets	Early April	MOF, Planning and Budget Guidelines
Parliament	Debating and Passing of Budgets by Parliament	Early April- June	
LGA Director	Publish approved LGA Plan and Budget at public places of the Council Offices and extracts in public places at the Wards, Villages and Mitaa	June	
LGAs (HLG & LLG)	Budget implementation	July (*current year*- June (*next year*)	Various Laws, Guidelines and Regulations

3.0 Implementation

This Chapter covers implementation of activities financed under the Capacity Building Grant and the Council Development Grant as well as the direct monitoring of implementation. Implementation involves procurement, contract management and continuous monitoring and supervision of procured services, goods and works.

3.1 Introduction

Implementation of the Capacity Building Plan

Implementation of the LGA Capacity Building Plans will take place at both HLG and LLG according to the specified and approved quarterly work plans. Most activities will be implemented through on the job training, and only a few will be contracted out.

Tailor-made, Specific CB activities may include field-training sessions, on-the-job training, in-house training events, (short) skills development courses, and technical advisory services by externally contracted institutions.

There will be core (generic) courses on skills development related to specific LGDG implementation issues identified by the RSs and external training providers contracted by PMO-RALG. Training providers shortlisted by PMO-RALG will deliver training in the LGAs.

Finally, to monitor progress on implementation and evaluation of activities financed under the CBG, LGAs will also be required to carry out regular monitoring in accordance with their approved CBPs to ensure quality and adherence to the action plan. The RSs will undertake evaluation of the capacity building interventions to ascertain the extent to which intended outcomes are realized.

Council Development Grant

All procurement done at LGA level is guided by the Public Procurement Act (2011) and its Regulations. LGA Procurement concerns services, goods and works against the approved Annual Procurement Plan.

The authority for HLG and LLG procurement remains with the LGA Accounting Officer. Where appropriate, funds will be transferred to the LLGs (ward, village and service facility bank accounts). In all cases, LLG funds utilization will be supervised and monitored by the HLG. Procurement of goods and services will be done by the LLGs except for major procurement, which will be done by HLG in consultation with the LLGs. This means the LGA Tender Boards may delegate specific procurement authority to WEOs and Heads of service facilities (health and education). The procurement guide for LLGs procurement will guide procurement at this level.

In the case of community initiated "self help" projects implemented by the communities themselves, technical support will be provided by the HLG to ensure quality and adherence to standards.

Contracting and contract management is the next step for the LGA: The LGA Director will be responsible for appointing one or more LGA officers responsible for managing and supervising the contracts, or, where necessary, contract external expertise as project managers. LGA project managers should remain in close contact with the contractor/consultant representative and make frequent visits to the construction sites.

The specific nature of supervision depends on the technical nature of the contract. Technical requirement for road rehabilitation works are for example different from those for water supply and sanitation contracts. LGAs are also required to evaluate and record the performance of contracted consultants.

In the case of community initiated projects the technical support will be provided by the technical departments of LGAs and WFTs.

3.2   Responsibilities

PMO-RALG is responsible for the following tasks:
- Ensure and control satisfactory standards for utilisation of the LGDG
- Provide technical guidance and support as required
- Identify and deliver core courses to LGAs (through accredited training providers)
- Mobilise resources for capacity building from sectors (sector ministries)

Regional Secretariats are responsible for:
- Supervising, advising and support LGAs as appropriate.
- Monitoring and evaluating implementation
- Auditing utilization of funds
- Undertake quality check of undertaken projects

HLGs are responsible for the following tasks:
- Implement Capacity Building Plan and LGA Development Plan and Budget;
- Procurement and contracting according to laid down regulations, Procurement Plan, and budget
- Monitor and supervise delivery of procured services, goods and works
- Ensure that all payments due to contractors, suppliers and providers of services engaged on projects by the Council are effected in a timely manner
- Evaluate performance of contracted consultants
- Ensure that grant proceeds are used solely to fund eligible activities;
- Provide Technical Support to community self help projects
- Maintain reports and other documents of financed activities

LLGs are responsible for:
- Mobilize local resources

- Procure and contract as per the LLG procurement guidelines
- Implement LLG development plans.
- Monitor implementation by contractors

