



**THE UNITED REPUBLIC OF TANZANIA**

**LOCAL GOVERNMENT DEVELOPMENT GRANT SYSTEM**

**MANUAL FOR THE ASSESSMENT OF COUNCILS AGAINST MINIMUM  
CONDITIONS AND PERFORMANCE MEASUREMENT CRITERIA**

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# LOCAL GOVERNMENT DEVELOPMENT GRANT SYSTEM

## ASSESSMENT MANUAL

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## LIST OF ABBREVIATIONS

ALAT	Association of Local Authorities Tanzania
ASDG	Agriculture Sector Development Grant
A-CBG	Agricultural Capacity Building Grant
AT	Assessment Team
CB	Capacity Building
CBG	Capacity Building Grant
CCHP	Comprehensive Council Health Plan
CD	Council Director
CDG	Council Development Grant / Capital Development Grant
CHRO	Council Human Resource Officer
CMT	Council Management Team
CSO	Civil Society Organizations
CT	Council Treasurer
CTB	Council Tender Board
DADG	District Agricultural Development Grant
DADP	District Agriculture Development Plan
DALDO	District Agriculture and Livestock Development Officer
DED	District Executive Director
DP	Development Partners
DWSP	District Water Sanitation Plan
EBG	Extension Block Grant (Agriculture)
ESDG	Education Sector Development Grant
FY	Financial Year
GoT	Government of Tanzania
HLG	Higher Level (Local) Government
HRD	Human Resource Development
HSDG	Health Sector Development Grant
IPF	Indicative Planning Figures
LG	Local Government
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGDG	Local Government Development Grant
LAFM	Local Authorities Financial Memorandum
LGRP	Local Government Reform Programme
LGSP	Local Government Support Project
LLG	Lower Local Government
MC	Municipal Council
MCs	Minimum Conditions
MKUKUTA	Kiswahili acronym for National Strategy for Growth and Reduction of Poverty (NSGRP)
MoFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
O&OD	Opportunities and Obstacles to Development

PM	Performance Measures
PMO	Prime Minister's Office
PMO-RALG	Prime Minister's Office- Regional Administration and Local Government
PMU	Procurement Management Unit
RAS	Regional Administrative Secretary
RS	Regional Secretariat
RWSSP	Rural Water Supply and Sanitation Project
TEC	Technical Evaluation Committee
WEO	Ward Executive Officer
WSDG	Water Sector Development Grant

# ASSESSMENT PROCESS, ORGANISATION AND MANAGEMENT

## 1. Introduction

This manual has been produced to facilitate the efficient and effective operation of the Local Government Development Grant (LGDG), heretofore known as the Local Government Capital Development Grant (LGCDG), system assessment process and to ensure that all councils are aware in advance of the process and are able to maximise their grants from the system.

The targeted users of the manual are:

- The management and staff of the councils, so that they are fully informed as to the assessment process and the criteria against which they will be judged.
- The Councillors, so that they are aware of the assessment process and criteria and can ensure that management actively works to maximise grants received from the system.
- Councillors and officers at the Ward, Village and Mtaa level so that they may carry out their roles effectively.
- The citizens, so that they may hold their Councillors and Council Management Teams accountable for failure to meet assessment criteria.
- Officers from Prime Minister's Office - Regional Administration and Local Government (PMO-RALG) and the Regional Secretariats so that they can manage the assessment process effectively.
- Officers in Sector Ministries, so that they may understand the system and see where their programme conditions fit within the whole system or, where not integrated, how they can be brought into the assessment process.
- Those carrying out the assessment, so that a uniform approach is carried out across the local government authorities.

The Assessment Manual will be continually refined, to reflect experience and the increasing integration of sector-specific funds and sources of development finance.

### 1.1 Background to the Assessment

The Government of Tanzania (GoT), through PMO-RALG, has implemented the LGDG System which provides discretionary and sector-specific development funds to local government authorities and will, over time, become the mechanism through which all development funds will be transferred to Local Government Authorities (LGAs).

The overall objectives of the LGDG system are to:

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

The LGDG funds will flow to local government authorities through Council Development Grants (CDGs), previously known as the Capital Development Grants (CDGs) and Capacity Building Grants (CBGs), as well as sector specific grants integrated into the system.

The government wishes to establish a link between the financing of local government authorities and their performance in key areas of financial management, participatory planning, pro-poor budgeting, budget execution and the broader areas of local governance including gender, transparency and accountability, council functional processes and the involvement of Lower Local Governments (LLGs) and communities.

The link first and foremost, seeks to promote compliance with national policies, and legal and regulatory frameworks. Secondly, it introduces an incentive system that allows for adjustment of the annual grant allocations to each LGA depending on their performance against a set of performance indicators designed to encourage LGAs to comply with policy guidelines and regulations aimed at improving the quality of services and promoting good governance.

Currently, the LGDG system is jointly financed by the Government of Tanzania, World Bank, and some bi-lateral development partners through basket funding arrangements. All funds, however, flow to LGAs through the Consolidated Fund in the Ministry of Finance and Economic Affairs (MOFEA). The system is expected to be absorbed and fully integrated into the Government Budget by 2013.

All LGDG funds are distributed to the participating LGAs on formula-based criteria.

### **1.2 Objectives of the Minimum Conditions and Performance Measures**

Before the LGAs fully access the LGDG system funds, they are required to meet a set of minimum requirements that ensure that funds transferred to them are properly used and in compliance with the laid down GoT statutory and administrative requirements. These Minimum Conditions (MCs) are derived from laws, regulations and guidelines including among others, the Local Governments Acts 1982, Local Authority Financial Memorandum, 1997, and the Public Procurement Regulations, 2005.

The MCs, while seeking to ensure sufficient safeguards for the utilisation of the grant funds, are also designed to promote compliance with the basic statutory and regulatory requirements for local government operations. These minimum conditions are mainly quantitative (usually in the form of Yes/No questions) and are simple to evaluate during an assessment process. These MCs are necessary to ensure that the funds are used effectively, efficiently, sustainably and with integrity.

In addition to the MCs, a set of performance indicators are used to provide incentives for performance improvement by rewarding good performance and penalizing poor performance. Unlike the MCs, the Performance Measures (PMs) are more qualitative and seek to evaluate the performance of the LGA in key functional areas such as financial management, fiscal capacity, development planning, transparency and accountability, interaction with Lower Local Governments (LLG), human resource development, procurement, project implementation, and council functional processes. The performance measures aim to provide incentives for improved local government performance and to stimulate the demand for capacity building support.

### **1.3 Access to CDG/CBG under the LGDG system**

The determination of the LGAs that will access LGDG resources follows a two-step process as follows:

**1) An on-site review of the LGAs' capacity** in the key areas formulated into Minimum Conditions that provide safeguards for the utilisation of the grant funds and to ensure compliance with statutory and regulatory prescriptions for LGA operations. Those councils that meet the minimum access conditions are entitled to receive both the discretionary and the sector-specific CDG and CBG amounts, with the exact amount to be determined based on their assessment score received based on the performance measures.

Councils that fail to meet the minimum conditions for the CDG in a specific year shall be entitled to receive 25% of their discretionary CDG amounts, 50% of their sector-specific CDG amounts and 100% of the CBG amounts, but will be subject to strict oversight by PMO-RALG and the Regional Secretariats as outlined in section 3. All councils will be entitled to receive the CBG provided they have a capacity building plan and have properly accounted for previous CBG disbursements.

**2.) The second step is an on-site review of the performance improvements** using indicators to measure LGA performance against pre-determined performance indicators. This Performance Assessment system is linked to an incentive structure so that good performance is significantly rewarded. The performance score determines the annual grant size available to the council in the coming year.

### **1.4 Objectives of the Assessment System**

The objectives of the assessment of Minimum Conditions and Performance Measures are to:

- Verify compliance of the Local Governments with the provisions of the laws and national guidelines especially the Local Government Acts 1982, the Local Government Finances Act 1982, the Local Authorities Financial Memorandum 1997, the Local Government Accounting Manual, the Public Procurement Regulations 2005;
- Determine LGA performance and capacity to manage discretionary and sector-specific development funds and therefore calculate the amount of CDG and CBG which a LGA may receive under the LGDG system;
- Identify those LGAs that qualify for receipt of earmarked LGDG sector specific development funding through the LGDG system;
- Provide incentives for LGA's performance through rewarding good performance by local authorities;
- Assist LGAs to identify functional capacity gaps and needs. The assessment results are a major input in the development of an appropriate capacity building plan;
- Improve downward accountability as citizens become more aware of the performance of their LGAs; and
- Review LGAs' use of previous years' discretionary and sector-specific CDGs and CBGs.

