



**Ministry of Interior, Local Government and Rural Development**

**The Local Development Fund  
Operational Manual for Local Governments**

**With Support from**

**United Nations Capital Development Fund  
UN Joint Programme on Local Governance and Decentralised Service Delivery (JPGLG) in Somalia**

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## Acronyms

AG	Accountant General
CG	Central Government
DANIDA	Danish International Development Agency
DDF	District Development Framework
DFID	Department for International Development
DSS	Department for Safety and Security
EIA	Environmental Impact Assessment
EU	European Union
FGS	Federal Government of Somalia
FRA	Fiduciary Risk Assessment
ILO	International Labour Organization
IPF	Indicative Planning Figure
JPLG	Joint Programme on Local Governance and Decentralized Service Delivery
LDF	Local Development Fund
LG	Local Government
MCs	Minimum Conditions
MoF	Ministry of Finance
MoI	Ministry of Interior, Local Government and Rural Development
MPTF	Multi- Partner Trust Fund
MTEF	Medium Term Expenditure Framework
OAG	Office of the Auditor General
OM	Operations Manual
PFM	Public Finance Management
PMG	Project Management Group
PMs	Performance Measures
SIDA	Swedish International Development Agency
TWG	Technical Working Group
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

## Foreword and Acknowledgement

The Puntland Government of Somalia is receiving support to implement the second Joint Programme for Local Governance and Decentralized Service Delivery (JPLG II). The JPLG II is a five year programme that started in 2013 and planned to end in 2017.

One of the outputs of the JPLG II is the Local Development Fund (LDF). The objectives of the LDF are to: (i) develop the capacity of local governments to plan, budget and provide resources for local development and service delivery; (ii) pilot a discretionary capital fiscal transfer system at the local level; and (iii) act as an incentive for decentralisation reforms as the lessons and experiences are documented and systematically feed into the reforms. The implementation of the LDF builds on the achievements and lessons learnt from practical implementation undertaken by JPLG since 2011. It is anticipated that the implementation of the LDF will facilitate the institutionalization and sustainability of fiscal transfers to LGs and enhance the LG capacity to deliver basic service and infrastructure.

The LDF Operational Manual for Local Governments (LGs) has been prepared by the Ministry of Interior, Local Government and Rural Development (MoI) in collaboration with the Ministry of Finance (MoF) with support from JPLG II/UNCDF in order to offer practical guidance to the LGs during the implementation of the LDF. The LDF Operational Manual does not replace but complements the existing laws, regulations and guidelines governing the operations of LGs as well as the various manuals and training materials.

I therefore urge all LGs to internalize and comply with the requirements of the LDF Operations manual to make the implementation of the LDF a success. The lessons learnt from the implementation of the LDF will be used during the design and implementation of the overall intergovernmental fiscal transfer system intended to improve the financing, functioning and delivery of services by the LGs.

Finally I would like to express my sincere gratitude to: UNCDF/JPLG II for having supported the development of the LDF Operations Manual; and the officials in central Government ministries as well as LGs for their valuable inputs.

Director General,  
Minister of Interior, Local Government and Rural Development  
June 2015

# 1 Introduction

## 1.1 The Context

The essential legal bases for decentralization in Puntland are the Constitution, Law No. 7 and the Decentralization Policy (2013-2020).

Law No. 7, Section 2, Article 9 outlines the objectives of LGs which includes: general healthcare and construction of mother and child health centers; construction of primary schools, Koranic schools, kindergarten, family development schools and their management; renovation of the road networks in the towns of the district; establishments of markets; and town planning.

The second Joint Programme on Local Governance and Decentralized Service Delivery (JPLG II) is a five year programme that started in 2013 and intended to end in 2017. The overall objective is “**local governance contributes to peace, development and equitable service delivery**”. The programme intends to achieve three outcomes: (i) policy and legal frameworks are improved to enable local governments to deliver equitable services; (ii) local government capacity for equitable service delivery is improved; and (iii) local governments are accountable and responsive to community priorities in providing equitable and sustainable services and promoting local economic development.

The LDF is the third output of outcome two focusing on “fiscal arrangements including local revenue generation and the LDF are strengthened and expanded for service delivery and local investment”. In particular the Local Development Fund (LDF) has three key short term objectives: (i) developing the capacity of local governments to plan, budget and provide resources for local development and service delivery; (ii) pilot a discretionary capital fiscal transfer system at the local level; and (iii) act as an incentive for decentralisation reforms as the lessons and experiences are documented and systematically fed into the reforms.

## 1.2 Scope and Use of the LDF Operations Manual for LGs

The LDF Operations Manual for LGs elaborates procedures that should be followed by the LGs, national ministries and donors during the implementation of the LDF. The detailed justification for the design positions taken are contained in the report to “Review and enhance the LDF in Somaliland and Puntland and recommendations for Federal Government of Somalia<sup>1</sup> and are not necessarily repeated in the LDF Operations Manual.

The LDF Operations Manual covers:

- a) Operations procedures for the LDF including objectives, funding sources, coverage and roll-out strategy, size and the horizontal allocation formula, the process for LGs meeting the eligibility conditions and performance measures, the investment menu and signing Memorandum of Understanding (MoU) and Participation Agreements.

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<sup>1</sup> See Ssewankambo Emmanuel (April 2015): Review and Enhancement of the Local Development Fund (LDF) in Somaliland and Puntland and Recommendations for Federal Government of Somalia.

- b) Procedures to guide the execution of the LDF including planning and budgeting, procurement and contract management, funds administration, funds disbursement, financial accountability and physical reporting requirements, and LDF audit arrangements.
- c) Strategy for strengthening the institutional capacities of LGs including objectives, target group, approach and methods, capacity building providers as well as capacity building coordination at the LG level.
- d) LDF governance and institutional arrangements including the roles and responsibilities of the different implementing structures and partners at the different levels of Government.
- e) Where deemed necessary, forms to guide data collection and reporting are provided as annexes.

The procedures detailed in the LDF Operations Manual are aligned with the existing Government procedures. Where the Government procedures are not available, the LDF will test procedures that can later be institutionalized for Government. It is anticipated that lessons learnt during implementation will be used to refine the LDF Operations Manual and to inform the overall intergovernmental fiscal transfer system.

The Operations Manual is intended to be used primarily by beneficiary LGs although it will also benefit relevant central Government agencies, other stakeholders working at the LG level as well as development partners.

## **2 Operation Procedures for the LDF**

### **2.1 Objectives of the LDF**

The LDF is a discretionary capital fund. The objectives of the LDF as stated in the JPLG II Programme Document are to:

- a) Develop the capacity of local governments to plan, budget and provide resources for local development and service delivery;
- b) Pilot a discretionary capital fiscal transfer system at the local level; and
- c) Act as an incentive for decentralisation reforms as the lessons and experiences are documented and systematically fed into the reforms.

The above objectives imply that the LDF aims to achieve two mutually reinforcing outputs: (i) the primary output being to use the LDF as a mechanism of developing systems and capacities for the LGs to fulfil their mandates regarding delivery of services; and (ii) the secondary output being to use the LDF to construct and/or rehabilitate infrastructure to make the existing service delivery facilities more functional.

None of the two outputs should be implemented at the expense of the other. For example, infrastructure should not be constructed without following the stipulated LG procedures for resource allocation, management and reporting as this will serve to undermine rather than to strengthen the LG systems and capacities. Similarly, measures should be put in place to ensure that the LGs deliver capital investments of sound technical quality and value for money to improve service delivery.

