

**UNITED REPUBLIC OF TANZANIA
PRIME MINISTERS OFFICE**

**REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
(PMO-RALG)**



**NATIONAL FRAMEWORK FOR
URBAN DEVELOPMENT AND ENVIRONMENTAL
MANAGEMENT (UDEM) IN TANZANIA**

**VOLUME II
DRAFT FRAMEWORK DESIGN**

13 June 2006

ABBREVIATIONS

1.	ALAT	-	Association of Local Authorities of Tanzania
2.	DANIDA	-	Danish International Development Agency
3.	DoE	-	Division of Environment
4.	CBG	-	Capacity building Grant
5.	EMIS	-	Environmental Management Information System
6.	EPM	-	Environmental Planning and Management
7.	LGA	-	Local Government Authority
8.	LGCDG	-	Local Government Capital Development Grant
9.	LGRP	-	Local Government Reform Programme
10.	LGSP	-	Local Government Support Programme
11.	MLHHS	-	Ministry of Lands, Housing & Human Settlements Development
12.	NEMC	-	National Environmental Management Council
13.	NPAC	-	National Programme Advisory Committee
14.	NSGRP	-	National Strategy for Growth and Reduction of Poverty
15.	O&OD	-	Opportunities and Obstacles to Development
16.	PMO-RALG	-	Prime Minister's Office-Regional Administration & Local Government
17.	PPP	-	Public Private Partnership
18.	SCP	-	Sustainable Cities Programme
19.	SDP	-	Sustainable Dar es Salaam Project
20.	SIDA	-	Swedish International Development Agency
21.	SUDP	-	Strategic Urban Development Plan
22.	UASU	-	Urban Authorities Support Unit
23.	UDEM	-	Urban Development and Environmental Management
24.	UNDP	-	United Nations Development Programme
25.	USD	-	United States Dollars
26.	USRP	-	Urban Sector Rehabilitation Programme
27.	UWSA	-	Urban Water and Sewerage Authority
28.	VPO	-	Vice President's Office

LIST OF CONTENTS

Executive Summary	4
1. Introduction	5
2. Rationale for Specific Support to Urban LGAs	6
3. Objectives of the National UDEM Framework	8
4. Eligible LGAs ('The Universe')	9
5. Description of UDEM Framework Components	11
5.1 National Level Component.....	11
5.2 LGA Level Capacity Building Component.....	16
5.3 Funding the UDEM Framework.....	19
5.4 Summary Budget for UDEM Framework.....	30

Annexes

Annex A – Preliminary LGCDG Experiences.....	32
Annex B – List of Urbanised LGAs in Tanzania by Hierarchy.....	34
Annex C - Detailed Description of National Level Component	35
Annex D – Formula Simulation for Allocation of UDEM Grant.....	56
Annex E - Proposed Minimum Access Conditions for UDEM Grant.....	57
Annex F - Performance Measures for UDEM Grant.....	58
Annex G - Mechanisms for UDEM Grant Disbursement to LGAs.....	60
Annex H - UDEM Framework Overall Budget Simulations.....	62

EXECUTIVE SUMMARY

1. INTRODUCTION

This Volume II Design Report outlines the key design issues and recommendations of the Urban Development and Environmental Management (UDEM) framework. The report starts with the rationale for earmarked support to the urban Local Government Authorities (LGAs) followed by the objectives of the proposed UDEM framework. Thereafter detailed proposals of the framework are presented.

This Volume II UDEM framework design is broadly informed by the Volume I, 'Analytical Background Analysis' report prepared by the Prime Minister's Office, Regional Administration and Local Government (PMO-RALG) for purposes of formulating this framework. In its current form, the UDEM framework design has received substantial inputs from stakeholders in the LGA sector in Tanzania including government institutions, the local authorities, the private sector and other public and popular sector institutions. Invaluable inputs were also incorporated in this document from development partners such as Sida, Danida, UN-Habitat, the Netherlands Embassy and ILO. Inputs from short-term consultancies have also ensured that the design benefits from both national and international lessons of experience.

The UDEM Framework Formulation Process

The participatory approach adopted in the formulation of the UDEM framework is characterised with several consultative processes and activities summarised in this section. It is noteworthy that many other background activities were conducted but they have been excluded to focus attention only on the following main chronology of activities.

1. Danida fielded an urban review mission in March 2005 for purposes of gathering lessons learned and experiences with the Danida's Area Based Project support Morogoro and Tanga under the Sustainable Cities Programme (SCP).
2. A stock taking SCP workshop was facilitated by the Urban Authorities Support Unit (UASU) in Moshi in April 2005 to determine the scope of activities in the LGAs under the SCP. Participants to the workshop came from the LGAs, the Association of Local Authorities of Tanzania (ALAT), UN Habitat and Danida
3. UASU prepared a concept paper for the new framework and presented it to the National Programme Advisory Committee (NPAC) in May 2005.
4. Also in May 2005, the second consultation workshop of the Sustainable Dar es Salaam Project (SDP) was held which facilitated a retrospective analysis of the lessons learnt over the 12 year history of implementing the SDP since 1992.
5. Based on inputs from the various forums, UASU developed Terms of References and subsequently facilitated short-term consultancies to conduct bilateral consultations and elaborate on the following pertinent issues:
 - Financing UDEM activities in the urban LGAs
 - Policy, Legal and Institutional Framework for UEM in Tanzania
6. Also in order to further expound on the broad understanding of some thematic areas, UASU prepared working papers on the following issues:
 - Information Management under UDEM

- Definition of Urban Environment
 - Capacity Building under UDEM
7. The Working papers prepared by UASU and the consultants culminated in the preparation of an updated Concept Paper presented at the national multi-stakeholder consultation workshop held in Dar es Salaam in August 2005
 8. Further consultations on the framework were facilitated by UASU to get inputs from the LGAs at two consecutive SCP Coordination workshops held in December 2005 in Dodoma and held in March 2006 in Zanzibar.
 9. In January 2006, the National Programme Advisory Committee (NPAC) of the SCP conducted a detailed scrutiny of the Proposed Framework document incorporating various inputs from other stakeholders
 10. Since mid-2005, the formulation process which has been spearheaded by UASU benefited immensely from the services of a Process Consultant who contributed especially with both national and international experiences on Local Government financing.
 11. From April 2006, an International Consultant was engaged to elaborate on the National Level Component of the framework
 12. In May 2006, the NPAC had an opportunity to make further inputs to the framework proposal prior to the final multi-stakeholder consultation workshop held in June 2006

2. RATIONALE FOR SPECIFIC SUPPORT TO URBAN LGAS

Although Tanzania has a relatively small share of its population living in urban areas – this situation is rapidly changing as urban population growth rate is now significantly higher than in rural areas. The rapidly expanding urban areas have their own specific development challenges – including but not restricted to the following:

- Solid Waste Management
- Liquid Waste Management
- Sanitation
- Urban Agriculture
- Water Supply
- Urban Greening and Management of Open Spaces
- Storm water drainage and erosion protection
- Upgrading of unplanned settlements
- Urban transportation
- Managing petty/informal trading
- Alternative energy sources and/or recovery
- Urban (air, land, water) pollution
- Employment Creation/income generation
- Cleaner Production Technologies
- Managing extraction of building materials
- Law and Order
- HIV/AIDS, gender, youth and poverty reduction

A wide range of projects have been implemented in the last decade, which sought to address the specific urban development challenges at LGA level from which a broad

variety of experiences have been gained, including procedures for urban environmental profiling, urban strategic planning and slum upgrading. However, these practices, guidelines and experiences are not yet well consolidated within general LGA planning.

The Local Government Reform Programme (LGRP) aims to support the general process of decentralization by devolution and it addresses a range of generic capacity building issues at LGA level including procedures for financial management, human resource management, restructuring of LGAs, good governance practices and the general policy issues related to these aspects inclined on service delivery. However the LGRP applies a one-size-fits-all approach to the urban and rural LGAs without considering the disparities in urban and rural development challenges in Tanzania as necessitated by the high urban population growth rates. The resultant human socio-economic activities in urban areas exert a far much higher burden of investments on urban areas than on rural areas. Consequently, the specific policy issues related to urban development and environmental management are not explicitly raised within the LGRP. These specific policy issues need to be addressed in a systematic manner that brings together the relevant stakeholders – in particular from MLHSD, PMO-RALG and DoE and NEMC.

Decentralization and increased focus on service delivery through local government authorities are integral parts of the Government of Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP) or MKUKUTA in *Kiswahili*. The Government of the United Republic of Tanzania and the Development Partners wish to pursue the implementation of the strategy in an institutionally and financially sustainable manner. This implies inter alia a significant shift of external development resources from Area Based focus towards Budget Support in line with the Joint Assistance Strategy (JAS).

At LGA levels, channelling of development funding through the Local Government Capital Development Grant LGCDG¹ is gradually being consolidated. Further guidance for the alignment of development budgets through the LGCDG is provided in the *Draft Strategy for Implementation of Government Policy on Devolution of the Development Budget*. However, it is realized that the LGAs tend to use the LGCDG on relatively uncomplicated and traditional capital investments such as construction of schools, health units and road works (**see Annex A**). The assessment and performance criteria under the LGCDG also focus on the most basic and generic requirements for Local Government planning and good governance with no specific incentives for improved urban development and environmental planning and management. In addition, an analysis of the LGCDG indicates that only about 14.5% of the funds go to the urban LGAs which are habitat to approximately 23.1% (2002 National Census) of the population. Considering the complexities brought about by high urban population densities, it is essential to boost the level of funding to enable the urban authorities to manage these challenges.

Further analysis of previous projects and programmes also showed the apparent bias of development partners in geographic locations dealing mostly with 'green' environment issues. Few initiatives were implemented to assist LGAs on the predominantly urban 'brown' environment issues. Despite the essentially multi-sectoral nature of urban development and environmental management, there is weak coordination amongst the key

¹ Ministry of Finance – letter of sector policy regarding fiscal devolution (available from the website of PMO-RALG: <http://www.pmoralg.go.tz>)

stakeholders resulting in geographically and sectorially skewed urban development. The combination of incoherent guidance from the centre for local participatory planning and management; lack of local capacity as well as limited and unpredictable flow of funds to support urban LGA development have aggravated the negative and yet declining state of affairs in the country's urban centres.

An analysis of the policy, legal and institutional setting also revealed that the responsibilities for urban development and environmental management are scattered through various policies, laws and institutions. Besides some inconsistencies and gaps observed in the legal and policy provisions, collaboration of the relevant institutions was noted to be insufficient enablers of urban centres as engines of sustainable national development that should contribute to the fulfilment of the Millennium Development Goals (MDG) and the Tanzania Development Vision 2025 objectives.

PMO-RALG subsequently initiated this framework to address the UDEM sector specific requirements with additional sector funding channelled through the LGCDG system, but with some elements of initial earmarking. Relevant elements of sector relevant performance measurements will be added in order to give LGAs incentives to adhere to sector specific policies and guidelines for urban development and environmental management. A similar arrangement has been developed for the agricultural sector, which logically targets the rural rather than urban LGAs.

3. OBJECTIVES OF THE NATIONAL URBAN DEVELOPMENT AND ENVIRONMENTAL MANAGEMENT (UDEM) FRAMEWORK

The **development objective** of the national Urban Development and Environmental Management (UDEM) framework is to improve the living conditions of the urban communities in Tanzania by facilitating the decentralized implementation and monitoring of sustainable urban development and environmental management in the LGA sector.

The corresponding **immediate objectives** for the UDEM framework will therefore be:-

1. To provide coordinated financial and technical assistance to relevant LGA sector institutions at the national and regional levels to create an enabling atmosphere for implementation and monitoring of urban development and environmental management activities at the local levels through a supportive legal and policy framework,
2. To provide nationally compatible assistance for the effective management of the supply and demand sides of capacity building of relevant stakeholders at both the national and urban local government levels to facilitate the implementation of local level UDEM initiatives.
3. To provide financing to national and local level LG sector institutions to operationalize a UDEM supportive national Local Government sector and to enable the LGAs to make investments in improved urban development and environmental management through nationally compatible intergovernmental fiscal transfers.

4. ELIGIBLE LGAs (THE UNIVERSE)

The following hierarchy of urban areas and local governments was considered for implementation of the UDEM framework as part of defining the the Universe:-

1. Cities, municipalities and town councils that all have legal status as fully fledged local government authorities. They all raise their own revenue and also receive fiscal transfers from central government,
2. Townships that operate under the district councils and they have a semi-autonomous status. They have elected councillors, but they do not have an independent budget from the District council. They do not receive fiscal transfers from central government.
3. The third category of urban areas comprises of emerging urban areas or minor settlements or trading centres. By way of population densities and development challenges they face, they constitute an urban scenario in every respect. However these urban areas do not have a legal status as urban LGAs but are managed as part of the rural (district) local governments.

From stakeholder consultations it was clear that the preferred option is that support for urban planning and environmental management includes all categories of urban areas discussed above. However, it is realized that the support will have to be aligned with available financial and management resources.

In recognition of the urban development challenges confronted by the Townships and their semi-autonomous status to receive and account for funds, it was agreed to earmark UDEM support through the respective District Councils with particular instructions for improved urban physical planning as well as awareness raising to encourage the Townships to utilise funds received from other sources including the LGCDG Capital Development Grant (CDG) on UDEM issues. As such, the Townships will qualify for support on Capacity Building primarily in the areas mentioned as well as development funding in areas related to improved urban physical planning.

Although the precarious position of minor settlements as the birth of complex urbanisation challenges is acknowledged, support to this hierarchy of settlements under this framework is likely to be too fragmented. In any case these settlements lack appropriate accountability measures for support. For the time being, this hierarchy of settlements has been left out.

The basic tool adopted for implementing UDEM at LGA level is the Environmental Planning and Management (EPM) process which generates a broad definition of UDEM activities cutting across many sectors impacting on current urbanisation challenges. Experiences with implementing the EPM in Tanzania show that the generation of action plans, and the subsequent UDEM investments take time. In some cases it takes up to 2 years mostly due to the time required to mobilize and operationalize Working Groups.

Taking this lesson of experience into consideration and also acknowledging the limited capacity for EPM especially amongst the towns and townships, the initial phase should

focus on Capacity Building of the LGAs to enable them to generate action plans and bankable investments. Realistically, it is not expected that UDEM activities will start at full scale in the first year.

The UDEM framework will thus involve 4 Cities, 17 municipalities, 4 towns and 78 townships (**See Annexure B**) to receive a Capacity Building Grant (CBG) as a top-up to the CBG of the LGCDG. Criteria have been proposed for accessing the CBG under the UDEM framework.

The Capacity Building for Townships will focus on awareness creation so that the District and Township communities prioritize UDEM activities for funding through the CDG of the LDCDG and other sources. However the scenario for cities, municipalities and towns is slightly different whereby the capacity building will go beyond awareness raising to include the generation of action plans and formulation of bankable investments through acquirement of specific skills, short-term consultancies, technical assistance and other activities essential for the LGA to fulfil the steps of the EPM process.

It is anticipated that the generation of action plans and hence investment needs will gradually pick up towards the end of the first year of implementation of the UDEM and hence the demand for investment funding will start relatively slowly from the first year and probably picking strongly between the third and fifth year of implementing the framework.

An Urban Development and Environmental Management Grant (UDEM) will also be established at the national level to fund UDEM development investments in the Cities, Municipalities, Towns and townships. Based on the projected phasing-in scenarios described above, access to the UDEM by the LGAs will be on a first-come first-served basis provided that the investments come out of Action Plans generated from the application of the EPM process and the total investment grant per LGA. The total grant amount will be based on a formula using population and poverty data.

For management purposes, it will be difficult to include the emerging towns (so-called minor settlements and trading centres) in the grant system except by considering some minor earmarked funding for capacity building for improved urban planning executed through the district council structures. It is recommended that procedures for this are developed during the first 1-2 years of implementation and considerations thereof be part of the policy refinements component.

5. DESCRIPTION OF THE UDEM FRAMEWORK COMPONENTS

The UDEM framework is comprised of three major components structured in such a manner to facilitate easy implementation. The components are described in the ensuing sections of this chapter.