### **1.5 Assessment of Minimum Conditions and Performance Measures**

Assessment of the Minimum Conditions and Performance Measures takes place during the second quarter of the Financial Year (Oct—Dec) in order to fit within the planning and budgeting cycle of the LGAs. This will also ensure that most data required verifying compliance with various requirements, is available. These include among others, final accounts, approved plans and budgets, co-funding arrangements, announcement of indicative planning figures (IPFs) for LLG, allocation of funds for Operations and Maintenance (O&M), etc.

The Performance Assessments are based on functional areas used for definition of minimum conditions, but are much more qualitative to allow for a more specific performance measurement.

There should be a clear link between the Performance Assessment and the use of the CBG. The Performance Assessment defines performance gaps that LGAs should address with the help of the CBG to improve their performance in the areas of local governance, financial management and service delivery.

## **2. The LGDG Assessment Process**

### **2.1 Organisation of the LGDG Assessment Process**

PMO-RALG is responsible for ensuring an objective, independent and transparent LGDG assessment process, providing the guidelines and procedures, technical guidance/assistance and quality control oversight over the annual assessment process.

**The LGDG Assessment includes both an internal assessment exercise by the LGA and an external assessment exercise of the LGA.** The internal and external assessment exercises both undertake an assessment of the LGA capacity to meet the LGDG minimum conditions and to measure the LGA performance against the LGDG performance measures. The internal and external assessment exercises follow the minimum conditions and performance measures as contained in this LGDG Assessment Manual.

**The internal assessment** is conducted annually under the auspices of the Council Management Team (CMT), with the encouragement of the respective RS, to review the key areas elaborated in the LGDG Assessment Manual. This internal assessment, which focuses on both the minimum conditions and the performance measures, should be undertaken in August/September each year. The objective of the internal assessment is to have an annual self-check by the LGA on their compliance to the LGDG compliance to the minimum conditions and performance measures.

The internal assessment report should be tabled to the full council, which should take all necessary action to ensure LGA compliance to the minimum conditions and to maximize LGA performance. The internal assessment report, along with the supporting documentation, will facilitate the external assessment process.

**The external assessment** is conducted under the auspices of PMO-RALG to independently review and assess the key areas elaborated in the LGDG Assessment Manual. The external assessment is implemented by PMO-RALG, with the assistance of independent consultants as needed to bring technical expertise and to ensure the required independence and quality control of the assessment process. The external assessment is conducted on a periodic basis as stipulated by the LGDG Steering Committee, upon recommendation of the LGDG Technical Committee.

The objective of the external assessment is to evaluate each LGA in terms of its ability to meet both the minimum conditions and the performance measures elaborated in this Manual. The performance evaluation results will determine the level of LGDG funding to be received. Those LGAs which meet the minimum conditions and score well on the various performance measures

will receive maximum LGDG funding with those scoring lower on the various performance measures will receive less LGDG funding.

PMO-RALG actively participates in the assessment process, providing qualified and experience staff in the four main disciplinary areas covered by the assessment, namely, (1) financial management, (2) civil engineering and procurement, (3) human resource development and management and (4) planning and economics. PMO-RALG, with the Regional Secretariat, will support and facilitate the LGDG Assessment Teams by providing all centrally/regionally-available information on each LGA such as the LGA manpower, financial, budget and audit reports.

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, and to this end PMO-RALG will contract a consulting firm with demonstrated capacity to provide personnel with relevant expertise, experience and quality control to assist in co-ordinating the assessment exercise and compiling the assessment reports.

Under the close oversight and supervision of PMO-RALG, the Consultants are responsible for the organisation and management of the assessment exercise including the constitution of Assessment Teams (ATs), training and orientation of the teams, travel and other logistics. After the fieldwork, the consultant compiles the final report to present the assessment results and submits it to PMO-RALG for approval process through the LGDG Technical and Steering Committees.

## **2.2 The Assessment Team (AT)**

The objective of the assessment is to determine the capacities and capabilities of the LGAs in the specified functional areas that have been formulated into minimum conditions and performance measures. The functional areas include financial management, procurement, planning and budgeting, human resource management, project implementation, and monitoring and evaluation. The AT is therefore composed of persons with relevant expertise and experience in these areas.

The selection and composition of the ATs ensure that members of the teams are impartial and independent when conducting the assessment. This independence and impartiality could be in terms of geographical and service delivery inclinations. For example no member of the AT should be allowed to assess an LGA located in her/his area of service delivery and no member of the AT should assess an LGA of her/his place of origin or permanent residence.

## **2.3 The External Assessment Process**

### **2.3.1 Training/orientation of the Assessment Team**

The assessment process begins with a two-day orientation / induction of the ATs to brief them on the assessment manual, methodology and reporting guidelines. During the training, the facilitators explain the minimum conditions and performance measures emphasising the difference between the two sets of indicators. They discuss the sources of information to verify each indicator, and outline the assessment procedures and the scoring system and the report format. This is done to ensure a standardised approach in carrying out the assessment interpreting the manual, using the scoring system and reporting the results. The facilitators also take this opportunity to alert the AT members on problems/challenges inherent in the assessment process.

PMO-RALG and the Regional Secretariats will provide a set of available information to the AT. This information will cover the key information sources needed to assess whether an LGA meets the minimum conditions for accessing the CDG and CBG funds. This information would include those on the functional areas of financial management, fiscal capacity, planning and budgeting, procurement and council's functional processes needed for assessing the minimum conditions for the CDG funding and information on capacity building plan and capacity building reporting and accountability needed for assessing the minimum conditions for the CBG funding. The ATs will randomly verify this information during the assessment field work to each LGA.

### **2.3.2 Fieldwork**

The fieldwork in each LGA starts with an introductory meeting with the Council Management Team (CMT), who have been notified in advance of the date of the assessment. The purpose of the meeting is to present the programme for the visit and agree on the list of people to be interviewed and confirm appointments and present the list of documents that the team is going to review so that they are assembled on time and to give the Council team an overview of the assessment, purpose, procedures and outputs.

The AT should prepare a checklist from the manual to be used at the introductory meeting, of all the documents that would be needed for the exercise and people to be met to facilitate the availability of the documents and officers required.

In conducting the assessment the AT is required to review various documents, reports and conduct interviews with key informants. The AT will be responsible for randomly verifying the council information received from PMO-RALG and the RS as well as gathering the first hand information needed to complete the assessment process.

The teams spend about 3 days in each LGA conducting interviews and reviewing documentation. The team gives feed back on initial findings to the council management team meeting (exit conference), for transparency and to check factual accuracy, before leaving the council.

### **2.3.3 The scoring system**

#### **The Minimum Conditions**

In order for a council to access the full amount for the discretionary and sector-specific CDG and CBG it must meet all the minimum conditions for each of these grants. Councils which do not meet the minimum conditions shall be entitled to 25% of the discretionary CDG amount, 50% of the sector specific CDG amounts and 100% of the CBGF amounts, subject to strict oversight by PMO-RALG and the Regional Secretariats as outlined in section 3.

#### **Performance Measurement**

The performance of the council on key functional areas is assessed using the Performance Measurement (PM) indicators elaborated in Part III of the manual. Unlike the MC, the PM indicators are assessed using a scoring system that feeds into an incentive system for rewarding good performance based on assessment of the council's performance on key functional areas.

Table 1 contains the functional areas and their relative weights and scoring to be applied for the performance based incentive scheme.

**Table 1: Performance Measures by Functional Areas**

Functional Area	Total Score
A. Financial Management	10
B. Local Revenue Mobilization	10
C. Development Planning & Budgeting	10
D. Transparency and Accountability	15
E. Interaction between HLG and LLG.	10
F. Human Resource Development	10
G. Procurement	10
H. Project Implementation, Monitoring & Reporting	15
I. Council Functional Processes	10
Total Possible Score:	100

The marks are derived from the performance indicators within functional areas as set out in Part III of this manual.

All councils are entitled to receive 100% of the LGDG monies if they meet the minimum conditions (MC) and perform well against the performance measures (PM). The amount of CDG funding depends on the absolute performance of each council as measured by the scores received under each functional area.

As indicated in Table 2, a council meeting the minimum conditions will receive 100% of the CDG amount if it receives an aggregate score of more than 75 points while obtaining a passing score of 5 in each of the functional areas. A council meeting the minimum conditions will receive 80% of the CDG amount if it receives an aggregate score of between 51-74 points while receiving a minimum passing score of 5 in each of the functional areas. All other councils meeting the minimum conditions will receive 50% of the CDG amount. Councils which did not meet the minimum conditions will receive 25% of the CDG amount, subject to strict oversight by PMO-RALG and the Regional Secretariats serving as the external monitoring agent as outlined in section 3.