3.3 Operations Guide for the Implementation

Responsible	Action	Timing	Details and References
Capacity Building Grant			
LGA tendering, implementation and monitoring			
LGA HRO	Consult and recommend training providers Coordinate and Implement capacity building plan Monitor capacity building activities to verify whether objectives of planned activities are being attained	Continuous from beginning of FY Continuous	Capacity Building Plan Work Plan LGA monitoring and evaluation Framework
Training Providers	Conduct training programs as per contracts	Continuous	Training guidelines Moderated courses
Council Development Grant			
Procurement			
LGA Council Director	Execute Procurement Plan	Continuous, as per plan	LGA procurement regulations Procurement Plan
LGA PMU	Advertise, invite tenders, prepare tender documents etc as per the regulations Advise LGA Tender Board	Continuous, as per plan	LGA Procurement Regulations Procurement Plan
LGA Tender Board	Supervise procurement as per regulations	Continuous, as per plan	LGA Procurement Regulations Procurement Plan
LGA Council Director or Department Head	Award contract as per regulations	Continuous , as per plan	LGA Procurement Regulations Procurement Manual
Contract signature and assignment of responsibilities			
LGA Council Director	Negotiate and sign contracts Assign responsibility for specific contracts to relevant LGA officer (supervisor)	Continuous	LGA Procurement Regulations
LLG	Advertise, invite, evaluate, negotiate award, sign Tenders		LLG procurement guidelines
Monitoring and Supervision			
LGA Director	Monitor procurement	Continuous	Procurement Regulations
LGA Procuring Entity/Supervisor	Monitor and supervise delivery of procured supplies, works, and services Check on adherence to quality and standards	Continuous	Procurement Regulations Contract, Terms of Reference and/or Schedule of Works (where relevant) Technical supervision guidelines and manuals (where available, see 'Other Documents' in Appendix J)
LGA Procuring	Review and approve regular	As per contract	Contract and Terms of

Responsible	Action	Timing	Details and References
Entity/Supervisor	progress reports from Contractor/Consultant Take or initiate steps to correct or discipline deviations from observance of contract conditions		Reference
LLG	Adherence to quality and standards Report progress Request for technical support		n/a
Evaluation of employed consultants			
LGA Procuring Entity/Supervisor	Evaluate objectively and confidentially performance of consultants on LGA financed services	End of contract	Procurement Regulations Signed Contracts and TOR
LGA Procuring Entity/Supervisor	Keep evaluation deliberations on record	Continuous	Procurement Regulations
Financial management			
LGA	Disburse as per schedule provided acceptable documentation is furnished by contractors	As per contract	Contract and Terms of Reference LGA Accounting Procedures and Regulations LGA Finance Act
Contract modification and closure			
LGA Procuring	Extend and modify contracts subject to approval from Council Tender Board and within the limits set out by the LGA Procurement Regulations	As per need	Contract and Terms of Reference Procurement Regulations
LGA	Close contracts as appropriate after ensuring that all responsibilities imposed upon the contractor are fully discharged and all payments have been duly processed	As per contract	Contract and Terms of Reference Local Government Financial Memorandum

4.0 Reporting

4.1 Introduction

This chapter sets out the tools and mechanisms for reporting on the LGDG implementation. LGA reporting within the LGDG system builds on the normal GoT reporting systems for development funds with CFR and CDR submitted by LGAs to PMO-RALG through the Regional Secretariats.

LGAs failing to report for penultimate quarters in the required format and within the specified deadlines will not receive funding for the following quarter.

PMO-RALG will scrutinise and consolidate the LGA reporting quarterly to be used by LGDG oversight committees and the Participating Development Partners.

While most of the reporting is for the consumption of the GoT hierarchy, LGAs should take note that reporting to the public at large is also required. In this regard, LGAs must publish the receipts of the LGDG *inter alia,* on notice boards.

4.2 Responsibilities

The CG is responsible for the following tasks:
- Review and consolidate LGA reporting (PMO-RALG);
- Roll-out and ensure efficient operation of IFMS/ Epicor and PlanRep (PMO-RALG);
- Report to the Technical Committee and Steering Committee (PMO-RALG); and
- Quarterly transfer of funds to LGAs (Ministry of Finance upon PMO-RALG request).

Regional Secretariats are responsible for the following tasks:
- Build the Reporting Capacity of LGAs
- Request for quality reports from LGAs
- Review LGA progress reporting and ensure submission to PMO-RALG.

HLGs are responsible for the following tasks:
- Monitor implementation and compile reports as per schedule i.e. CFR, CDR and monitoring reports.
- Submit the reports to PMO-RALG through the RS

Finally, LLGs are responsible for:
- Monitor implementation and compile reports at least monthly
- Timely submission of reports to HLGs.