5.1 National Level Component

The national level component is divided into two sub-components, namely, Policy and Legal as well as Capacity Building. The full national component is presented as **Annex C**.

The strategic directions that emerge from the diagnosis and analytical work behind the UDEM and which are highly relevant for the national component include the following:

- Link the efforts of all relevant national anchor institutions² in a single one-stop policy coordination platform to improve consistency and simplify LGA access to national support services.
- Integrate the national component into the LGRP initiatives so that it both contributes to and gains from the advances made in LGA institutional performance especially those related to governance, accountability and revenue enhancement, to mention but a few.
- Ground the national component in the new pro-poor policy directives of the MKUKUTA
- Find sustainable sources of funding for a cost effective execution of long term routine duties and accept short term or temporary financing or contributions towards initiatives that only need to be done once.
- Provide a demand driven and client responsive mechanism and culture for LGAs to access national level support services.
- Develop a realistic balance between what can be achieved by new policies/guidelines and what is dependent on the strength of implementation and enforcement action.
- Consider transition and absorption needs as well as being guided by what is required by the long term more ideal situation – develop a phased approach.
- Develop flexibility through use of feedback and learning loops horizontally between the national anchor institutions and vertically between the national and local levels.

5.1.1 National Policy and Legal Framework

UDEM activities have generally been successfully implemented in Tanzania in the form of the SCP since 1992, the USRP, the CIUP and other programmes within the context of the existing policy and legal settings. It has been noted that the existing policy and legal framework has not necessarily been the major hindrance to the implementation of these programmes. It has however been noted that the impacts of these initiatives could have been more significant if a coherent policy and legal framework were in place to give guidance and regulate certain activities. In particular, there have been limited feedback mechanisms to monitor the implementation of the existing policies and laws. The development of essential regulations, guidelines and by-laws to enhance the implementation of existing policies and laws have not received adequate attention in the past and neither have agreed implementation strategies for certain policies been adhered to or monitored.

Being that as it may, the major conclusion from the analysis of the existing policy and legal setup is that whilst some additional work is essential to guide UDEM, drastic policy and legal changes are not a prerequisite for the commencement of the implementation of the UDEM framework. However, some pertinent issues have been identified which will need to be implemented within the framework simultaneously with the other framework components so as to enhance the fulfilment of the desired impacts. These key issues are therefore the basis of this component.

² The core of this platform would consist of: UASU, DoE, MLHHS, NEMC, LGA representation; the wider membership would include donors, civil society and other government bodies.

Sub-Component Objective

The **objective of the Policy and Legal sub-Component** is to provide an enabling policy and legislative atmosphere for effective UDEM through the review, harmonization and implementation of existing policies and laws as well as the formulation of new ones so as to address conflicts and gaps which inhibit the effective implementation of UDEM improvements in the LGAs. A detailed description of this component is provided in the report, 'Policy, Institutional and Capacity Building Component'³ which is presented separately as **Annex C**.

A consideration of the opportunities and challenges faced by the national component combined with the strategic directions above leads to the development of a 3 phase approach that demands the achievement of a number of outputs.

The major output areas are shown in the Table 1 below:

Table 1 Major Output Areas

Area of intervention	Nature of the output	Phase
Inception	1) Inception – consolidation of the framework – insertion of the framework in workplans and vice-versa, capacity building strategy, pre studies UDP	Immediate – Short term October 2006 + 1 year
Coordination	2) Strengthening of an operational platform that can coordinate and enhance all national efforts	
Policy	3) Harmonisation of existing laws, guidelines and strategies in the short term	Medium term 2-5 years
	4) Development of an Urban Environmental Policy	
Capacity building	5) Implementation of the capacity building strategy in the medium term	
Institutional consolidation	6) Development of sustainable long term responsiveness to LGAs	Long term 3- 10 years

The 3 phases captured in the above table with their key characteristics are:

Immediate/ short term phase - Inception – consolidation of existing practice – strengthening of the institutional coordination platform. (Years 1 to 2).

Medium term phase – Development of Urban Development Policy (UDP) – implementation of intensive capacity building. (years 2 to 5).

Long term phase - institutional consolidation and achievement of sustainable national support to LGAs (years 3 to 10).

³ Written by Eric Buhl-Nielsen for PMO-RALG, June 2006

5.1.2 National Level Capacity Building

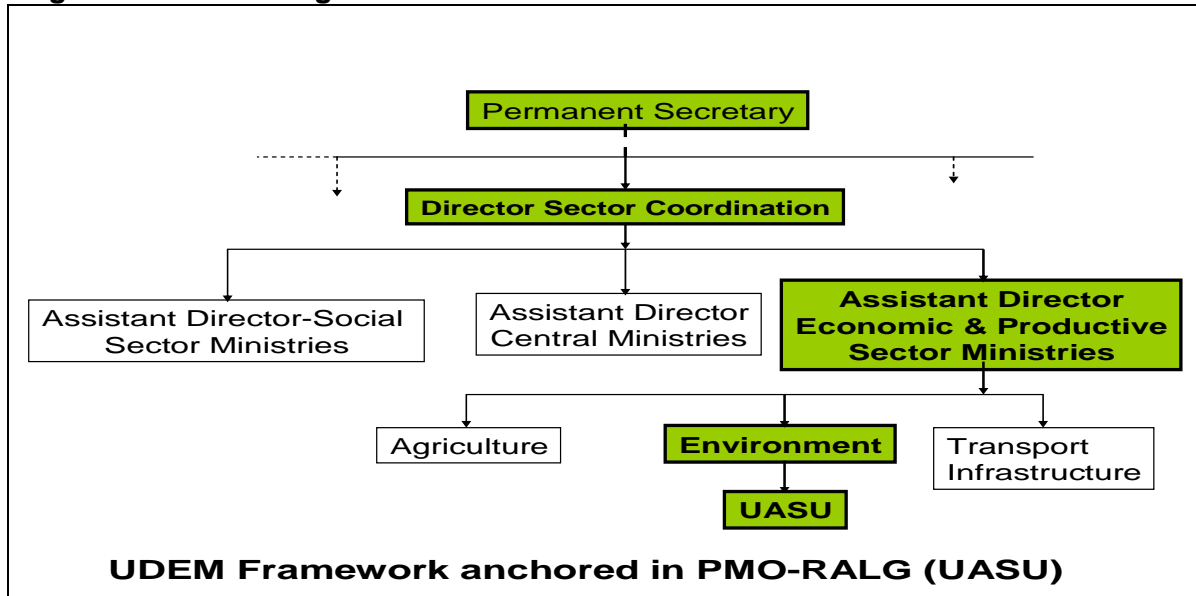
Generally national level capacity building in Tanzania has objectives to:-

- Implement government policies on decentralization by devolution which, amongst other things, seek to promote governance and accountability at the local levels
- Implement the national policies aimed at poverty reduction and achieving the MDGs.
- Enhance community participation in the negotiation, planning and implementation of development initiatives at the local levels
- Facilitate sustainable and equitable economic development throughout the country by implementing predictable resources allocation mechanisms

This sub-component therefore focuses mainly on the ‘supply side’ of institutional capacity at the national level to support implementation of UDEM activities in the urban LGAs. The framework implementation will be anchored in PMO-RALG through the Environment Sub-Section of the Economic and Productive Sectors Section in the Sector Coordination Division (**See Diagram A**).

Under this component, PMO-RALG will be supported to ensure that they effectively coordinate implementation of the entire framework. Secondly, capacity will be created around PMO-RALG to facilitate coordination and backstopping of the UDEM activities in the country.

Diagram A: Anchoring UDEM Framework in PMO-RALG



Sub-Component Objective

The **objective of the National Level Capacity Building Component** is to provide institutional capacity at national level through PMO-RALG and its key stakeholders for the implementation, monitoring and coordination of the UDEM framework.

Activities

The main activities envisaged for this component are categorised in three areas support, firstly support to PMO-RALG as anchor institution coordinating the framework, secondly cross-cutting government level support, and thirdly support to relevant national level capacity building institutions.

i. Building Institutional Capacity of PMO-RALG to Coordinate Framework

Institutional strengthening of PMO-RALG (UASU) is planned through funding of the following activities from a Common Basket Fund (CBF) established under the framework and through Technical Assistance from bilateral and multilateral development partners:-

- Skills development of technical staff in specific areas for facilitating national coordination and implementation of UDEM
- Tooling and re-tooling costs (tools, equipment, software etc)
- Office operation expenses including vehicle O&M
- Awareness creation through media, internet, newsletters etc
- Workshops
- Travelling costs
- Short-term consultancies
- Documentation and dissemination of best practices, activities and processes
- Development of nationally applicable guidelines, blueprints and standards for UDEM
- Supporting the creation of a pool of ToT's and resource persons
- Facilitating access to regional and global knowledge on sustainable urbanization
- Facilitate regional/global networking on urbanisation issues

It is envisaged to have a Technical Adviser assigned to the Environment sub-section of the Economic and Productive Sectors Section during the initial phases of implementing the framework in order to strengthen the capacity of PMO-RALG to set up and run the necessary systems. However it is a prerequisite for PMO-RALG to assign adequately skilled staff to coordinate Capacity Building, Environmental Management, Information Management and Documentation as well as Financial Management under the framework.

Under this sub-component, UN Habitat has undertaken to render Technical Assistance targeting the following aspects:-

- Documentation and dissemination of best practices, processes and activities
- Skills development of technical staff
- Creation of a pool of ToT's
- Facilitating access to regional and global knowledge on sustainable urbanisation, and
- Facilitating regional/global networking on urbanisation issues

The details of such support are contained in **Annex C**. The major point to note at this stage is that a detailed Capacity Building Strategy will be developed during the Inception phase and it is expected that the strategy will elaborate on, amongst other things, how

service providers will be selected, how the ToT will be conducted, responsibilities for selection of service providers and quality control as well as the pricing of the courses/services to be delivered to the national and LGA levels.

ii. Government Level Support

In this sub-component it is acknowledged that the UDEM framework will utilise the EPM process as the participatory methodology because it provides the best scoping of UDEM activities. As such capacity building at government level will focus on awareness creation and consensus building on key EPM principles so that national level institutions communicate with local level institutions in a coordinated and hence coherent manner. In that regard, such government level coordination activities which will be funded through a CBF and through bilateral and multilateral partner institutions' technical assistance will include:-

- The setting up and operationalisation of the UDEM National Programme Advisory Committee (NPAC) which serves as a Steering Committee chaired by the PS PMO-RALG and includes Director for Sector Coordination, UASU (secretariat), appropriate Heads of Department from involved ministries, ALAT, NEMC, and contributing donor representatives. The TOR of the NPAC will follow the principles of the LGCDG Technical Committees to undertake regular review of field experiences and recommend on specific sector issues for submission to the overall LGCDG Steering Committee⁴. Detailed Terms of Reference for the NPAC need to be developed during the inception period.
- Facilitation of the NPAC meetings and Technical Assistance for necessary inputs including technical exchanges
- Mainstreaming/Institutionalization of the EPM approach and principles in ministries, learning institutions, other Local Government programmes and associations (e.g. LGRP, LGSP & ALAT), and relevant departments through
 - The organization of high level consultations on important issues
 - Development of information packages aimed at high-level policy-makers, and
 - Organization of study and debate on SUDP (Town planners association, MLHHS, etc)

iii. Anchoring Capacity Building in Selected Institutions

The UDEM framework under this sub-component will support the anchoring of capacity building skills on some institutions located in strategic geographic locations so that they can render good quality capacity development services to the local level institutions for the implementation of UDEM. This measure is adopted to ensure that the LGAs can procure good services from these institutions. Moreover, consistent capacity development opportunities will be available with constant monitoring of quality from the national level.

- Develop a national capacity building agenda and an implementation strategy for anchoring CB for UDEM in Tanzania

⁴ Strategy For Implementation Of Government Policy On Devolution Of The Development Budget (Draft 30th January 2006) LGRP

- Selection of anchor institutions for the Capacity Building
- Development of standard training modules to be delivered by suitable institutions
- Delivery of ToT courses for the selected CB institutions
- Conduct quality assurance of the CB programme
- Assess impact of CB programme

This sub-component will require Technical Assistance to incorporate national and international expertise in development of appropriate strategies. Moreover, PMO-RALG will have to play an important role to ensure effective coordination of the respective actors as well as to do quality assurance and impact assessment of the CB.

It has been acknowledged in this framework that UN Habitat has a huge reservoir of experience in pushing the CB agenda. UN Habitat, through the support of and in collaboration with an international partner, the Institute for Housing and Urban Development Studies - IHS in Rotterdam, the Netherlands and national institutions, has committed to do the following:-

- Develop a national capacity building agenda for Tanzania
- Develop short courses to be delivered by suitable institutions. Geographic spreading will be a priority – UN Habitat has a current Memorandum of Understanding (MoU) with the University College of Lands and Architectural Studies (UCLAS). UCLAS will therefore be the starting point and other institutions will come on board as time progresses
- Deliver ToT courses for resources persons
- Assess impact of training programme

5.2 LGA Level Capacity Building Component

Capacity building at LGA level will partly be addressed through various centrally managed initiatives of dissemination of good practices etc, but also through a more demand driven facility integrated into the LGCDG system whereby the LGAs already receive a non-earmarked capacity building grant.

The essence of Capacity Building under the UDEM framework at LGA level acknowledges the power of the participatory EPM process in getting stakeholders together to negotiate solutions and mobilize resources necessary to implement joint actions.

It is recommended that those LGAs that are eligible for the UDEM grant are also eligible for discretionary capacity building funds along the same lines as the LGCDG CBG.

Preliminary costing of the Capacity Building for EPM was conducted and compared to expenditures in a few SCP municipalities. Based on the costing of the general CBG and the costs of EPM, it is recommended to introduce a UDEM CBG of 15,000 USD (average) per year per eligible LGA.

As recommended earlier, the CBG will be disbursed to cities, municipalities, towns and townships. Disbursements for all LGAs will be made directly to the LGA using the same

principles under the LGCDG except for the disbursements to the townships which will go through the District Councils.

Based on the fact that all cities, municipalities, towns and townships (103 LGAs in total) will be eligible to receive the CBG under UDEM, the size of the CBG will be approximately **1.6 million USD** per annum.

In line with the scope of the envisaged CB activities and the absorption capacities, the Cities, Municipalities, Towns will get 25,000 per annum whilst Townships respectively will get 12,000 USD per annum.

The minimum conditions for receiving the UDEM CBG will be:-

- a. The LGA should have qualified to receive the LGCDG
- b. The LGA should have prepared a CB Plan for UDEM which refers to specific skills, short-term consultancies, workshops, tooling and re-tooling, travelling and other expenses related to accomplishment of the essential steps of the EPM process in the following areas:-
 - 1: Preparing the Environmental Profile
 - 2: Organising, Conducting and Reporting a Consultation
 - 3: Establishing and Supporting the Working Group Process
 - 4: Formulating Issue-Specific Strategies and Action Plans
 - 5: Institutionalising the EPM Process
 - 6: Building Environmental Management Information Systems
 - 7: Integrating Gender Responsiveness in EPM
 - 8: Measuring Progress in EPM
 9. Preparation and Implementation of Strategic Urban Development Plan (SUDP)

The UDEM CBG shall be utilized for earmarked Capacity Building activities which emphasize on stakeholder participation and skills development in the listed EPM areas. The detailed design of the UDEM CBG will include standardisation of relevant training material along the same principles as standardised training has been developed under the LGCDG.