**Table 2: Performance-Based CDG Amounts to be received by the Council**

Minimum Conditions	CDG Performance Measures		CDG Allocation to be Received	Performance Status
	Minimum Score in Each Functional Area	Aggregate Score		
Meet CDG Minimum Conditions				
YES	5	≥75	100%	Very Good
YES	5	51-74	80%	Good
YES	≤5	≤50	50%	Poor
NO	N/A	N/A	25%	Failed

As indicated in Table 3, all councils will receive the full Capacity Building Grant. Councils which do not meet the minimum conditions for the CBG, as identified in Part II of this Assessment Manual, will receive 100% of the CBG amount for that financial year, but subject to strict oversight by PMO-RALG and the Regional Secretariats as outlined in section 3.

**Table 3: Capacity Building Grants to be received by the LGA**

LGA Compliance with Minimum Conditions to access CBG	Receives 100% CBG
LGA Non - Compliance with Minimum Conditions to access CBG	Receives 100% CBG with strict oversight by PMO-RALG and the Regional Secretariats as further outlined in Section 3

**2.3.4 Analysis and Report Production**

The analysis of the data on the MCs and the PMs and the compilation of the external assessment report is done through field visits and follows the following guidelines:

1. Information verifying each indicator for MC or PM is obtained either through document review or interview with informants and is recorded in the outline in Annex I, II and III of this manual.
2. At the end of each working day the team holds an internal wrap up meeting to reconcile the various pieces of information received from different sources into a consolidated finding in respect of each of the indicators.
3. The team also discusses and records any key issues or observations that need to be highlighted in the LGA’s final report.
4. At the end of the assessment at each LGA, the team holds a debriefing session with the CMT and council chairman or representative(s) to present its initial findings for transparency and to check the factual accuracy of information received. The team will not however indicate what the overall assessment result is likely to be.
5. On completing the cluster of LGAs assigned to the team, the team leader compiles a council specific report, and agrees on its accuracy and completeness with the team members. All team members should initial the draft report before it is submitted to the overall Team Leader for review and onward transmission to PMO-RALG. A copy of the meeting minutes from the meeting shall be forwarded to RS and to PMO-RALG through the RS.
6. The council specific report should include an analysis of the progress made by the council in addressing the weaknesses identified in the previous assessment.
7. On receipt of all council reports from the sub-team leaders, the overall AT Leader reviews the reports and compiles a synthesis report that covers the results for all the LGAs assessed and submits it to PMO-RALG together with the council specific reports. All minimum conditions and performance measures shall be assessed and included in the final council report with the exception of the results from the CAG Audit Report from the previous FY. The CAG Audit Report results will be included in the final LGDG performance assessment by PMO-RALG, for submission to the LGDG System Steering Committee for approval of the final report.

### **2.3.5 LGDG Approval Process**

Following completion of the initial external assessment process, the various assessment reports (both individual and the national synthesis report) are submitted to PMO-RALG for review. After review and clarification by PMO-RALG, the reports are submitted to the LGDG System Technical Committee for review and discussion, prior to being submitted to the LGDG System Steering Committee for approval. Once the LGDG Steering Committee approves the initial assessment reports, the reports are sent for dissemination of results as provided in Section 2.3.6 below.

The initial performance assessment is based on the minimum conditions and the performance measures, with the exception of the minimum condition regarding the CAG Audit reports from the previous year. These CAG Audit Reports of the previous FY are normally issued in April of the following year. The CAG Audit results are to be incorporated into the final assessment results by PMO-RALG. The final assessment results, incorporating the CAG Audit Reports of the previous year are then submitted to the LGDG Technical Committee for review and discussion, prior to being submitted to the LGDG Steering Committee for final approval.

Councils are provided an opportunity to appeal the assessment results within the time deadlines as provided in Section 2.3.7 below. Final decisions on all appeals shall be made by the LGDG Steering Committee and incorporated into the final assessment results.

The final assessment results, incorporating the CAG Audit Reports and all appeals, shall be disseminated in accordance with the provisions in Section 2.3.6 below.

### **2.3.6 Dissemination of results**

Each assessed LGA is provided with a copy of their council specific external assessment report, as well as a copy of the synthesis report in both English and Kiswahili which they shall table before the council for discussion. A copy of the council minutes shall be sent to PMO-RALG (through the respective RS) to enable release of the CDG.

PMO-RALG shall publish a summary of the initial assessment results (which do not incorporate the CAG audit report of the previous year) as well as the final assessment results (which does incorporate the CAG audit report of the previous year) in a daily newspaper for wide dissemination and awareness creation, as well as publishing them on the PMO-RALG website, through radio and television prior to the inclusion of the results from the CAG Audit reports released normally in April of each year. Councils are required to post the initial external assessment results on their notice boards to enable active, informed citizen participation in the planning process.

In addition to the above, stakeholder workshops will be held to disseminate the results of the initial annual assessment, the output of which is a report summarising lessons to be learnt for future assessment exercises. The workshops which will be organised by PMO-RALG will be attended by selected representatives from LGAs, sector ministries, RS, MOFEA, ALAT, CSOs and development partners.

### **2.3.7 Appeal system**

If an LGA is not satisfied with the results of the assessment on the basis of material omissions or inaccuracies, it should address its complaint in writing, through the Regional Secretariat to the Permanent Secretary, PMO-RALG, enclosing any relevant documentary evidence in support of their case within 30 days of the individual assessment team (AT) council report submission. If the LGA is not satisfied with her/his response then it may appeal in writing to the LGDG System Steering Committee, through the LGDG Technical Committee within 30 days upon receiving the initial appeal decision from the PS, PMO-RALG.

### **2.3.8 Quality Assurance**

It is vitally important to ensure that the external assessment system is in accordance with international practises and that the system is prudently applied. In order to ensure this, the system and the application of the assessment will regularly undergo a quality check by an independent party appointed by the Government.

### **2.3.9 Detailed Guidelines**

Annex I, II and III of this manual set out in detail the minimum conditions and the Performance Measures together with the scoring system.

## **3. Requirements for Councils not Meeting LGDG Minimum Conditions**

Councils which fail to meet the Minimum Conditions shall be subject to strict oversight by PMO-RALG and the Regional Secretariats. PMO-RALG and the Regional Secretariats shall serve as the external monitoring agent to ensure the following:

PMO-RALG shall identify causes for noncompliance with the LGDG minimum conditions and take corrective action, as appropriate. This corrective action may include such disciplinary action against individuals as suspension, dismissal, or surcharges, as appropriate.

Councils which fail to meet the minimum conditions shall prepare a “LGDG Compliance Action Plan” which identifies the problems, identifies the necessary remedial action to bring the LGA into compliance, and identifies a timeline of action with clear milestones to enable the council to monitor progress towards attaining full compliance to the minimum standards the following year. The LGDG Compliance Action Plan shall include an explanation/strategy linking the use of the CBG to ensuring compliance with LGDG minimum conditions with a view to accessing LGDG funds in the next year. The LGDG Compliance Action Plan will serve as a MOU to be signed by the Council and PMO-RALG, with the RS involved in supervision of its implementation.

PMO-RALG, through the Regional Secretariat, will monitor compliance to the LGDG compliance Action Plan on a monthly basis. A monthly oversight report will be prepared by the RS Oversight Team and submitted to the Finance Committee of the Council on a monthly basis, with copies of the report submitted to the PS PMO-RALG and to the RS.

PMO-RALG will undertake a quarterly field review of those councils to monitor progress towards implementing the LGDG compliance Action Plan. Corrective action will be taken as necessary at the RS or council level to ensure progress leading to qualification of the LGDG minimum conditions in the subsequent year. A summary quarterly report will be prepared by the PMO-RALG Team, submitted to the Full Council, with copies to the RS and PS PMO-RALG.

A representative of the Regional Secretariat shall attend the full council meeting. A copy of the quarterly field review report shall be submitted to the LGDG Technical Committee.

Councils not meeting the minimum conditions will receive 25% of their discretionary CDG, 50% of their sector-specific CDG and 100% of their CBG amounts, subject to strict oversight by PMO-RALG and the Regional Secretariats as outlined in this Section.

Further operational details shall follow regulations as issued by PMO-RALG.

