

4. Local Government Budget Process

Mainland Tanzania is divided into 133 districts, municipalities, cities and towns, known as Local Government Authorities (LGAs), each with its own elected council. Under the Government's Decentralisation by Devolution (D-by-D) policy, these LGAs are playing an increasingly important role, particularly in the delivery of social services, including primary education, health services, rural water supply, agriculture and local roads. Secondary education is expected to become the responsibility of local governments in 2008/09.

The Decentralisation by Devolution (D-by-D) related reforms have created valuable new opportunities for community members and civil society to engage with the budget process and influence how these important services are delivered. This section describes the budget process at LGA level and below, including describing the openings for civil society to get involved.

Box 4.1 The Local Government Reform Programme (LGRP)

The main goal (long-term) of LGRP is to contribute to the Government's efforts to reduce the proportion of Tanzanians living in poverty. Its purpose is to improve quality, access and equitable delivery of public services, particularly to the poor. These must be provided through reformed and autonomous local authorities. The reform aims at:

- Letting people participate in government at local level and elect their leaders (e.g. councillors, village, mitaa and vitongoji leaders)
- Bringing public services under the control of people through their local councils
- Giving local councils powers (political devolution) over all local affairs.
- Improving financial and political accountability
- Creating a new local government administration answerable to local councils and to local needs
- De-linking local administrative leaders from their former ministries
- Creating new central-local relations based not on orders but on legislation and dialogue
- Improving governance based on political and financial accountability, democratic procedures and public participation.

Source: PMORALG-SNV CDROM on Local Government Reform

4.1 Key Actors in the Local Government Budget Process

The **Ministry of Regional Administration and Local Government in the Prime Minister's Office (PMO-RALG)** is the central government body in charge of overseeing the operations of the LGAs and councils. PMO-RALG provides local government policies and guidelines to be followed by LGAs in the districts and councils.

The central government **line ministries** (such as the Ministry of Health and Social Welfare, or the Ministry of Water and Irrigation) set sector-specific policy guidelines and are consulted on allocations of resources to local government for their sectors.

At the regional level the **Regional Secretariat (RS)** headed by Regional Administrative Secretary (RAS) acts as a linking body between the central government and LGAs in the districts and councils. It also facilitates dissemination of relevant information and guidelines on planning, budgeting and implementation.

At LGA level, **council directors** (District Executive Directors or Municipal Directors) are responsible for overseeing budget formulation and implementation. The local heads of sector departments, the **Council Management Team (CMT)**, provide technical inputs and are responsible for the implementation of their respective sections of the budget.

Also at LGA level, the **council**, which is made up of elected ward councillors and local MPs, has a key role in reviewing and approving the proposed budget.

Below this there is the **Ward Development Committee (WDC)**, which is a coordinating body linking the district/municipal council to the villages, *mitaas* and *vitongojis* below. Members of WDC include the ward councillor, village/mitaa chairpersons and the ward executive officer.

In rural LGAs, each village has a **Village Council (VC)**, whose members are the village and sub-village chairpersons and appointed village leaders. Village and sub-village chairpersons are elected by the **village assembly**, which consists of every woman and man aged 18 years or over, providing the potential for real village democracy. Village assemblies ultimately 'own' the village resources in the name of all the people, including land, forests, water ways and other items. They are required by law to meet at least four times per year, although this does not always happen.

In urban councils (cities, municipalities and town councils), the closest equivalent to the VC is the **Mtaa Committee**, which has a coordinating function only. There is also the **Mtaa Assembly**.

4.2 Local Government Revenues

As with the central government, LGAs receive funds from a number of different sources. The vast majority of funding comes in the form of transfers and grants from the central government through a number of different channels, which are outlined below. In addition, a small proportion of LGA funds come from local tax revenues (also called "own source revenues") – these are discussed in the section 4.2.2 below. A very small amount (0.1%) comes from LGA borrowing. Finally, an important contribution is made by community members themselves towards the capital cost of new investments, such as classrooms. This is covered briefly in section 4.2.3 below.

4.2.1 Transfers and Grants from Central Government

The most significant grant mechanisms are as follows¹¹, and are compared in the chart at right.

Recurrent block grants

Each LGA is allocated a certain amount to cover recurrent costs (salaries and operating costs) in each of the key social sectors (health, education, rural water, agriculture and roads), as well as a *general purpose block grant* to cover general administration costs. The size of these block grants is decided by formula, linked largely to the size of population and to sector-specific criteria such as the number of school-age children or

¹¹ Note that the various channels for transferring funds from national to local government often change from one year to the next. This section was up to date at the time of writing in mid-2008, but is likely to change in the next 2-3 years. In particular, the mechanisms used to provide funding for particular sectors (such as secondary education, health, agriculture, roads and water supply) and for salaries are hotly debated and may well change.

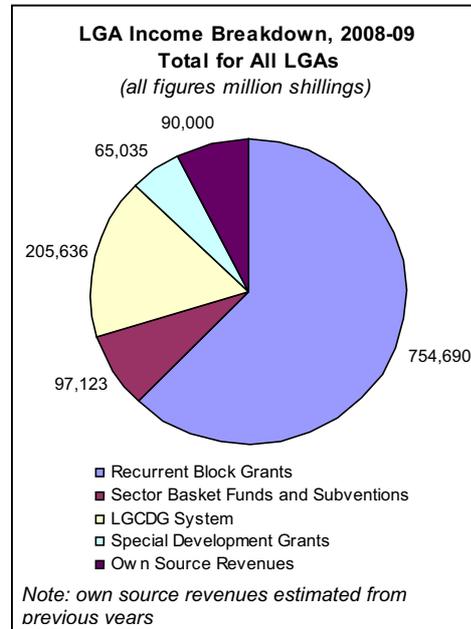
number of people without access to clean water. Salaries for teachers and health workers are paid from these grants. There are some conditions for what this money can be spent on – for example the road block grant can only be spent on maintaining existing local road networks, and the rural water supply block grant cannot be spent on the running costs for rural water schemes. On average, recurrent block grants provide just over 60% of each LGA’s annual budget.

Sector Basket Funds and Subventions

These funding channels provide additional recurrent funding for key sectors direct from the respective ministries. The *Agriculture Sector Development Programme (ASDP)* and the *Health Sector Basket Fund (HSBF)* both provide funds to supplement the agriculture and health block grants, *TACAIDS* provides funding to all councils for HIV/AIDS-related expenditure, and selected councils get additional funds from the *Global Fund*. Finally, 30% of the *road fund* is distributed to councils for maintenance of local roads. In total, these basket funds and subventions provide an average of 8% of each LGA’s annual budget.

The Local Government Development Grant System (LGCDG)

This grant is designed to provide LGAs with a significant and predictable amount of funding to spend on development (new or rehabilitated infrastructure) according to local priorities. The council can decide whether it should be spent on new classrooms, health facilities, rural water schemes, new roads, etc., in line with priorities put forward by the community through the Opportunities and Obstacles to Development (O&OD) process (see section 7.3 below). It is allocated by formula, linked mainly to the size of the local population, but only LGAs that meet certain criteria are eligible. (See below for more details of these criteria.) In addition, all LGAs are allocated a capacity building grant (CBG) that can be spent on activities to build their capacity so that they do meet the LGCDG’s eligibility criteria. From 2008/09, the primary education, water and agriculture sectors now channel funding for their specific sectors through the LGCDG mechanism, with a certain amount of funding earmarked for those particular sectors, respectively. On average, the LGCDG system provides 17% of each LGA’s annual budget.