The long history of implementation of urban development and environmental management activities in Tanzania have also noted capacity gaps in some areas which will typically feature under the current framework with important demands at the LGA levels:-

- Preparation of strategies and action plans
- Planning and implementation of viable investments
- Mobilization of stakeholders to cooperate on partnerships
- Replication of good practices and knowledge management
- Proficiency for the interpretation and enforcement of existing policies, laws, guidelines, standards etc by all LGA stakeholders
- Planning and implementation of Operation and Maintenance programmes
- Skills for the formulation of necessary policies, laws, by-laws, guidelines etc for effective implementation of the framework

Guidance for the utilisation of the UDEM CBG is provided through the following table:-

Table I: Guidelines for Use of the UDEM CBG

Capacity Building Activity	Share of CBG
Technical Assistance and other CB activities**	Min 40%
Skills Development for Staff, Councillors, Working Groups & other stakeholders	Max 30%
Tooling and Re-tooling	Max 20%
Professional Career Development for Staff	Max 10%

** Includes study visits, workshops, consultations, consultancies

It has been acknowledged that it will probably take at least 1 year before the Townships and even some established towns and municipalities can come up with responsive Capacity Building Plans due to the prevailing limited knowledge of the EPM process in the country. PMO-RALG will therefore embark on massive awareness raising and training campaigns on the EPM process from national level during the Inception Phase.

Furthermore, for quality assurance purposes, Skills Development Capacity Building to the LGAs will be procured from institutions having positive pre-qualification status from national level implementing institutions such as PMO-RALG, MLHSD, etc. The ToT approach will be employed to enable LGAs' access to good quality and adequate resource persons to backstop and build their capacities for UDEM. The range of services available from these resource persons/institutions will include the facilitation in the preparation of feasible CB Plans through to the preparation of project proposals.

5.3 Funding the UDEM Framework

Objectives of the Financing Component

The objectives of the component for financing urban development and environmental management provide mechanisms to provide guaranteed and increased financing for LGAs to make investments in improved urban management and environment through:-

- Creation of an Urban Development and Environmental Management Grant (UDEMGM) on the same principles of the LGCDG
- Facilitation of the implementation of Projects and Programmes with coordination from national structures, bilateral/multilateral and other development partners
- Demand driven facilitation for securing of funding from other sources

The UDEM framework will be funded through a combination of modalities described in the ensuing sections.

(a) Funding National Level UDEM Activities

It is proposed to fund the targeted activities through:-

- A UDEM Common Basket Fund (CBF) established at the national level on the same principles as the CBF established under the LGCDG except that these funds will be earmarked for UDEM activities as scoped under this document
- Technical Assistance as rendered by some multi-lateral institutions such as UN Habitat and the World Bank which cannot place funds into the UDEM CBF due to their own policies.

The magnitude of funding was determined from Activity Based Budgeting. (**See Annex C**)

(b) Funding LGA UDEM Activities through the UDEM Grant

Who Qualifies for the UDEM Grant

Pursuant to earlier discussions in this report on the LGAs eligible for support under the UDEM framework, it is essential to emphasize the fact that the funding arrangements for LGA's identified under this framework will differ among the various categories. The context for access to the proposed UDEMG for each LGA category is thus summarized below.

1. All formal urban local governments (cities, municipalities and town councils) are eligible to funding under the LGCDG and each have to fulfill the LGCDG minimum conditions to access this funding. For the UDEMG it is proposed to include all of these LGAs.
2. For townships – it is proposed that funding for these are included as an earmarked element within allocations made to the rural districts. The size of the grant will be calculated based on the overall formula, and the specific funding for the townships similarly calculated. It may not initially be possible to have neither direct central government transfers to the townships, nor specific access conditions to the townships – but transfers have to be made through the district council, just as the district council will have to fulfill the basic requirements further elaborated in this framework. However, over time direct transfers can be considered. The Local Government (LG) laws currently present obstacles for this, but practicalities regarding LG votes and fiscal transfers have to be sorted out during the implementation of the framework.
3. For the minor settlements – they cannot immediately be included in the LGA financing framework. Some limited funding may be provided through the rural LGAs earmarked to facilitate urban planning in these areas. However they can only be included in the LGA financing framework once their formal status has been clarified – i.e. once declared townships. Work in support of that should fall under the national policy component of this framework.

Size of the grant and formula

There is general consensus that the size of the grant should be determined on the basis of an assessment of:

1. Investment needs,
2. Absorption capacities of the LGAs
3. Available public funds in short and medium term perspective;
4. LGCDG allocations and overall development of fiscal transfer system

1. Investment Needs

If the policy objective of the UDEMG is defined very broadly as suggested here and if these additional funds are expected to contribute very significantly to achievement of improved urban development and environmental management including the development of appropriate urban infrastructures such as upgrading of slums (including road works, water and sanitation etc), waste management, etc, then the required investments will be very substantial although no comprehensive needs assessment has been completed. It is recognised that the three other factors discussed further below will be the main limiting factors and it would thus not be worthwhile to attempt such a complete analysis of investment needs. Furthermore it can be debated to what extent all of these urban investment needs are best catered for through funding of UDEMG.

It is recognised that the LGCDG in general is the preferred modality for capital funding at LGA level and that other earmarked grants to the extent possible should be minimised. The extent to which additional funding for general development expenditure can be mobilised – these should preferably be transferred to LGAs in the form of the LGCDG unless sector policy objectives cannot be achieved without some earmarking and additional assessment criteria. In summary, it is not the investment needs within the environment sector that are primary determining factors for deciding on the appropriate size of UDEMG.

2. Absorption capacities

The capacity of LGAs to plan, procure and manage capital investments for improved urban development and environmental management at a sufficient quality can be partially determined by previous project experiences regarding how much LGAs “can cope with”. An analysis of Danida funded SCP projects indicated that capital investments by the involved LGAs varied considerably in size but rarely exceeded 1 USD per capita per year. However, field interviews indicated that a major constraining factor in these cases often have been the specific project procurement rules etc rather than intrinsic deficiencies in LGA procurement capacities. If LGAs invest in major roads upgrading, the capital needs are very substantial and LGAs can for this type of investments manage rather large contracts.

Another way to analyse absorption capacities is to analyse the O&M requirements. A thorough analysis of this aspect was done during the design of the LGCDG system⁵. At

⁵ See the design report by PwC – Volume II and III.

that time the conclusion was that rural districts had substantial constraints for local revenue generation, which required a cap on annual capital investments around 1.5 USD. However, it was observed that urban LGAs had far more buoyant and substantial local revenue sources, which would allow them financially to sustain the O&M costs of larger capital investments. In any case, the LGRP and PMO-RALG at large are pursuing concerted efforts to boost revenue collection in the LGAs and this is likely to further consolidate the capacity of urban LGAs (more than rural LGAs) to be able to fund their O&M needs.

3. Available public funds (external and internal)

The macro economic framework indicates a continued GDP growth of about 6% (2004) in Tanzania but also continued reliance on donor funding for development expenditures⁶. Although the GoT with donors are finalising formulation of a Joint Assistance Strategy where more aid is supposed to be channelled in the form of budget support, project financing is still the predominant mode of development funding in Tanzania. Priorities within the development budget are therefore still not fully established through national planning and budget procedures.

The MKUKUTA⁷ presents the broad development strategies and priorities of the GoT, but provides limited guidance as to how to support development needs at LGA levels⁸. Total development expenditures are within the MKUKUTA projected to increase moderately to annual budgets around 1,400 billion Tshs – or more than 30 USD per capita annually. Although the LGRP is still yet to develop a more explicit and comprehensive strategy for fiscal devolution of the development budget, it seems evident that a substantially larger share than the present 5% of the development budget should be devolved to LGAs and thus implies an increase in LGCDG allocations and/or increased transfers in the form of sector development grants⁹.

It is noted that the MKUKUTA mainly considers environment as a crosscutting issue and only in general terms refer to the specific urban development challenges. Funding for urban development and environment has previously been channelled through a range of projects; some of which with a clear focus on urban environment (such as SCP, Urban Sector Rehabilitation Programme (USRP) etc), and others with elements of funding to urban environment (e.g. TASAF, various area based programmes etc). It is very difficult to establish the level of funding within this “urban development and environment sector” which could over time be mainstreamed into the proposed national framework.

To a large extent it must be realised that funding of the framework will initially rely on commitment from specific development partners active in the sector and the GoT. Consultations to date indicate that only Danida is committed to channel future funding

⁶ NSGRP project GoT funding of the development budget to increase towards 30% over the next three years.

⁷ URT, Vice Presidents Office, National Strategy for Growth and Reduction of Poverty (NSGRP) Final Draft January 2005.

⁸ The Final draft 15th January simply states that LGA allocations tentatively will be based on historical allocations.

⁹ 1.5 USD per capita under the LGCDG = less than 5% of the annual development budget of Tanzania.

through a national framework. Sida, WB, EU and the Dutch Embassy have also expressed interest, but they have not yet made a concrete commitment. UN Habitat is interested to work within the proposed national framework – mainly with support to capacity building modalities especially with main focus on enabling the national training institutions to render services to the LGA sector. Further consultations are underway to identify additional sources of funding. Commitments to date amount to some **xx** million US\$ annually.

4. LGCDG allocations and overall development of fiscal transfer system

Finally consideration needs to be made regarding the current allocations of funding within the LGCDG system, the emerging sector specific development grant modalities and the need for a coordinated development of all LG fiscal transfers. Other development grants in place or being formulated include:

- Primary Education Development Programme (PEDP) for class room construction – some 50 billion Tshs annually,
- District Agriculture Development Grant (DADG) for agricultural development – earmarked for rural populations – gradually increasing annual allocations supposedly starting modestly in FY 05/06 in selected LGAs and then being national in subsequent years: in 2010/11 some 37 billion Tshs
- Allocations for forestry and natural resource management under formulation (budgets unknown)

In addition the LGAs receive some 10 different recurrent grants (mainly salaries and some Operation Costs for the main sectors) and 3 development oriented grants of a recurrent nature (transfers for road maintenance under the road fund, transfers for health services under Health Sector Basket Fund (HSBF) and PEDP capitation grants). The Medium Term Expenditure Framework (MTEF) indicates that for the next three fiscal years, annual allocations under the LGCDG of some 50 billion Tshs annually. In summary it can be concluded that LGCDG constitutes a significant development grant and element of overall LGA funding, but that several sector specific funding windows are under formulation or already in existence.

Additional development funding for urban development may be channelled as partially earmarked (at least for a limited time until LGAs have internalised the specific urban planning procedures etc), but the overall level of funding should not overshadow the basic size of LGCDG. On the other hand if the level of funding is very low (say below 0.5 USD per capita) it is unlikely that the LGAs will respond to the additional conditionalities and incentives just as the size of grant will make limited contributions to the local development needs.

5. General Recommendations Regarding Size of Grant

Based on all of the above considerations it is recommended that the average level of funding should be between 0.75 and 1.25 USD per capita. For the continued work with calculations etc, we recommend the use of 1 USD per capita as the average level of funding for urban development and environmental management in the LGAs.

The total urban population in Tanzania is estimated at approximately 8.3 million in Tanzania. However, the population of the formal urban LGAs eligible to receive the UDEM Grant is approximately 6.5 million. The size of the UDEM Grant would thus amount to **6.5 million USD per annum**.

6. Formula for Distribution of UDEM Grant to LGAs

The **formula** for distribution of the funds horizontally among the eligible LGAs should in accordance with PMO-RALG guidelines¹⁰ be:

- Based on objectively verifiable indicators by the National Bureau of Statistics,
- Simple and transparent,
- Clearly linked to the policy objective of the sector grant

Initially it was considered to seek data on population density so that the grant would be distributed on that basis in addition to poverty and other environmental indicators. Reliable and authentic data meeting the above criteria could not be found from the NBS nor from any other source.

Given the scarcity of reliable and relevant data it is for simplicity recommended to use the same principle of the formula as applied by LGCDG.

- Population: Weight 70 %,
- Size of the land area (caped¹¹): Weight 10 %, and
- Poverty, based on officially available statistics on the number of people below the basic poverty line: Weight: 20 %,

Poverty data will initially be based on regional statistics (with a distinction between urban and rural LGAs). However, it is expected that poverty statistics will soon improve and allow for more precise LGA poverty data.

It has been suggested to use land area in the opposite way as under LGCDG (the argument being that several urban environmental issues tend to worsen with increased population densities). However the richer urban LGAs (such as Dar es Salaam) also tend to have higher densities, thus rather than attempt to use land areas in that manner it is recommended simply to use population and poverty (70% and 30%).

A simulation (**see Annex D**) was performed with available national statistics that both the National Bureau of Statistics (NBS) and the Local Government Grant Committee overseeing the formula for the LGCDG have already endorsed for use for formulae in general. It should be noted that the three municipalities in Dar es Salaam (namely Ilala, Kinondoni and Temeke) will receive almost 40% of the grant which is however expected since these municipalities are relatively far much bigger than the other formal urban areas in Tanzania. Annex C also shows that the inclusion population density

¹⁰ PMO-RALG op.cit January 2006.

¹¹ The formula adjusts for the situations where very large low density LGAs are assumed to have areas without any particular needs for infrastructure and services, a minimum of 20 people per Km² is computed in the formula.

as a criterion will pose some practical problems because of the outdated and predominantly unreliable national statistics on land area. In any case, the information obtained, though outdated also increases the skew-ness of the disbursements in favour of the Dar es Salaam LGAs will then receive an even greater share.

Under LGCDG 50% of the grant to HLG (Districts and Municipalities) are to be further distributed notionally to LLGs (Wards, Villages and Mtaa) in the form of indicative planning figures. The formula for distribution at sub-district level is entirely population based, as other data are too unreliable. Whereas the formula at district level is used for actual grant allocations, then the formula at sub-district level is only used in order to give the villages and wards a notional budget to work within. Tentatively it is suggested to use the same approach for distribution of the UDEMG within cities, municipalities and town councils.

7. Menu of Investments/Earmarking of Funding

Each investment to qualify for funding from the UDEM Grant should substantially fulfil some minimum criteria aimed at complying with national policy provisions vis-à-vis community participation, poverty reduction and sustainable socio-economic development. The following checklist has been successfully applied previously under the SCP in Tanzania and it has been adopted for the UDEM framework:-

1. The investments should originate from the use of the participatory EPM process in the LGA
2. The aggregate community and LGA financial contribution should be as high as possible, but not less than 20% of the direct costs per investment. The contribution, whether monetary or in-kind should only be for direct costs of the investment.
3. Should promote gender sensitive participation for men, women and youths in planning, decision making, implementation and management.
4. Demonstration of sustainability through proper operation and maintenance (O&M) planning and budgeting
5. Enhancement of opportunities for employment creation/income generation, PPP's and local economic development
6. Promote conservation of natural resources, protection of the environment and pollution abatement
7. Streamline cross-cutting issues such as HIV/AIDS, gender, youth and poverty reduction

Menu of Eligible Investments

Based on past experiences in Tanzania, eligible investments under the UDEM framework will include:-

- Solid Waste Management
- Liquid Waste Management
- Sanitation
- Urban Agriculture
- Water Supply
- Urban Greening and Management of Open Spaces

- Storm water drainage and erosion protection
- Upgrading of unplanned settlements
- Urban transportation
- Managing petty/informal trading
- Alternative energy sources and/or recovery
- Urban (air, land, water) pollution
- Employment Creation/income generation
- Cleaner Production Technologies
- Managing extraction of building materials
- Law and Order-(e.g. street lights, police posts, etc)

The above menu is similar to the LGCDG menu – with the exception that social sector investments such as for schools and health clinics, which currently feature prominently in LGA plans, are excluded for funding. However, the proposed ring fencing of the UDEMG for the above clusters of investments and activities will ensure that LGAs venture into planning for these possible but more difficult areas of urban and environment related development planning rather than the “easy” traditional social sector capital expenditures currently emphasized by LGAs using the LGCDG (see Annex A)

In the first phase of implementing the UDEM framework, only the cities, municipalities and towns will qualify to receive funding for the listed investments.

8. Access Conditions and Performance Measures

Under the LGCDG system, the LGAs are on an annual basis evaluated according to objective measures for their adherence to various good governance indicators (primarily financial management, planning, transparency and procurement). The access conditions and performance measures which will form the basis for additional assessment criteria on the LGCDG system for the UDEM will have a bias on fulfilling the ‘sector’ objectives of the framework.