#### **4. Sector Specific Grants**

The LGDG system includes both discretionary as well as sector-specific grants. All development grant schemes consolidated into the LGDG system should adhere to the following five basic principles:

- 1) The allocations for every LGDG system transfer will be based on an objective, equitable, efficient and transparent allocation formula;
- 2) The allocations for every LGDG system transfer will be performance-based and subject to a common performance assessment;
- 3) The rules of the LGDG system will be universally applied. All councils that qualify for LGDG system transfers under the performance assessment should receive their allocation in strict accordance with the respective allocation formula;
- 4) There will only be a single approval and disbursement process for all windows of the LGDG system, managed by PMO-RALG/DLG under the guidance of a single LGDG System Steering Committee; and
- 5) The LGDG system transfer resources, in combination with other recurrent and development grants as well as own source revenues, will be spent by the LGAs based on their own local level planning and budgeting priorities to promote local governance, autonomy, accountability and ownership.

The LGDG system is currently designed to include five sector-specific grant programmes linked to agriculture, water, education, health and roads.

##### **4.1. Agriculture Sector Development Grant (ASDG)**

The Government adopted an Agricultural Sector Development Strategy (ASDS), which sets out the framework for achieving the sector's objectives and targets through the Agricultural Sector Development Programme (ASDP), developed jointly by the four Agriculture Sector Lead Ministries. Development activities at Council level are to be implemented by LGAs, based on Council approved District Agricultural Development Plans (DADPs). The DADPs are part of the broader Council Development Plans (CDPs).

The majority of ASDP expenditures will be at LGA level and will be provided through three fiscal grant transfers:

- **District Agricultural Development Grant (DADG)**

The DADG will support implementation of DADPs on a cost-sharing basis, with beneficiaries contributing additional labour and materials in varying proportions, depending on the nature of the investment. Investments will be identified in accordance

with local needs, as determined through local participatory planning and budget processes, and in line with the LGDG system. Types of investments which could qualify for financing include: environmental investments; public infrastructure, such as rural roads; small-scale irrigation schemes; group or community investments of a small scale productive nature; group or community investments in risk bearing (locally) innovative equipment. Agricultural inputs (seeds, fertilizers, agro-chemicals) would ordinarily not be eligible for cost-sharing, unless they are part of participatory technology development activities.

- **Extension Block Grant (EBG)**

The Agricultural Extension Block Grant (A-EBG) will support the shift to contracting of services with greater control over resource allocation decisions by farmers. It will be financed through the existing discretionary, formula-based Agricultural Extension Block Grant. This sub-component will provide funding for both public extension services, as a Government contribution, and for private service providers. The latter will be engaged through agreements and contracts directly between farmer groups or through local government outsourcing.

- **Agricultural Capacity Building Grant (A-CBG)**

All Councils will receive a capacity building grant irrespective of whether they meet the minimum conditions to access the DADG and EBG or not. The capacity building grant funds will be used to improve functional areas to meet the minimum conditions and to improve on the performance criteria in subsequent years to access higher resource transfers. The initial focal areas of the capacity building grant, consistent with the minimum conditions, will likely be on improving Council agricultural planning, agricultural investment appraisal and review, agricultural services reform, and enhancing stakeholder engagement. The councils will need to develop a capacity building plan prior to accessing the grant.

The DADG, the A-EBG and the A-CBG of the ASDP will be allocated according to the same formula as the Agriculture Recurrent Block Grant:

Number of Villages	80%
Rural Population	10%
Rainfall Index	10%

As Table 4 indicates, each LGA will receive an amount from the DADG and A-EBG based on the minimum conditions and performance measures. The maximum that a LGA can receive would be 100% of the formula-based allocation. If a council meets the minimum access conditions, receives a minimum score of 5 points in each functional area and a minimum aggregate total score of 75 points, the LGA will receive 100% of the transfer amount. If that LGA would have received an aggregate score between 51-74 points, the LGA would receive 80% of the transfer amount; otherwise the LGA would receive only 50% of the transfer amount. If the LGA did not meet the minimum conditions, the LGA would receive 50% of the transfer amount subject to strict oversight by PMO-RALG and the Regional Secretariats as outlined in Section 3.

**Table 4: Calculation of DADG and A-EBG Amount to be received by Council**

Minimum Conditions	ASDG Performance Measures		DADG and A-EBG Allocation to be Received	Performance Status
	Minimum Score in Each Functional Area	Aggregate Score		
Meet CDG Minimum Conditions	5	$\geq 75$	100%	Very Good
YES	5	51-74	80%	Good
YES	$\leq 5$	$\leq 50$	50%	Poor
NO	N/A	N/A	50%	Failed

#### 4.2 Water Sector Development Grant (WSDG)

The Government through the Rural Water Supply and Sanitation Programme (RWSSP) is allocating funding to enhance local water activities including monitoring local access to potable water and implementation of the new local water schemes to unserved communities.

The RWSSP objectives are to:

- (i). strengthen decentralized planning, project preparation, funding, implementation and management through LGAs;
- (ii). improve the capacity of central government institutions to facilitate and channel TA to LGAs;
- (iii). increase the capacity for sustained delivery of goods and services by developing and utilising local private sector capacities in facilitation, engineering, construction spare parts distribution and operation and maintenance; and
- (iv). develop a strategy for sanitation, hygiene promotion and communication.

The majority of the RWSSP expenditures will be at the LGA level and provided through two fiscal grant transfers: Development Grant and Capacity Building Grant. The amount of RWSSP to be received will be determined by the performance as measured by the assessment scores on the minimum conditions and performance measures of the LGDG discretionary development grant (CDG).

The RWSSP funds are allocated on the following criteria:

Total unserved population:	Maximum of 70%
Technological options:	Maximum of 30%

Each council will receive an amount from the WSDG based on the same minimum conditions and performance measure scores received for the LGDG CDG grants. As indicated in Table 5, a council meeting the minimum conditions will receive 100% of the WSDG amount if it receives an aggregate score of more than 75 points while obtaining a passing score of 5 in each of the functional areas. A council meeting the minimum conditions will receive 80% of the WSDG amount if it receives an aggregate score of between 51-74 points while receiving a minimum passing score of 5 in each of the functional areas. All other councils meeting the minimum conditions will receive 50% of the WSDG amount. Councils which did not meet the minimum conditions will receive 50% of the WSDG amount, subject to strict oversight by PMO-RALG and the Regional Secretariats serving as the external monitoring agent as outlined in section 3.

**Table 5: Calculation of WSDG Amount to be received by Council**

Minimum Conditions	CDG Performance Measures		WSDG Allocation to be Received	Performance Status
	Minimum Score in Each Functional Area	Aggregate Score		
Meet CDG Minimum Conditions	5	≥75	100%	Very Good
YES	5	51-74	80%	Good
YES	≤5	≤50	50%	Poor
NO	N/A	N/A	50%	Failed

### 4.3. Education Sector Development Grant (ESDG)

The Primary Education Development Grant funds are to be used by the LGAs to improve the accessibility and quality of primary education. The ESDG resources are to be used to fund development infrastructure priorities related to primary education as identified through a local participatory planning approach. The ESDG funds are allocated on the following criteria:

Number of school aged-children in each district	70%
Classroom Shortage	20%
Poverty	10%

Each council will receive an amount from the ESDG based on the same minimum conditions and performance measure scores received for the LGDG CDG grants. As indicated in Table 6, a council meeting the minimum conditions will receive 100% of the ESDG amount if it receives an aggregate score of more than 75 points while obtaining a passing score of 5 in each of the functional areas. A council meeting the minimum conditions will receive 80% of the ESDG amount if it receives an aggregate score of between 51-74 points while receiving a minimum passing score of 5 in each of the functional areas. All other councils meeting the minimum conditions will receive 50% of the ESDG amount. Councils which did not meet the minimum conditions will receive 50% of the ESDG amount, subject to strict oversight by PMO-RALG and the Regional Secretariats serving as the external monitoring agent as outlined in section 3.

**Table 6: Calculation of ESDG Amount to be received by Council**

Minimum Conditions	CDG Performance Measures		ESDG Allocation to be Received	Performance Status
	Minimum Score in Each Functional Area	Aggregate Score		
Meet CDG Minimum Conditions	5	≥75	100%	Very Good
YES	5	51-74	80%	Good
YES	≤5	≤50	50%	Poor
NO	N/A	N/A	50%	Failed

#### 4.4 Health Sector Development Grant (HSDG)

The Government has adopted the Primary Health Services Development Programme (*Mpango wa Maendaleo Wa Afya Ya Msingi* (MMAM) which foresees a need to rehabilitate the existing primary health facilities and seeks almost a doubling in the number of health facilities as its long term objective. The MMAM gives the Ministry of Health and Social Welfare responsibility for human resource development and the specific disease-specific interventions and gives LGAs the responsibility for the construction and rehabilitation of the primary health care facilities (eg, dispensaries, health centres and district hospitals)) in accordance with the approved Comprehensive Council Health Plan (CCHP).