- Provide information to HLG as may be required.

4.3 Operations Guide for Reporting

Responsible	Action	Timing	Details and References
Quarterly/semi-annual progress reporting and disbursement			
LGA preparation and submission			
LGA Director	Prepare CFR and CDR to reflect the utilization of CBG and CDG. Prepare quarterly Work-plan Submit to Finance Committee	As per submission deadline	CFR and CDR Instructions
LGA Finance Committee	Review and forward the CFR and CDR to the LGA Council	As per submission deadline	As above
LGA Council	Discuss and approve the CFR and CDR for submission to RS	Quarterly	As above
CG Approval			
Regional Secretariat	Review quarterly progress report and work plans, provide comments and advice to LGA Ensure submission to PMO-RALG	Quarterly (two weeks after quarter end)	
PMO-RALG	Review and summarise CFR and CDR and quarterly work plans. Prepare quarterly report as stipulated in the operations guide and convene TC meeting Present summary report to the TC	Quarterly (4 weeks after quarter end)	
Technical Committee	Discuss CFR and CDR and quarterly work plans and make recommendations to NSC	Quarterly (5 weeks after quarter end)	
National Steering Committee	Deliberate on the reports and make appropriate decision on approval for funding	Quarterly (6 -7 weeks after quarter end)	
Disbursement			
PMO-RALG	Organise for quarterly transfer of funds subject to satisfactory reporting (for penultimate quarter to avoid disbursement delays)	Quarterly, 8-9 weeks after quarter end	Conditional on satisfactory reporting.
Ministry of Finance upon request from PMO-RALG	Transfer of funds to LGA bank accounts	9-11 weeks after quarter end	n/a
PMO-RALG	Notify Regional Secretariat, and LGAs of fund availability in bank account	Quarterly 11 weeks after quarter end	n/a
Annual reporting			
LGA	Prepare CFR and CDR for whole FY on utilization of CBG and CDG Submit to Finance Committee	After end of financial year	CDR and CFR Instructions
LGA Finance Committee	Review and forward the CFR and CDR to the LGA Council for approval	After end of financial year	As above
LGA Council	Discuss and approve the CFR and CDR for submission to RS for submission to PMO-RALG	After end of financial year	As above
CG review and approval			

Responsible	Action	Timing	Details and References
PMO-RALG	Review and summarise CFR and CDR Prepare and submit annual report for submission to Technical and Steering Committee Annual Statement of Receipts and Payments of Funds Annual Statement of Uses of Funds by Project Activities Annual Expenditure Statement by Expenditure Category Annual Monitoring Report Present the reports to TC and NSC	After end of financial year	GoT, Financial Regulations
Technical Committee	Review the reports and make recommendations	After end of financial year	
Steering Committee	Discuss and approve the reports	After end of financial year	n/a
Procurement Reporting			
LGA Quarterly Procurement reporting			
LGA Procurement Management Unit	Prepare and submit consolidated Procurement Report	Quarterly	Public Procurement Act 2011 Procurement Regulations 2013
LGA Tender Board	Review and submit Procurement Reports to LGA Finance Committee	Quarterly	Public Procurement Act 2011 Procurement Regulations 2013
LGA Finance Committee	Review Report and Tender Board review minutes	Quarterly	Public Procurement Act 2011 Procurement Regulations 2013
LGA Annual Procurement Reporting			
LGA Procurement Management Unit	Compile quarterly reports with a view to preparing Annual Procurement Report	After end of financial year	Public Procurement Act 2011 Procurement Regulations 2013
LGA External Auditor	Certify report	After end of financial year	Public Procurement Act 2011 Procurement Regulations 2013
LGA Council	Review and approve	After end of financial year	Public Procurement Act 2011 Procurement Regulations 2013

5.0 Auditing

5.1 Introduction

As is the case for all other phases of LGDG management, LGDG audit requirements follow the GoT procedures and formats. Both internal and external audits are foreseen: The internal audits are carried out at LGA level and at Central Government level by PMO-RALG. The National Audit Office/ Controller and Auditor General is responsible for carrying out the external audit function.

In all cases, appropriate arrangements should be made for following up audits where findings suggest this is required. At the LGA level, the responsibility rests with the Council Director, while the Reform Secretariat is responsible at PMO-RALG level. Parliament is ultimately responsible for following-up the external audit recommendations provided by the Controller and Auditor General.