## 2.2 Funding Sources

The LDF is currently financed by: donors through JPLG II; Central Government; and Local Governments.

### *Financing of LDF by the donors*

The donors financing JPLG II and hence the LDF currently as of June 2015 are: Department for International Development (DFID);European Union (EU);Italy;Norway;Swedish International Development Agency (SIDA);Switzerland; and the DanishInternational DevelopmentAgency (Danida).

It is expected that other donors supporting LG institutional strengthening and capital investment will start to support/co-finance the JPLG II/LDF in due course. Similarly the donors who cannot co-finance the LDF because of the respective financing terms but supporting LGs to construct local infrastructure will start to use the same procedures and materials as those used under the LDF (shadow alignment with the LDF procedures). The procedures used by the LGs to implement the LDF should be gradually institutionalized as the procedures for provision of local infrastructure in a LG irrespective of the funding source.

In Puntland, the donors are currently supposed to contribute a maximum of 85% of the LDF. It is anticipated that the share of donor contribution to the LDF will gradually reduce as the Government and LGs take on more responsibilities for provision of funds to construct local infrastructure.

### *Central Government contribution to the LDF*

In Puntland, the Central Government is required to make a contribution of not less than 10% to the LDF through the Ministry of Finance.

The funds contributed by the Central Government should be deposited in the LDF Bank Account opened by the Ministry of Finance in a Commercial Bank. The CG contribution should then be transferred to the LG LDF bank account together with the funds provided by the donors and should be subjected to the same procedures. It is expected that following the lessons learnt from the LDF, Central Government will institutionalize and sustain the transfer of discretionally resources to LGs for construction of capital investments gradually replacing the funds provided by donors.

### *Local Government contribution*

In Puntland, the LGs are supposed to provide a contribution of at least 5% to the LDF. The LG contribution to the LDF should be deposited to the LG LDF Bank Account in a Commercial Bank before the donor contributions are made. LG co-funding the LDF is an incentive for the LGs to collect more local revenues and to allocate a share to capital investment and service delivery rather than using all the local revenues for meeting LG operating expenses. LG contributing to capital investment is also a proxy to demonstrate LG capacity to meet maintenance requirements of the capital investments.

An overview of the current prescribed funding sources is presented in table 1 below:

**Table 1: Overview of current prescribed LDF funding sources**

<b>Funding Source</b>	<b>Share contributed</b>
Donors through JPLG II/UNCDF	Not more than 85%
Central Government	Not less than 10%
Local Government	Not less than 5%

## 2.3 Coverage and roll-out of the LDF

In order for the LGs to efficiently and effectively manage the LDF, they need basic capacities and support in areas such as planning, budgeting, procurement, financial management, engineering supervision and reporting. Currently, this comprehensive package of support is being provided by JPLG II partners in the LGs in which they operate. Therefore, given the complementarity of JPLG II components, LDF should continue to be implemented only in JPLG II participating LGs that continue to meet minimum conditions<sup>2</sup>.

The criteria for selection of target districts stipulated in the JPLG II Programme Document are:

- a) LGs that were in existence by 1991 and hence recognized by the UN
- b) Accessibility for UN staff based on Department of Safety and Security (DSS) criteria;
- c) LGs that have a district council in place;
- d) LGs that operate a basic financial management system; and
- e) LGs whose selection will not provoke disputes over boundaries or armed conflict;

By June 2015, the LGs participating in JPLG II in Puntland are: Bossaso; Gardo; Garowe; Galkayo; Bandarbeyia; Eyl; and Jariban.

JPLG II can expand coverage and roll-out to more LGs if adequate additional resources are mobilized from the donor community, government and other potential sources. In case of roll-out:

- a) The criteria for selection of target districts stipulated in the JPLG II Programme Document should be maintained;
- b) LGs should be supported in advance by JPLG II partners to meet the basic requirements for use of the LDF. A LG to participate in the JPLG II must meet Minimum Conditions (MCs) and one system of MCs and Performance Measures (PMs) should apply to all LGs irrespective of maturity.
- c) UNCDF/JPLG should provide some funds to help the newly selected LGs to acquire basic administrative infrastructure, tools and equipment essential for management of the LDF. Given that the capacities of the newly selected LGs are likely to be relatively low, these resources will be managed with support from UNCDF/JPLG.

## 2.4 Horizontal allocation formula

<sup>2</sup> For details about minimum conditions refer to section 2.6 of this manual.

The criteria that shall be used to allocate the LDF are:

- a) 30% of the LDF should be allocated to the LGs equally;
- b) 20% of the LDF should be distributed to LGs based on Government estimated population; and
- c) 50% of the LDF should be distributed to LGs based on performance ratio determined through the district Performance Measure (PM) assessments<sup>3</sup>.

This allocation formula is selected because: it is simple, objective; rules based and generally acceptable. The weight of performance criteria is relatively high to reward good LG performance.

Given the nature and size of the expected investments; the need to have impact from the investments, the unclear legal status of newly created districts, all the LDF should be allocated to the District level. However, the levels below the districts should be actively involved in all the planning, budgeting and project implementation processes to ensure that sub-projects/infrastructure investments implemented put into consideration their priorities.

## **2.5 LGs meeting the eligibility conditions, performance measures and triggers**

The Minimum Conditions, Performance Measures, triggers and methods of the assessment are elaborated in the Local Government Performance Assessment Manual issued by the Ministry of Interior, Local Government and Rural Development. LGs are consulted and oriented to the requirements of the Performance Assessment Manual. The MCs and PMs are communicated well in advance to the LGs to ensure full transparency around the assessment and to improve the timeliness of the entire process.

LGs will only be eligible to receive the LDF if they meet all the MCs at the time of the assessment. The MCs are put in place to ensure that there are sufficient safeguards and that the LGs have the basic capacity to handle funds properly. Hence they are kept simple. The districts, which do not meet the minimum conditions, will forfeit the funding in the year to which the assessment results applies but they will still be entitled to receive the LDF in the subsequent Fiscal Year if they meet the MCs at that point in time. The JPLG II partners will support the LGs to bridge the capacity gaps that are hindering the LG from meeting the MCs.

In addition to the MCs, clearly defined Performance Measure (PMs) will be applied to the LDF. The levels of performance of the LG is part of the allocation formula (i.e. 50% of the LDF is allocated based on LG performance). LGs with a relatively good performance are rewarded and those with relatively poor performance are penalized (hence encouraged to perform better in subsequent periods). The system is designed in a manner which strengthens the mutual competition across the LGs and will provide continuous incentives to improve on the performance.

The performance assessment as well as the quality assurance will continue to be contracted separately to independent agencies by the Ministry of Interior. This will ensure that the performance assessment is conducted in a manner that is objective and with integrity. Even if a LG meets the MCs, it has to comply with a number of requirements (triggers) before the LDF is actually released.

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<sup>3</sup> The performance measure is weighted against the basic criteria (population). This means that a LG with higher population scoring the same marks with one with low population will get slightly higher allocation.