Special development grants

Box 4.2 Which councils receive the LGCDG?

An annual assessment process measures all LGAs against two sets of criteria, known as the *Minimum Conditions* and *Performance Measures*, both of which judge the LGA’s performance in financial management, planning and budgeting, procurement, transparency, and monitoring and evaluation. These assessments can make a big difference to how much money an LGA has available for development.

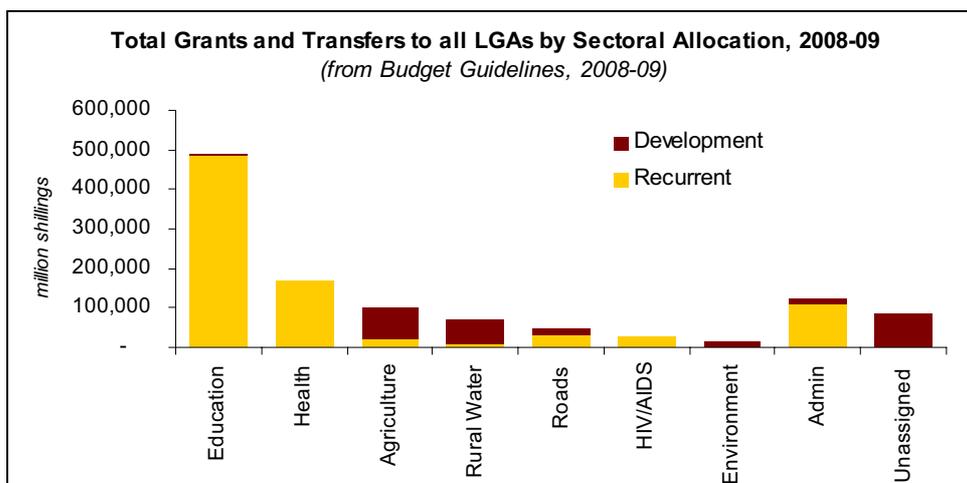
LGAs that fail to meet the minimum conditions do not receive the main Capital Development Grant, which represents approximately 70% of the funds LGAs have available for development. In 2008/09, 5 LGAs failed to meet these criteria. The most common reasons for LGAs failing to meet the minimum conditions are that they failed to submit financial reports, lacked internal audit capacity, were given *adverse* audit reports in the Controller and Auditor General’s (CAG) annual audit, or had other financial irregularities.

The performance measures can reward well-performing LGAs with a 20% increase in their LGCDG allocation, but can also punish poorly performing LGAs with a 20% reduction. In 2008/09 42 LGAs received this bonus and 9 received a reduction. The +-20% bonus/penalty system is under review with some adjustments expected from 09/10.

In addition to development transfers under the LGCDG System, LGAs receive a variety of other development grants limited to specific regions (area-based programmes), sectors and purposes. These include some transfers such as the PADEP (Participatory Agriculture Development Empowerment Project), DASIP (District Agriculture Sector Investment Project), UDEM (Urban Development and Environmental Management), Participatory Forest Management (PFM) / Sustainable Wetland Management (SWM) Grants, district and village transportation grants (LGTP/VTTP), Council Premise Development Grant, and the UNICEF support for Social Planning and Budgeting, among others. The grants provide an average of 5% of each LGA’s budget.

4.2.2 Own Source Revenues (Local Taxes, etc.)

In addition to each of the above inter-governmental grants, local governments have some local revenue sources. The table below lists these sources.



Box 4.3 Local Government Own Source Revenues

Taxes on property

- Property rates

Taxes on Goods and Services

- Crop cess (max. 5% of farm gate price)
- Forest produce cess

Taxes on Specific Services

- Guest house levy

Business and Professional Licenses

- Commercial fishing license fee
- Intoxicating liquor license fee
- Private health facility license fee
- Taxi license fee
- Plying (transportation) permit fees
- Other business licenses fees

Motor Vehicles

- Vehicle license fees
- Fishing vessel license fees

Other Taxes on the Use of Goods, Permission to Use Goods

- Forest produce license fees
- Building materials extraction license
- Hunting licenses fees
- Muzzle loading guns license fees
- Scaffolding/Hoarding permit fees

Turnover Taxes

- Service levy

Entrepreneurial and Property Income

- Dividends
- Other Domestic Property Income
- Interest
- Land rent

Other Local Revenue Sources

- Administrative Fees and Charges
- Fines, Penalties and Forfeitures

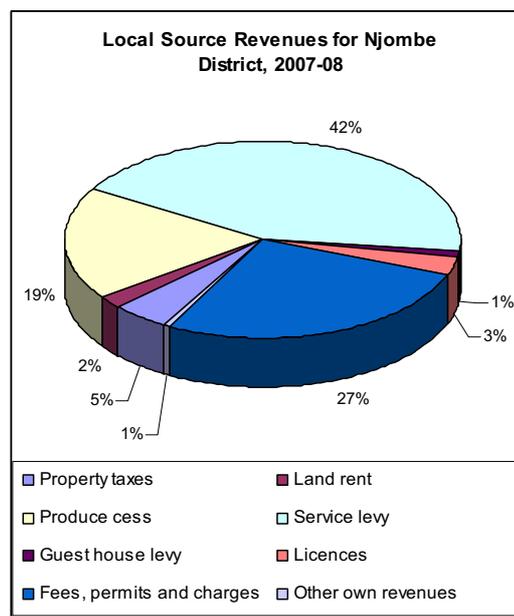
(Source: PEFAR, 2006)

"LGAs are not allowed to levy any taxes, levies or fees which are not on this list."

On average, these local revenues provide LGAs with around 8% of the resources available to them. This is higher in urban centres, particularly the three municipalities that make up Dar es Salaam. The breakdown of these sources for a typical LGA (in this case, Njombe district) is shown in the chart below.

Property tax is paid by the owners of the buildings, structures or similar developments. It is paid on the estimated value of the property being taxed. Land is not taxed under the property rating since all land belongs to the State and is therefore liable for land rent collected by the central government.

Local government taxes on goods and services include tax on crop and forest produce when they are delivered to markets within the LGA (the crop cess). The rate is usually 5% of the farm gate price. Local government authorities may levy taxes on specific services, such as guest house levy, commercial health services, film and video shows. There are also other taxes on the use of goods, or permission to use goods. These include forest produce license fees, building material extraction license fee, hunting licenses fees, muzzle loading gun license fees and scaffolding/hoarding permit fees.



Previously, a significant contribution to local revenues came from the **development levy**, a fixed-rate tax on all adults. However, this tax was revoked in 2003 as it was seen as a burden on poor households and in some cases it cost nearly as much to collect as it earned in revenue.

4.2.3 Community Contributions

For development expenditure in many sectors, and all expenditure under the LGCDG system, a financial contribution from the community itself is required. Depending on the type of infrastructure, this can range from 2.5% to 30% of the total cost, but is generally set at 5%. These contributions are seen as important for sustainability – that when community members themselves have paid for something, they will feel a sense of ownership of the new facilities, and will therefore maintain them more effectively.