LGA Internal Audit

The LGA Internal Audit Function (IAF) is required by the Local Government Finances Act No.9 of 1982. The IAF in Tanzania is also aligned with the requirements of the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA). It is defined as

> "*an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organisation accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*" Source: IIA, 2009

The responsibilities and procedures to be followed for the Internal Audit are listed in the *Internal Audit Manual for Local Government Authorities issued by the Ministry of Finance in 2013* (see Appendix A for a summary).

Effective functionality of the IAF at the LGA level is very crucial for contributing in the achievement of the LGDG objectives. Thus the Council Internal Auditor and his/her team are expected to perform regular audits of the LGDG activities and produce internal audit reports on quarterly basis. The audit activities should be included in the approved annual risk-based internal audit plan which must also cover LGDG activities at LLGs. However, where deemed necessary and upon request by LGA management, the Council Internal Auditor will also carry out special/ ad-hoc audits.

The scope for internal audit in as far as LGDG activities are concerned is to ensure that:
- There is compliance with laid down laws, regulations, circulars and procedures in all activities that are undertaken
- Sound controls for receiving and utilizing funds are exercised
- Values for money principles (economy, efficiency and effective utilization of funds) are strictly observed.

PMO-RALG

The PMO-RALG is responsible for strengthening the internal audit function at all levels where the LGDG resources are utilized. The internal audit should cover all categories of audits i.e financial, operational, governance, procurement and value for money audits

External Audit

The objective of the External Audit, carried out under the responsibility of the Controller and Auditor General, is to enable the auditors to express their opinion on the financial position of the LGDG system at the end of each year and of the funds received and expenditure incurred. The CAG shall also ascertain whether:

- Funds used for the LGDG activities were in accordance with laws, regulations and workplans;
- Contributions to the LGDG resources were made by all stakeholders as per their commitments and that were used only for the purposes as specified in the LGDG guidelines; and
- Values for money principles (economy, efficiency and effective utilization of funds) were observed

The Council Internal Auditor is expected to cooperate with the CAG representative during the annual external audit.

Other Audits

Value-for-money Audits (also referred to as Performance Audits) will be carried out under LGDG. These audits are designed to assess the economy, efficiency and effectiveness of LGA operations. They may be carried out as independent audits in some selected LGAs.

Procurement Audits are carried out to ascertain whether or not the procurement in the LGA has been done in accordance with the requirements of the law. The Public Procurement Act (2011) requires internal auditors to conduct procurement audits on quarterly basis.

The purpose of the Governance Audit is to identify strengths and weaknesses in the LGA governance arrangements. Detailed steps for carrying out governance audits are included in the Internal Audit Manual for Local Government Authorities. Thus, the Internal Auditor should refer to it.

5.2 Responsibilities

PMO-RALG is responsible for the following tasks:

- Organise and execute internal audit function;
- Prepare and implement external audit strategic plan for participating LGAs (NAO/CAG);

- Organise and execute Value-for-money, Procurement and Governance audits in selected LGAs; and
- Follow-up and/or implement the recommendations made by auditors.

RS is responsible for the following tasks

- Review and compile LGAs' internal audit reports and forward to PMO-RALG
- Monitoring the implementation of recommendations made by internal and external auditors

HLGs are responsible for the following tasks:
- Execute LGA Internal Audit function, including Procurement Audits, value-for-money and governance audits;
- Cooperate with external auditors;
- Implement internal audit recommendations.
- Monitor implementation of internal audit recommendations

Finally, LLGs are responsible for:
- Cooperate with internal and external auditors, including timely submission of financial information.
- Implement internal audit recommendations

5.3 Operations guide for Auditing

Responsible	Action	Timing	Details and References
Internal Audit			
LGA internal audit			
LGA Council Director	Ensure adequate staffing of the IAF as well as effective functionality as per standard internal audit requirements	Continuous	MoF, Internal Audit Manual for LGAs (2012)
LGA Internal Auditor	Prepare strategic and annual risk-based internal audit plans and submit to Audit Committee/ Council Director for Approval	Annually	MoF, Internal Audit Manual for LGAs (2012) LGDG Operations Guide, Assessment Manual, M & E Framework LAFM (2009)
	Conduct fieldwork and gather evidence	Continuous	MoF, Internal Audit Manual for LGAs (2012) LGDG Operations Guide, Assessment Manual, M & E Framework
	Prepare and submit quarterly internal audit reports to LGA Council Director and copies to all relevant organs (Audit Committee, PMO-RALG through RS, CAG, Internal Auditor General)	Quarterly (*within 2 weeks after the end of quarter*)	MoF, Internal Audit Manual for LGAs (2012) LAFM (2009)
LGA Council Director	Forward audit reports to Audit Committee, Finance Committee and NAO	Quarterly	MoF, Internal Audit Manual for LGAs (2012) LAFM (2009)Manual

