



UNITED REPUBLIC OF TANZANIA

**President's Office
Regional Administration
and Local Government**

**Local Government
Support Project**



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Introduction

The Government of Tanzania has clearly articulated its objective of improving delivery of services to its citizens through strong, democratically elected Local Government Authorities, with clear accountability to both the Central Government and the communities that they serve. To this end the Government has embarked on the process of transferring responsibilities and resources to the Local Government Authorities (LGAs) to use to meet locally defined needs within national policies. As a result substantially more, and larger, spending decisions are being made by LGAs now than ever before and this trend will continue.

In order to ensure that the principles of accountability, effectiveness and efficiency are applied to these spending decisions, it is essential that they are made within an appropriate legal and institutional framework that embodies local and international best practices in financial management and control. It is also essential that Local Authorities acquire the necessary capacity (in terms of qualifications and performance) to qualify and access funds provided by the Government through the Local Government Capital Development Grant System.

The Local Government Support Project (LGSP) was formulated as one of the instruments to help Local Authorities not only to acquire the said capacity to qualify for funds under the LGCDGS, but also to be part and parcel of the Local Government Reform Programme. In that regard the LGSP has specific objectives, mandate and areas of jurisdiction.

What is Local Government Support Project?

The Local Government Support Project is a project of cross sectoral nature which helps

finance a new Local Government Capital Development Grant System (LGCDGS). The LGCDGS is a keystone of the Government of Tanzania's long term strategy for financing local infrastructure. It is a grant system whose main sources of funds are the Government and development partners. The LGCDGS brings together various development grants under one operational "window", using common modalities for planning, budgeting, accounting, reporting and auditing. The LGSP (Component 1 and 3) has, together with the development partners participating in a basket arrangement, commenced the implementation of this strategy. LGSP will also finance Capacity Building Grants to help LGAs address capacity constraints, so that they can participate in the new Grant System.

LGSP development objectives are derived from two elements of the Government of Tanzania's (GoT's) overall development approach: the Poverty Reduction Strategy and the Local Government Reform Policy. In its Poverty Reduction Strategy Paper (PSRP), GoT outlines priority sectors in which improved service delivery is vital to the overall goal of poverty reduction. These include education, health, roads and water – the main sectors for Local Government capital investment.

LGSP supports investment in these priority sectors by providing capital to LGAs for expansion and rehabilitation of the infrastructure, and targeted funds for Dar es Salaam LGAs to improve the infrastructure in unplanned urban areas. GoT's Local Government Reform Policy identifies four areas of reform: political decentralisation, financial decentralisation, administrative decentralisation, and changed central-local relations. LGSP supports Local Government Reform across all four of these areas.

LGSP Objectives

Within the overall context and goal of the Local Government Reform Programme, that is, improve quality of and access to public services at the local level, the LGSP aims at the following two main and specific objectives:

- To strengthen fiscal decentralisation, improve accountability in the use of Local Government Authorities (LGAs) resources, and improve management of intergovernmental transfers system.
- To increase access to infrastructure and services in unplanned areas in Dar es Salaam and to improve revenue performance for sustainable operation and maintenance.

Issues being addressed by LGSP

In order to attain the stated objectives, LGSP is designed to address five key sector issues and makes a number of strategic choices in respect of these. The five sector issues are:

- The need to build Local Government capacity to strategically prioritise and execute local investment. The most critical strategic choice made by LGSP is to place capital – initially modest – in the hands of LGAs and to allow them to decide on both the sectors and the specific investment to support.
- The multiplicity of funding channels through which donors and GoT support for local investment is currently channelled. The investment environment is characterized by two overriding features: a) LGAs have very little funding available for infrastructure, and b) funds are highly sector conditional. LGSP will address this situation by initiating a non-conditional capital transfer – the Local Government Capital Development Grant.
- The risks of providing non-earmarked investment funds to LGAs, given that local capacity and accountability are often weak. LGSP will address this concern as follows: a) the LGCDG system will provide both incentives and resources to build capacity and strengthen accountability; b) the levels of capital funding initially provided will be modest. They will be sufficient to make

a difference, but small enough to limit the possibility of major wastage; and c) an Annual Performance Assessment system will ensure that funds are used appropriately, and to limit future flows if they are not.

- The rapid growth of the urban population and the consequential expansion in unplanned areas in Dar es Salaam. The extreme rapid growth of the urban population has placed enormous pressure on the services and infrastructure. LGSP has a special component that is designed to sustainably upgrade local infrastructure.
- The Central Government faces the challenge of managing the decentralisation process, overseeing the emerging intergovernmental fiscal system, and maintaining policy coherence concerning decentralisation. LGSP is designed to help PO-RALG develop the policy, implementation, monitoring, and evaluation skills necessary to oversee and support a decentralised intergovernmental fiscal system.

Benefits and target population

The benefits of LGSP are related to two key dimensions: a) increased access to local infrastructure, particularly by the poor, and b) more effective governance. The Project will benefit three principal groups:

- Local service consumers, i.e., households, who will benefit directly from increased investment in infrastructure and services by LGAs. This investment targets low income households.
- LGAs, which are mandated to provide services to their communities in priority poverty reduction sectors.
- PO-RALG, which oversees LGAs and has responsibility for monitoring and supporting them.

Achievements

In its short span of life since inception, LGSP has made tremendous contribution in the following areas:

- In Dar es Salaam – improved infrastructure and services such as sanitation, upgraded roads and associated drainage facilities, and easier access to safe drinking water. This is true for Tabata and Kijitonyama.
- Selected LGAs are making better and more sustainable investment choices with emphasis in transparency and accountability in the expenditure of public funds. Also in the selected Authorities there is focus on strengthening governance through genuine interaction between the Authorities (LGAs) and communities in terms of decisions which affect people's quality of life.
- Through capacity building PO-RALG is now set to provide effective policy guidance, meaningful systems of monitoring and evaluating expenditure, assessing improvements in service delivery and capacity to manage a decentralised capital grant system.

The LGSP has also made some major contributions in preparing the LGAs in relation to qualifications to access the funds made available under the LGCDG system. In that regard major achievements include:

- Preparation, publication and dissemination of 1) Manual for Assessment of Councils Against Minimum Access Conditions and Performance Measurement Criteria; 2) Procurement Manual for Local Government Authorities in three volumes: a) Procedures for the Procurement of Goods, b) Procedures for the procurement of Works, and c) Procedures for the Procurement of Consultancy Service; 3) Planning Guidelines for Villages and Mitaa. Other related key documents in this regard include: Training Material on Procurement in LGAs; Local Government Authorities Internal Audit Manual; and Guide to Outsourcing of Service Delivery in LGAs.
- Forty-seven (47) LGAs have qualified to receive funds from LGCDG and sixty-seven (67) others are currently in the process of being assessed in that direction.
- With the Dar es Salaam experience, LGSP has demonstrated that with resolve and the right approach LGAs can go a long way in realising not only their potential but also concrete achievements in improving infrastructure and social services.
- LGSP is spearheading the implementation of the Local Government Reform in practical terms by, among other means, training LGAs in good governance in general and financial management and control in particular.

Challenges

The achievements recorded so far are impressive given the short span of life of LGSP. Encouraging as these achievements are, and given the socio-economic conditions in all LGAs areas of jurisdiction, LGSP still will have to contend with the following challenges:

- To get the communities to contribute 5% which is the cost of the project;
- Communities to make projects sustainable; and
- To ensure communities have sustainable sources of revenue.



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