These contributions are a common source of contention at community level, particularly when community members are forced to contribute towards the costs of new infrastructure that they did not prioritise. They can also provide an opportunity for wealthy benefactors to develop patronage networks – a local politician may cover a village’s full contribution in order to gain popularity. This situation undermines the justification for the contributions, and creates an obstacle to less wealthy members of society who want to enter politics.

4.2.4 The Constituency Development Fund (CDF)

The Constituency Development Fund (CDF) has not yet been established in Tanzania as of the publication of this guide (August 2008). However, funds were allocated to it in the FY 2007/08 budget, and there have been strong indications that it will be established in the near future. As no information on the operational modalities has been published, this section is based on CDF experiences in Uganda, Kenya and elsewhere.

If established, the CDF would provide additional resources for development at the local level by channelling money to constituencies under the management of Members of Parliament. The CDF would thus supplement the existing funding mechanisms for local

government, although it may not represent an increase in funding, since funds will have to be taken away from other mechanisms in order to finance the CDF.

Resource Mobilization and Funding mechanism

The CDF is allocated in the budget of every financial year and after parliamentary approval, the funds are disbursed to the constituencies to be spent on development projects as identified and prioritized by local citizens. Every constituency receives funds whose exact amount is based on a formula that includes factors like population and size of the constituency

CDFs are typically managed by committees comprised of the area Member of Parliament (MP) and members nominated and elected by the residents of that constituency. In some instances, the MP is the chairman of the committee and thus also the chief accounting officer of the CDF.

The CDF committee is responsible for overseeing the management of the CDF. It plays a supervisory role and remains directly accountable to the CDF chairperson and citizens of the area. The CDF committee mobilizes local residents to identify community needs and priorities and propose projects to address these community needs. The committee then reviews and approves development projects for funding under the CDF.

A CDF can contribute to speeding up development at the local level. However, the challenges facing its implementation – see box below – make it a highly risky venture for government to undertake. Further, evidence from previous studies like PEFAR indicates that the poor quality of service delivery at the local level is not due to lack of funding, but more to poor capacity, political interference, low civic competency etc. The establishment of a CDF is likely to make this situation worse rather than better.

Box 4.4 Advantages and disadvantages of the CDF

On the positive side, a CDF can provide additional resources for communities to spend on priority areas like water, education, health, infrastructure or agriculture. A CDF can also provide an opportunity for ordinary citizens to have a stronger stake in deciding their local priorities and allocating funds and resources to meet these priorities

On the other hand, the CDF is vulnerable to abuse and has attracted significant criticism in countries such as Uganda and Kenya, including the following:

- A CDF erodes the oversight powers of the Parliament and MPs as they begin executing projects. This skews the separation of powers and may make it difficult for Parliament to maintain its advisory and supervisory role.
- The CDF creates a parallel structure alongside the existing local government structure and this increases the burden on the already overwhelmed local government officials
- Funding provided under the CDF is funding that is not provided through the existing local government system, thereby undermining local government.
- A CDF is vulnerable to manipulation by the area MP, who may use his/her position to influence the selection of committee members and projects, turning the CDF into a personal project fund.
- In Uganda and Kenya, guidelines were clumsy and led to a lot of funds being misused. In Uganda in 2006, most MPs failed to account for CDF money, leading to suspension of the entire CDF.
- The accounting structures of the CDF are not clear. Is the CDF Chairperson accountable to parliament, to the district finance officer or to both?

4.2.5 Tanzania Social Action Fund (TASAF)

The Tanzania Social Action Fund (TASAF) is a joint Government and World Bank program designed to provide funding for local infrastructural projects, and small temporary employment. TASAF has multiple elements, described in turn below.

The Public Works Programme provides cash transfers through short-term employment for public works at a wage rate set at 20% below the market casual labour rate – for example, rehabilitating a stretch of road. Community Development Initiatives support the implementation of sub-projects to improve social services, such as building schools or improving water. Finally, the Social Support Programme provides grants to vulnerable groups such as disabled, aged, etc. – for example training physically disabled people in bee keeping, poultry farming and financial and business management skills.

The first phase of TASAF covered 2000-2005, and was implemented in the 40 poorest districts across mainland Tanzania, and the two islands comprising Zanzibar. The second phase of TASAF – TASAF II – is currently being implemented and will run through 2009. It expands the reach of TASAF to all districts in Tanzania.

TASAF has been billed as a means of furthering decentralization reforms, by giving more money and decision-making power to people at the local level. However, by creating parallel funding streams and administrative structures, there are risks that it could reduce transparency and accountability in overall Government operations.

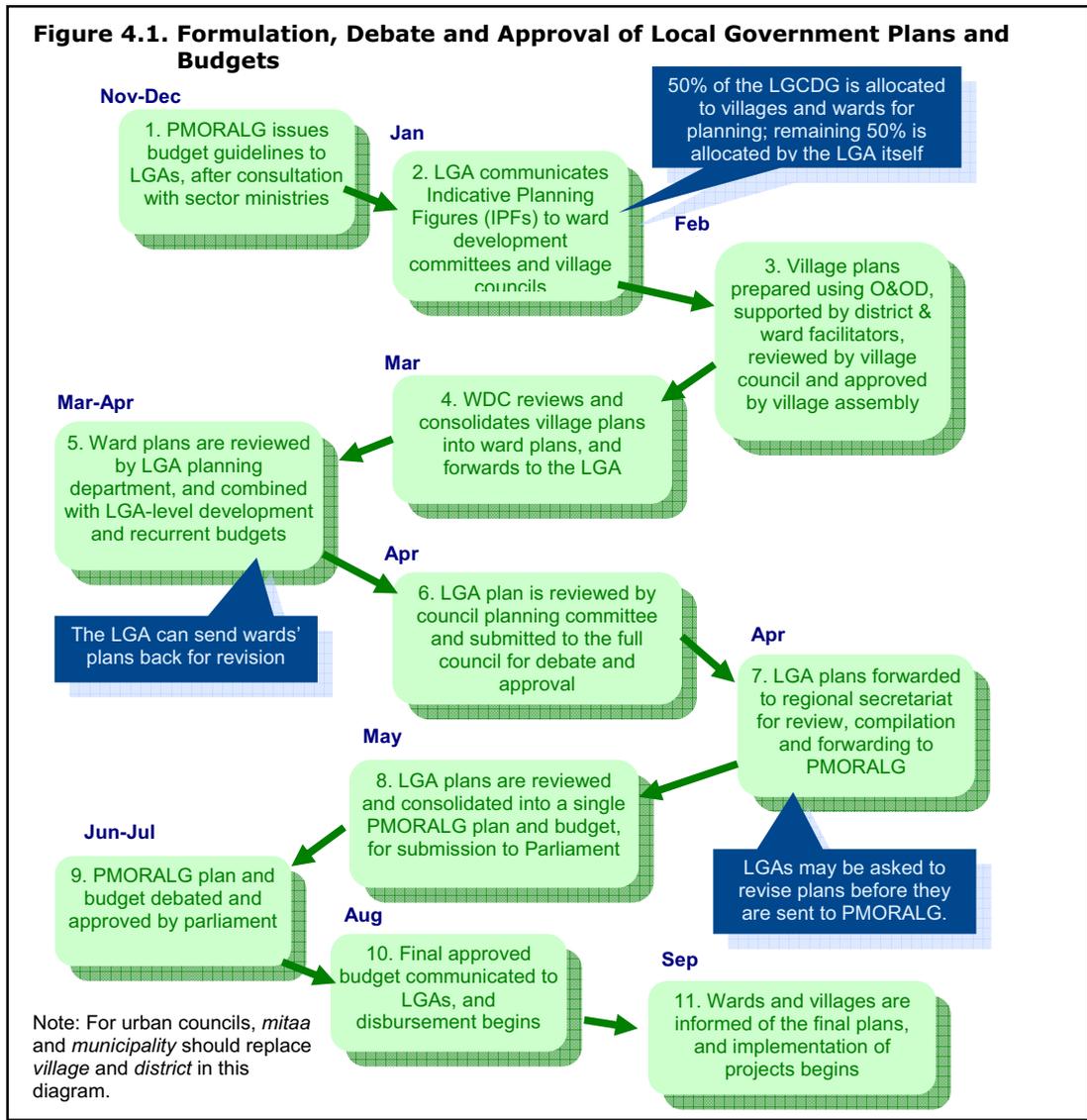
In a recent independent review of TASAF¹² the program was seen to be administratively well-integrated with local councils and seemed not to weaken the administrative structure. However, political favouritism was seen to be a potential weakness.