MINIMUM CONDITIONS TO ACCESS THE UDEMG:

Under the UDEM, some good practices as well as legal and policy criteria have been used to come up with the following simple access conditions meant to minimize the burden to LGAs:-

1. The LGA should have qualified for the LGCDG
2. Designation of Focal Person to Coordinate UDEM activities in the LGA
3. Plan and Budget for participatory preparation/updating of LGA’s Environmental Profile (EP) as starting point for the Environmental Planning and Management (EPM) process.

Whilst the first criterion is meant to fulfil the basic GoT policy to align LGA fiscal transfers to the LGCDG, the second one facilitates the LGA to institutionalise the framework by utilising existing staff. The third criterion emphasises on structured community participation as a prerequisite to address UDEM using the EPM process. Refer to **Annex E** for the Minimum Access Conditions for UDEM and the corresponding Objectively Verifiable Indicators of performance and sources of information.

PERFORMANCE MEASURES

The performance of LGAs in subsequent years will be measured so as to assess the impact of the implementation of the UDEM framework initially on the LGA and then on the urban communities at large. Performance Measurement criteria have been developed for this purpose on the basis of the link between the specific steps of the EPM process and the corresponding outputs. In that case, the performance measurement has been simplified to basic objectively verifiable measures constructed around the following functional (See also **Annex F** for the Performance Measurement Indicators and sources of information)

1. Preparation the LGA Environmental Profile
2. Organisation and Conducting Annual and Mini-Consultations
3. Establishment and Supporting the Working Group Process
4. Formulation of Issue-Specific Strategies and Action Plans
5. Implementation of UDEM Investments
6. Institutionalisation of the EPM Process in the LGA
7. Building and Utilisation of Environmental Management Information Systems
8. Streamlining of Gender Responsiveness, HIV/AIDS & Poverty Reduction in UDEM
9. Preparation and Implementation of Strategic Urban Development Plan (SUDP)
10. Monitoring and Evaluation of UDEM activities

Most of the performance indicators measurements provided in Annex E are quantitative and the qualitative aspects are confined to a wide range of guidelines which should be issued by PMO-RALG. Apparently most of these guidelines exist at global level under SCP. The envisaged role of PMO-RALG will be to adapt the global guidelines to national circumstances. This role is one target of UN Habitat's technical assistance portfolio to PMO-RALG.

The size of the UDEMG should be adjusted annually according to how well the LGAs score on the above-mentioned annual assessments. Initially it is proposed that similar rules as under the LGCDG apply – i.e. LGAs that perform well will receive an additional 20% UDEMG in addition to what they would receive based on the formula. Similarly those LGAs that fulfill the minimum conditions but score poorly on the above will receive 20% less but more resources for capacity building will be directed to such LGAs in order to assist them to improve on their performance.

9. Annual Assessment Process

The UDEM grant Annual Assessment process will be conducted at the same time as for the LGCDG. The Assessment of the Minimum Conditions and Performance Measures will take place every year, at the beginning of the Financial Year (Sept/Oct) in order to fit within the planning and budgeting cycle of the central and local governments. This will also ensure that most data required for verifying compliance with various requirements will be available. These include among others, final accounts, approved plans and budgets, co-funding arrangements, allocation of funds for O&M, etc.

An LGCDG Assessment Manual has been developed under the LGCDG as a transparent tool for the Assessment Teams in conducting the assessment. During the Inception phase of the UDEM framework, additional criteria will have to be incorporated into the Assessment Manual to enable the implementation of the UDEM framework.

10. The Assessment Teams

In order to ensure objectivity and high quality of output, PMO-RALG contracts a consulting firm with demonstrated capacity to provide personnel with relevant expertise and experience to conduct the assessment exercise and compile the assessment reports for the LGCDG.

As the assessment will have serious consequences for the LGAs, it is vital to ensure full impartiality of the assessment in order to preserve the integrity of the assessment process; hence the need for a third party. The Contractor will be responsible for the organization and management of the assessment exercise, preparation of council specific reports and a synthesis report for all councils assessed, which will be submitted to PMO-RALG for approval and dissemination.

The existing LGCDG teams should have members representing expertise in LG finance, LG institutional performance, Engineering (covering project management and procurement issues), Planning and budgeting. The number of team members will be four, two consultants and two resource persons drawn from a resource pool established by PMO-RALG. It is proposed that additional expertise is added to the existing Assessment Teams' compliment so that whilst they do the assessment for the LGCDG, the additional criteria for UDEM are assessed simultaneously. The exact areas of expertise will have to be confirmed during the Inception phase. However, it is clear that the most primary skill is the EPM process.

In conducting the assessment the Assessment Team is required to review various documents, reports and conduct interviews with key informants. The teams under the LGCDG normally spend about 3 days in each LGA conducting interviews and reviewing documentation. Before leaving the council, they give feed back on initial findings to the council management for transparency and to check factual accuracy.

11. Financial Management Procedures

Funds transfers under the UDEM grant will follow the same procedures as the LGCDG. The transfer of LGCDG is based on GoT general procedures for (on-budget) transfer of funds to LGAs. Funds are transferred through the GoT, Accountant General's Department to LGAs upon instruction from PMO-RALG that the access conditions are complied with. The existing systems, accounts and transfer flow are applied with the following special provisions.

- The funds are transferred directly from the Accountant General to the LGA's Development Funds Account No. 2;

- Accounting codes ensure that the utilisation of capital grants and capacity building grants can be tracked (also according to origin of finance. e.g. LGSP, LGRP basket or GoT, and now UDEM);
- Funds are transferred quarterly in 4 equal instalments (i.e. not related to any current cash flow reductions). LGAs have prepared a yearly development plan, including plan and budgeting for the utilisation of the funds;
- LGAs are allowed to transfer funds from one quarter to another, both within the FY and from one FY to another. Large amounts of non-utilised funds from the quarterly releases in excess two quarters or more will lead to stoppage of transfers for the subsequent quarters.

The District Executive Director (DED) is the accounting officer and only LGA budget guidelines are applied. There are no additional project specific guidelines and no “project staff” involved in the financial management. In order to effectively ring-fence funding for UDEM, PMO-RALG will ensure that pro-UDEM guidance is given to the LGAs through the annual budget guidelines for the LGCDG. The LGAs will be informed about the window within LGCDG and if they pass the access conditions they will receive the funds, with the instructions specifying the minimum percentage of the disbursements which should be spent on the UDEM list of eligible investments.

In order to avoid dual reporting, the LGAs will not prepare a specific report on how they spent the “UDEM grant”, but rather they should, as usual, present only one general report that includes an overview of all expenditures in the MTEF format reported through the PLAN-REP system. From there details can be extracted on how much was spent by the LGA on different priority areas including the UDEM list of eligible investments. This reporting and accounting modality is consistent with PMO-RALG draft implementation strategy for the LGCDG¹². Financial reporting follows normal LGA reporting procedures. Over time it is foreseen that LGAs will use Epicor, but it is not made a precondition for LGCDG funding.

Further work will be done to clarify on the finer details of how different development partners and the UDEM basket link up to the funds disbursement mechanisms currently used under the LGCDG presented in **Annex G**. It is acknowledged that the final procedures will be influenced to some degree by the respective the donor policies. However the recommendation is that the part of UDEM financing that is set aside for the LGA grants be provided into the overall LGCDG pool. Additional mechanisms should be put in place at least during the initial stages to cap UDEM activities to within the available UDEM earmarked funds in the LGCDG pool. This scenario should gradually vanish as UDEM activities are institutionalised into the LGAs and the shift towards budget support is consolidated.

Financial management responsibilities are essentially kept at HLG level, but the design of the LGCDG under LGSP recommended a gradual devolution of responsibilities to LLGs in the coming years.

¹² PMO-RALG/LGRP-Strategy for Implementation of Govt Policy on Devolution of Development Budget, Jan 2006

12. Institutional Arrangements for UDEMG Annual Assessments and Disbursements

The government institutional arrangements for the management of the LGCDG will also cater for the UDEM grants to LGAs. Within PMO-RALG, this function falls under the Director for Local Government. The brief mandates of the relevant institutional arrangements are summarised hereunder for clarity:

The LGCDG Committee is chaired by the Principal Secretary, Prime Minister's Office. It is responsible for the overall grant formulae, procedures, decisions on appeals, LG grant allocations and changes in the assessment manual. This role will be maintained under the UDEM grants.

The LGCDG Technical Committee is chaired by the Deputy Permanent Secretary of PMO-RALG and it is responsible for field reviews and proposals for policy decisions. This role will also be maintained besides that additional UDEM specific expertise has to be added to the committee through PMO-RALG to ensure that proper guidance is given to the LGCDG Committee to make policy decisions.

(c) Funding LGA UDEM Activities through Area-Based-Projects (ABP)

It is acknowledged that for the foreseeable future, some bilateral and multilateral donors may not immediately adopt the Basket Fund approach of the LGCDG and UDEMG due to certain constraining policies. As an interim measure while the said donors align themselves to the preferred LGA fiscal transfer modalities, it is proposed to support PMO-RALG (through UASU) to coordinate the implementation of Area-Based UDEM projects to create synergy and harmony with relevant sector ministries in fulfilling the objectives of this framework.

In addition, ABP may also be promoted as pilots prior to up-scaling and replication of some UDEM concepts

(d) Funding From the Money Markets

On fulfilling the appropriate conditions set by PMO-RALG and in consistence with relevant government policies and laws, an LGA will be allowed to borrow money from the open market to finance urban development investments covered in this category. LGAs may also prepare project write-ups for the different investments and seek funding from various financiers. Technical assistance will be provided by PMO-RALG to ensure the viability of such investments. Possible sources of open market funding are the municipal bonds.

PMO-RALG, through UASU will facilitate this component by building the capacity of LGAs for networking, lobbying and advocacy, communication skills, negotiation skills, teamwork and teambuilding, proposal writing and fundraising, only to mention but the key aspects.

(e) Funding LGA UDEM Activities through the LGCDG

This proposal acknowledges the fact that both the CDG and CBG under the LGCDG are discretionary and LGAs can spend these funds for UDEM activities. The focus of this framework should therefore include raising awareness amongst the LGAs so that they can also prioritize UDEM activities prioritized under this framework for funding under the LGCDG.

(f) Funding From Own Revenue Sources

LGAs and their communities will be encouraged to make direct financial contributions towards the implementation of UDEM activities either in cash or in-kind. PPP's will also be encouraged as means of mobilizing local and national resources. For each specific LGA level investment receiving funding from the UDEMG, the LGA and its communities are expected to contribute at least 20% of the direct costs of the investment.

6. SUMMARY OVERALL BUDGETS FOR UDEM FRAMEWORK

Based on the analytical work and arguments presented in this report, the summary budget is presented in **Table 2**. The detailed budget simulations are presented in **Annexure H**. It is important that this approach of providing earmarked grants to LGAs is gradually phased out to be completely on-budget and financed by GoT using internal revenue and budget support. For that purpose the programme budget for the grant for more than four years would not offer an incentive for that transformation to materialise – thus the budget estimates only cater for the next four Financial Years.

Table 2: Summary Three Year Budget for UDEM Framework 2007/8 – 2009/10

Funding Type	Annual Budget Estimates (USD '000)				Totals (USD '000)
	2006/7	2007/8	2008/9	2009/10	
National Level Support	224.5	220.5	325.5	84.5	855
LGA Level CBG	0	575	806	999	2,380
LGA Level UDEM Grant	0	4,020	5,205	6,390	15,615
Totals	224.5	4,815.5	6,336.5	7,473.5	18,850

The main assumptions informing this budget are:-

1. Both the Development and Capacity Building grants under the UDEM framework will be operational from financial year 2007/08
2. The grants are financed through a typical programme modality for three (3) years prior to full integration of the framework objectives into the government systems facilitating funding through budget support.
3. The absorption capacities of Townships are significantly lower than for Cities, Municipalities and Towns as a group. The latter group is therefore expected to demand both the CBG and the CDG at a higher rate than the Townships.
4. Townships, by virtue of their size and absorption capacities will spend less of the CBG (USD12,000) compared to Cities, Municipalities and Towns (USD25,000)

ANNEXURES

Annex A: Preliminary LGCDG experiences

The Local Government Capital Development Grant (LGCDG) was designed as a general development grant system for LGAs and thus to cater for all relevant sector investments. Practical implementation of the LGCDG started early this year (2005) and some preliminary experiences indicate that (1) LGs respond generally well to the incentive mechanism and guidelines (2) Many LGAs have in short time improved tremendously in financial management practices in order to qualify for the LGCDG and (3) a wide range of development projects have been planned for and implemented within a short time in the involved LGAs.

PMO-RALG recently undertook an analysis of LGCDG spending across sectors, which indicated that the majority of investments were targeting education (mainly class room construction), health (health units) and roads¹³. More specific findings were:

1. If investments in “urban environment” are interpreted broadly to include all eligible investments under similar programmes such as the Sustainable Cities Programme (e.g. roads; water, sanitation and tree planting) that affect the physical environment in which people live, then on average, urban local governments spent as much as 39% of the LGCDG on such environmental projects, compared to 27% for rural LGAs.
2. Within the environmental sector, a considerable proportion (57%) of the urban LGCDG spending was on road construction projects, while water and sanitation projects each took up about 20% of the funds (**Table 1**). Expenses in sanitation projects often take the form of construction of latrines, and to a lesser extend the construction or rehabilitation of sewage systems – which increasingly are managed by the Urban Water and Sanitation Authorities. Environmental conservation projects like tree planting are not given significant attention.
3. However, LGAs differ substantially regarding how much emphasis they put on investments supportive of urban environment as can be seen from **Table 2**.

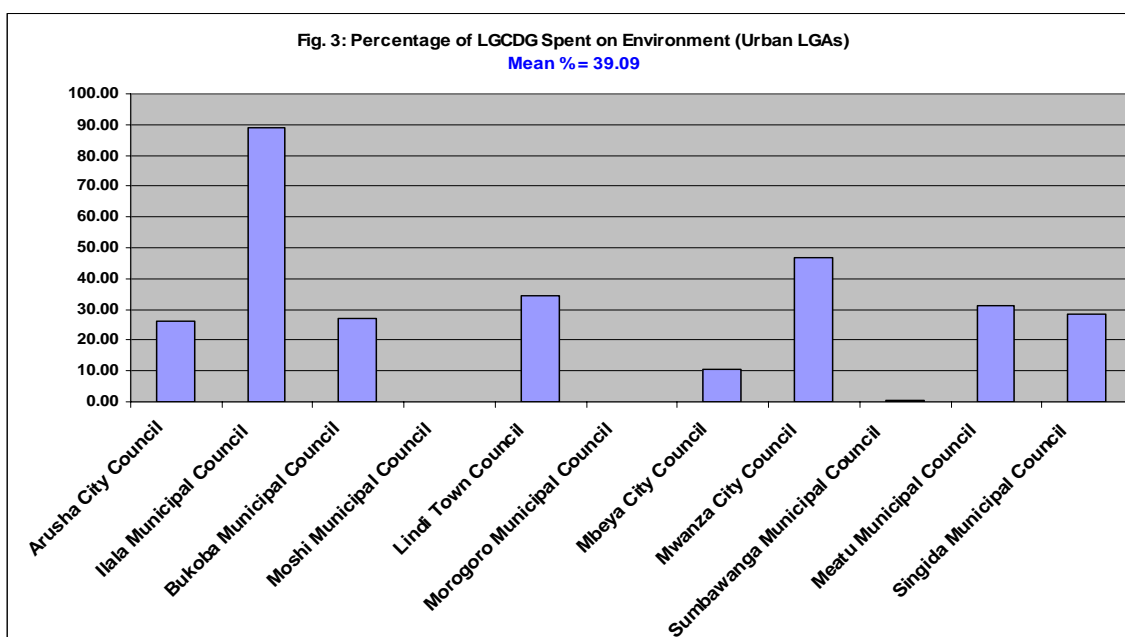
A general conclusion from the above is that, although the social sectors (namely education and health) are the most popular areas of investments for LGAs, a sizeable share of the LGCDG spending is on what has been referred to as “environmental sector investments” under SCP. However, some LGAs spend negligible or no funds at all on environment and spending on “environment” mainly target a rather narrow range of project types (mainly roads).