Responsible	Action	Timing	Details and References
	Ensure that proper consideration and follow-up is given to Internal Audit		
Audit Committee	Reviews/ discusses internal audit reports and advices accordingly i.e overseeing the implementation of audit recommendations	Quarterly	MoF, Internal Audit Manual for LGAs (2012) LAFM (2009)Manual
Finance Committee	Receives and deliberates on internal audit reports; takes note on advice given by audit committee and forwards its deliberations to full council for approval	Quarterly	MoF, Internal Audit Manual for LGAs(2012) LAFM (2009)Manual
Full Council	Takes decisions on internal audit reports tabled on its meetings through the Finance Committee	Quarterly	MoF, Internal Audit Manual for LGAs(2012) LAFM (2009)Manual
RS	Consolidates and analyses LGA internal audit reports and forwards to PMO-RALG Monitors LGAs on the implementation of internal audit recommendations	Quarterly	MoF, Internal Audit Manual for LGAs(2012) LAFM (2009)Manual
PMO-RALG	Receives consolidated and analysed LGA internal audit reports from RS. Also, in collaboration with RSs, monitors the implementation of internal audit recommendations.	Quarterly	MoF, Internal Audit Manual for LGAs (2012) LAFM (2009)Manual
PMO-RALG internal audit			
PMO-RALG	Appoint PMO-RALG internal auditor (a PMO-RALG employee)	By implementation start	LGDG, Financial Management Manual
PMO-RALG Internal Auditor	Prepare detailed audit programme to cover all operations of the project within a set target period	By implementation start	LGDG, Financial Management Manual
PMO-RALG Internal auditor	Conduct internal audits as per programme	Continuous	Internal Audit Programme LGDG, Financial Management Manual
PMO-RALGPMO-RALGDLG	Conduct any ad-hoc audits as instructed by LGDG management	Ad-hoc	LGDG, Financial Management Manual
PMO-RALGPMO-RALGDLG	Follow up any issues raised in Internal Audits through the PMO-RALG Inspection and Management Unit with support as appropriate from Financial Management Specialists (Regions) and Zonal Reform Team advisers	As per need	n/a
External Audit			
External audit			
National Audit Office/Controller and Auditor General	Prepares audit programme which also covers audit of LGDG activities	Annual	Public Audit Act (2008) Public Finance Act, 2001 LGDG Guidelines
NAO/CAG	Conducts general annual audits of: *Financial Statements Statement of Income and Expenditure*	Annual	Public Audit Act (2008) Public Finance Act, 2001 Annual Expenditure Report

Responsible	Action	Timing	Details and References
	Financial Monitoring Reports Submits audit report to the Minister for Finance and Individual Report to PMO-RALG		International Auditing Standards
PMO-RALG	Analyses the issues raised in the CAG Audit Report and Presents them for discussion and decisions in the TC and NSC	Annual	CAG Audi Report
LGA Council Director	Prepares and implements the workplan for all audit issues raised by the CAG. The implementation includes all issues raised at both HLG and LLG. Also, conducts monitoring.	Continuous	CAG Audi Report
Full Council	Oversees and takes decisions on the implementation of audit recommendations at a the council level	Continuous	CAG Audi Report
RS	Conducts monitoring	Continuous	CAG Audi Report
LAAC	Oversees the implementation of audit recommendations at a national level	Annual	CAG Audi Report
Other Audits			
Value for money/Performance audits			
LGA Internal Audit and PMO-RALG	Conduct value for money audits in (selected) LGAs	According to programme	MoF, Internal Audit Manual for LGAs
Procurement audit			
LGA Internal Audit and PMO-RALG	Conduct procurement audits	Quarterly	Public Procurement Act (2011) MoF, Internal Audit Manual for LGAs(2012)
Governance Audit			
LGA Internal Auditor and PMO-RALG	Conduct governance audits	Continuous	MoF, Internal Audit Manual for LGAs(2012)

6.0 Monitoring

This chapter describes the monitoring of LGDG system implementation so as to improve the performance and achievement of the intended results. More precisely, the overall purpose of monitoring is to make a continuous follow-up of the extent to which the LGDG system is effectively managed by HLGs and LLGs to realize decentralized service delivery to the people. Detailed monitoring process with detailed activities (delivery of procured services, goods and works) is presented in a separate document i.e. M & E Framework.