## 2.6 Investment menu – what the LDF should be used for

The LDF is supposed to be used for:

- a) Investment in social and economic capital infrastructure - minimum 95%
- b) Project development costs ( planning, monitoring and engineering supervision) – maximum 5%

### ***Investment in social and economic capital infrastructure***

Eligible activities are the construction and/or rehabilitation of public service delivery and economic infrastructure which meets the following criteria:

- a) Within the mandate of LGs as per law;
- b) Prioritized by LGs and contained in the annual work plan and budget approved by the LG council;
- c) Where impact can be created;
- d) Where LG have the capacity and/or arrangements to implement, operate and maintain.
- e) Investment in making the existing services more functional where there is guarantee to meet recurrent cost implications by the respective sector ministries rather than establishing completely new investments.
- f) All investments to be made should have approved technical designs.

Table 2 below provides examples of investments that can be constructed using the LDF.

**Table 2: Indicative Areas where the LDF can be invested**

Sector	Indicative eligible sub-projects (positive list)
<b><i>Economic Infrastructure</i></b>	
Roads	<ul style="list-style-type: none"> <li>• Rehabilitation of roads</li> <li>• Construction or rehabilitation of foot paths, culverts and bridges.</li> <li>• Street lighting</li> </ul>
Markets	<ul style="list-style-type: none"> <li>• Construction or repair of public market places.</li> </ul>
Livestock	<ul style="list-style-type: none"> <li>• Construction or repair of livestock dips.</li> </ul>
Irrigation	<ul style="list-style-type: none"> <li>• Construction of small-scale communal irrigation schemes</li> </ul>
<b><i>Local Public Infrastructure</i></b>	
Water, sanitation and waste management	<ul style="list-style-type: none"> <li>• Water supplies</li> <li>• Sewerage</li> <li>• Design and construction of Sanitary Solid waste disposal sites</li> <li>• Design and construction of Bio-medical waste management facilities</li> <li>• Provision or repair of latrines for public use or in primary health care or education facilities.</li> <li>• Design and development of waste water treatment facilities</li> <li>•</li> </ul>
Storm water	<ul style="list-style-type: none"> <li>• Repair of flood protection infrastructure (e.g. drainage, guttering etc.)</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Construction, repair or extension of existing primary health care facilities where there is a health worker.</li> <li>• Purchase of furniture or equipment for existing health facilities</li> </ul>

Sector	Indicative eligible sub-projects (positive list)
Education	<ul style="list-style-type: none"> <li>• Construction, repair or extension of existing primary schools where teachers are already deployed.</li> <li>• Purchase of furniture or equipment for existing primary schools.</li> <li>• Construction of adult education facilities</li> </ul>
Administration	<ul style="list-style-type: none"> <li>• Administration blocks/offices</li> </ul>
Society and Social Support	<ul style="list-style-type: none"> <li>• Community affairs (community centers)</li> </ul>

Table 3 below gives examples of activities that are **not eligible** to be financed from the LDF – the negative list.

**Table 3 Example of Areas where LDF cannot be Spent (Negative List)**

Investment Category	Examples
Investments not within the mandate of LGs	<ul style="list-style-type: none"> <li>• Hospitals</li> <li>• Secondary schools</li> <li>• Trunk roads</li> <li>• Electricity</li> <li>• Police</li> <li>• Mine Clearing</li> <li>• Ports /Air ports</li> </ul>
Investments with limited beneficiaries (private goods)	<ul style="list-style-type: none"> <li>• Private income generating activities</li> <li>• Sub-projects that do not equally benefit all members of the community, including vulnerable and minority groups</li> </ul>
Investments with negative environmental impact	<ul style="list-style-type: none"> <li>• Sub-projects that encroach onto an important natural habitat (e.g. ecologically-sensitive ecosystems; protected areas; forests and forest reserves; wetlands; any other environmentally sensitive areas)</li> </ul>
Investments with negative social impact	<ul style="list-style-type: none"> <li>• Sub-projects that will block the access to or use of land, water points etc. used by others</li> <li>• Sub-projects that will impact on physical cultural resources (e.g. religious monuments or structures; natural sites with cultural values; other sites of significance etc..)</li> </ul>
Investments that lead to significant recurrent cost implications	<ul style="list-style-type: none"> <li>• Sub-projects that will construct or rehabilitate education or health facilities if relevant staff is not already present.</li> <li>• Heavy equipment and plant (Graders, Tractors and Vehicles);</li> </ul>
Activities that are recurrent in nature	<ul style="list-style-type: none"> <li>• Staff salaries</li> <li>• Street cleaning</li> <li>• Health education</li> </ul>

### ***Project development costs***

These are costs that are incurred by the LG during the process of project identification, design and development, appraisal and feasibility analysis, implementation supervision and monitoring. The eligible activities to be financed from the project development window if not provided by the JPLG implementing partners include:

- a) Support to the planning process including project identification, appraisal and feasibility analysis;
- b) Support to project design and specifications, cost estimation, development of operation and maintenance plan, screening of negative environmental and social impact, financial planning;

- c) Support in preparation of Bills of Quantities;
- d) Support to engineering supervision; and
- e) Support to conducting of monitoring visits

Negative list

The activities which cannot be implemented from the project development costs include:

- a) Salaries for regular staff.
- b) Credit schemes, loans etc.;
- c) Procurement of vehicles for the municipal administration;

Failure to comply with the investment menu above, will lead to suspension of the LG from receiving the LDF and demand for full repayment of the amount incurred on ineligible expenditures.

## **2.7 Signing of Memorandum of Understanding and Participation Agreement**

The Puntland Government of Somalia represented by the MoI, MoF and Accountant General shall sign a Memorandum of Understanding with the UNCDF/JPLG specifying among others the roles and responsibilities of each party. The Form for the MoU between Puntland Government of Somalia and UNCDF/JPLG is attached to this manual as Form A.

Similarly, the Government of Puntland represented by MoI, MoF and Accountant General shall sign a Participation Agreement with the LGs participating in the LDF to among others specify the respective roles and responsibilities of each party. The Form for the Participation Agreement between Puntland Government of Somalia and LGs is attached to this manual as Form B.

## **3 Execution Guidelines for the LDF**

### **3.1 Planning and Budgeting Process**

The LG planning and budgeting process should adhere to the national planning and budgeting calendar. The procedures for planning and budgeting as well as the associated formats are currently elaborated in Public Expenditure Manual – Module 2 and Module 3 (Planning and Budgeting and Investment Programming) and will be incorporated in the Municipal Finance Policies and Procedures being developed and expected to be formally issued by MoI and MoF as the LG PFM system.

#### ***One-off processes and outputs in a five- year period***

There are a number of activities that take place once in a five- year period. These activities have already been conducted in the JPLG II participating LGs and will not be repeated till 2017. However, these activities will be conducted in case new districts/LGs have been selected to participate in the JPLG II. The activities include:

- a) Civic awareness on the roles and responsibilities of LGs and Citizens. Under JPLG, UNICEF is leading the implementation of the civic education component. The objectives of the component are to:
  - (i) articulate the rationale for decentralized systems of governance and for public participation in local governance structures;
  - (ii) deepen public understanding of the mandates, structures and capacities of

local government; and (iii) build the confidence of citizens, so that they can more effectively engage with local government councilors and officials.

- b) Formation of community structures – Village Development Committees and service delivery management committees.
- c) Development of the District Profile led by UN-Habitat.
- d) Production of a District Development Framework – led by UNDP.