The Health Sector Development Grant (HSDG) will provide the modality for channelling the earmarked health-related development funds to the LGA level in a harmonized, predictable, accountable and cost-effective manner. The HSDG funds will be allocated according to the same formula as the Health Recurrent Block Grant on the following criteria:<sup>1</sup>

Population	70%
Number of poorer residents	10%
Council medical vehicle route	10%
Under-five Mortality	10%

Each council will receive an amount from the HSDG based on the same minimum conditions and performance measure scores received for the LGDG CDG grants. As indicated in Table 7, a council meeting the minimum conditions will receive 100% of the HSDG amount if it receives an aggregate score of more than 75 points while obtaining a passing score of 5 in each of the functional areas. A council meeting the minimum conditions will receive 80% of the HSDG amount if it receives an aggregate score of between 51-74 points while receiving a minimum passing score of 5 in each of the functional areas. All other councils meeting the minimum conditions will receive 50% of the HSDG amount. Councils which did not meet the minimum conditions will receive 50% of the HSDG amount, subject to strict oversight by PMO-RALG and the Regional Secretariats serving as the external monitoring agent as outlined in section 3.

**Table 7: Calculation of HSDG Amount to be received by Council**

Minimum Conditions	CDG Performance Measures		HSDG Allocation to be Received	Performance Status
	Minimum Score in Each Functional Area	Aggregate Score		
Meet CDG Minimum Conditions				
YES	5	≥75	100%	Very Good
YES	5	51-74	80%	Good
YES	≤5	≤50	50%	Poor
NO	N/A	N/A	50%	Failed

<sup>1</sup>The HSDG funds will be allocated according to the same formula used for the Health Recurrent Block Grant until modified by the LGDG Steering Committee, upon recommendation of the LGDG Technical Committee

## ANNEX I: Minimum Conditions for LGDG Discretionary Grants (CDG and CBG)

### 1. Guidelines Assessing Minimum Conditions for the Discretionary Council Development Grant (CDG)

Functional Area	Indicators of Minimum Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>A) Financial Management</b>	1 Final Accounts for the previous FY produced as per section 45 (4) of the LGA 1982 and submitted to National Audit Office (NAO) three months after the end of the FY (by September 30).	From the NAO get the names of all LGAs that submitted the final accounts of the previous FY on time noting dates of submission.	√		
	2. No confirmed financial management irregularities leading to suspension of Council Director (CD), Council Treasurer (CT) or Councillors have been reported either by the Internal or External Auditors in the past 12 months.	From PMO-RALG and RS get the names of all LGAs, where confirmed financial management irregularities have been reported leading to suspension of the Council Director, Council Treasurer or Councillors,	√	√	
	3. Internal audit in place and functional as provided under section 45(1) of the LG Act 1982 and the LAFM 1997 orders 12-16. (At least 4 Internal Audit Reports prepared during the previous 12 months and presented to Finance and Planning Committee)	<ul style="list-style-type: none"> <li>From the Internal Auditor, obtain and review the quarterly internal audit reports to verify that Internal Audit Reports are produced.</li> <li>From the Council Director obtain and review the minutes of the Finance and Planning committee for the past 12 months to verify that Internal Audit reports are presented to the Finance and Planning Committee.</li> </ul>		√	√
<b>B) Fiscal Capacity</b>	LGA has met its co-funding obligation (minimum 5% of the discretionary Council Development Grant (CDG) under the LGDG system).	<ul style="list-style-type: none"> <li>From the Council Treasurer obtain CDG allocations to LGA in the previous and current FY in order to ascertain 5% co-financing obligations.</li> <li>Obtain CDG bank account statement to find out whether: <ul style="list-style-type: none"> <li>All the co-funding for the previous FY deposited to CDG account;</li> <li>Obtain and review budgets for the current FY to establish, whether the budget for the current FY has a provision for co-funding;</li> </ul> </li> <li>The 5% co-funding of the CDG in the first quarter has been deposited on the account.</li> </ul>			√

## ANNEX I: Minimum Conditions for LGDG Discretionary Grants (CDG and CBG)

Functional Area	Indicators of Minimum Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>C) Planning and Budgeting</b>	1. LGA having a Comprehensive MTEF Development Plan incorporating all sector priorities approved by Council on time, two months before the end of the FY (by 30 <sup>th</sup> April).	<ul style="list-style-type: none"> <li>Obtain a copy of the Development Plan for the current FY and confirm that it includes all sector priorities, including sections on agriculture, water, education, health and roads.</li> <li>Obtain copies of the Council minutes from the council Director, and confirm from the Council resolution that the Development Plan was approved on time (by 30<sup>th</sup> April).</li> </ul>		√	√
	2. LGA having annual budget for the current FY prepared as per guidelines and approved by Council two months before the end of the financial year (by April 30 <sup>th</sup> )	<ul style="list-style-type: none"> <li>From CT, obtain and review the budget for the current FY to establish whether: <ul style="list-style-type: none"> <li>The budget was approved by the council two months before start of the FY;</li> <li>The budget was prepared as per the guidelines and LAFM regarding estimation of revenue and allocation expenditure;</li> <li>The budget is presented in the stipulated format.</li> </ul> </li> </ul>		√	√
<b>D) Procurement</b>	Tender Board constituted and functional.	From the Council Director obtain and review the minutes of the Tender Board and note the membership.		√	√
<b>E) Council's Functional Processes</b>	Regular meetings of the council - at least one meeting held every 3 months (quarterly).	From the Council Director obtain the minutes of the full council meetings and verify whether the council met quarterly during the previous FY.		√	√

### Audited Accounts: Minimum Condition to be received by PMO-RALG from National Audit Office (NAO)

<i>CAG Reports to be compiled by PMO-RALG.</i>	No adverse Audit Report for Audited Accounts of Council in previous FY.	From the National Audit office, get the names of all LGAs with adverse Audit Reports for Audited Accounts of Council in the previous FY.	√		
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## ANNEX I: Minimum Conditions for LGDG Discretionary Grants (CDG and CBG)

### 2. Guidelines Assessing Minimum Conditions for the LGDG Discretionary Capacity Building Grant

Functional Area	Indicators of Minimum Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>A) Capacity Building Planning</b>	LGA having a Comprehensive Capacity Building Plan for the current FY incorporating all crosscutting/generic capacity building needs of all sector approved by Council on time (by April 30).	From the CHRO obtain and review the Capacity Building Plan for the current FY to establish, whether it was approved by Council and incorporates crosscutting sector capacity building needs.	√	√	√
<b>B) Capacity Building Reporting and Accountability</b>	LGA has prepared quarterly reports on the utilisation of CBG for the previous FY indicating activities implemented and funds spent and submitted to PMO-RALG on a timely basis (by 15 <sup>th</sup> day of the months following end of quarter).	From the PMO-RALG obtain names of LGAs that submitted quarterly reports on utilisation of CBG for the previous FY on time (by 15 <sup>th</sup> day of the month following end of quarter).	√	√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