Monitoring is part and parcel of the LGDG system where the implementation of the LGDG activities will be monitored. The monitoring exercise will be carried out continuously and reported monthly at LLG and quarterly, bi-annually and annually at HLG and RSs. Indeed monitoring will constitute part of the routine activities undertaken by the LGAs and RSs.

6.1 Monitoring the Implementation of the LGDG system

The Monitoring of the LGDG system entails collection of information pertaining to implementation of the LGDG funded activities, compiling reports and sharing with different stakeholders at various levels of the LG system i.e. LLG (the service delivery points), HLG, RS and PMO-RALG on a regular basis e.g. monthly and quarterly.

Monitoring will require LGAs to compile, submit and transmit quarterly monitoring information from LLG (Villages, Mitaa, Wards) to HLG to RSs and PMO-RALG. The compiled information will be linked with the reports (CDR and CFR facility) that are integrated to the PlanRep system. The monitoring reports should therefore cover both physical and financial implementation of projects.

Monitoring of the LGDG system is based on specific indicators for each intended outcome. Monitoring is intended to establish whether:
- Facilities funded by the LGDG are complete and functioning effectively
- There is fair distribution of the funds within the LGAs
- Community priorities are realized
- Cases of carryover of project funds are reduced (or eliminated)
- LGA financial management is improved
- LGA HR is developed and well managed

6.2 Responsibilities

CG is responsible for the following tasks:
- Coordinate the monitoring exercise;
- Review monitoring reports and take appropriate actions.

RSs are responsible for the following tasks:
- Coordinate the monitoring exercise;
- Monitor the implementation of LGDG activities in LGAs;
- Review and consolidate LGA monitoring reports and submit to PMO-RALG;
- Take appropriate actions where applicable.

HLGs are responsible for the following tasks:
- Monitor the implementation of LGDG activities in HLG and LLGs
- Review and consolidate HLG and LLG monitoring reports and submit to RS on quarterly basis.

LLGs are responsible for:
- Monitoring project implementation and completion
- Preparing and submitting monitoring reports to HLGs on monthly basis

6.3 Operations Guide for Monitoring

Responsible	Action	Timing	Details and References
PMO-RALG	Review monitoring reports and take appropriate actions	Semi-annual	Monitoring & Evaluation Framework CDR
RSs	Monitor the implementation of LGDG activities in LGAs Review and consolidate LGA monitoring reports and submit to PMO-RALG	Continuous Quarterly	Monitoring & Evaluation Framework CDR
LGAs	Monitoring of project implementation and completion in HLG and LLGs Review and consolidate HLG and LLG monitoring reports and submit to RS on quarterly basis	Continuous Quarterly	Monitoring & Evaluation Framework CDR
LLGs	Carry out continuous monitoring of project implementation and completion in LLGs. Preparing and submitting monitoring reports to HLGs on monthly basis	Continuous Monthly	Monitoring & Evaluation Framework CDR

7 .0   Evaluation

This chapter describes evaluation of the LGDG system to determine the progress towards attainment of the intended outcomes of the system. Unlike monitoring, evaluation is time-bound and periodic in nature, it will take place at particular intervals before, during (thereby aiding improvement) or at the end of a project programme.

The focus of LGDG evaluation is on the outcomes and their relationships with the outputs, establish how and why outputs and strategies contributed to achievement of outcomes and address questions of relevance, effectiveness, sustainability and change. This ultimately contributes to the achievement of the overall objective of the LGDG system i.e. to realize decentralized service delivery to the people. Evaluation will be part and parcel of the LGDG system where the intended outcome areas will be evaluated using the M&E framework (separate document from this Guide).

7.1   Evaluating the Implementation of the LGDG system

The Evaluation of the LGDG system entails periodic collection of information pertaining to the way LGDG funded activities were implemented. Evaluation will involve the review of monitoring reports, survey of implemented projects and analysis of data/information obtained. In the end, reports will be prepared and shared with different stakeholders at various levels of the government for decision making.