### ***The annual planning and budgeting process and outputs***

Building on the above processes and outputs, the main steps during the annual planning and budgeting process are:

- a) The national Government issues a budget call circular which provides national guidance and indicative allocations.
- b) The LG makes a revenue forecast for the next FY which includes;
  - a. Revenues generated from LG own sources
  - b. Central Government transfers
  - c. The LDF including: (i) the issued allocations for the FY, which is the LDF allocation per LG (not specific projects to be implemented) that should be included in the national budget; and (ii) carry-overs – either the LDF allocation for which commitments have been entered into but funds not actually yet spent or savings made on LDFs.
  - d. Resources from other donors and contributions to be made by NGOs but not managed by the LGs, which should be captured as below the budget line items.
- c) In future, resources will be forecast over the medium term when the national level starts to produce a medium term expenditure framework which is currently not in place.
- d) The LDF allocations should be publicized before the planning and budgeting process so that annual prioritization of investments is made against a known resource envelop.
- e) Consultations with the Village Development Committees to validate and re-prioritize the needs in the DDF considering the available resources.
- f) Consultations with the sector ministries (social affairs department) to ensure that recurrent cost implications of the prioritized investments can be met, alignment with the respective sector priorities and avoid any possible duplication. As mentioned under the investment menu, LDF should only be used to fund existing projects to make them more functional - investments where there is already commitment to meet recurrent cost implications.
- g) In urban areas, priority sub-projects must adhere to the Physical Plan.
- h) Prioritization by the LG Executive Group considering: the community priorities; sector/social affairs department recommendations; and indicating the source of funding that will finance the specific priority sub-projects/investments.
- i) Making feasibility analysis and costing of projects based on standard technical designs issued by the respective sector ministries for basic investments.
- j) The LGs should be encouraged to budget for projects that can be completed in a year. All projects should have a phased plan with associated costs related to each phase. The LG should budget for phases that can be completed within a year.
- k) The LG Executive Group develops an all-inclusive Annual Work Plan and Budget capturing all activities to be implemented irrespective of the source. The budget (AWPB) and financial statements should use the same classification as proposed in the Municipal Financing Policies and which should be consistent with the national classification codes.

- l) Activities being implemented by donor projects and NGOs without transferring the funds to the LGs (traditionally called direct expenditures) should be captured as below the budget items<sup>4</sup>.
- m) The MoI reviews and verifies adherence of the work plan and budget to the recommended process and formats before being approved by the District Council. In case the LG is not meeting the requirements, MoI with support from JPLG partners should provide the necessary on-the job training and mentoring before the annual work plan and budget is approved by the LG Council.
- n) Approval by the District Council annual work plan and budget – including capital subprojects funded by the LDF and other resources.
- o) A summary of the LG budget including approved sub-projects and funding sources should be made public by the LG through for example posting information on LG notice boards, through the media, and requesting MoF to post it on the website.
- p) MoF should also publish yearly appropriations of LDF including: source of funds; list of districts and allocations; list of sub-projects for each district and allocations etc...

**Table 4 Indicative Schedule for Planning and Budgeting<sup>5</sup>**

No.	Description of Activities	J	F	M	A	M	J	J	A	S	O	N	D
1.	LG Performance Assessment conducted and results approved												
2.	JPLG approves LDF allocations for the coming FY												
3.	MoI announces LDF allocations per LG for coming FY												
4.	MoF issues the Budget Call Circular including LDF allocations per LG for coming FY												
5.	LG makes revenue forecast for the coming FY												
6.	LG validates and re-priorities the needs in the DDF with the VDCs as per resource envelop												
7.	Consultations with the sector ministries (social affairs departments) to ensure consistence with sector priorities and recurrent costs												
8.	LG Executive Group makes: feasibility analysis; costing; final priority list of investments to be implemented in the coming FY												
9.	LG Executive Group develops an all-inclusive Annual Work Plan and Budget capturing all activities to be implemented in the coming FY												
10.	MoI reviews and verifies adherence of the work plan and budget to the recommended process and formats												
11.	LG Council approves the annual work plan and budget												
12.	LG publicizes the approved budget including subprojects to be implemented												

<sup>4</sup> Detailed guidelines will be given in Municipal Finance Policies and Procedures under the ``grant`` part.

<sup>5</sup> Whereas the planning and budgeting process for FY 2016 may be squeezed in a short period due to late start, the sequence of activities will be adhered to.

## 3.2 Procurement and Contract Management

### *Legal framework*

LG procurement will be guided by the Municipal Financing Policies and Procedures that are expected to be issued by the Puntland Government of Somalia as the LG PFM system. The Municipal Financing Policies and Procedures put into consideration: (i) the LG Public Expenditure Manual (PEM) Module 4; and (ii) technical Manual for District Council Project Implementation (Works Projects) which provides: Bills of Quantities templates for typical sub-projects; recommends to use standard technical drawings approved by relevant ministries and institutions; tendering and contract documents including formats; and reporting templates.

The District/LG has the overall responsibility for procurement of contractors to implement sub-projects funded by the LDF<sup>6</sup>. Therefore it is a requirement for each of the Districts to have a procurement focal person and Tender/Procurement Committee (refer to the LG Performance Assessment Manual)

### *Procurement process*

Each LG will prepare a procurement plan which will be a requirement for a LG to receive the LDF (trigger). Procurement of sub-projects will be through local competitive bidding. The format/template for the procurement plan is provided in the Municipal Financing Policies and Procedures.

Table 5 below provides an overview of the procurement steps, processes and formats. This is extracted from the Technical Manual for District Council Project Implementation (Works Projects), which also contains the respective forms referred to below<sup>7</sup>.

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<sup>6</sup> Given the size and complexity of sub-projects, community procurement is not anticipated (see investment menu)

<sup>7</sup> Please note that the process and formats will be updated to match the provisions of the Municipal Financing Policies when finally issued.

**Table 5: Overview of the Tender Process; Bidding and Contract Documents**

Step	Tender Action	By who	Document Description	Attach to Contract?
<b>Step 1</b>	Publish ToR or technical specification and guideline, and General Conditions of Contract	District Tender Committee	FIDIC General Conditions of Contract. <i>These are reference documents. Should be available within the Public Works Department and accessible to contractors.</i>	No
<b>Step 2</b>	Invitation to Bid (ITB)	District Tender Committee	ITB (Letter and Annexes) ( <b>Form A1</b> ) Reference on File	No
<b>Step 3</b>	Bid/Tender (Contractor's Offer)	Contractor completes document supplied by Tender committee. Use <b>Form B1</b> Instructions to bidders to assist in preparing the tender form.	Form of Tender ( <b>Form B2</b> )	Yes until replaced by Agreement ( <b>Form C1</b> )
			Appendix to Form of Tender ( <b>Form B3</b> )	Yes
			Priced BoQ	Yes
<b>Step 4</b>	Bid Opening and Evaluation	District Tender Committee – District Engineers as resource persons carries out technical evaluation and presents to Tender Committee for final selection.	Bid Opening ( <b>Form D1</b> )	No
			Bid Evaluation Report ( <b>Form E1</b> )	No
			Bid Evaluation Summary ( <b>Form E2</b> )	No
			Corrected Bid/BoQ and Letter to Contractor – <b>Form B7</b> Acceptance Form	Yes
<b>Step 5</b>	Contract Award	District Tender Committee	Bid Evaluation Report ( <b>Form E1</b> ) Minutes File- (Audit and Oversight)	No
<b>Step 6</b>	Contract Signing	District Tender Committee	Agreement ( <b>Form C1</b> ) Conditions of Particular Application ( <b>Form C2</b> ) Statement of Works ( <b>Form C3</b> ) Corrected BoQ	Yes- All
<b>Step 7</b>	Contract Supervision	General Works Committee	Conditions of Particular Application ( <b>Form C2</b> ) Statement of Works ( <b>Form C3</b> ) – Includes drawings / specifications and corrected BoQ	Yes- All
<b>Step 8</b>	Payments	Economic and Development Committee	Statement of Works ( <b>Form C3</b> ) – Includes drawings / specifications and corrected BoQ Certificate of Payment ( <b>Form C4</b> )	
<b>Step 9</b>	Practical Completion, Handover	General Works Committee	Statement of Works ( <b>Form C3</b> ) – Includes Drawings/Specifications and Corrected BoQ Project Completion and HandOver ( <b>Forms C4.1-C4.4</b> )	