### DISCRETIONARY COUNCIL DEVELOPMENT GRANTS (CDG)

Functional Area	Indicators of Performance Measures	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
A) Financial Management	1. Evidence that queries raised in the External Audit Report have been acted upon.	Review the last External Audit Report and the minutes of the Finance and Planning Committee to verify, whether issues raised and recommendations made have been acted upon. If: <ul style="list-style-type: none"> <li>• More that 70% of the matters raised have been acted upon, score 3</li> <li>• Between 50% and 69% of the matters have been acted upon, score 2</li> <li>• Below 50% of the matters have been acted upon, score 0</li> </ul>		√	√
	2. Evidence that queries raised in the Internal Audit Report have been acted upon.	Review the Internal Audit Reports for the previous FY and the minutes of the Finance and Planning Committee to verify, whether issues raised and recommendations made have been acted upon. If: <ul style="list-style-type: none"> <li>• More that 70% of the matters have been acted upon, score 3</li> <li>• Between 50% and 69% of the matters have been acted upon, score 2</li> <li>• Below 50% of the matters have been acted upon, score 0</li> </ul>		√	√
	3. Financial reporting capacity:	Review status of financial reporting, if <ul style="list-style-type: none"> <li>• All quarterly financial reports for the previous FY were produced on time,</li> <li>• score 2 or</li> <li>• else score 0</li> </ul>		√	√
	4. Evidence that Cash Management is being effectively carried out.	Review bank reconciliations and identify how many have overdrawn book balances. If: <ul style="list-style-type: none"> <li>• None is overdrawn, score 2</li> <li>• General Fund is not overdrawn but others are, score 1</li> <li>• General Fund is overdrawn, score 0</li> </ul>		√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>B) Local Revenue Mobilization</b>	1. Percentage of revenue collected against planned for the previous FY.	From the Council Treasurer, obtain and review the budget for the previous FY, compare the budget with actual revenue collected during the period from the final accounts to determine the percentage of the budget realised. If the average collection is: <ul style="list-style-type: none"> <li>• 80% or more of the budget amount, score 5</li> <li>• between 50% - 79%, score 3</li> <li>• below 50 %, score 0</li> </ul>	√	√	√
	2. Increase in collected revenue in the previous FY.	Review the draft final accounts for the previous FY to determine the revenue collection performance. If increase in collected revenue against the year before is: <ul style="list-style-type: none"> <li>• 30% and above, score 5</li> <li>• between 10-29%, score 3</li> <li>• below 10%, score 0</li> </ul>		√	√
<b>C) Development Planning and Budgeting</b>	<b><u>1. Adherence to planning process guidelines</u></b> Evidence that the participatory planning procedures have been adhered to. People in villages and wards involved in the planning process.	From the Planning Officer, obtain and review a sample of the O&OD or other similar participatory planning processes from minimum 2 wards to establish whether the process was inclusive and that the voices of traditionally marginalised people and groups were included. <ul style="list-style-type: none"> <li>• <i>If there is evidence of participation (attendance and discussion by both men and women),</i></li> <li>• <i>score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	2. Evidence that CMT discussed the development plans and applied the appraisal criteria to prioritise investments for the different sectors.	From the Council Director, obtain and review minutes of the CMT for the previous FY to establish, whether they discussed the plans and applied appraisal criteria for prioritising investments for the different sectors. <ul style="list-style-type: none"> <li>• <i>If there is evidence of discussion and use of appraisal criteria, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	3. Evidence that the MTEF Development Plan for the current FY was submitted to the Regional Consultative Committee for comments.	From the Council Director, obtain a letter submitting the Development Plan for the current FY to the Regional Consultative Committee. If: <ul style="list-style-type: none"> <li>• <i>The letter is in place and receipt acknowledged by RAS, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>		√	√
	4. Evidence that the Council discussed the Development Plan for the current FY including implications before it was approved.	From the Council Director, obtain and review minutes of Council. Note whether discussion of the development plan was captured in the minutes. <ul style="list-style-type: none"> <li>• <i>If there is evidence that the Council discussed the Development Plan and implications before approval, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	<b><u>Quality of the MTEF Development Plan and Budget</u></b> 5. Development plan having a socio-economic profile including an analysis of crosscutting issues (poverty levels and trends, gender, environment, HIV/AIDS) as well as opportunities and obstacles to development for pro-poor sectors .	From the Planning Officer, obtain and review the Development Plan. <ul style="list-style-type: none"> <li>• <i>If development plan has a socio-economic profile including an analysis of crosscutting issues (poverty levels and trends, gender, environment, HIV/AIDS) as well as opportunities and obstacles to development for pro-poor sectors (namely, agriculture, water, education, health and roads) ,score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>		√	√
	6. Development plan incorporates priorities from wards, villages and mitaa.	From the Planning Officer, obtain and compare a sample of ward development plans (minimum 2) and the Council Development Plan.: <ul style="list-style-type: none"> <li>• <i>If Council Development plan incorporated priorities from wards, villages and mitaa, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	7. Development Plan capture investment priorities for pro-poor sectors (agriculture, water, education, health, roads) and at least 80% of the approved allocations are within the MKUKUTA priorities.	From the Planning Officer, obtain and compare a sample of sector plans (like agriculture, water, health, education and roads) and the Council Development Plan.: <ul style="list-style-type: none"> <li>• <i>If Council Development Plan followed PMO-RALG guidelines and includes the captured investment priorities for pro-poor sectors and at least 80% of the approved allocations are within MKUKUTA priorities, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	8. Council budget provides for operation and maintenance of investments – meeting operational costs.	From the Council Treasurer, obtain and review the Council Budget for the current FY.: <ul style="list-style-type: none"> <li>• If <i>Council budget provides for operation and maintenance of investments (meeting operational costs), score 1 or else</i></li> <li>• <i>score 0</i></li> </ul>			√
	9. Development Plan linked to the budget – investment priorities in the Development Plan for the first year are provided with financial allocations within the approved budget.	From the Planning Officer, obtain and review the Development plan. From Council Treasurer obtain and review the budget for the current FY. <ul style="list-style-type: none"> <li>• If: <i>Development plan is linked to the budget where investment in the development plan for the first year are provided with financial allocations within the approved budget, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	10. LGA uses LGMD as basis for evidence-based development planning	Check if LGA has a complete set of LGMD reports not older than 12 months. Do random cross-check if LGMD data was used in the development planning process of the Council (reference in Council minutes). <ul style="list-style-type: none"> <li>• If LGA has complete recent IGMD data set and there is evidence that it was used in the planning process, score 1 or</li> <li>• else score 0</li> </ul>			√
<b>D)</b> <b>Transparency and Accountability</b> <i>(Reports should be written in Kiswahili and in a simple format appropriate to readership)</i>	<b>Free flow of information (vertical – downwards and upwards and horizontal)</b>  1. Posting of IPFs for villages and Wards for the current FY at the respective District/Municipal, Ward headquarters and other public places.	Check notice boards. <ul style="list-style-type: none"> <li>• If <i>:IPFs for villages and Wards for the current FY are posted at the respective District/Municipal, Ward headquarters and other public places, score 2 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	2. Posting of approved projects for the current FY at the respective District/Municipal, Ward headquarters and other public places.	Check notice boards. <ul style="list-style-type: none"> <li>• If: <i>Approved projects for the current FY are posted at the respective District/Municipal, Ward headquarters and other public places, score 2 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	3. Written communication to Wards of information on all projects to be implemented in their areas in the current FY.	<p>Check with WEO in at least 2 wards.</p> <ul style="list-style-type: none"> <li>If: <i>Both WEOs received written communication of information on all projects to be implemented in their areas in the current FY; score 2 or</i></li> <li><i>else score 0.</i></li> </ul>			√
	4. Posting of summary annual budgets, plans and Audited accounts on public notice board at the LGA offices.	<p>Check notice boards at the LGA offices.</p> <ul style="list-style-type: none"> <li>If: <i>Summary annual budgets, plans and Audited accounts are posted on public notice board at the LGA offices, score 2 or</i></li> <li><i>else score 0.</i></li> </ul>			√
	5. Posting of LGDG Assessment MCs and PMs scores on public notice boards at District/Municipal, Ward and village offices and other public places outlining the overall results and their implications.	<p>Check notice boards.</p> <ul style="list-style-type: none"> <li>If: <i>MCs and PMs scores are posted on public notice boards at District/Municipal, ward and village offices and other public places outlining the overall results and their implications, score 3 or</i></li> <li><i>else score 0.</i></li> </ul>			√
	6. Percentage of villages that presented all obligatory financial reports at their Village Assemblies in the last FY	<p>Do random cross-check with minutes from 10 Village Assemblies If the percentage of villages that have tabled all financial reports is:</p> <ul style="list-style-type: none"> <li><i>More than 70 %, score 4:</i></li> <li><i>Between 50 and 69 %, score 3</i></li> <li><i>Less than 50 % score 0.</i></li> </ul>			√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>E) Interaction between District/Municipal, wards and villages</b>	1. Adherence to guidelines on revenue sharing between the district and the Village Council for revenue collected from the village (80% for district and 20% remitted to villages).	From the Treasurer, obtain copies of monthly revenue summaries to establish the amounts collected and the percentage remitted back to the village councils and confirm that this is in compliance with the guidelines on revenue sharing. If the revenue sharing is: <ul style="list-style-type: none"> <li>• <i>Equal to or more than recommended %, score 2:</i></li> <li>• <i>Less than recommended %, score 1:</i></li> </ul> <i>If no amounts are remitted back, score 0.</i>		√	√
	2. Adherence to guidelines on revenue sharing between the district and the Village Council for General Purpose Grant from Government (80% for district and 20% for villages).	From the Treasurer, obtain copies of annual revenue summaries (in final accounts) to establish the amounts received as GPG and the percentage remitted to the village councils and confirm that this is in compliance with the guidelines on revenue sharing. If the revenue sharing is: <ul style="list-style-type: none"> <li>• <i>Equal to or more than recommended % score 2;</i></li> <li>• <i>Less than recommended %, score 1;</i></li> </ul> <i>If no amounts are remitted back, score 0.</i>		√	√
	3. Adherence to guidelines on revenue sharing between the District and the Ward council for LGDG from Government (50% for district and 50% for Ward).	From the Treasurer, obtain copies of annual revenue summaries (in final accounts) to establish the amounts received as CDG and the percentage remitted to the village councils and confirm that this is in compliance with the guidelines on revenue sharing. If the revenue sharing is: <ul style="list-style-type: none"> <li>• <i>Equal to or more than recommended %, score 2;</i></li> <li>• <i>Less than recommended %, score 1;</i></li> <li>• <i>If no amounts are remitted back, score 0.</i></li> </ul>		√	√