¹² Braathen, E (2003). *Tasaf – a support or an obstacle to local government reform?* Formative Process Research on the Local Government Reform in Tanzania, Project Brief No. 4

4.3 The Local Government Budget Cycle

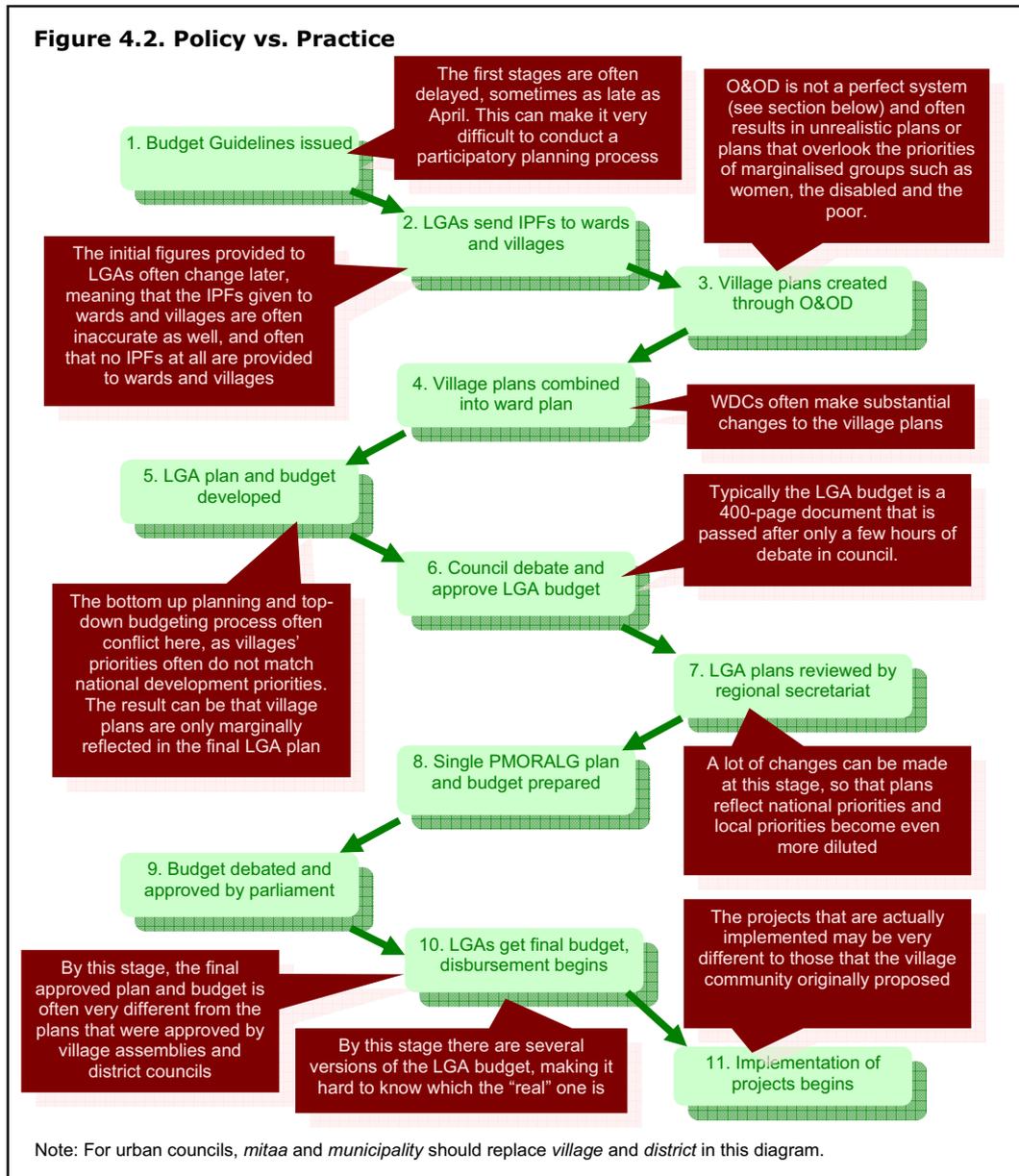
4.3.1 Budget Formulation, Debate and Approval

The process for formulating, debating and approving local government budgets is supposed to ensure that the needs and priorities of the community are heard. A village- and mitaa-level participatory planning process, known as Opportunities and Obstacles to Development (O&OD, see box below), feeds local priorities into a system of review, debate and approval that goes all the way up from village or mitaa level to national government, and involving ward, district and regional government. This process is explained in Figure 4.1.



Unfortunately, the reality of local government budgeting is not nearly as participatory as the official policy guidelines suggest. National development priorities have to be balanced against local preferences, and plans pass through so many hands before they are finally approved that there are often significant changes from the village and mitaa's original intentions. Furthermore, the process often starts late and with unreliable planning figures, which makes it hard to conduct meaningful participatory planning. These challenges are shown in Figure 4.2.

Opportunities and Obstacles to Development – O&OD



O&OD is a participatory process that has been designed to ensure that communities' needs and priorities are heard in the planning process, and to contribute towards the development of locally accountable governance and a sense of ownership. It is also build around a principle of positive thinking and self reliance rather than dependency.

The process of O&OD takes nine days per village, including an initial village assembly and a set of participatory techniques for identifying and analysing local opportunities and obstacles to development. Focus groups then develop a draft village plan, which is revised by the village council and presented to a second village assembly for their approval. In each village, this process is facilitated by a ward facilitator, who is supervised by a district O&OD facilitator.

Several challenges with O&OD have been identified,¹³ including the following:

- Key participants at village level often do not represent a full cross-section of the community.
- Village plans are sometimes very ambitious and unfeasible compared to available resources. This can lead to plans that are not implemented, which discourages the community.
- Village plans produced through O&OD often have only minor influence on final LGA plans.
- Other participatory approaches are also used, for example for TASAF, which can be confusing and inefficient.
- The process is expensive – costing as much as 25% of the available development funding, by one estimate – and there are not always resources available for it.