7.2   Responsibilities

CG is responsible for the following tasks:
- Coordinate the evaluation exercise;
- Review evaluation reports and take appropriate actions

RSs are responsible for the following tasks:
- Coordinate the evaluation exercise;
- Evaluate the LGDG activities in LGAs;
- Review and consolidate LGA evaluation reports and submit to PMO-RALG;
- Take appropriate actions where applicable.

HLGs are responsible for the following tasks:
- Conduct evaluation of LGDG activities in HLG and LLGs
- Prepare evaluation reports and submit to RS.
- Cooperate with and submit information to external evaluators

LLGs are responsible for:

- Cooperate with and submit information to evaluators

7.3 Operations Guide for Evaluation

Responsible	Action	Timing	Details and References
PMO-RALG	Review evaluation reports and take appropriate actions	Semi-Annual, Annual, After two years	Monitoring & Evaluation Framework
RSs	Evaluate the LGDG activities in LGAs Review and consolidate LGA evaluation reports and submit to PMO-RALG	Semi-Annual, Annual, After two years	Monitoring & Evaluation Framework
LGAs	Conduct evaluation of LGDG activities in HLG and LLGs Prepare evaluation reports and submit to RS. Cooperate with and submit information to evaluators	Semi-Annual, Annual, After two years	Monitoring & Evaluation Framework
LLGs	Cooperate with and submit information to evaluators		

Appendices

Appendix A – Summary of Key Manuals And Guidelines

Presentation and summary of key documents relevant to implementation of the LGDG system

LGDG, *Manual for the Assessment of Councils Against Minimum Access Conditions and Performance Measurement Criteria,* **(Assessment Manual), 2014**

The Assessment Manual is the main reference document for the assessment exercise.
The manual covers the overall organisation and management of the process as well as detailed instructions on the actual assessment against Minimum Conditions and Performance Measures.

PMO-RALG, *LGA Planning and Budgeting Handbook***, 2012**

LGDG, *Planning Guidelines for Villages and Mitaa***, October 2004**
The guide is the key reference document for planning in LLGs.

MOF: *Planning and Budgeting Guidelines,* **(Planning Guidelines), Issued annually**

These guidelines are issued to assist preparation of LGA plans and budgets.

PMO-RALG: *PlanRep Operating Manual – Local Authority Level,* (PlanRep Manual), ver.3.1a EN, undated

The MTEF, revenue projection and budgeting modules are relevant for the planning and budgeting process.

PMO-RALG, Local Authority Quarterly Financial Reports for LGA Revenues and Expenditures and LGA Development Expenditures Instructions for Completion of the Reporting Forms, 2009

LLG procurement guidelines (*being prepared*)

MoF *Local Government Authorities Internal Audit Manual,* October 2012.

PMO-RALG *Opportunities and Obstacles to Development Community Participatory Planning – Handbook*, 2004

PMO-RALG *Mwongozo Wa Usimamizi wa fedha Ngazi ya Halmashauri ya Kijiji na Kamti ya Mitaa* [LLG Financial Management Guidelines], March 2005

Appendix B Typical Investments at HLG level

The below list is of typical investments at HLG level is provided for illustrative reasons only. The list is not exhaustive. Other investments not in the list may also be considered for financing under the LGDG system.

Infrastructure Project Description	
Water Supply	**Roads**
Spring Development	Earth Road Spot Improvements
Well Development	Gravel Road Spot Improvements
Sallow Boreholes (0-10m) Fitted wit h Hand Pumps	Earth Road Rehabilitation, Heavy Shaping
Deep Boreholes (10-50m) Fitted with Hand Pumps	Gravel Road Rehabilitation, Heavy Shaping
Boreholes (10-50m) Fitted with Electric Pump	New Build Earth Roads to Communities
Solar Powered Pumps	New Build Gravel Roads to Communities
Wind Powered Pumps	New Build Surface Dressed (spray and chippings) Roads
Mini Hydro Schemes	New Build Bitumen Based (50 mm hot rolled) Roads
Rain Water Harvesting	Culverts 600mm dia
Earth Dams, Clay Core	Culverts, 900mm dia
River Intakes	Culverts on District Roads
Transmission Canals	Essential Safety Related Bridge Rehabilitation
Storage Reservoirs, Bunded	River Training on Bridge Approaches
Storage Tanks (Masonry, Concrete, Pre Manufactured).	Bus Stands
Transmission Pipelines, Gravity Fed	Traffic Calming near Schools
Transmission Pipelines, Pumped	
Distribution Pipelines, New	
Distribution Pipelines, Extension	
Distribution Points	
Irrigation Canals	
Rehabilitation, Expansion of Existing Water Schemes	
Sanitation	**Health**
Septic Tank, Single household user	Health Posts
Septic Tank, Multiple Users	Dispensaries
Main Sewers	Health Centers
Sewer Collection Chambers	Care Centers, HIV, Poor Children, Orphanages
Collector Sewers	Maternity Houses for Single Parents
Sewerage Maturation Ponds	Essential Loose Furniture
Sewerage Treatment Works	Essential Medical Equipment
River Outfalls	Cemeteries
Storm Water Drainage	Solid Waste Disposal Schemes
Drainage Collector Systems	Solid waste Collection Equipment
Public Toilets (Dry or Wet Systems)	Rehabilitation, Expansion of Existing Health Infrastructure
Rehabilitation, Expansion of Existing Sanitation Schemes	**Agriculture:** Farmer field schools, Ward resource centres, small irrigation schemes, charco dams, cattle dips