¹³ For details see the report: PEMconsult for URT, PORALG, UASU: Analysis of LGCDG Expenditures FY 2004/05 October 2005.

Table 1: Priority Environmental Projects for LGCDG Spending¹⁴

Category of LGs	Total Environmental Expenditures	Category of investments	Amount	Percentage (%)
Urban LGAs	886,263,393	Roads	506,196,526	57
		Water	187,444,851	21
		Sanitation	184,432,016	21
		Tree Planting	8,190,000	1
Rural LGAs	1,150,096,349	Roads	500,282,398	44
		Water	504,614,076	44
		Sanitation	121,199,876	11
		Tree Planting	24,000,000	2

Table 2: Differences In Level Of LGA Spending On Environment



¹⁴ PMO-RALG op-.cit Please note that the analysis is based on the first tranche of funding under LGSP.

Annex B: List of Urbanised LGAs in Tanzania by Hierarchy

CITIES		MUNICIPALITIES		TOWNS		TOWNSHIPS (DISTRICT HEADQUARTERS)					
1	Dar es Salaam	1	Moshi	1	Kibaha	1	Bagamoyo	29	Masasi	54	Kasulu
2	Mwanza	2	Tabora	2	Babati	2	Kondoa	30	Tandahimba	55	Bariadi
3	Arusha	3	Iringa	3	Korogwe	3	Mpwapwa	31	Tunduru	56	Maswa
4	Mbeya	4	Dodoma	4	Lindi	4	Kongwa	32	Mbinga	57	Kahama
5	Tanga	5	Songea			5	Monduli	33	Namtimbo	58	Bukombe
		6	Mtwara			6	Karatu	34	Mufindi	59	Meatu
		7	Sumbawanga			7	Kiteto	35	Makete	60	Kishapu
		8	Singida			8	Mkuu Rombo	36	Njombe	61	Karagwe
		9	Kigoma			9	Mwanga	37	Ludewa	62	Muleba
		10	Bukoba			10	Same	38	Kilolo	63	Ngara
		11	Musoma			11	Bomang'ombe	39	Chunya	64	Biharamulo
		12	Arumeru			12	Lushoto	40	Kyela	65	Ngara
		13	Morogoro			13	Muheza	41	Rungwe	66	Magu
		14	Shinyanga			14	Pangani	42	Ileje	67	Ngudu
		15	Kinondoni			15	Handeni	43	Mbozi	68	Sengerema
		16	Temeke			16	Kilindi	44	Mbarali	69	Geita
		17	Ilala			17	Kilosa	45	Kiomboi	70	Missungwi
						18	Kilombero	46	Manyoni	71	Ilemela
						19	Mvomero	47	Nzega	72	Tarime
						20	Kisarawe	48	Igunga	73	Mugumu
						21	Mkuranga	49	Urambo	74	Bunda
						22	Rufiji	50	Sikonge	75	Hanang
						23	Mafia	51	Mpanda	76	Mbulu
						24	Kilwa	52	Nkasi	77	Simanjiro
						25	Nachingwea	53	Kibondo	78	Kibaya
						26	Liwale				
						27	Ruangwa				
						28	Newala				

THE UNITED REPUBLIC OF TANZANIA



**PRIME MINISTER'S OFFICE
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT**

**NATIONAL FRAMEWORK FOR URBAN
DEVELOPMENT AND ENVIRONMENTAL
MANAGEMENT (UDEM) IN TANZANIA**

**3RD VERSION INCOMPLETE DRAFT
NATIONAL POLICY, INSTITUTIONAL AND CAPACITY BUILDING
COMPONENT OF THE UDEM**

13 JUNE 2006

1 Introduction, rationale and strategy of the Component

This component description is embedded in the overall UDEM framework and is based on the diagnosis and background analysis that underpins the UDEM. It is intended to be a brief and operational presentation of the overall objectives, outputs, strategy, outline workplan, institutional arrangements, budget needs and financing strategy. In order to be brief it is not intended to be read as a stand alone document and should be seen the context of the entire UDEM.

Introduction and linkage of the component to the overall UDEM framework

In response to an in- depth analysis of the environmental challenges and opportunities facing urban areas in Tanzania, the Environment sub-section under the Directorate of Sector Coordination (DSC) within the Prime Ministers Office for Regional Administration and Local Government (PMO-RALG) developed a national framework for Urban Development and Environmental Management (UDEM). The objective of the UDEM framework is: (UASU, April 2006, p 21)

To improve the living conditions of the urban communities by facilitating the decentralized implementation and monitoring of sustainable urban development and environmental management in the Local Government Authority (LGA) sector by:

- *Providing financial and technical assistance to LGA institutions at the national and regional levels to create an enabling atmosphere for implementation of urban development and environmental management activities at the local levels through a supportive legal and policy framework and well coordinated institutional arrangements,*
- *Providing nationally compatible assistance for the effective management of the supply and demand sides of capacity building of relevant stakeholders at both the national and urban local government levels to facilitate the implementation of local level urban development and environmental management initiatives.*
- *Providing financing for the operationalisation of a UDEM supportive national Local Government sector and for the LGAs to make investments in improved urban development and environmental management through nationally compatible intergovernmental fiscal transfers.*

In line with these objectives the framework presents 3 components directed at national and local levels.

Level	Component
National	A. National policy, institutional and capacity building
Local	B. Funding of the UDEM in LGAs C. LGA capacity building

Rationale of the national policy, institutional and capacity building component

The national policy, institutional and capacity building component groups all the interventions that need to be achieved, at national level, in order to create a supportive legal and policy framework and well coordinated institutional arrangements as envisaged by the overall UDEM. Together with the capacity building and funding components directed at the local level, the component should lead to the overall achievement of the UDEM objectives.

The diagnosis and background analysis carried out in 2005/ 6 (UASU, February 2006, p58-59, 76; UASU January 2006, p 9-10)) reveals a number of opportunities and challenges at the national level.

The opportunities are:

- Concrete results and lessons learnt from various past efforts e.g. linkage to income generation and mobilization of community and the private sector (cleaner production)
- New environmental law (EMA, 2004) that resolves many past difficulties
- Highly professional institutional relations have been retained between PMO-RALG and MLHHSd despite inbuilt potential for conflicts
- Coordination benefits from the NPAC set up which has enable an incipient national platform for UDEM to be set up.
- Growing awareness of environmental problems that will awaken community and political action to apply
- Implementation of the LGRP that will render LGA more effective in the implementation of environmental law
- Economic growth of some 7% per year that enable better maintenance of existing facilities and investment in new facilities.

The physical and urbanisation related challenges are complex and interrelated. They are described in greater detail in volume 1 of the UDEM framework. At summary level the effects include:

- Very poor access to basic services (water, sanitation, solid waste, drainage, health clinics and schools) for especially the poor households with consequent negative impact on health and economic activity.
- Exposure to natural disasters such as flooding and erosion.
- Poor access to clean and affordable household fuels (indoor air quality and unsustainable use of charcoal)
- Overcrowding in poorly suited areas leading to poor quality of life and spread of disease as well as vulnerability to flooding and other hazards e.g. fire, exposure to industrial or other pollution as well as security risks.
- Inadequate public transport that impacts negatively on economic activity and stress levels and poses a security risk.

Some of the background factors that give rise to these problems include:

- Poor understanding and response to highly dynamic urban and rural migration patterns (some areas over and others are under populated).
- Recently migrated rural and settled urban populations have different customs and expectations.
- Land tenure and titling problems leading to a lack of regulation, a collapse of property rights, low investment in improvements and discriminatory practices without the shielding of the law.
- A history of collectivism and forced migration that has led people to distrust government initiatives but often without being able to provide alternative means of collective action or conflict resolution needed to make urban life sustainable.
- Systematic under investment in urban infrastructure related in part to a weak revenue structure.

The institutional challenges that arise from these problems can be summarized in 10 points:

- Inconsistent policy messages being delivered to LGAs within PMO-RALG and also across ministerial boundaries e.g. inconsistency in EPM and O&OD planning methodologies
- Lack of concerted follow up of existing action plans, guidelines and policy directives e.g. MOH and NEMC are unable to follow up on the solid waste directives that they issue and the MLHSD is unable pursue the review and approval of master plans every 5 years as required.
- Lack of clarity of mandates for support to urban LGAs within environment and land-use planning e.g. does MLHSD or PMO-RALG coordinate the EPM process and responsibilities for urban land-use planning with the potential of institutional conflict in the future.
- Contradictions in policy and legal set up e.g. between the Local government Act (8/1982) and the Town and Country Planning Ordinance (378/1956); in the use of differing criteria between MLHSD and PMO_RALG for when settlements are declared urban; Inconsistencies in the EMA (section 36(2)) in the reporting lines for town environmental officers.¹⁵
- Gaps in the policy and legal set up e.g. penalties are outdated and incentives are not in place to ensure that enforcement is effective; environmental standards are incomplete leading to poor prosecution records.
- Unrealistic policy and other national support initiatives that do not take full account of the financial and institutional realities, a realistic transition strategy is missing e.g. MLHSD ideally should guide the LGAs but when they have little resources there is nothing to guide and MLHSD is obliged to implement directly to achieve progress.
- Lack of awareness by the LGAs of the laws, policies, sources of support and guidelines on offer from the national level. As a result enforcement of environmental laws is patchy at best.
- Sub-optimal use of external aid that was poorly coordinated, inadequately aligned to Tanzanian systems with the consequence that good results could not be replicated, up-scaled or maintained (no operation and maintenance).
- Inadequate national institutional capacity from the national level anchor institutions within urban development and environment to provide timely and relevant support to the LGAs due to internal funding, capacity and coordination weaknesses.
- Poor coordination and alignment of urban policy and plans with the crucial new initiatives of the Local Government Reform Programme (LGRP) and MKUKUTA.

At local level the challenges are in general even more acute and apart from being influenced by the above considerations are most directly affected by inadequate access to funding (hence the response of component B on LGA funding) and insufficient capacity (hence the response of component C on LGA capacity building through the provision of a Capacity Building Grant (CBG)). The institutional environment that LGAs find themselves makes progress on urban development and environmental management very difficult. This aspect is being dealt with by the LGRP which will probably be the single most influential factor on the future success of the UDEM since everything rests on LGAs that have a motivating, competent, transparent and full accountable local government.

The overall rationale of the national policy, institutional and capacity building component is to respond to the opportunities and challenges that are relevant at the national level so that an enabling policy and legislative atmosphere for effective urban development and environmental management can be established.

¹⁵ the EMA 2004 does to some extent resolve this problem (UASU, February 2006, p59).

2 Objectives, Outputs and Strategy

2.1 Objectives

The objective of the national policy, institutional and capacity building component is:

To provide an enabling policy and legislative atmosphere for effective urban development and environmental management by facilitating the review and harmonization of existing policies, laws, regulations and guidelines as well as the formulation of new ones so as to address conflicts, omissions and gaps which inhibit the effective implementation of UDEM improvements in the LGAs.

2.2 Strategy

The strategic directions that emerge from the diagnosis and analytical work behind the UDEM and which are highly relevant for the national component include the following:

- Link the efforts of all relevant national anchor institutions¹⁶ in a single one-stop policy coordination platform to improve consistency and simplify LGA access to national support services.
- Integrate the national component into the LGRP initiatives so that it both contributes to and gains from the advances made in LGA institutional performance particularly those relating to governance, accountability and revenue enhancement, to mention only a few .
- Ground the national component in the new pro-poor policy directives of MKUKUTA
- Find sustainable sources of funding for a cost effective execution of long term routine duties and accept short term or temporary financing or contribution towards initiatives that only need to be done once.
- Provide a demand driven and client responsive mechanism and culture for LGAs to access national support services.
- Develop a realistic balance between what can be achieved by new policies, guidelines and what is dependent on the strength of implementation and enforcement action.
- Consider transition and absorption needs as well as being guided by what is required by the long term more ideal situation – develop a phased approach.
- Develop flexibility through use of feedback and learning loops horizontally between the national anchor institutions and vertically between the national and local level.

A consideration of the opportunities and challenges faced by the national component combined with the strategic directions above leads to the development of a 3 phase approach that demands the achievement of a number of outputs.

The major output areas are shown in the table 2.1 below:

¹⁶ The core of this platform would consist of: UASU, DoE, MLHHS, NEMC, LGA representation; the wider membership would include donors, civil society and other government bodies.

Table 2.1 Major output areas

Area of intervention	Nature of the output	Phase
Inception	1) Inception – consolidation of the framework – insertion of the framework in workplans and vice-versa, capacity building strategy, pre studies UDP	Immediate – Short term October 2006 + 1 year
Coordination	2) Strengthening of an operational platform that can coordinate and enhance all national efforts	
Policy	3) Harmonisation of existing laws, guidelines and strategies in the short term	
	4) Development of an Urban Development Policy	Medium term 2-5 years
Capacity building	5) Implementation of the capacity building strategy in the medium term	
Institutional consolidation	6) Development of sustainable long term responsiveness to LGAs	Long term 3- 10 years

The 3 phases with their key characteristics are:

Immediate/ short term phase - inception – consolidation of existing practices – strengthening of the national institutional coordination platform and development of CB Strategy. (Years 1 to 2).

Medium term phase – development of UEM Policy – implementation of intensive capacity building. (years 2 to 5).

Long term phase - institutional consolidation and achievement of sustainable national support to LGAs (years 3 to 10).

2.3 Outputs

Immediate/ short term phase

- 1) Consolidation and updating of component strategy including capacity building strategy and pre-studies for the UDP.
- 2) Strengthening of operational platform to enhance coordination of UDEM
- 3) Existing laws, guidelines, standards and experiences consolidated and harmonized so that LGAs can easily access and make use of them.

Medium term phase

- 4) Capacity of national agencies to serve LGAs enhanced
- 5) Development of a new longer term Urban Development Policy (that addresses the weaknesses of the present policy framework and takes advantage of new opportunities for improving UDEM at LGA level).

Long term phase

- 6) National bodies responsible for the UDP are providing LGAs with appropriate and updated policy support

2.3.1 Output 1) Consolidation and updating of component strategy including capacity building strategy and pre-studies for the UDP

Why: It is essential that the component and UDEM strategy is thoroughly discussed with the relevant national anchor institutions and that a common agenda is consolidated based on the outlines provided by this document and the UDEM framework itself. A common agenda is needed to ensure that each partner is aware, in agreement and able to ensure that the necessarily funding and other commitments implied can be arranged.

What: The objectives, outputs, budget and institutional arrangements will need to be confirmed and an explicit commitment to the allocation of sufficient finance and resources sought (as already done by the UASU via letters to the Ministry of Finance). This can be achieved by discussion and formalized in agreed minutes of meeting. The work can most appropriately be done under the auspices, as a sub-committee, of the NPAC as the NPAC already has a mandate for this. A capacity building strategy will be developed and several pre-studies for the UDP will be made in preparation for the development of the policy. The capacity building strategy should guide how the Service Provider institutions will be selected and in turn how ToT will be delivered to them and how standard courses will be developed for subsequent sale to LGAs. Possibly even the cost of such standard courses and who will be responsible for overseeing which type of ToT as well as the necessary quality control and feedback mechanisms.

Who: The UASU will take the lead to convene the meetings but substantial inputs will be needed by all partners who will include: MoF; MLHSD; NEMC, DoE . Habitat will provide technical assistance and they have a budget of some USD 150.000 set aside for this purpose.

When: This output will be achieved during the inception period. The inception report will summarize the outcome of the activities undertaken.

Issues: Need for consultation. The degree to which the component and strategy need to be revised will depend on the degree to which national and local partners have been consulted during the formulation of the first draft.

2.3.2 Output 2) Strengthening of an operational platform to enhance coordination of UDEM

Why: A common platform is needed to ensure that policy advice to the LGAs from national anchor institutions is consistent and to make sure that all the possible resources are bought to bear in a coordinated and with a self-reinforcing effect. The National Policy Advisory Committee formed as part of the Sustainable Cities Programme and recently revived could be seen as a forerunner of the type of platform needed.