O&OD is being refined to address these challenges.

4.3.2 Budget Execution, Oversight and Control

Budget execution

Once Parliament has approved PMORALG's consolidated plan and budget, the LGAs and regional secretariats are sent copies of the approved budget books. The Treasury in the Ministry of Finance disburses allocations of funds to all ministries including PMO-RALG and LGAs on a monthly basis, although there are often delays particularly for disbursement of development funds. The disbursements are published in newspapers. At the local government level, district and urban councils inform wards, villages and mitaa that funds have been received, and details are placed on public notice boards.

LGAs issue expenditure guidelines to wards, villages and *mitaa* based on the approved budget, and begin project implementation.

It is possible for council directors to alter their approved budget during the financial year, and this often happens. In such cases, wards and villages should be informed promptly, including an explanation of the reasons behind the change.

Procurement

A large proportion of the LG budget is spent through private service providers. This includes engineering and construction works, material goods, consultancies and services. The procurement of works, goods, services and consultancies is governed by the Public Procurement Act of 2004 and the regulations made under it. The Act requires for each Local Government Authority to have a tender board for procurement of goods, services and works. The composition of a Local Government Authority Tender Board and the method of appointment of the members, and the procedures to be followed by such a tender board, shall be prescribed by PMORALG.

¹³ PMO-RALG & JICA (2006). *The Study on Improvements of Opportunities and Obstacles to Development (O&OD) Planning Process*, Progress Report, International Development Center of Japan, December 2006

Public procurement is regulated by the Public Procurement Regulatory Authority ('PPRA') which is established within the Ministry of Finance (s. 5 of the PPA). The key objectives and functions of the PPRA are set out in sections 6 and 7 of the Act. Notably, the PPRA's primary objective is to ensure that fair, competitive, transparent and non-discriminatory, and 'value for money' practices and standards are applied (s. 6(a) of the Act). Further, that the procurement policies and practices used by the Central Government, local government, and statutory bodies are harmonised (s. 6(b) of the PPA). In order to achieve its objectives, the PPRA is charged with a vast number of functions, including advising the Government on public procurement policies and procedures, monitoring and reporting on existing procurement systems and advising on necessary improvements, as well as developing training standards and competence levels for procurement officers. The Act also provides that Tender Boards for the procurement of goods and services shall be established within all para-statal organisations, local authorities, ministries, districts and regions (s. 28 of the Act). Each Tender Board is charged with, amongst other things, approving tenders and contract documents, ensuring compliance with the Act, approving procurement and disposal by tender procedures, as well as liaising with the PPRA on matters within its jurisdiction (s. 30 of the Act). Indeed, no contracts will be awarded by any public body without it first being approved by the respective tender board. The Procurement Management Unit is established to, amongst other things; support the functions of the tender board (s. 34 of the Act). Further a User Department is established to liaise with and report to the Procurement Management Unit (s. 36 of the Act). Finally Evaluation Committees are established to conduct evaluations and report directly to the Procurement Management Unit (s. 37 of the Act). As per s.38 of the Act, each of the Accounting Officer (or Chief Executive Officer), Tender Board, Procurement Management Unit, User Department, and Evaluation Committee are expected to act independently of each other in carrying out their respective functions and powers, subject to the provisions of the Act.

Importantly, the Act sets out the procurement principles and methods that should be followed by a procuring entity in Parts IV and V respectively of the Act. The emphasis being on transparency, clarity, and compliance with the procedures set out in the Act and related Regulations. The Dispute Settlement Procedures are set out in Part VII of the Act, and the Public Procurement Appeals Authority is established within the Ministry of Finance to settle disputes arising in accordance with the Act. However, it was acknowledged by the Minister for Finance and Economic Affairs, Hon. Mkulo, in his Budget Speech to the National Assembly on June 12, 2008 that a continued issue with public procurement is the lack of sufficient qualified procurement officers who are expected to apply the provisions of the Act and the related Regulations. It is anticipated for FY2008/2009 that by transferring the supervision of procurement officers from the Ministry of Infrastructure and Development to the Ministry of Finance and Economic Affairs as well as the Government's strengthening of the Procurement Units will contend with this issue.

In-year oversight

PMO-RALG monitors LGA accounts, revenues and expenditures on quarterly basis to ensure that plans and budgets are implemented and executed as planned. The reports that are sent to PMORALG are also presented to the full council, and are therefore theoretically public.

At village, Mtaa and ward level, the Village Council (VC), Mtaa Committee (MC) and Ward Development Committee (WDC) are also supposed to meet quarterly to review progress at their level. The VC and MC should present progress reports to the village assembly or mtaa assembly of all adult community members.

Audit

As with central government, the accounts of all LGAs are required to be audited by the national audit office (CAG). The Parliamentary Local Authorities Accounts Committee (LAAC) is responsible for reviewing CAG reports for LGAs and for holding accounting officers accountable.

However, given the multiple sources of funding obtained by LGAs, local councils can be subjected to a number of inspections and audits during the course of any given year. These include:

- a separate audit of the Road Fund by the CAG;
- an audit for the Health Basket funds;
- an audit for the education sector (PEDP);
- an audit of the local government reform programme; and
- audits commissioned by donors on their individual programme(s).

Finally, there is the Local Government Capital Development Grant Annual Assessment conducted in September of each fiscal year for all LGAs. This is the process by which LGAs are judged against the Minimum Conditions and Performance Measures that determine whether they qualify to receive the Local Government Capital Development Grant in the subsequent financial year, and whether they qualify for any financial bonuses or penalties.

4.4 Opportunities for Civil Society to Participate

The local government budget process presents several opportunities for civil society organisations (CSOs) to contribute. There are valuable opportunities at various stages throughout the cycle – formulation, approval, execution and audit – that civil society can take advantage of, and there are already many organisations that are doing so.