Appendix C - List of Typical Investments at Sub-District Level (LLG)

The below list is of typical investments at LLG level is provided for illustrative reasons only. The list is not exhaustive and activities in other sectors (agricultural infrastructure for example) may also be considered for financing under the LGDG system.

Infrastructure Project Description	
Water Supply	**Health**
Spring Development	Health Posts
Well Development	Care Centers, HIV, Poor Children, Orphanages
Sallow Boreholes (0-10m) Fitted with Hand Pumps	Maternity Houses for Single Parents
Small Water Storage Schemes	Solid Waste Disposal Pits
Rain Water Storage Schemes	
Small Scale Irrigation Schemes	
Sanitation	**Roads**
Septic Tank, Single household user	Rehabilitation of Rural Access Roads
Septic Tank, Multiple Users	Rehabilitation of School Footpaths
Public Toilets (Dry or Wet Systems)	River Crossing to reduce time to travel to Schools or Medical Facilities
Education	**Administration Facilities**
Rural based Classroom	Market Places
	Community Grain Stores
	Village Halls

Appendix D: Template Capacity Building Plan

(In the process being developed)

Appendix E: References

This list includes all reference documents relevant to the LGDG system, its context and background. Key manuals and references, marked with an asterisk. (*), are summarised in Appendix A.

Government of Tanzania legislation and policies

GoT, *Financial Regulations (Public Finance Act, 2001 as amended 2010)*

GoT, *Public Procurement Act (2011)*

URT, Public Procurement Regulations (2013)

GoT, *Local Government Financial Memorandum*, 2009

GoT, *National Strategy for Growth and Reduction of Poverty*, full text available at http://www.povertymonitoring.go.tz/downloads/new/nsgrptext.pdf, January 2005

GoT, *Public Finance Act*, 2001 revised (2004) and amended (2010)

GoT, *Tanzania Development Vision 2025,* full text available at http://www.tzonline.org/pdf/theTanzaniadevelopmentvision.pdf, 1999

GoT: *Local Government Acts*, 1982

GoT: *Local Government Finances Act*, 1982

GoT: National Five Year Development Plan

LGDG Documents

*LGDG, *Planning Guidelines for Villages and Mitaa*, (Village Planning Guidelines), October 2004

*LGDG, *Manual for the Assessment of Councils Against Minimum Access Conditions and Performance Measurement Criteria*, (Assessment Manual), October 2014

PMO-RALG/MoF Documents

* PMO-RALG *LGMD– Operating Manual – Local Authority Level*, (LGMD Operating Manual),

URT, Local Government Authorities Internal Audit Manual, 2012.

*PMO-RALG *Opportunities and Obstacles to Development Community Participatory Planning – Handbook*, 2004

*MOF *Planning and Budgeting Guidelines*, (Planning Guidelines), issued annually

*PMO-RALG *PlanRep Operating Manual – Local Authority Level*, (PlanRep Manual), ver.3.1a EN, undated

PMO-RALG *Guidelines for the Opportunities and Obstacles to Development Participatory Planning*, (O&OD Guidelines), March 2004

PMO-RALG *Key Documents on Fiscal Decentralisation in Mainland Tanzania*, April 2004

MO-RALG *LGMD Coordinator's Manual*

PMO-RALG *LGMD Manual for Data Users*

PMO-RALG*LGMD Manual for Sector Supervisors*