What: The platform will consist of a coordination mechanism that will, as a minimum, serve to: i) openly share information between the different partners on each other's activities relevant for UDEM; ii) discuss and develop common approaches that exploit synergies with each other and with other major elements of the national framework e.g. the MKUKUTA; iii) review progress and reflect on experiences (iv) Activity planning and budget etc. In addition it might be found necessary to provide for a means of verifying and submitting for common scrutiny relevant action plans, capacity building initiatives and commitment of resources to ensure that services to LGAs are not duplicated, are consistent, comprehensive and responsive to needs. The composition, the mandate, the decision making mechanisms, the procedures and the frequency of meeting needs to be determined and agreed upon prior to the launch.

Who: The leadership will be taken by DSC- PMO-RALG as this corresponds with their national mandate. All significant anchor institutions will need to take part for the platform to be meaningful.

When: The platform should be launched i.e. the first meeting held based on an agreed set of principles and procedures before the end of the financial year 2006/7. Thereafter it will need to be maintained on at least a quarterly basis.

Issues: Mandate: The degree of formalization of the platform and especially its decision making powers needs to be discussed. It might be that for some time to come it will only have the function of being able to refer back to line ministries and agencies rather than take decisions itself i.e. undertake a purely coordinating role. Also it will have to be decided if the platform is only for the national level component or for all the UDEM.

Composition: The seniority and continuity of the participation by key agencies will be crucial to the success of the coordinating platform. The incentive for the participants to take part (expending scarce resources) and submit their agencies to coordination by a common body will need to be carefully thought through if the platform is not to end up being an empty mechanism.

Involvement of LGAs: it might increase the legitimacy and relevance of the discussions and coordination actions if LGAs are represented on the platform.

2.3.3 Output 3) Existing laws, guidelines, standards and experiences consolidated and harmonized so that LGAs can easily access and make use of them.

Why: The detailed diagnosis of the policy and legal set up of the sector indicates that there a number of conflicts, contradictions, gaps and areas of unfinished work that need to be addressed before even the present policy and legal framework can function effectively. The derivation of a transition or phased approach to implementation might be needed for key areas in order. In any case, the ultimate formulation of an Urban Development Policy will not imply the abandonment of other policies/laws. Some existing provisions will require to be implemented anyway.

What: The screening of existing laws, guidelines, standards and current practice has already been largely undertaken. Nevertheless, this screening can be usefully re-visited and thereafter an action plan put forward to address issue by issue. In some cases a memorandum of understanding between two national bodies will be needed to clarify how to interpret a particular instruction. In other instances a more formal ministerial circular or ordinance will be needed. As far as possible pragmatic solutions that avoid long drawn out bureaucratic channels should be used. Each area of the legal framework should be examined for feasibility i.e. i) is it realistic to expect the LGAs to be able to implement.; ii) what are barriers and constraints, iii) what are the consequences on non or substandard implementation/compliance and iv) what simplified transitional or phased measures can be taken that are feasible and could be built upon in a process towards full compliance. This analysis will yield valuable insight into transition strategies for the LGAs as well as provide information on possible capacity building needs. A key element in the harmonization of laws, guidelines and standards is the building up of awareness within LGAs. Building up awareness should be an important part of the action plan and should also be reflected in the capacity building strategies to be developed under output 4.

Who: The screening and action plan could be developed by each relevant anchor institution for the laws, standards and guidelines that fall under their mandate. The platform mentioned under output 2 would help to pull this together into a coherent whole. There are significant budget and human resources implications in this work and it might be that key elements are best outsourced but under tight direction.

When: The screening and harmonization action plans should be ready by the end of 2006 – obvious areas of harmonization can be resolved early on, other areas might take longer. Only awareness at LGA level will make these improvements meaningful and a time span of intensive work for 1 year and follow up awareness thereafter will likely be needed.

Issues: Time scale: even harmonizing and ironing out inconsistencies in existing laws can take time. The key is the use of a pragmatic approach and being able to demonstrate at the LGA level how in practice inconsistencies can be dealt with.

Complexity: the effort to harmonize should aim to simplify and not make the framework more complicated as will often be the temptation.

2.3.4 Output 4) Development of a new longer term Urban Development Policy

Why: There exists a rural development policy (developed by PMO-RALG) that seeks to guide rural LGAs whilst building on and integrating a number of relevant functional policies such as the agricultural policy. The rural development policy is potentially a benefit to the rural LGAs¹⁷ and it is proposed that an urban development policy could do the same for urban LGAs. The policy would pull together and unify all the various constituent policies that make up the body of policy directives within urban environmental affairs. The policy would provide a consistent summary and a coherent overview to LGAs which would hopefully increase the awareness, understanding, penetration, feasibility and effectiveness of the urban environmental policy.

What: The proposed policy will include steps such as: i) preparation of UDP Concept Note/Strategy; ii) formation of National Technical Working Group; iii) Preparation of Terms of Reference and awarding contract for consultancy; iv) Bilateral and Multi-stakeholder Consultations with Local, Regional and National level institutions; v) Circulation to Ministries for inputs and vi) Reference to Cabinet Secretariat and receipt of approval. Downstream steps include the development of a detailed implementation strategy and ensuring the relevant implementation bodies are adequately resourced via the MTEFs (or at least in a good position to contest the budget).

Who: The coordinating body would be DSC. It is likely that elements could be outsourced.

When: The process would start with pre studies already in the financial year 2006/2007 (under output 1), the formulation itself would then start towards the end of 2007 if it is confirmed that it is a good idea to go ahead and be finalized about 3 years later with the bulk of the work being done in the first 1½ years.

Issues: Confirmation of the need for a new policy. During output 2 (harmonization of existing policies) the need for an umbrella policy for urban environment will become clearer and this output will only go ahead if the need is confirmed

¹⁷ This benefit has not yet been felt because of the lack of an implementation strategy and the resources to implement it – considerations which need to be taken into account for the proposed UDP.

2.3.5 Output 5) Capacity of national agencies to serve LGAs enhanced

Why: The national agencies have a mandate to support the LGAs as it is inefficient and unnecessary for each LGA to have the full range expertise needed and the national level can provide the hub of a national network for experience exchange and learning. However, many national agencies (including the regional secretariats of PMO-RALG) are themselves crippled by capacity constraints, unclear mandates, funding restrictions and communication obstacles. In some cases they have not yet transformed themselves from an implementing to a facilitating role. Many of these institutional problems are common to the public sector and beyond the scope of the UDEM. But there are others which the UDEM can assist with directly (e.g. consistency in methodology) and there are others where the UDEM can significantly contribute in tandem with national efforts aimed at civil service and public sector reform.

What: The capacity constraints measured against the official mandates has already been largely undertaken. This analysis can be reviewed and a self-determined capacity building plan developed by each institution. The pre-conditions for capacity building plan to be effective e.g. the people to be trained are made available and allocated to suitable tasks once trained need to be defined. The plan itself will have two elements. An element that relates to routine long term training that will be needed in perpetuity (for induction, training of new recruits and for essential in-service training). And, a second element which relates to a more intensive one-off step up in capacity. The second element is suitable for funding from external or non-sustainable sources, the first needs to be gradually built into the recurrent expenditure budget of the relevant institution.

The whole supply aspect of capacity building towards the LGAs will need to be examined, pre-qualified or licensed training providers to whom the LGAs can turn to will need to be registered, training modules developed, training of trainers courses given and the building up of institutional memory and knowledge management will need consideration.

Who: Each institution will itself be responsible for the review of capacity constraints against mandate and for the development of a capacity building plan. The common platform established under output 2 will help to ensure coherence between these plans and enable economies of scale in training to be pursued.

When: The capacity plans should be available between the end of 2006 and mid 2007 and significant capacity improvement should have been built up by end of 2007 with the main one-off events having taken place by mid 2009.

Issues: Integration into existing institutional and capacity building initiatives at agency level. The action plans of each institution need to be develop in line with the wider performance improvement measures that are probably being undertaken within that institution.

2.3.6 Output 6) National bodies responsible for the UDP are providing LGAs with appropriate and updated policy support

Why: Urban environment is a long term challenge and one, which because of increasing urbanization, is likely to get more challenging with time. The nature of the challenges will vary with time and periodic policy adjustments will be needed. At the same time there will

always be a residual function at national level to act as an assembly point for specialist expertise that cannot be retained at LGA level or outsourced to the private sector.

What: The national bodies will respond to the demands placed on them by LGAs and will also take initiatives where relevant and within the established policy framework. There will be a periodic review and adjustment of the policy and its constituent elements according to experience gained.

Who: All anchor institutions will take part according to their mandate and the demands placed by the LGAs. The platform established by output 2 will under the minimum coordination necessary.

When: This output will be a continuous one.

Issues: Payment for services: If the concept of national institutions providing support and capacity building support to the LGAs is highly demanded by the LGAs and found to be very effective then it is likely that the services will be quite intensive and will become difficult to sustain. A cost recovery system might be appropriate to develop whereby the LGAs contribute to the cost of the services.

Support and control functions: If national institutions combine control and monitoring functions with support and capacity building there are potential conflict of interests that can arise.

3 Activity Work Plan

The activities related to each output are outlined below. The activities are an outline of a 10 year effort. They will need to be further detailed within the rolling 3 year MTEF framework and then inserted as relevant into the annual plans of the participating organizations. Where relevant linkages to the current MTEFs are mentioned.

3.1 Activities related to Output 1) Consolidation and updating of component strategy including capacity building strategy and pre-studies for the UDP

Activities	MTEF responsible	Linkage to 2005/6 MTEF
1.1 Confirm, adjust if necessary, and formalize agreement on the objectives, outputs, budget and institutional arrangements of the UDEM national component (consulting at LGA level)	PMO-RALG – DSC	Overall linkage to DPP MTEF on target 01, sub-vote 1003 (Note: more explicit introduction of the urban policy needed for next MTEF)
1.2 Obtain commitment to the allocation of sufficient finance and resources sought	All	
1.3 Delivery inception report to the NPAC with an updated strategy (including design of the basket funding, evidence of commitment of funds from GoT, TOR for the NPAC)	PMO-RALG – DSC/ DPP	DSC MTEF on target 01, activity 01-11 sub-vote 2003

3.2 Activities related to Output 2) Operational platform strengthened to enhance coordination of UDEM

Activities	MTEF responsible	Linkage to 2005/6 MTEF
2.1 Draft and agree on the composition, the mandate, the decision making mechanisms, the procedures and the frequency of meeting of the proposed platform for coordination of UDEM.	Lead role is PMO-RALG –DSC with all other actors collaborating	DSC MTEF on target 01, activity 01-11 subvote 2003 (note the MTEF description would need to be expanded in the next MTEF)
2.2 Launch the platform and hold the inaugural meeting.		
2.3 Develop a webpage and communication strategy for all relevant stakeholders.		

3.3 Activities related to Output 3) Existing laws, guidelines, standards and experiences consolidated and harmonized.

Activities	MTEF responsible	Linkage to 2005/6 MTEF
3.1 Revisit the earlier screening of existing laws, guidelines, standards and current practice.	Lead role is PMO-RALG –DSC with all other actors collaborating	DSC MTEF on target 01, activity 01-11 subvote 2003 (note the MTEF description would need to be expanded in the next MTEF)
3.2 Obtain LGA feedback on the findings of the updated screening		
3.3 Undertake feasibility assessment of the legal and policy framework and develop a transition plan or phase approach for those LGAs that are unable to comply.		
3.4 Implement the consolidation and harmonisation		
3.5 Formulate an awareness building and communication strategy		
3.6 Increase awareness at the LGA level of the urban environmental framework		

3.4 Activities related to Output 4) Development of a new longer term Urban Development Policy

Activities	MTEF responsible	Linkage to 2005/6 MTEF
4.1 Determine the need for a new urban development policy based on the experience of harmonizing existing policy.	PMO-RALG DPP with content input from national institutions coordinated by DSC	Overall linkage to DPP MTEF on target 01, subvote 1003 (Note: more explicit introduction of the urban policy needed for next MTEF)
4.2 If found feasible and desirable to develop a UDP (then undertake following activities)		
4.3 Preparation of UDP Concept Note/Strategy		
4.4 Establish a National Technical Working Group		
4.5 Prepare Terms of Reference and awarding contract for consultancy		
4.6 Consult with Local, Regional and National level institutions		
4.7 Circulate the draft to Ministries for comment		
Refer to Cabinet Secretariat and gain receipt of approval.		

3.5 Activities related to Output 5) Capacity of national agencies to serve LGAs enhanced

Activities	MTEF responsible	Linkage to 2005/6 MTEF
5.1 Update capacity building analysis against mandates for key anchor institutions.	Lead role is DLG with collaboration of all but especially DSC	not on current DLG MTEF PMO-RALG –DSC target 01, activities 01-04 subvote 2003
5.2 Review and prepare measures to meet the preconditions for effective capacity building to take place.		
5.3 Develop capacity building plan related to the task of serving the LGAs within urban environment and integrate this into the overall institutional capacity and performance improvement initiatives.		
5.4 Ensure funds are available for the long term routine training and capacity building needed to perpetuate relevant services to the LGAs.		

3.6 Activities related to Output 6) National bodies responsible for the UDP are providing LGAs with appropriate and updated policy support

Activities	MTEF responsible	Linkage to 2005/6 MTEF
6.1 Develop and adjust a demand based response mechanism for national bodies to respond to LGAs	Lead role is DLG with collaboration of all but especially DSC (capacity building) and DPP (policy)	not on current DLG MTEF
6.2 Undertake capacity building and other services as demanded by the LGAs		
6.3 Adjust and update the UDP as and when required.		

3.7 Implementation plan

An outline implementation plan is shown below. This plan will be translated into 3 year MTEFs for each involved institution.

Outputs	2006/7				2007/8				2008/9				2009/10			
	qtr1	qtr2	qtr3	qtr4	qtr1	qtr2	qtr3	qtr4	qtr1	qtr2	qtr3	qtr4	qtr1	qtr2	qtr3	qtr4
1 Consolidation of framework			■	■												
2 UDEM coordination platform			■	■	■	■										
3 Harmonise existing laws			■	■	■	■	■									
4 UDP		■	■	■	■	■	■	■	■	■						
5 Capacity building					■	■	■	■	■	■	■	■	■	■	■	■
6 Institutionalisation															■	■

4 Institutional arrangements

4.1 Principles

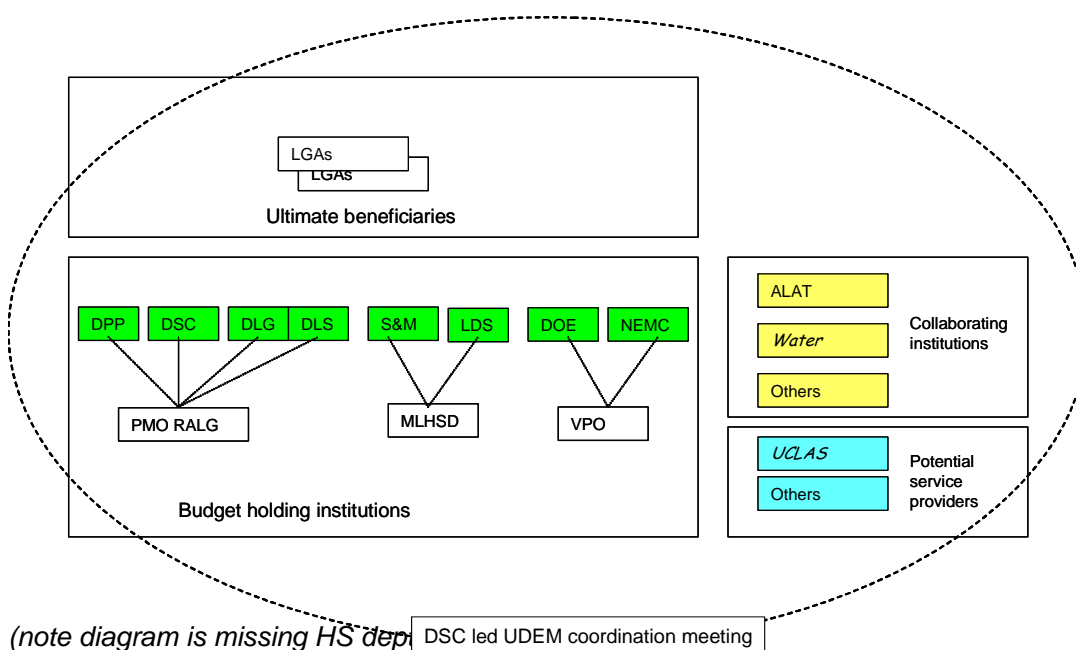
The key principle are that the institutional arrangements should:

- Follow the functional logic of the GoT institutional set up, avoiding parallel decision making
- Develop a partnership dialogue between donors and implementing agencies that is open to newcomers
- Report based on annual workplan system of the government

4.2 Involved institutions

Figure 4.1 illustrates the key institutions that have a national mandate for the area of work described under the objectives and outputs. Some institutions are budget holding and others will serve a collaboratory or service provision role.