4.4.1 Opportunities for CSOs during budget formulation and approval

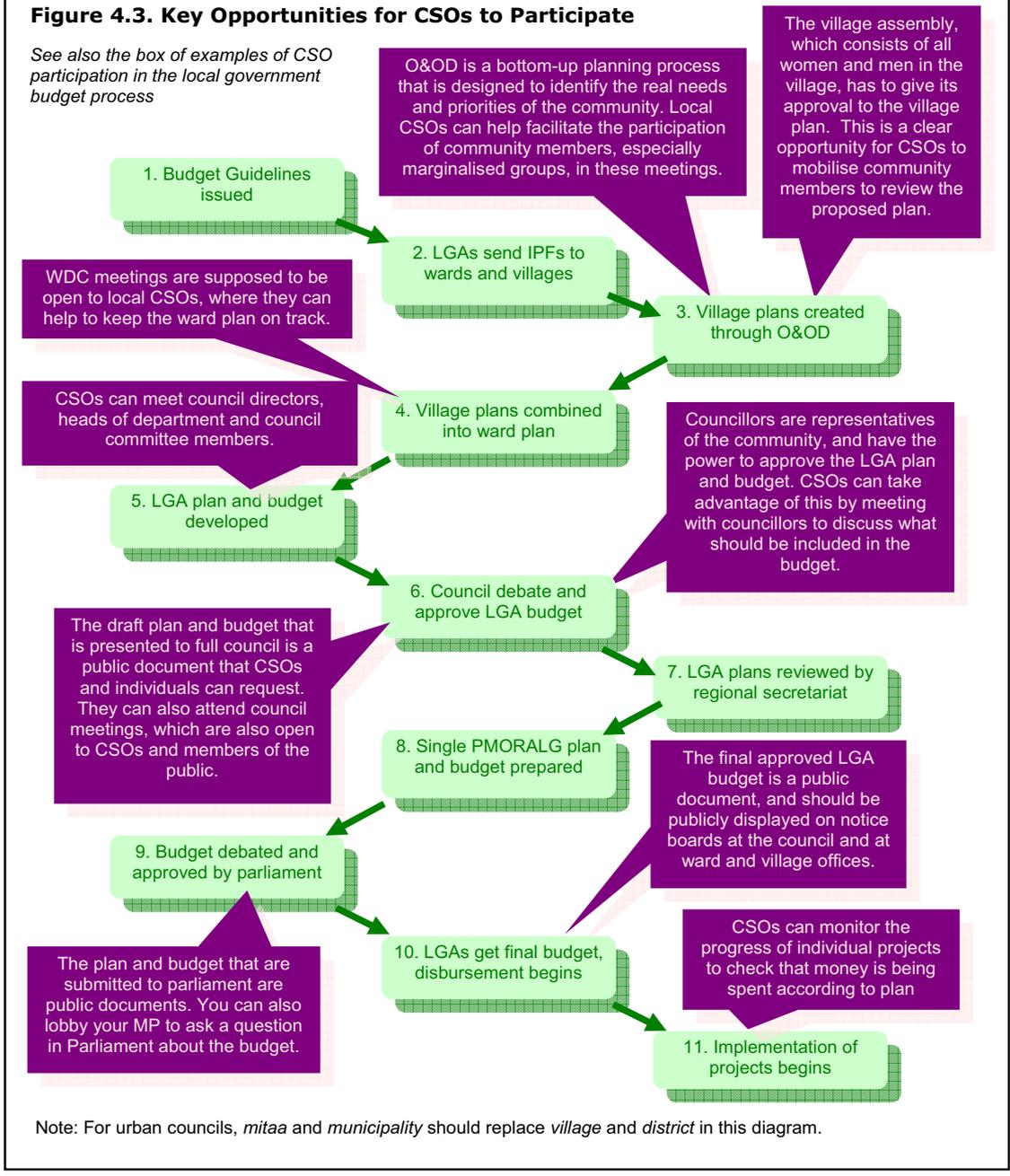
Several stages during budget formulation and approval have been designed to create a responsive planning process. These opportunities are presented in Figure 4.3, but the key opportunities are worth explaining in more detail here.

- **The O&OD process.** The participatory planning process, O&OD, is designed as a bottom-up mechanism to ensure that the voices of ordinary Tanzanians are heard. The first opportunity then for civil society to engage, is to support the O&OD process by mobilising women and men in the community to participate. It is recognised that a weakness of O&OD is that the voices of more marginalised groups in the community, such as women, the disabled and the poor, are not often heard. The effectiveness of their participation will depend on the extent to which community groups have successfully organized themselves, acquired the information necessary to back up the positions they wish to take in terms of policy/budget priorities, and have chosen effective spokespersons to make their views known, and to feed the results of such meetings back to their 'constituencies'.
- **Village Assemblies.** Various representative assemblies (the village and mtaa assemblies, the district council and Parliament) present CSOs with an opportunity to influence the planning process. The first such opportunity in rural districts is at village level, with the village assembly. The village assembly includes all women and men living in the village, and has two opportunities to influence the planning process. First they are consulted at the start of the O&OD process, and second they have to give their approval to the village plan at the end of the O&OD process.

- **Ward Development Committee (WDC).** WDC meetings are supposed to be open to CSOs that operate in the ward, which presents CSOs with an opportunity to see what is being proposed, and to ensure that the interests of marginalised are reflected in the ward plan that goes forward to LGA level.
- **Council debate and approval.** The council is the second representative assembly where CSOs can engage with to influence the budget process. The council has to approve the LGA budget before it can be forwarded to the regional secretariat and national government. Councillors are elected as representatives of the community, and are in danger of not being re-elected if they do not act in the community's interests. CSOs can take advantage of this by encouraging councillors to perform their scrutiny and approval role in the interests of marginalised groups, perhaps through presenting research findings on the priorities of these groups, or by arranging for members of the groups to meet with councillors. The proposed plan and budget that is presented to the full council is a public document, which CSOs should be able to access from the Planning Officer or from their councillor. CSOs can also assist councillors by analysing the proposed LGA budget and publicly commenting on how pro-poor or gender sensitive the budget is.

Figure 4.3. Key Opportunities for CSOs to Participate

See also the box of examples of CSO participation in the local government budget process



4.4.2 Opportunities during budget execution control and audit

The budget formulation process provides an opportunity to ensure that the priorities of the poor and marginalised are heard, but it is also important to ensure that the money is spent as planned. First, this ensures that decisions made in favour of marginalised groups actually result in improved services. Second, it is important to ensure that local government delivers services as efficiently and effectively as possible. Several CSOs are already working in this area, using a variety of professional approaches including the following:

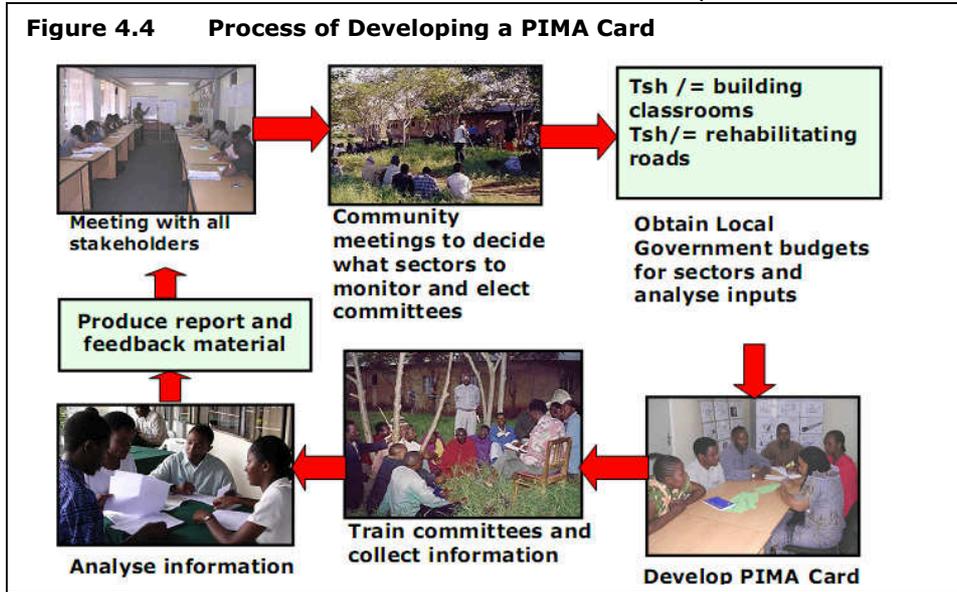
- **Public Expenditure Tracking.** Is the budget being spent as intended? Are disbursements flowing as planned? Does money allocated for a particular project actually get spent on that project? Are services improving as intended? CSOs are in a strong position to monitor the LGA’s progress against the budget. There are several examples of CSOs engaged in this work in different parts of Tanzania, including Hakikazi Catalyst, REPOA and TGNP.