### ***Contract management***

Each key procurement contract shall be assigned to a specific officer to be its contract administrator (normally the head of the user department or an engineer in the case of works). The contract administrator should perform the following functions:

- (a) Interpret the specifications correctly to the supplier/contractor.
- (b) Supervise the works/contract to ensure good quality product is maintained and adherence to the specifications.
- (c) Certify contractors statements of work completed so that payments can be made, based on completion of a certain percentage of the works. The contractor must submit a payment claim and a progress report will be completed by the Technical Supervisor before a payment can be made
- (d) After obtaining proper approvals, direct or control the change management procedures if any including: administrative changes, cost changes, contract modification, completion of the project.
- (e) Prepare progress reports of the contract; these reports are an important mechanism for monitoring progress and are a requirement whenever a contractor submits a payment claim.
- (f) Ensure that all procurement requirements are complete per contract.

The contract administrator may have to make a decision to advise the LG to terminate the contract where;

- (a) Default on contract - if the contractor fails to perform any provision of the contract including: the failure to deliver by scheduled date, failure to make progress (endangers performance of the contract).
- (b) Termination for convenience (e.g. project cancelled).

### **3.3 General Provisions for Funds Administration**

The LDF is provided to Districts/LGs as Development Budget Support. The Executive Secretary who is the Accounting Officer will be responsible for the management of the LDF. The normal LGs accounting procedures will therefore apply in terms of the need for LGs to make sure that both the processes and support documents as detailed in the Municipal Financing Policies<sup>8</sup> are adhered to.

Each LG will be required to retain all supporting documents (invoices, delivery notes, LPOs, receipts, vouchers) for use during the audit of LGs for the period that will be specified in the Municipal Financing Policies and Procedures. The indicative books of accounts that should be properly kept (regularly posted and up-dated) include a cash book for the LDF Account; and an Assets register. In addition, annual financial statements should be produced on time and submitted to the MoI.

### **3.4 LDF Disbursement Arrangements**

#### ***LDF Flow to Central Government***

Ministry of Finance shall open up a dedicated LDF Bank Account in a commercial bank.. The signatories to this bank account shall be: (i) the Accountant General; and (ii) Director General of Ministry of Finance. The Accountant General shall submit withdraw application to JPLG/UNCDF twice a year.

The withdraw application for the first instalment shall be 50% of the LDF allocation. The withdraw application shall:

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<sup>8</sup> These are currently being developed and are intended to be formally issued by Government as the LG PFM system

- a) State the total LDF amount being requested with breakdown of the annual LDF allocation per LG. As stated above, the request should not exceed 50% of the total annual LDF allocation per LG.
- b) Indicate the MoF LDF Account details in a Commercial Bank to which the LDF shall be deposited.
- c) Attach the MoF LDF Bank Account Statement indicating that the Accountant General has deposited at least 50% of Central Government co-funding obligation. This is at least 50% of the 10% supposed to be contributed to the LDF.
- d) Attach a letter from the Ministry of Interior, approved by the Ministry of Finance requesting the release of the funds.
- e) Attach evidence that all the LGs earmarked to receive the LDF have met the Minimum Conditions as specified in the LG Performance Assessment Manual - a synthesis of the approved LG Performance Assessment Report.
- f) Annual work plan and budget for the coming year for each of the LGs approved by the respective LG council.
- g) Procurement plan for the coming year for each of the LGs approved by the respective LG council.

The withdraw application for the second instalment shall:

- a) State the total annual LDF allocation; the LDF received as part of the first installment, the LDF released to each of the LG, and the LDF amount being requested with a breakdown of the allocation per LG.
- b) Indicate the MoF LDF Account details in a Commercial Bank to which the LDF shall be deposited.
- c) Attach the MoF LDF Bank Account Statement indicating that the Accountant General has: (i) deposited all Central Government co-funding obligation for the FY – 100% of the 10% of the LDF supposed to be contributed by the CG; and (ii) transferred the LDF released by JPLG/UNCDF to the LGs in full and on time.
- d) Attach a letter from the Ministry of Interior, approved by the Ministry of Finance requesting for the release of the funds;
- e) Attach evidence that at least 75% of the previous LDF released has been either spent or committed by the LGs. Submit:
  - i. Financial Summary Sheets for the LDF for each of the LG (Form C) and
  - ii. Physical progress report for each of the LG (Form D).
  - iii. Bank statement

UNCDF shall release funds to the LDF MoF Bank Account in a commercial bank as per the installment requests above. To avoid delays, UNCDF staff based in Puntland shall support the MoI, MoF and Accountant General in compiling the reports and submitting withdraw applications.

### ***Funds Flow to the Local Governments***

Each District benefiting from the LDF shall open up a dedicated LDF Bank Account in a commercial bank.. In addition the District should keep a cash book for the LDF Bank Account. The signatories to this Bank Account shall follow the Government regulations. The Local Government shall submit a request through MoI to the Accountant General to release funds twice a year.

The request for the first installment of the annual LDF allocation shall:

- a) State the total LDF amount being requested not exceeding 50% of the annual LDF allocation for LG.
- b) Indicate the LG LDF Account details in a Commercial Bank to which the LDF shall be deposited.
- c) Attach the LG LDF Bank Account Statement indicating that the LG has deposited at least 50% of its co-funding obligation.
- d) Attach the annual work plan and budget for the coming year approved by the respective LG council.
- e) Attach the procurement plan for the coming year approved by the respective LG council.

- f) Signed contract between the district and the contractors for at least 70% of the LDF allocation

The request for the second installment shall:

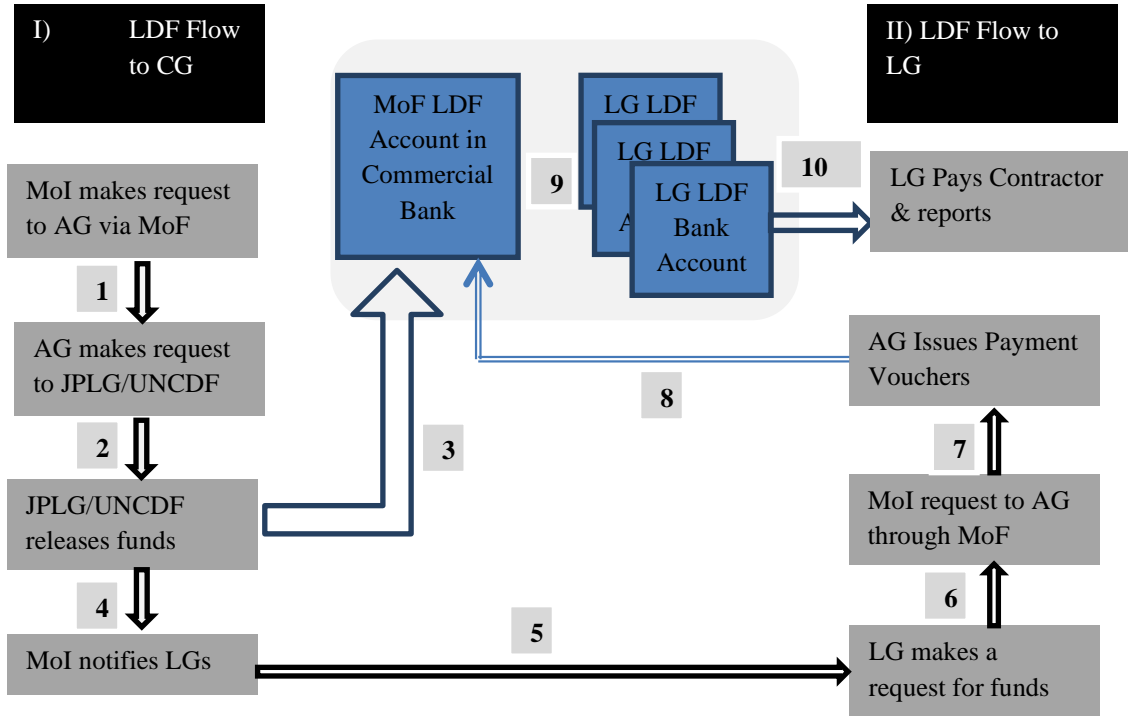
- a) State the total annual LDF allocation for the LG, the LDF received by the LG in first instalment, and LDF amount being requested by the LG.
- b) Indicate the LG LDF Account details in a Commercial Bank to which the LDF shall be deposited.
- c) Attach the LDF Bank Account Statement indicating that the LG has deposited all the co-funding obligation for the financial year.
- d) Attach evidence that at least 75% of the first LDF instalment released has been either spent or committed. Submit
  - i. Financial Summary Sheets for the LDF of the LG (Form C)
  - ii. Quarterly physical progress report of the LG (Form D).
  - iii. Bank Statement

MoI shall review the request made by the LGs and ascertain whether all the requirements have been met. MoI shall make a request to the Accountant General through the MoF attaching all the supporting documents. For the first installment, in addition to the supporting documents submitted by the LG, MoI will submit a synthesis of the approved LG Performance Assessment Report as evidence that all the LGs earmarked to receive the LDF have met the Minimum Conditions as specified in the LG Performance Assessment Manual

MoF shall review the LDF request made by the MoI, approve and forward it for payment by the Accountant General

The Accountant General shall prepare a payment voucher to the commercial bank requesting the Bank to release funds from the MoF LDF Bank Account to the LG LDF Bank Account in a commercial bank as per the installment requests and after a No Objection from UNCDF. The funds from the LG LDF Account should be used to finance investments stipulated in the work plans and budgets approved by the District Council and submitted by the District to the MoI. In case funds are diverted or misappropriated, they have to be paid before further disbursements are made.

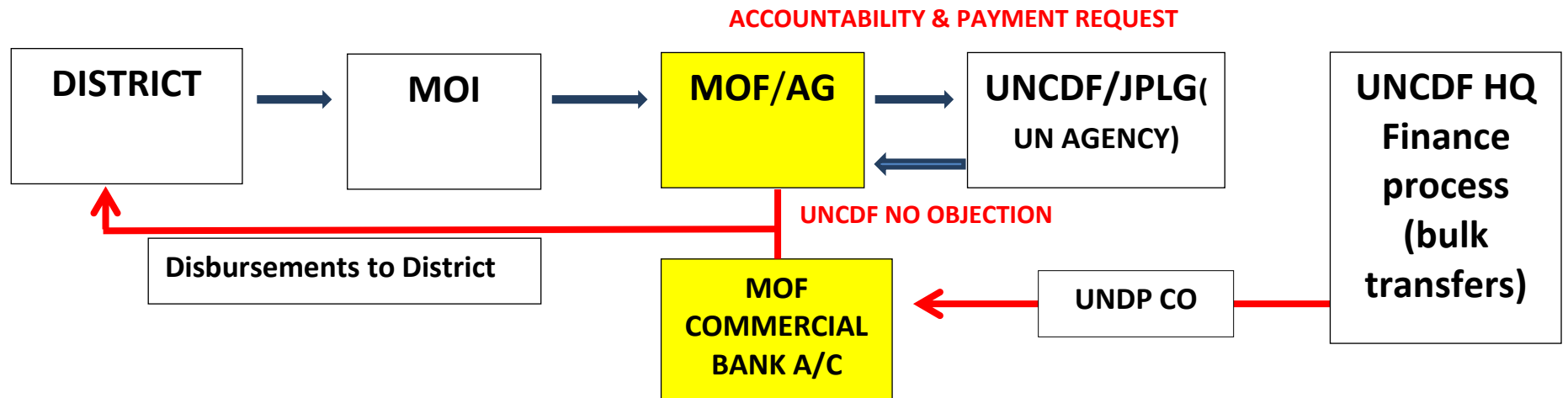
**Overview of LDF Disbursement Arrangements - 1**



**Table 6: Summary Schedule for LDF Disbursement**

	<b>Description of Activity</b>	<b>Proposed timelines</b>
1	Local Government makes a request for funds attaching all the required documents: <ul style="list-style-type: none"> <li>• For both installments: (i) Financial summary sheet; and (ii) Physical progress reports</li> <li>• For the first installment: (i) approved work plan and budget; (ii) approved procurement plan.</li> </ul>	<ul style="list-style-type: none"> <li>• By 5<sup>th</sup> of January to trigger 1<sup>st</sup> instalment</li> <li>• By 5<sup>th</sup> July to trigger 2<sup>nd</sup> installment</li> </ul>
2	MoI makes a requisition after ascertaining that the LGs have met the requirements to AG through MoF	<ul style="list-style-type: none"> <li>• By 15<sup>th</sup> of January to trigger 1<sup>st</sup> instalment</li> <li>• By 15<sup>th</sup> July to trigger 2<sup>nd</sup> installment</li> </ul>
3	MoF approves the requisition from MoI and submits to AG	<ul style="list-style-type: none"> <li>• By 20<sup>th</sup> of January to trigger 1<sup>st</sup> installment</li> <li>• By 20<sup>th</sup> July to trigger 2<sup>nd</sup> installment</li> </ul>
4	Accountant General makes a request to JPLG/UNCDF	<ul style="list-style-type: none"> <li>• By 30<sup>th</sup> of January to trigger 1<sup>st</sup> installment</li> <li>• By 30<sup>th</sup> July to trigger 2<sup>nd</sup> installment</li> </ul>
5	JPLG/UNCDF releases funds to the MoF LDF Bank Account in a Commercial Bank	<ul style="list-style-type: none"> <li>•</li> </ul>
6	Accountant General Issues payment voucher to transfer funds from MoF LDF Account to LG LDF Bank Account with No Objection from UNCDF	<ul style="list-style-type: none"> <li>• Not later than 10 days after receipt of funds from JPLG/UNCDF</li> </ul>

## LDF Disbursement Process:



- a) 50% of approved LDF budget transferred in bulk to a MoF Commercial Bank account that cannot be drawn without UNCDF no-objection. Disbursements made to districts that qualify based on existing controls
- b) On accountability and verification additional 50% LDF transferred to MoF LDF Bank account to pay subsequent requests

### 3.5 In-year Reporting Requirements

Districts/LGs will be accounting to MoI on a six monthly basis. The Accountability from the District to MoI will have the following documents:

***Financial Summary Sheets for the amounts meant for the Districts (Form C)***

All LGs will be required to submit financial summary sheets for the LDF. The purposes of the financial summary sheet are to: (i) indicate how the LDF previously released has been used/spent including outstanding obligations and/or commitments; (ii) whether the LG has met its co-funding obligations; and (iii) the financing requirements. It should be noted however that if the LG meets all the requirements its total annual LDF allocation will be released in two equal instalments.