	4. District/Municipality sharing policy documents and guidelines from central level with Wards, villages and mitaa.	From the WEO (at least 2 Wards), check whether District/Municipality shared policy documents and guidelines. If: <ul style="list-style-type: none"> <li>• <i>Both Wards have copies of policy documents, sector policies and guidelines, score 2</i></li> <li>• <i>One Ward has copies of policy documents, sector policies and guidelines, score 1</i></li> <li>• <i>None of the two Wards have copies of policy documents, sector policies and guidelines, score 0.</i></li> </ul>			√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	5. Evidence that District/Municipal staff have been visiting Wards and villages for mentoring purposes.	From the WEO (at least 2 wards) obtain and review visitors books and minutes of mentoring meetings. Note areas in which mentoring has been conducted and actions proposed. If: <ul style="list-style-type: none"> <li>• <i>There is evidence in both wards that District/Municipal staff have been visiting Wards and villages for mentoring purposes, score 2;</i></li> <li>• <i>There is evidence in one of the Wards that District/Municipal staff have been visiting Wards and villages for mentoring purposes, score 1;</i></li> <li>• <i>There no evidence, score 0.</i></li> </ul>			√
<b>F) Human Resource Development</b>	<b>Performance of key functions:</b> 1. Either a LGA has position of CD substantively filled or has a qualified person to perform functions of CD with evidence of application to have the position filled.	From the CHRO establish, whether the LGA has arrangements for performing the functions of CD. <ul style="list-style-type: none"> <li>• <i>If: either a LGA has position of CD substantively filled or has a qualified person to perform functions of CD with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√
	2. Either a LGA has position of CT substantively filled or has a qualified and competent person to perform Finance Management function with evidence of application to have the position filled.	From the CHRO establish whether the LGA has arrangements for performing the finance management function. <ul style="list-style-type: none"> <li>• <i>If: either a LGA has the position of CT substantively filled or has a qualified and competent person to perform Finance Management function with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√
	3. Either a LGA has position of Head of Department for Agriculture substantively filled or has a qualified and competent person to perform agricultural planning function with evidence of application to have the position filled.	From the CHRO establish whether the LGA has arrangements for performing the finance management function. <ul style="list-style-type: none"> <li>• <i>If: either a LGA has the position of Head of Department for Agriculture substantively filled or has a qualified and competent person to perform agricultural planning function with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√
	4. Either a LGA has position of Head of Department for Water substantively filled or has a qualified and competent person to perform water engineering functions with evidence of application to have the position filled.	From the CHRO establish whether the LGA has arrangements for performing the water engineering function. <ul style="list-style-type: none"> <li>• <i>If: either a LGA has the position of head of department for water substantively filled or has a qualified and competent person to perform water engineering function with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
	5. Either a LGA has position of Head of Department for Education substantively filled or has a qualified and competent person to perform education planning function with evidence of application to have the position filled.	From the CHRO establish whether the LGA has arrangements for performing the education planning function. <ul style="list-style-type: none"> <li>If: <i>either a LGA has the position of head of department for education officer substantively filled or has a qualified and competent person to perform education planning function with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√
	6. Either a LGA has position of Head of Department for Health substantively filled or has a qualified and competent person to perform health planning functions with evidence of application to have the position filled.	From the CHRO establish whether the LGA has arrangements for performing the health planning function. <ul style="list-style-type: none"> <li>If: <i>either a LGA has the position of head of department for health substantively filled or has a qualified and competent person to perform health planning function with evidence of application to have the position filled, score 1 or else score 0.</i></li> </ul>	√	√	√
	<b>Capacity Building Planning and budgeting:</b> 7. LGA has conducted a capacity needs assessment and incorporated gaps identified from the annual assessment of MCs and PMs.	From the CHRO, obtain and review the capacity needs assessment report for the current FY. <ul style="list-style-type: none"> <li><i>If LGA has a capacity needs assessment report and incorporated gaps identified from the annual assessment of MCs and PMs, score 1 or</i></li> <li><i>else score 0.</i></li> </ul>		√	√
	8. LGA has prioritised gaps identified from the capacity needs assessment in the CBP for the current FY (linkage between Capacity Building Needs Assessment and Capacity Building Plan).	From the CHRO, obtain and review the capacity needs assessment report and capacity building report for the current FY.: <ul style="list-style-type: none"> <li><i>If LGA has prioritised gaps identified from the capacity needs assessment in the CBP for the current FY (linkage between CBNA and CBP), score 1 or</i></li> <li><i>else score 0.</i></li> </ul>		√	√
	9. LGA has provided for the priorities in the CBP in the annual budget for the current FY.	From the CHRO, obtain and review the Capacity Building Plan. From the Council Treasurer obtain and review the budget. <ul style="list-style-type: none"> <li><i>If: LGA has provided for the priorities in the CBP in the annual budget for the current FY, score 1 or</i></li> <li><i>else score 0.</i></li> </ul>		√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	<b>Human Resource Management:</b> 10. LGA having an updated staff list and is implementing the staff performance appraisal system	From the CHRO obtain and review the staff list to establish, whether it is up to-date; select a sample of at least 10 person files to establish, whether performance appraisal is conducted. <ul style="list-style-type: none"> <li>• <i>If LGA has in place an updated staff list indicating establishment, positions filled and vacant, qualifications of staff, bio-data etc and if Performance Review and Appraisal System (OPRAS) forms are filled annually are reviewed bi-annually for all the sampled files, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
<b>G) Procurement</b>	1. PMU properly established and functional as per Public Procurement Act 2004.	From the Supplies Officer, obtain names of PMU members and minutes of meetings.: <ul style="list-style-type: none"> <li>• <i>If there is evidence that PMU was established and functional, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	2. Procurement Plan for the current FY in place and approved by the Finance and Planning Committee.	From the Supplies Officer, obtain and review the Procurement Plan for the current FY.: <ul style="list-style-type: none"> <li>• <i>If the Procurement Plan for the current FY is in place and approved by the Finance and Planning Committee, score 1 or</i></li> <li>• <i>else score 0</i></li> </ul>		√	√
	3. Procurement Plan derived from the current FY approved budget.	From the Council Treasurer obtain and review the approved budget. From the Supplies Officer obtain and review the Procurement Plan. <ul style="list-style-type: none"> <li>• <i>If the items in the Procurement Plan were derived from the current FY approved budget, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>		√	√
	4. Technical Evaluation Committees (TEC) properly appointed.	From the Supplies Officer, obtain and review composition of at least two TECs for procurements undertaken in the previous FY.: <ul style="list-style-type: none"> <li>• <i>If TECs are properly appointed, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	5. CTB awards are based on the recommendations of the TEC.	From minutes of the TEC and CTB establish, whether contract award considered the recommendations of the TEC. <ul style="list-style-type: none"> <li>• <i>If: CTB awards are based on the recommendations of the TEC, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>		√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	6. Procurement thresholds for goods and services throughout the previous FY were observed.	<ul style="list-style-type: none"> <li>From the Council Treasurer, obtain and review a sample of contractors/suppliers vouchers to establish, whether procurement thresholds have been adhered to.</li> <li>Review Internal Audit Reports to determine, whether there have been incidents a) where the regulation on threshold has not been adhered to, and b) a common practice of multiple ordering / purchases in which several orders are issued in amounts that are below the threshold but the total is above the threshold.:               <ul style="list-style-type: none"> <li><i>If procurement thresholds for goods and services throughout the previous FY were observed, score 1 or</i></li> <li><i>else score 0.</i></li> </ul> </li> </ul>			√
	7. CTB/PMU submitting quarterly procurement reports to Finance and Planning Committee.	<ul style="list-style-type: none"> <li>From the Council Director, obtain and review minutes of the Finance and Planning Committee to establish, whether they receive quarterly procurement reports.               <ul style="list-style-type: none"> <li><i>If CTB/PMU is submitting quarterly procurement reports to Finance and Planning Committee, score 1 or</i></li> <li><i>else score 0.</i></li> </ul> </li> </ul>		√	√
	8. Tender awards are posted on public notice boards for public information.	Check notice boards.: <ul style="list-style-type: none"> <li><i>If tender awards are posted on public notice boards for public information, score 1 or</i></li> <li><i>else score 0.</i></li> </ul>			√
	9. Adequate, relevant auditable records on the procurement process maintained.	From the Council Director obtain and review the following basic records: approval of the procurement process to be used; tender document; public notice for the contract tender; tenders received; record of the tender opening & attendee; reports of the TEC; notification of the tender award; approval of the Draft Contract by lawyer; and copies of the signed Contract.: <ul style="list-style-type: none"> <li><i>If adequate, relevant auditable records on the procurement process are maintained, score 1 or</i></li> <li><i>else score 0.</i></li> </ul>		√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	10. Outsourced revenue collection agents properly procured (advertised, proper evaluation done, approval by the CTB etc.).	From the Supplies Officer, obtain and review documents regarding outsourcing of revenue collection agents.: <ul style="list-style-type: none"> <li>• If <i>outsourced revenue collection agents were properly procured</i>, score 1 or</li> <li>• <i>else score 0.</i></li> </ul>			√
<b>H) Project Implementation, Monitoring and Reporting</b>	<b>Project implementation:</b> 1. Percentage of planned CDG projects to be financed under LGDG system implemented (completed and ongoing).	From Planning Officer obtain and review the approved priorities to be financed by the CDG under LGDG System for the previous FY. Obtain and review the quarterly progress reports to determine the percentage of projects implemented against the plan. <ul style="list-style-type: none"> <li>• If: <i>the percentage of the planned projects implemented is more that 70%, score 3</i></li> <li>• <i>The percentage of the planning projects is between 50-69%, score 1 or</i></li> <li>• <i>else score 0.</i></li> </ul>		√	
	2. All projects implemented from the planned and approved funding source.	From the Planning Officer obtain and review the approved plan and note funding sources earmarked for at least 5 priorities from different sectors. Obtain physical and financial progress reports and ascertain, whether projects were implemented from planned funding source. <ul style="list-style-type: none"> <li>• <i>If all projects sampled were implemented from the planned and approved funding source, score 2 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	3. Physical projects properly implemented.	From the Council Engineer, obtain and review interim and completion certificates for at least 10 projects. <ul style="list-style-type: none"> <li>• <i>If certificates do not report major construction anomalies, score 3 or</i></li> <li>• <i>else score 0.</i></li> </ul>			√
	<b>Monitoring and reporting:</b> 4. Timely submission of quarterly financial and physical progress reports for the previous FY to PMO-RALG (by the 15 <sup>th</sup> day of the month after the end of quarter).	From the Planning Officer, obtain and review copies of quarterly financial and physical progress reports (Council Financial Report and Council Development Report) for the previous FY. Obtain submission letters and acknowledgement from PMO-RALG. <ul style="list-style-type: none"> <li>• <i>If LGA submitted quarterly financial and physical progress reports for the previous FY to PMO-RALG (by the 15<sup>th</sup> day of the month after the end of quarter), score 3 or</i></li> <li>• <i>else score 0.</i></li> </ul>	√	√	√