Community Scorecards / PIMA Cards are an example of a PET approach being undertaken by Hakikazi Catalyst. Are women and men happy with the standard of services, and are they seeing and improvements? Citizens’ report cards are a simple way for CSOs to facilitate community assessments of local government performance. This can either monitor progress against budgets or can also be a very powerful input into the planning process. The table on the right is an example of a PIMA scorecard on agricultural extension, and the box on the next page presents the process. See the box below for more information on this experience.

Agriculture and Markets – Production Factors				
B1.	Extension services			
B1.1	What types of extension advice were provided in your village last year and how satisfied are you with these services?			
	Not received	Poor	Satisfactory	Good
Pest management				
Improved seeds				
Advice on high return crops				
Crop processing advice				
Veterinary services				
Environmentally friendly farming				
Soil conservation				
Starting farmers’ associations				
Irrigation techniques				
Crop storage				
Crop processing				
Livestock Products processing				

- **Social Audits.** Does the LGA’s annual report reflect the true state of public services? Just as a financial audit looks whether financial statements represent a true picture, a social audit asks whether narrative reports reflect reality. CSOs can conduct independent monitoring of the state of public services, for example by physically visiting water points to check that they are functioning, to assess the standard of the official reports.

- **Financial Audit.** Once the office of the CAG has published its annual audit



reports, CSOs can pressure LGAs, perhaps through councillors, to give public explanations for any problems that have been highlighted, and to explain what measures they are taking to correct them.

With any of these approaches, it is important to think about how the data and analysis are used. Working in partnership with local government to improve planning processes and service delivery can be a very effective way of ensuring that the results of your work make a difference. And how will you make sure that they are available to members of the public?

It is again worth remembering that several important official documents are supposed to be publicly accessible, which can be very useful in holding local government to account. Details of what should be available and where it should be available from can be found in section 4.6 below.

4.4.3 Key sources on opportunities for civil society action at local government level

- Several NGOs are involved in work at LGA level. The NGO Policy Forum, SNV, REPOA, Hakikazi Catalyst and TGNP are all good sources of information on this type of work.
- The Public Expenditure Tracking resource book **Follow the Money**, published jointly by Hakikazi, REPOA and TGNP is an excellent source of information on PET and on community scorecards. It is available from www.hakikazi.org.

Box 4.5 Civil Society Organisations implementing Public Expenditure Tracking

Public Expenditure Tracking (PET) is 'following the money' from where it is disbursed by central government authorities, through local government, to end users such as schools and clinics. PET has many advantages in helping people to access and use financial information, and then to understand the relations between service provision, budget allocation and actual expenditure.

Information produced by PET can be useful for actors wanting to know whether there are leakages in the system, to understand the source of problems (e.g. lack of drugs in clinics), to know why the council is not carrying out its promises or plans, to ensure value for money, to target spending to achieve better results, and to improve reporting.

The main steps involved are as follows:

1. **Literature Review** – analyse local and national goals and policies paying particular attention to the groups, issues or sectors that concern you most. For instance, the Tanzanian coalition that developed the PETS methodology encourages users to maintain a gender perspective during the analysis, meaning that policies and budgets should be specifically examined to assess their different impacts on men and women.
2. **Map the budget process at district level** – it is important to map out the level and means of citizen participation as well as mechanisms to encourage such involvement. Equally significant is information on the most voiced opinions influencing budget priorities and the segments of society they emanate from.
3. **Talk with key actors about PET** – target key individuals in government and citizens who have the authority to influence decision-makers and develop a strong working relationship with them. An important outcome of this step is to get the agreement of key district officials to share the relevant financial information with you and to get information from citizens that will help you in developing an advocacy strategy.
4. **Introductory PET meeting** – The success of PET depends on the joint work of many individuals including PET implementers and those with budget and planning information that can add value to the findings produced through the exercise. The introductory meeting should include in its agenda a discussion of the findings from the first three steps already undertaken.
5. **Fieldwork** – The user should monitor the flow of funds to meet people's priorities at the district and village levels for a specific period of time – four weeks at least – so as to identify what monies are actually spent in village communities. It is vital that the collected information is carefully maintained as the data will then be compared with disbursements made at the district level for each of the communities in which data is collected.
6. **Feedback meeting at district level** – reporting back on the findings from community level and reflecting on the experience and lessons learned. This meeting can be very useful to get agreement for ongoing regular sharing of budget information.
7. **Systematic follow up** – PET is not a one-off event but rather an ongoing process of holding government officials accountable. Hence, participants should follow up on any assurances given by officials regarding access to information, develop a set of objectives, targets and indicators required to meet the needs of people and identify the actions needed to achieve the desired results.

Hakikazi Catalyst's PIMA Card in Action

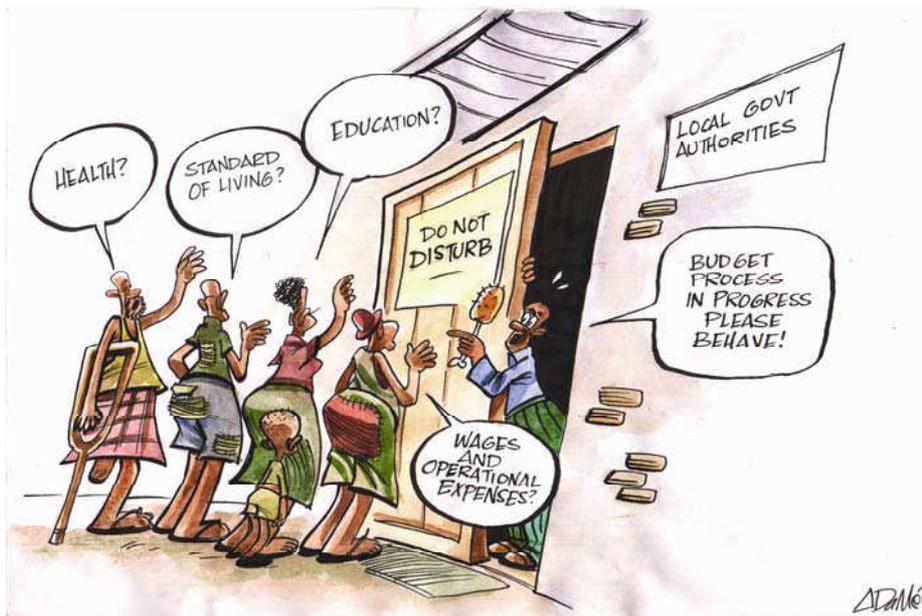
Using the PIMA scorecard to implement PET, Hakikazi Catalyst in Arusha has managed to collect information such as:

- Whether available funds are sufficient or not to meet the demands of services required;
- Whether or not allocation of funds are pro-poor and equitable;
- Whether communities see the building of new classrooms as an important achievement under the National Poverty Reduction and Growth Strategy (MKUKUTA) and;
- Whether or not there is a lack of transparency regarding receipt and use of funds at the local level.