***Physical Progress Report (Form D):***

All Districts are required to submit a comprehensive physical progress report. This is to ensure that the MoI can keep track of the progress being made by LGs in the implementing projects using the LDF. The Physical Progress Reports is filled as part and parcel of the **six months** accountability. The form is to be filled every six months by the Executive Secretary, with inputs from the relevant technical departments, which are supervising the physical works, at each District by entering them in Ms excel and submitting both hard (print out) and soft copies to the MoI, together with the rest of the six months accountability not later than the fifth day of January and July.

The Physical Progress Report (Form D) should be based on the Annual Work Plan. All the forms and accountability forms should bear the names of the signatories, the District stamp and the date.

***Bank reconciliation statements for the period covered by the report***

In addition to the Financial Summary Sheet and the Physical Progress Report each District is required to submit the Bank Reconciliation statement for the period of reporting. The format for the Bank Reconciliation will be provided in the Municipal Financial Policies.

### 3.6 Annual Reporting Requirements

For the LDF, in addition to the reports mentioned above, the following reports will be prepared by all Districts: (i) Annual work plan for the District; (ii) Output/Outcome/Impact Monitoring Reports; and (iii) Investment Inventories. These reports shall be submitted once at the end of every Financial Year to the MoI no later than the 5<sup>th</sup> day of January. This will be in addition to the six monthly reports due during that period.

***Annual Work Plan for the District (Form E):***

LDF disbursement will be made after the LG has submitted an approved annual work plan to MoI showing planned expenditure. However if a LG wishes to change its work plan in-year, it should resubmit the revised work plan and the new cash flow for the year. To revise the work plan, which might result into change of projects and budget, the following steps should be followed:

- The user Department shall prepare the necessary documents, which may include project profiles (for new projects which were not in the annual work plan), revised work plan, and the budget per six months required to implement the project.

- The above revision shall be discussed by the District Technical Staff and the proceeding of the discussion recorded.
- The proposed change as adopted by the District Technical Staff shall be presented to the District Council for approval.
- The Executive Secretary shall submit the revised work plan and cash flow projections to MoI.
- It is important for the Districts to ensure that the work plan and the cash flow are within the LDF Indicative Planning Figure (allocations) for that District for that financial year and the instalments to be made. It is important to note that despite the **cash flow projections**, the instalments will be transferred in two equal instalments.

***Output/Outcome/Impact Monitoring Reports (Form F):***

All completed projects should have a Completion Certificate (which is issued by the supervisor) as well as an Environment Certificate (where at planning stage a project was identified as likely to affect the environment). A report on every completed project should be made and is intended to capture project output, outcome and impact in terms of numbers of facilities created; the size of the structure in case of construction; their outcome and impact on the people; the employment generated by the project; and the number of beneficiaries by sex.

Although this form is to be submitted at the end of every Financial Year (FY), it should be filled immediately on completion of the project and should accompany the certificate of completion and payment invoice. It should be updated at the end of the FY before submission. The update is important to capture changes brought about by the project. The LG will compile the reports in triplicate for submission to MoI; to LG file and to the village in which a project is located for accountability.

***Investment Inventories (Form G)***

Every District is required to compile an inventory of all the LDF investments whether complete or not completed it has implemented in a Financial Year by filling the Inventory Form. At the end of a financial year, the Executive Secretary with support from the department heads will take inventory of all projects and fill the information into the Form using one spreadsheet, (Ms excel) for submission to MoI both in hard copy (print out) and soft copy. The Investment Inventories will be prepared by all LGs at the end of each Financial Year so as to take stock of the amount of LDF disbursed under the programme and the investments implemented.

***Conclusion***

Full accountability shall be considered met by a LG if all the above requirements are submitted to MoI by not later than the 5<sup>th</sup> day of January and July. It is the responsibility of the Executive Secretary to receive, consolidate and submit the reports to MoI on the required due dates.

**3.7 LDF Audit Arrangements**

***Internal Audit***

Each LG should have internal auditors. Using the LG Internal Audit Manual which provides for audit techniques and guidelines for internal auditors, internal auditors should audit the LGs. The production of internal audit reports is part of the LG performance measures.

Internal auditing is a continuous independent, objective assurance and consulting activity designed to add value and improve the operations of a local government. The job of an internal auditor is to evaluate the effectiveness of the *fiduciary risk management* procedures, controls and governance process within a local government and then advise its management and the legislative council on areas to improve and new risk management procedures to introduce.

The scope of internal auditing in a local government may include:

- a) Assessment of the efficiency and effectiveness with which the operations of the LG are conducted;
- b) Assessment and providing reasonable assurance about the reliability of financial reporting;
- c) Providing assurance on procedures in place to deter fraud as well as to investigate fraud;
- d) Assessment of and providing assurance about the procedures in place for safeguarding assets;
- e) Measuring and providing assurance about the compliance with the laws and regulations,

It must be noted however that the responsibility for establishing the policies and process (the internal controls) in all the above areas belongs to the management of the LG; the internal auditor assesses the controls as established by management and provides reasonable assurance about their reliability and provides advice on how to improve them.

As independent advisors to management, internal auditors should not get involved and are not responsible for implementation or execution of the activities of the LG; instead, they should advise management and the legislative council with respect to how to better execute their responsibilities.

To perform their role effectively, internal auditors require organisational independence from management. This is important to enable them offer unbiased advice and constructive criticism where applicable as well as to enable them conduct unrestricted evaluation of the activities of the LG managers and staff. Therefore although internal auditors are staff members of the LG, their primary responsibility should be to the entity charged with oversight of management's activities; i.e. the legislative council.

All LGs in Puntland shall be required to have an internal audit section, which will be required to issue in-year internal audit reports as well as reports after the end of every major audit activity. Such reports should summarise the findings of the internal auditor, recommendations and any responses or actions plans from management

#### *External Audit*

The Funds channelled for LDF purposes together with the District Accounts shall be subjected to annual external audit organized by the Auditor General in accordance with the existing rules and procedures of Government and a copy of report submitted to the JPLG. Because the Office of the Auditor General (OAG) has not demonstrated capacity to audit LGs, JPLG will support the OAG to develop a LG Audit Manual that will guide the external auditing of LGs. In addition JPLG will provide funds through the LOA and support the OAG to contract auditors to conduct external audits of LGs benefiting from the LDF. It is anticipated that the first external audit of LGs will be conducted in 2016 for the 2015 final accounts. The results shall be presented to the JPLG Programme Management Group and be a subject for consideration by the Steering Committee especially for the approval of allocation for the LDF in 2017. Therefore the audit opinions and strategies the district has put in place to address the audit queries and implement the recommendations, as a safeguard measure will be introduced as part of the minimum conditions and performance measures when LG Audits become regular.