Figure 4.1 Institutions involved and their roles



The mandates of the involved institutions are summarized as follows:

PMO-RALG	Coordinates the local government sector and is the key body for reform of LGAs and provision of both support and supervision.
DPP	Leads policy initiatives and coordinates the various policy content providers, manages the approval procedures
DSC	Coordinates the relationship with other line ministries, through its environment sub-directorate is directly responsible for urban affairs
DLG	Has the substantial relationship with the LGAs and coordinates the relationships with the LGAS
DLS	Provides specialist legal services
MLHSD	Responsible for land use planning for human settlements, core responsibilities include policy and guidance on housing, land use, physical planning, mapping, valuation and registration.
S&M	Responsible for mapping and survey support to LGAs and for approval of physical plans

HS	Responsible overall for the human settlements policy
LDS	Responsible for monitoring of compliance and awareness raising on land laws, supports land management, registration and valuation.
VPO	Overall responsible for environmental affairs (amongst other tasks)
DOE	Preparation and monitoring of the national environmental action plan
NEMC	Enforcement, compliance, review and monitoring of environmental impact assessment and facilitation of public participation in environmental decisions.
ALAT	Represents the interests of the local government authorities at national level
Line ministries e.g. Water	Policy, guidance and regulatory services in their respective areas (implementation generally devolved to LGAs or the private sector)
Service providers e.g. UCLAS	Training and capacity building of LGAs and national institutions.

The role of the institutions in the achievement of the outputs of the UDEM framework is illustrated in figure 4.2.

Figure 4.2 Roles of the involved institutions in the achievement of outputs

Outputs	PMO-RALG				MLHSD			VPO	
	DPP	DSC	DLG	DLS	S&M	HS	LDS	DOE	NEMC
1) consolidation of the framework – insertion of the framework in workplans and vice-versa, capacity building strategy	C	BH ▲	C	C	C	C	C	C	C
2) Strengthening of an operational platform that can coordinate and enhance all national efforts	C	BH ▲	C	C	C	C	C	C	C
3) Harmonisation of existing laws, guidelines and strategies in the short term	C	BH ▲		BH	BH	BH	BH	BH	BH
4) Development of an Urban Environmental Policy in the medium term	BH ▲	BH		BH	BH	BH	BH	BH	BH
5) Implementation of the capacity building strategy in the medium term		C	B ▲	C	C	C	C	C	C
6) Development of sustainable long term responsiveness to LGAs			B ▲	C	C	C	C	C	C

BH = budget holding; C= collaborator, Triangle = lead institution

4.3 Decision making mechanisms

The decisions mechanisms that will govern the UDEM framework are essentially the normal government routines. That is to say the Permanent Secretary of the three involved ministries will approve the 3 year rolling MTEF work plans and budgets as well as the annual work plan and budget of each directorate. The eight directorates will then on the basis of approved annual work plans direct the staff and resources under their command to achieve the targets indicated. The office of the PS of each ministry holds a number of coordinating meetings throughout the year among the directors and also bilaterally where decision are taken on matters that have arisen. The

directors normally have monthly and even weekly management meetings where the day to day management is organized. At the highest level the PSs are held accountable by the ministers. In the case of the NEMC the directors report to the director general who then reports in turn to the council.

As UDEM is an activity area that cuts across many institutional boundaries a special coordination is needed outside the formal line ministry structure. This is already provided for in the mandate of the DSC which was created especially to provide such coordination. Thus the work plan and operating modality of the DSC allows it to call for UDEM coordination meetings (the platform mentioned in output 2) to ensure coordination across the ministries. One of the most important tasks of these coordination meetings will be to ensure that the MTEF and workplans of each directorate adequately reflect the UDEM tasks. Once this is done, the normal ministerial accountability chains will come into function to ensure the tasks are done. In practice, matters do not always proceed as smoothly as this in part due to capacity and resource constraints. These constraints are part of the reason why external support will be sought.

4.4 Partnership dialogue

Apart from the government decision making structures which will take the main managerial role there will be a need to have a frequent dialogue with external development partners to ensure that common goals are being met and to ensure continued and even increased support.

The most convenient means of providing the dialogue is via the proposed DSC lead UDEM coordination meetings. An extraordinary meeting twice a year could be held where development partners are invited and the agenda devoted to partnership issues. Typically a meeting around September could be held to discuss the audit report, annual progress report and budget turnouts of the last financial year with the intention of confirming the future years budget contribution. A second meeting in March could be a more technical meeting devoted to looking at progress just after the half year mark and discussing in depth topical thematic issues. In time these special partnership meetings may evolve into an joint GoT-DP annual sector review as happens in other sectors.

The donors will be asked to select a lead donor as the point of liaison.

5 Budget and Funding

5.1 Channelling of funds

Government funds

Government funds are channelled along the lines explained in section 4.3. The sequence follows roughly the following lines.

- Internal budget draft at director level – October
- Internal budget discussion and contesting and revision at ministerial level – November
- Draft budget submitted to MOF – January quarter
- Budget discussion, contesting and revision at MOF level – January quarter
- Final budget approved – April quarter
- Six monthly transfers – from July onwards

Votes for non-wage recurrent and development budgets are assigned at ministerial level with specific budget holding responsibility at directorate level. Wage recurrent budgets are paid as salaries directly through the treasury function. Individual activity lines are costed against sub-votes

in the approved MTEFs. A director, using approved government procurement procedures may spend up to the ceiling on activities that are approved in the annual work plan and budget.

Counterpart funds are allocated to particular directors and earmarked to particular sub-votes where external funds are co-financing activities.

The key activity is the success or otherwise of a) contesting the budget during internal ministerial discussions and b) contesting the budget during discussions with the MoF. In both cases the presence of convincing work plan that clearly show the adherence to national priorities as well as evidence of past success in achieving results are the most convincing evidence in such discussions.

External funds

There 3 options for channeling of external funds that have been discussed:

Provision of in-kind assistance i.e. a project set up provides consultancy inputs and purchases goods and services as required by the approved workplans and budgets (for those items assigned as being financed externally). Procurement should follow a project designed set up based on government procedures where appropriate.

Transfer to programme specific bank accounts held by each budget holding entity i.e. funds in line with approved workplans and budgets are transferred to a specific bank account. The procurement should follow government systems in order to ensure accountability.

Transfer to treasury as targeted output based budget support i.e. a yearly amount is transferred to the treasury earmarked for the relevant budget holding entities. An attempt is made to trace additionality but the main mechanisms will be the use of an output aid based system i.e. the second transfer is dependent on specific outputs having been reached and no attempt is made to trace how funds have been spent as such.

Each option has its advantages and disadvantages. They are compared in table 5.1 below:

Table 5.1 Pros and Cons of external fund channeling options

Option	Pros	Cons
Provision of in-kind assistance	Simple and uncomplicated Relevant for one-off type of investments which do not have to be internalized Potentially efficient Very strong earmarking	Parallel procurement set up Transaction costs which may not outweigh efficiency Loss of opportunity to strengthen internal systems Loss of opportunity to internalize better understanding for larger government budgets in the future Reduce ownership due to reduced control
Transfer to programme specific bank accounts	Very strong earmarking Does not suffer from any of the problems facing transfer of government funds (delays) Swift procurement modalities can be used	Complicated for the budget holding institutions Extensive controls are needed as there is no ready made accountability system
Targeted output based budget support	Strengthens internal systems Internalizes control over the funds and thus ownership Improves ability to contest future	Could be very cumbersome particularly in the first year or two before the system becomes familiar Difficult to devise suitable output

Option	Pros	Cons
	budget increases of own funds	measuring points Earmarking weak

The analysis is fairly evenly balanced in that each option has a spread of pros and cons.

The long term view would favour the targeted output based budget support.

It is thus recommended to adopt this option but in the first year to also make provision for the first option (provision of in-kind assistance) in order to be able to rush through vital procurements in case of delays in getting the systems to work. A common fund might in any circumstance be needed to procure international consultants whose work would cross over institutional boundaries.

What ever option or combination of options is chosen, a common fund between all donors should be set up as the preferred solution for pooling funds prior to onward channelling (even if just notionally in accounting terms). If donors cannot allow this, they can select between the modality of in-kind delivery either directly (e.g. consultants from UN-habitat) or via a common project set up that is capacitated to provide the delivery. Tanzania has developed a number of common funds as part of the LGRP and other efforts and these modalities could be used depending on what the donors find most suitable.

5.2 Budgets

5.2.1 Budget estimates

The budget estimates are shown in detail in annex A. A summary of the main requirements per year, divided into different budget types and per budget holding entity are given in tables 5.1 to 5.3 below.

Table Budget summary per year against output areas

	2006/7	2007/8	2008/9	2009/10	Total
Output					
1 Consolidation of framework	183,000	0	0	0	183,000
2 UDEM coordination platform	19,000	2,000	2,000	2,000	25,000
3 Harmonise existing laws	0	196,000	30,000	0	226,000
4 UDP	0	0	191,000	15,000	206,000
5 Capacity building	22,500	22,500	102,500	22,500	170,000
6 Institutionalisation	0	0	0	45,000	45,000
Total	224,500	220,500	325,500	84,500	855,000

Table Budget summary by budget type against output areas

	TA	Recurrent	Develop.	Total
Output				
1 Consolidation of framework	173,000	10,000	0	183,000
2 UDEM coordination platform	12,000	8,000	5,000	25,000
3 Harmonise existing laws	136,000	90,000	0	226,000
4 UDP	186,000	20,000	0	206,000
5 Capacity building	80,000	90,000	0	170,000
6 Institutionalisation	0	45,000	0	45,000
Total	587,000	263,000	5,000	855,000

Table Budget summary by budget holding entity

Budget holding entity	2006/7	2007/8	2008/9	2009/10	Total
DSC					
DLP					
DLG					
DLS					
M&S					
HS					
DLS					
DOE					
NEMC					
Common fund for int. Consultants					
Total					

These budgets represent the total funding required. In addition it is assumed in the budget breakdowns that the common fund will provide the services of an international adviser to the UDEM framework as has been provided to the UASU thus far. The inputs of the adviser and government staff are summarized in Table 5.4.

Table Summary of staff and adviser inputs

	Govt.staff	DSC	DLP	DLG	DLS	M&S	DLS	HS	DOE	NEMC	Adviser
Output	hrs										
1 Consolidation of framework	0										
2 UDEM coordination platform	0										
3 Harmonise existing laws	0										
4 UDP	0										
5 Capacity building	0										
6 Institutionalisation	0										
Total	0										

5.2.2 Volume of Government budgets available

Information not yet complete – Pmo ok / vpo not ok / MLHSD not ok (Work in Progress)

6 Reporting and Monitoring

(2-3 pages)

lines of reporting: internal to each institution and via the NPAC and the UDEM platform: nature of the reporting, frequency, alignment with present reporting practice. downward accountability to LGAs, horizontal accountability to other partner institutions.

Monitoring: indicators - , overall for the UDEM but use internal institution based indicators if they are in place or likely to be in order to align to the central implementing agencies.

*table of contents for the inception report **WORK IN PROGRESS***

ANNEXES

A Budget Details

It is assumed in all these budget breakdowns that the common fund will provide the services of an international adviser to the UDEM framework as has been provided to the UASU thus far. Each output area puts an estimate of the inputs of the adviser adding up to 1650 hours per year.

*excel sheets to be placed here. **WORK IN PROGRESS***

B Bibliography

UASU, National framework for urban development and environmental management (UDEM) in Tanzania, Volume 1, Summary of Background Analysis April 2006, (19pp)

UASU, National framework for urban development and environmental management (udem) in local government authorities in Tanzania, Summary of proposed framework, 25 January 2006, (36pp)

UASU, Summary draft concept paper of the UDEM, August 2005 (8pp)

UASU, UDEM framework design 19 April 2006 (37pp)

UASU, UDEM Vol 1 Draft background analysis, February 2006 (125pp)

UASU, Options and Issues for LGA financing modalities, August 2008 (PEMconsult)

UASU, minutes of the NPAC committee January 2006 (10pp)

UASU, Powerpoint of UDEM framework design, April 2006

Comparative Analysis of Decentralisation in Kenya, Uganda, Tanzania, country study Tanzania, August 2004 (180pp)

SCP, Zanzibar Workshop, March 2006 (18pp)

MLHHSD, National Human Settlement Development Policy, 2000, (115pp)

URT, JAS, March 2006 (36pp)

Prime Ministers Office, Letter to Ministry of Finance concerning allocation of funding, 10 April 2006

Prime Ministers Office, Letter to Ministry of Lands, Housing and Human Settlements Development, 10 April 2006

Annex D: Simulation of UDEM Grant Allocation

Calculations based on average 1 USD per capita & Formula applied-> population 70%, poverty 30% and land area 0%

			Allocation Factor	Allocation Factor	Allocation Factor	Relative share	Relative share	Relative share	UDEM Formula-based total
Vote ID	Council	Type	POP 2005	POV 2005	LAND AREA	POP 2005	POV 2005	LAND AREA	6,395,125
702001	Arusha	Municipal Council	306,825	56,763	604	0.04798	0.03963	0.04949	297,100
712023	Kibaha	Town Council	59,038	23,143	362	0.00923	0.01616	0.02966	81,000
722003	Dodoma	Municipal Council	351,718	75,619	2576	0.05500	0.05279	0.21106	448,700
732004	Iringa	Municipal Council	115,896	18,080	162	0.01812	0.01262	0.01327	105,800
742005	Kigoma/Ujiji	Town Council	157,175	48,724	128	0.02458	0.03401	0.01049	160,200
752009	Moshi	Municipal Council	156,676	41,206	58	0.02450	0.02877	0.00475	149,500
762006	Lindi	Town Council	44,753	14,948	252	0.00700	0.01044	0.02065	57,900
772011	Musoma	Town Council	117,514	52,294	28	0.01838	0.03651	0.00229	152,300
782007	Mbeya	Municipal Council	289,368	43,405	185	0.04525	0.03030	0.01516	260,700
792008	Morogoro	Municipal Council	248,331	50,163	260	0.03883	0.03502	0.02130	241,000
802010	Mtwara/Mikindani	Town Council	100,409	32,030	163	0.01570	0.02236	0.01336	113,200
812012	Mwanza	City Council	517,186	239,457	986	0.08087	0.16717	0.08079	682,700
822015	Songea	Town Council	142,578	40,777	394	0.02229	0.02847	0.03228	154,400
832013	Shinyanga	Municipal Council	146,569	23,744	548	0.02292	0.01658	0.04490	134,400
842014	Singida	Town Council	125,138	37,792	93	0.01957	0.02638	0.00762	138,200
852017	Tabora	Municipal Council	204,840	35,437	1971	0.03203	0.02474	0.16149	190,900
862018	Tanga	Municipal Council	264,369	49,701	209	0.04134	0.03470	0.01712	251,600
862025	Korogwe	Town Council	45,830	8,616		0.00717	0.00601	0.00000	43,600
872002	Bukoba	Municipal Council	88,109	14,538	80	0.01378	0.01015	0.00655	81,100
882019	Ilala	Municipal Council	691,780	121,753	208	0.10817	0.08500	0.01704	647,300
882020	Kinondoni	Municipal Council	1,180,974	207,851	501	0.18467	0.14510	0.04105	1,105,100
882021	Temeke	Municipal Council	837,263	147,358	684	0.13092	0.10287	0.05604	783,400
882022	Dar es Salaam	City Council	0	0	0	0.00000	0.00000	0.00000	0
892016	Sumbawanga	Town Council	159,991	41,118	1753	0.02502	0.02870	0.14363	167,100
952024	Babati	Town Council	42,795	7,917		0.00669	0.00553	0.00000	40,600
			6,395,125	1,432,434	12,205	1.00000	1.00000	1.00000	6,487,800

Possible need for special arrangements for DSM whereby DSM municipalities receive 2/3 of their formula-based allocation & 1/3 is assigned DSM CC to cater for City Council funding needs.