Sources:

- *Follow the Money: A Resource book for Trainers on Public Expenditure Tracking in Tanzania*, published by Policy Forum's Local Government Working Group under the stewardship of Hakikazi Catalyst, REPOA and TGNP.
- *Public Expenditure and Service Delivery Monitoring in Tanzania: Some International Best Practices and a Discussion of Present and Planned Tanzanian Initiatives*, Geir Sundet for USAID.

4.5 Challenges and Limitations of the Local Government Budget Process



The local government budget process is not perfect. Several challenges and limitations have been identified over the past 2-3 years by a variety of researchers and analysts.¹⁴ It is useful to understand what some of these challenges are, since they can result in the process being very different in reality from the way it is described in official policy. Some of the key weaknesses are as follows:

- **Lack of reliable budget data**

The planning figures provided by PMORALG and the MOFEA to LGAs are often subject to considerable revision after they are issued. This makes it hard for LGAs (and lower levels) to plan effectively, since they never really know how much money they will have available and what purposes it is earmarked for.

During the budget formulation process, the village and LGA budgets pass through several different government offices, many of which have the power to amend the budget. Sometimes, lower levels are not fully informed of such amendments until late in the process. When the final budget arrives at the start of the financial year, it may look very different from when it was passed by the district council or village assembly.

- **Local priorities get lost**

Related to the previous point, the priorities of villages and even LGAs can get lost as the budget passes through different offices. This may be due to concerns about capacity or budget feasibility, support for national government's development priorities, or even that more powerful figures are able to insist on their favourite projects getting support.

¹⁴ Key sources for this section are the 2006 Public Expenditure and Financial Accountability Review (PEFAR), which focussed particularly on local government, REPOA's local government research (see www.repoa.or.tz), and PMORALG's annual Local Government Fiscal Reviews (see www.logintanzania.net).

Local priorities can also get overlooked when funding that comes from national government is earmarked for sectors that villages have not prioritised. If a large proportion of development funding is pre-allocated to particular sectors, it restricts the freedom of district government to respond to local needs and priorities.

- ***O&OD and marginalised groups***
As discussed earlier, O&OD often results in plans that reflect the interests of wealthier, more influential community members. Women, youth, the disabled, the poor and people living with HIV/AIDS, for example, can find that their priorities are not heard.
- ***Multiple accounts, multiple accounting***
A concern for financial accountability has created a situation where a typical LGA may be operating up to **1,000** bank accounts, each assigned to a different institution, project or donor. They may also have multiple reporting requirements to several different sources of funds. This creates a very difficult financial management and reporting situation, where managers have to stay on top of such a large number of accounts. This problem has been recognised, and PMORALG has begun trying to address it, primarily by bringing more sectors within the LGCDG and block grant funding mechanisms and away from ministerial subventions.
- ***Limited HR autonomy***
The devolution of responsibility for recruitment and staff development to LGAs has lagged behind the other decentralization reform. This restricts the freedom of LGAs to plan according to local needs, in addition to reducing the accountability of local officials to the council and local community.
- ***Limited accessibility of information***
Although in principle, many of the key documents in the planning and budget process are public, it can often be very difficult to access this information. Much information stays on shelves or in computers rather than being on public display, and some public officials still have the attitude that access to information is not a right.
- ***Delays in planning process***
Delays at the start of the budget cycle create challenges that are hard to catch up from. For example, if the budget guidelines are issued late, it becomes very difficult for LGAs to carry out the O&OD process and budget in a meaningful participatory manner. For example, late issuance of guidelines makes it impossible to issue IPFs to wards and villages.
- ***Delays in disbursements***
Similarly, if funds are disbursed late, the annual implementation calendar becomes very short, and funds can easily remain unspent at the end of the financial year. This is a common occurrence.
- ***Capacity***
The financial management demands that are placed on LGAs are complex and require a certain level of expertise. This accounting and internal audit capacity remains a challenge for local government finance, with many LGAs lacking treasurers or internal auditors, or unable to retain such staff for long periods.

These challenges are recognised by the government, and they have committed themselves to addressing these weaknesses through reforming systems and building capacities. They have begun doing so, and have made a number of improvements during the past few years. Public participation and demands for accountability will be key for these improvements to be accelerated.

4.6 Where to Access More Information?

The Local Government Finance Act of 1982 (as amended in 2000) sets out requirements for Local Government Authorities to meet while drawing up their annual estimates of revenue and expenditure. This Act, along with the Local Authority Financial Memorandum of 1997, requires each council to advertise in the media and/or post information on the council notice boards key information including: receipts of funds from the government, expenditure, statements, budgets and signed audited accounts, tender advertised, as well as allowing the public to attend the full council meetings. It can however be difficult to access this information, as it may be late, there may be several different versions of key documents in circulation, and some officials may try to keep some information hidden.

In particular the documents listed in the table below are all intended to be public:

Document	Available from	Available when (timings are often late)
Local Government Planning and Budgeting Guidelines	PMORALG, www.logintanzania.net	Dec (but are often late pending release of the national budget frame)
Indicative Planning Figures (IPFs) for Wards, Villages and Mitaa	District Planning Officer, Ward Executive Officer, Village Executive Officer, ward and village notice boards	Jan (but often late)
Village Plan and Budget	Village Executive Officer, village notice board, village assembly meeting	Feb/Mar
Ward Plan and Budget	Ward Executive Officer, District Planning Officer, Ward Councillor, ward notice board	Mar/Apr
Proposed District Plan and Budget	District Planning Officer, full council meeting, district notice board	Apr
Approved District Plan and Budget	District Planning Officer, full council meeting, district notice board	Apr
National Budget Books	www.bunge.go.tz	Jun/Jul
Final Approved LGA Budget	District Planning Officer, district notice board, www.logintanzania.net	Jul/Aug
Final Approved Ward and Village Budget	Ward Executive Officer, Village Executive Officer, ward and village notice boards	Aug/Sep
Quarterly progress reports (village level)	Village Executive Officer, village notice board, village assembly meeting	Oct, Jan, Apr, Jul
Quarterly progress reports (LGA level)	District Planning Officer, district notice board, www.logintanzania.net	Oct, Jan, Apr, Jul
Disbursement notifications	National newspapers, district notice boards	Throughout

4.6.1 Key sources of local government budget data

In addition to information in the media and on notice boards the following sources can be useful means of accessing local government budget data.

- **Local council meetings** can be a very useful source of information. Full council meetings are open to the public, and all information that is presented there is public information. This includes proposed plans and budgets as well as quarterly progress reports.
- The website www.logintanzania.net provides a large amount of budget data from LGAs across Tanzania, including details of intergovernmental transfers, local revenues, sectoral expenditure plans, and expenditure reports. A large range of different report formats are available, and a huge amount of data. The site also has an excellent documents section that includes policy documents, annual reviews, audit reports and budget guidelines.
- The **Tanzania Governance Notice board** (www.repoa.or.tz/content/blogcategory/10/43/) also has some useful local government budget data online.

A detailed list of useful references describing the local government budget process is available in the Resources section at the end of this guide.