## ANNEX II: Performance Measures for LGDG Discretionary Grants (CDG)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	5. LGA uses PlanRep to continuously monitor planned development projects	Check if LGA PlanRep database is up to date (not older than 2 months). Cross check with other data sources (Council Development Reports). <ul style="list-style-type: none"> <li>If LGA has up to date PlanRep database, score 2 or</li> <li>Else score 0.</li> </ul>			√
	6. Quarterly financial and physical progress reports for the previous FY discussed by CMT.	From Council Director, obtain and review minutes of the CMT for the previous FY: <ul style="list-style-type: none"> <li>If all quarterly financial and physical progress reports for the previous FY were discussed by CMT, score 2 or</li> <li>else score 0.</li> </ul>			√
<b>I) Council Functional Processes</b>	<b>Finance and Planning Committee Performance</b> 1. The Finance and Planning Committee met at least 12 times in the previous FY.	From the Council Director, obtain and review minutes of the Finance and Planning Committee. <ul style="list-style-type: none"> <li>If the Finance and Planning Committee met at least 12 times in the previous FY, score 2 or</li> <li>else score 0.</li> </ul>			√
	2. Quarterly financial and physical progress reports for the previous FY discussed by Finance and Planning Committee.	From the Council Director, obtain and review minutes of the Finance and Planning Committee. <ul style="list-style-type: none"> <li>If Quarterly financial and physical progress reports for the previous FY discussed by Finance and Planning Committee, score 2 or</li> <li>else score 0.</li> </ul>		√	√
	3. Internal Audit Reports for the previous FY discussed by Finance and Planning Committee.	From the Council Director, obtain and review minutes of the Finance and Planning Committee. <ul style="list-style-type: none"> <li>If there is evidence of discussion of the audit reports, score 2, or</li> <li>else score 0.</li> </ul>			√
	4. Evidence that Councillors are communicating council decisions to the Wards.	From the Council Director, obtain and review minutes of at least 2 WDC meetings. <ul style="list-style-type: none"> <li>If there is evidence that Councillors are communicating council decisions to the Wards, score 2 or</li> <li>else score 0.</li> </ul>			√
	5. Statutory Committees of Councils meeting at least quarterly and discussing relevant issues.	From the Council Director, obtain and review minutes of Statutory Committees of Council. <ul style="list-style-type: none"> <li>If statutory committees of Councils are meeting at least quarterly and discuss relevant issues, score 2 or</li> <li>else score 0.</li> </ul>			√

## ANNEX III: Minimum Conditions & Performance Measures for LGDG Sector Grants

### 1. Agriculture Sector Development Grant (ASDG)

#### 1.1 Minimum Conditions for Accessing the Agricultural Sector Development Grant (ASDG)

Functional Area	Indicators of Minimum Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>A) Council Management</b>	1) Council qualifies for LGDG discretionary Council Development Grant (CDG)	PMO-RALG annual assessment report	√		

#### 1.2 Performance Conditions (Maximum Score: 100)

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
<b>A) Council Management</b> Max: 10 points	Council has work plan and budget Council has satisfactory Quarterly Reports	<ul style="list-style-type: none"> <li>If approved budget is used per work plan: 5</li> <li>If Quarterly Reports meet standard set by PMORALG: 5</li> </ul>	√	√	
<b>B) Council Agricultural Development Plans (DADP)</b> Max: 75 points	1. Existence of DADP, according to the guidelines provided by PMO-RALG	Review DADP to ensure the Council Strategic Plan includes the following: <ul style="list-style-type: none"> <li>If Analysis of council's agricultural potential, opportunities, obstacles to development: 10</li> <li>If Diagnostic assessment: 5</li> <li>If Private sector roles/opportunities identified: 5</li> <li>If needs of vulnerable groups are included: 5</li> </ul> Max Score: 25		√	√

### ANNEX III: Minimum Conditions & Performance Measures for LGDG Sector Grants

Functional Area	Indicators of Performance Conditions	Information Source and Assessment Procedures	Info Location		
			HQ	RS	LGA
	2. DADP assessed for level of implementation as per activities and budget	<p>Assess together with DPO, DALDO and District management Team members using existing project implementation reports the status of DADP implementation: IF:</p> <p>75% -100% interventions are appraised for technical, financial and economic viability: 25 If 50-74% interventions are appraised for technical, financial and economic viability: 15 If 10-49% interventions are appraised for technical, financial and economic viability: 5 Else: 0</p> <p>IF 75% - 100% implementation: 25 If 50-74% implementation: 15 if 10-49 implementation: 5 else: 0</p> <p><b>Max Score: 50</b></p>			√
<p><b>C. Evidence of District Agricultural Services Reforms</b></p> <p><b>Max: 15 points</b></p>	<b>Evidence of Private agricultural Services Delivery</b>	<p>Assess together with DPO, DALDO and District management Team members the status of implementation of service reforms: IF:</p> <p>Council has inventory of private Agric. Service Providers: 5 Council has more than 30% services contracted to private Providers: 5 Council has established resource centres in more than 50% wards: 5</p> <p><b>Max Score: 15</b></p>			√

## **ANNEX III: Minimum Conditions & Performance Measures for LGDG Sector Grants**

### **2. Water Sector Development Grant (WSDG)**

Water Sector Development Grants will be allocated based on the same minimum conditions and performance measures applied to the discretionary CDG.

### **3. Education Sector Development Grant (ESDG)**

Education Sector Development Grants will be allocated based on the same minimum conditions and performance measures applied to the discretionary CDG.

### **4. Health Sector Development Grant**

Health Sector Development Grants will be allocated based on the same minimum conditions and performance measures applied to the discretionary CDG.

### **5. Road Sector Development Grant\*\***

Road Sector Development Grants will be allocated based on the same minimum conditions and performance measures applied to the discretionary CDG.

\*\* The road sector development grant is expected to be implemented from FY 2010/2011. Details on the specific allocation and assessment criteria will be published in FY 2009/10.