Annex E: Proposed Minimum Conditions for the UDEMG

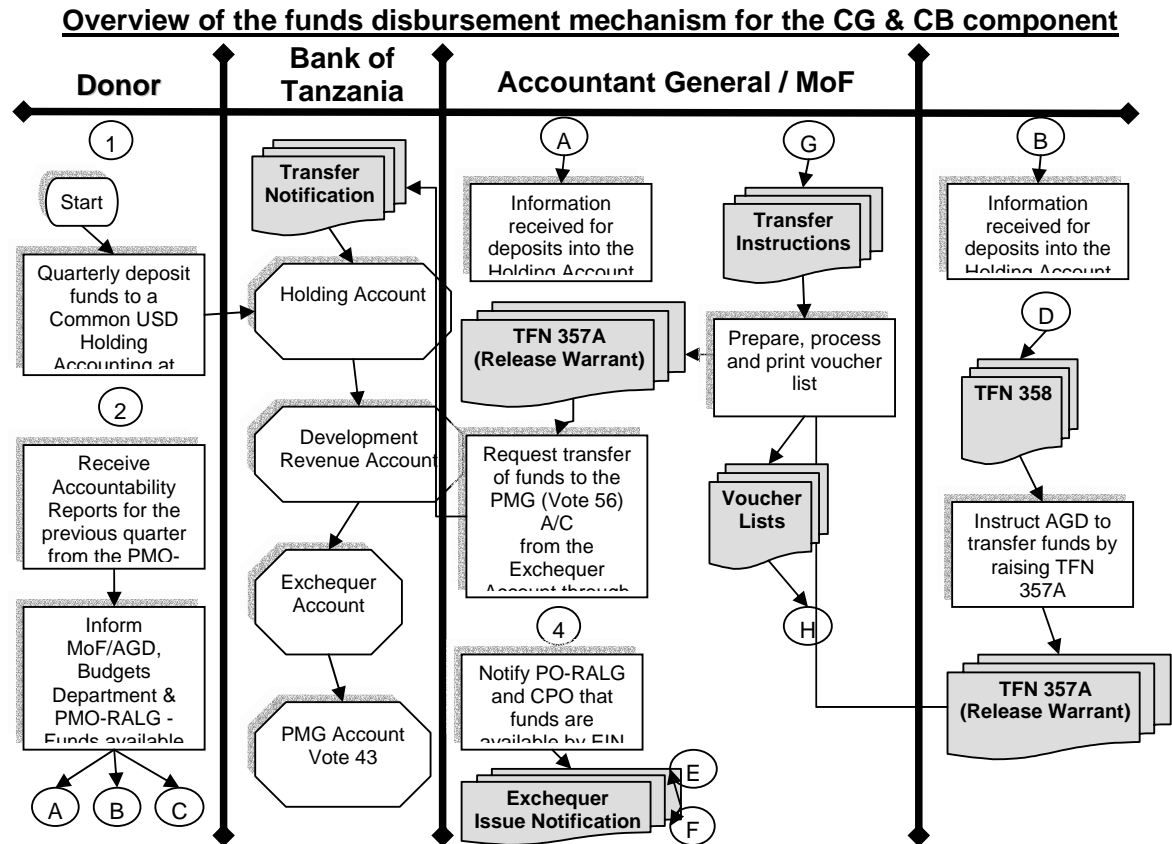
	Functional Area	Indicators For Minimum Conditions	Source of Information & Assessment Procedures	Level
1.	Qualification for LGCDG	Evidence of receipt of CBG & CDG under the LGCDG system	Review records from Council, LGRP & LGSP for evidence of qualification and satisfactory performance	Primary
2.	Designation of Focal Person to Coordinate UDEM activities in the LGA	Availability of <u>full time</u> officer responsible for coordination of urban environmental management issues	Obtain letters from Council & DoE to confirm designation	Primary
3.	Plan and Budget for participatory preparation/updating of LGA's Environmental Profile (EP) as starting point for the Environmental Planning and Management (EPM) process.	Availability of Plan and Budget covering all the issues as per guidelines	Review documents in Council for physical evidence of the plan and budget approved by Council	Primary
4.	Capacity Building Plan for UDEM which refers to specific skills, short-term consultancies, workshops, tooling and re-tooling, travelling and other expenses relevant for accomplishment of the essential steps of the EPM process	Plan in place	Obtain the documents from Council with TNA, hardware & software needs and corresponding budgets	Primary

Annex F: Performance Measures for UDEMG

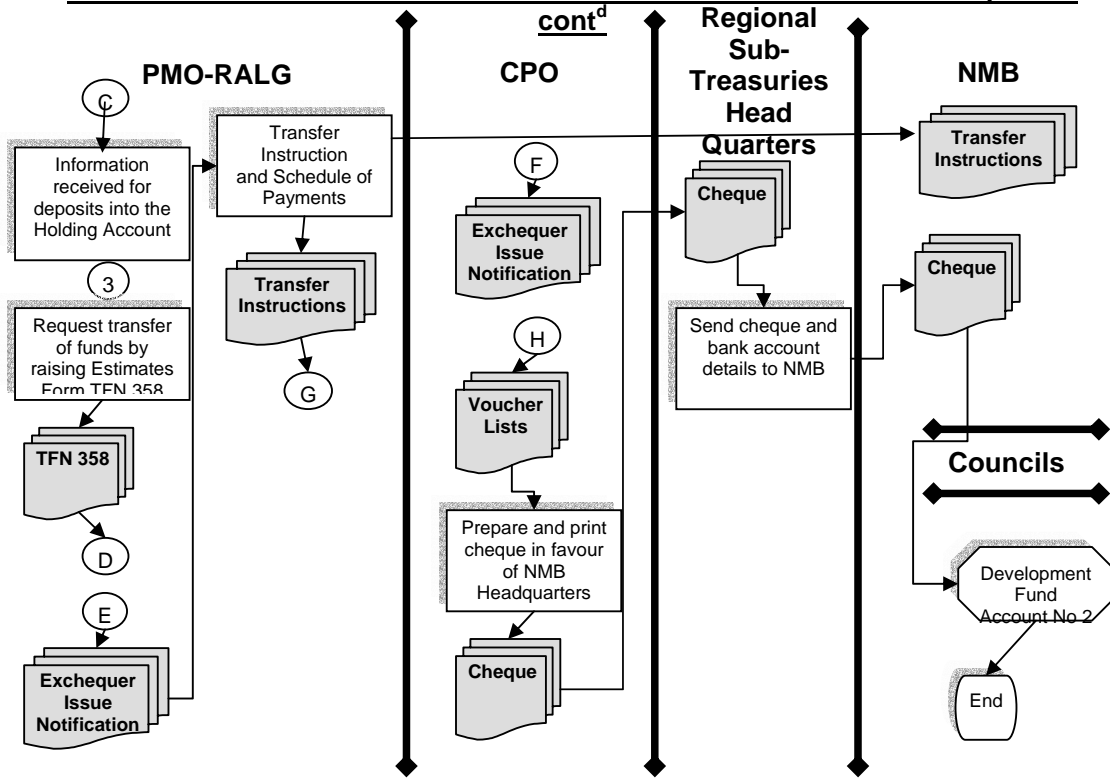
	Functional Area	Indicators For Performance Measures	Source of Information & Assessment Procedures
1.	Preparation the LGA Environmental Profile	Existence of Environmental Profile prepared according to the guidelines provided by PMO-RALG	Inspection of LGA records and documents for physical evidence of both the process and outputs
2.	Organisation and Conducting Annual and Mini-Consultations	Number of Annual and Mini-Consultations on UDEM held according to the guidelines provided by PMO-RALG	Physical inspection of LGA records for minutes, reports, budgets and other documents; interviews with key personnel in LGA area, PMO-RALG, etc
3.	Establishment and Supporting the Working Group Process	Number of operational Working Groups established and supported by the LGA system according to the guidelines from PMO-RALG	Assessment of LGA documents such as committee/ council minutes, budgets, working group minutes/reports, physical infrastructure, interviews with WG members, Community, LGA staff, PMO-RALG
4.	Formulation of Issue-Specific Strategies and Action Plans	Number of Issue-Specific Strategies and Action Plans in existence prepared according to guidelines from PMO-RALG	Check LGA for supporting reports, documents and budgets. Conduct interviews with relevant people in LGA, PMO-RALG, Consultants
5.	Implementation of UDEM Investments	Number of eligible investments completed and/or in progress implemented in line with PMO-RALG guidelines	Inspection of council minutes, budgets, accounts, technical reports, progress reports. Physical inspection of investments, interviews with initiators, implementers and beneficiaries
6.	Institutionalisation of the EPM Process in the LGA	Number of UDEM activities arising from the EPM process going through Council Standing Committees and included on Council's budget	Review LGA records for WG activities, minutes of Council Standing committees & full Council, Council budget & accounts, records to see UDEM issues funded from other council sources such as LGCDG etc, conduct face to face interviews
7.	Building and Utilisation of Environmental Management Information Systems	Existence of an operational EMIS supporting the implementation of UDEM established and operated according to guidelines provided by PMO-RALG	Check LGA for WG & Council activities supported by the EMIS, Look for physical evidence of operational EMIS hard/software infrastructure, interviews with stakeholders & PMO-RALG
8.	Streamlining of Gender Responsiveness, HIV/AIDS & Poverty Reduction in UDEM	Number of UDEM activities incorporating Gender, HIV/AIDS & Poverty Reduction in comparison to the total number of UDEM initiatives in the LGA	Review LGA technical reports, proceedings, budgets, accounts for evidence; Conduct interviews with strategic stakeholders & experts; consult with PMO-RALG & other relevant GoT institutions; check for relevant physical evidence
9.	Preparation and Implementation of Strategic Urban Development Plan	Number of steps accomplished of the SUDP preparation process in compliance with national guidelines provided through PMO-RALG and number of strategic issues implemented from the strategy	Inspection of LGA records to review reports, proceedings, minutes, products, maps, documents Interviews with key stakeholders, technocrats, relevant GoT institutions

	Functional Area	Indicators For Performance Measures	Source of Information & Assessment Procedures
	(SUDP)		Physical inspection of results of implementation of strategy
10.	Monitoring and Evaluation of impact of UDEM	Existence of operational M&E mechanisms consistent with guidance provided by PMO-RALG	Onsite inspection of LGA records, minutes, proceedings, progress reports Interviews with LGA personnel, stakeholders, consultants, PMO-RALG

Annex G: Mechanisms for Disbursement of the UDEM Grant to LGAs



Overview of the funds disbursement mechanism for the CG & CB component



Annex H: Budget Simulation Tables

OVERALL UDEM CAPITAL AND CAPACITY BUILDING GRANTS BUDGET (Includes of townships)						
Assumptions						
1. Development and CBG under UDEM are operational from FY 2007/08						
2. Grants are financed through programme modality for 3 years prior to full integration/budget support						
3. Budget for UDEMG in all formal urban LGAs if 1 USD per capita if all qualify					(USD '000)	6,500
4. Budget for UDEMG in all Townships LGAs if 1 USD per capita if all qualify					(USD '000)	1,200
5. Number of formal LGAs (municipalities, TCs and cities) eligible for average CBG per LGA per year of 25000)						25
6. Number of townships eligible for average CBG of 12,000 per year						78
	FY2006/07	FY 2007/08	FY 2008/09	FY 2009/10	Total	
Assumptions regarding number of LGAs that will qualify						
Municipalities, cities and Town councils that qualify for UDEM capital grant	0%	60%	75%	90%		
Townships that qualify for UDEM Capital grant	0%	20%	40%	60%		
Municipalities, cities and Town councils that qualify for UDEM capacity building	0%	70%	90%	100%		
Townships that qualify for UDEM capacity building	0%	40%	60%	80%		
BUDGET Implications of the above (USD)						
Capacity Building Grant	-	812	1,124	1,374	3,310	
Capital Grant	-	4,140	5,355	6,570	16,065	
Total annual grant	-	4,952	6,479	7,944	19,375	
CBG of total Grants in %	na	16.4%	17.3%	17.3%	17.1%	

All Figures are nominal, population growth rate is not factored in.

OVERALL UDEM CAPITAL AND CAPACITY BUILDING GRANTS BUDGET(Includes Townships- for Capacity Building only)						
Assumptions						
1. Development and CBG under UDEM are operational from FY 2007/08						
2. Grants are financed through programme modality for 3 years prior to full integration/budget support						
3. Budget for UDEM CG in all formal urban LGAs if 1 USD per capita if all qualify					(USD '000)	6,500
4. Budget for UDEM CG in all Townships LGAs if 1 USD per capita if all qualify					(USD '000)	1,200
5. Number of formal LGAs (municipalities, TCs and cities) eligible for average CBG per LGA per year of 25,000						25
6. Number of townships eligible for average CBG of 12,000 per year						78
	FY2006/07	FY 2007/08	FY 2008/09	FY 2009/10	Total	
Assumptions regarding number of LGAs that will qualify						
Municipalities, cities and Town councils that qualify for UDEM capital grant	0%	60%	75%	90%		
Townships that qualify for UDEM capital grant	0%	0%	0%	0%		
Municipalities, cities and Town councils that qualify for UDEM capacity building	0%	70%	90%	100%		
Townships that qualify for UDEM capacity building	0%	40%	60%	80%		
BUDGET Implications of the above (USD)						
Capacity Building Grant	-	812	1,124	1,374	3,310	
Capital Grant	-	3,900	4,875	5,850	14,625	
Total annual grant	-	4,712	5,999	7,224	17,935	
CBG of total Grants in %	na	17.2%	18.7%	19.0%	18.5%	
All Figures are nominal, population growth rate is not factored in.						

OVERALL UDEM CAPITAL AND CAPACITY BUILDING GRANTS BUDGET(Excludes Townships)					
Assumptions					
1. Development and CBG under UDEM are operational from FY 2007/08					
2. Grants are financed through programme modality for 3 years prior to full integration/budget support					
3. Budget for UDEM CG in all formal urban LGAs if 1 USD per capita if all qualify				(USD '000)	6,500
4. Budget for UDEM CG in all Townships LGAs if 1 USD per capita if all qualify				(USD '000)	1,200
5. Number of formal LGAs (municipalities, TCs and cities) eligible for average CBG per LGA per year of 25000)					25
6. Number of townships eligible for average CBG of 12,000 per year					78
	FY2006/07	FY 2007/08	FY 2008/09	FY 2009/10	Total
Assumptions regarding number of LGAs that will qualify					
Municipalities, cities and Town councils that qualify for UDEM capital grant	0%	60%	75%	90%	
Townships that qualify for UDEM capital grant	0%	0%	0%	0%	
Municipalities, cities and Town councils that qualify for UDEM capacity building	0%	70%	90%	100%	
Townships that qualify for UDEM capacity building	0%	0%	0%	0%	
BUDGET Implications of the above (USD)					
Capacity Building Grant	-	438	563	625	1,625
Capital Grant	-	3,900	4,875	5,850	14,625
Total annual grant	-	4,338	5,438	6,475	16,250
CBG of total Grants in %					
	na	10.1%	10.3%	9.7%	10.0%

All Figures are nominal, population growth rate is not factored in.