## 4 Local Government Institutional Strengthening

### 4.1 Objectives and Key LG Functions

The objectives and **key functions** related to the implementation of the LDF and which should be addressed under LG institutional strengthening include:

- a) **Planning and Budgeting** that should cover processes for:
  - a. Prioritizing at the district level, involvement of sectors/social services department and ensuring that recurrent cost implications are met
  - b. Conducting feasibility analysis, costing and annual work planning
  - c. District Council budget development and approval whereby the LDF is part of the district budget;
  - d. Capturing the LDF as part of the national budget
  - e. Publishing of the budgets and approved projects;
  - f. Financing project development costs and monitoring activities
  - g. Developing the medium term expenditure plan and budgeting for multi-year investments when developed for the national level
- b) **Procurement** covering:
  - a. LG developing procurement plans – not only for LDF projects but all projects in a LG;
  - b. Process for competitive bidding
  - c. Adherence to technical manuals and ensuring consistence between the technical manuals and national guidelines
  - d. Publicizing procurement contracts
  - e. Procurement oversight
- c) **Accounting** for the LDF focusing on:
  - a. Ensuring that budget guide expenditure – including budget execution rates/out-turns -
  - b. Ensuring consistence of the accounting policies and codes (Chart of Accounts) between the national and LG level
  - c. Establishing sufficient internal controls mechanisms
- d) **Engineering** supervision, monitoring and reporting
  - a. Engineering supervision
  - b. Joint monitoring visits
  - c. Filling and submitting all the required reporting and accountability reports.
- e) Re-tooling and minor rehabilitation of administration building (for newly joining LGs) to make them ready to manage the LDF.

## 4.2 The Target Group

The indicative target groups at **the national level** include:

Staff in core ministries and departments: (i) Ministry of Interior, Local Government and Rural Development; (ii) Accountant General’s Office; (iii) Auditor General’s Office; and (iv) Ministry of Finance.

Staff in other relevant ministries and departments: (i) Decentralization Champion’s Office; (ii) Ministry of Education; (iii) Ministry of Health; (iv) Ministry of Environment, Public Work; and (v) Ministry of Planning.

The indicative target groups at **the Local Government level** are the core staff including: (i) the District Mayor; (ii) the Executive Secretary; (iii) District Accountants; (iv) District Engineers; (v) Directors of Administration and Finance; (vi) District Planners; (vii) Internal Auditors; (viii) staff responsible for education, health, water and natural resources; and (ix) District Councilors.

## 4.3 Approach and Methods

Institutional strengthening will be delivered using a mix of methods including, but not limited to:

- a) Short-term performance improvement courses
- b) On-the-job training (hands-on support, mentoring, coaching)
- c) Technical Assistance
- d) Exposure visits

## 4.4 Capacity Building Providers

The capacity building providers will be the different JPLG II implementing partners. The implementing partners can deliver capacity building through:

- a) Technical Assistance – embedded per district or revolving;
- b) Consultants, institutions or firms providing short-term performance improvement courses
- c) Institutions providing career development courses

**Table 8 Indicative areas to be covered by JPLG II Partners**

No	Agency	Functions
1.	UNCDF	Communication (objectives and strategy)
		Supporting the LGs to conduct needs assessment and prepare capacity building plan that will guide CB activities by all JPLG Partners.
		Preparing LGs for the LG performance assessment exercise.
		Supporting the different actors to meet the requirements for disbursement, reporting and accountability of the LDF
		Re-tooling and support to basic administrative building (new LGs)
2.	ILO	Developing procurement systems
		Strengthening procurement capacities
		Engineering supervision
3.	UNDP	Facilitating LG planning and budgeting
4.	UNICEF	Facilitating community awareness and participatory planning; Participation of the community in project monitoring
5.	UN-HABITAT	LG Accounting systems

## 4.5 Capacity Building Coordination at LG Level

In order to strengthen the capacity of LGs to coordinate the provision of capacity building, the following should be done:

- a) Conducting joint capacity needs/institutional strengthening assessment linked to the LG performance assessment system
- b) Production of a LG wide integrated capacity building/institutional strengthening plan. The LGs should be able to articulate the areas where they expect the JPLG Partners to provide capacity building activities.
- c) Dedicating one unit within the LG to coordinate capacity building delivery
- d) Establishing mechanisms for monitoring and reporting for capacity building at the various levels.

## 5 LDF Governance and Institutional Arrangements

The institutional arrangements below will govern the implementation of the LDF

### 5.1 At JPLG II level

Institution and Composition	Indicative roles in relation to LDF
<p><b>Steering Committee</b></p> <ul style="list-style-type: none"> <li>• Head of each Agency or a delegated senior officer with decision-making authority;</li> <li>• Representatives of the donors contributing to the programme; and</li> <li>• Government Counterparts.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide strategic guidance and oversight to the programme</li> <li>• Policy decisions regarding the design and implementation of the LDF e.g. approving the Operational Manual; Performance Assessment Manual; annual allocations;</li> </ul>
<p><b>Programme Management Group</b></p> <ul style="list-style-type: none"> <li>• Chaired by the Senior Joint Programme Manager,</li> <li>• Heads of UN Agencies participating in the programme</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss annual work plan and progress reports before being presented to the SC</li> <li>• Propose policy decisions to be considered and approved by the Steering Committee</li> </ul>
<p><b>Technical Working Group</b></p> <ul style="list-style-type: none"> <li>• JPLG - Programme Manager – Chair</li> <li>• Technical staff representing UNCDF; ILO; UNICEF; UNDP; and UN-HABITAT</li> </ul>	<ul style="list-style-type: none"> <li>• Share work plans and project implementation progress;</li> <li>• Discuss crosscutting issues to enhance the smooth implementation of the LDF/JPLG II</li> <li>• Discuss and clear ToR before TA procurements</li> <li>• Discuss strategies for coordinating with other donor projects supporting similar activities</li> <li>• Prepare reports for submission to the Steering Committee through the PMG</li> </ul>

<b>Institution and Composition</b>	<b>Indicative roles in relation to LDF</b>
<p><b>UNCDF</b></p> <ul style="list-style-type: none"> <li>• Regional Technical Advisor in Nairobi</li> <li>• Programme Officers in Puntland</li> <li>• Consultants in the MoI in Puntland</li> </ul>	<ul style="list-style-type: none"> <li>• Support the LGs to submit requests for the LDF including the preparation of all supporting documents;</li> <li>• Support MoI and MoF to review and clear funds requests from the LGs and to request for release of funds from the AG;</li> <li>• Support the AG to make a withdraw application including preparing all the necessary accountabilities</li> <li>• Ensure timely transfer of LDF to MoF LDF Bank Account</li> <li>• Lead programmatic and financial accountability for the funds received;</li> <li>• Coordinate the elaboration of Operation and Performance Assessment Manuals;</li> <li>• Support MoI to organize and coordinate the annual performance assessment</li> <li>• Conduct thematic studies and qualitative enquiries</li> <li>• Analyse opportunities and risks;</li> <li>• Appraise the performance of the LDF in the respective areas and advise on further improvements as necessary.</li> </ul>
ILO	<ul style="list-style-type: none"> <li>• Support procurement and engineering design and supervision related tasks</li> </ul>
UNICEF	<ul style="list-style-type: none"> <li>• Support activities related to civic awareness, participatory planning and community monitoring</li> </ul>
UNDP	<ul style="list-style-type: none"> <li>• Support LG planning and budgeting process</li> </ul>
UN-HABITAT	<ul style="list-style-type: none"> <li>• Develop and support the implementation of municipal financial policies and procedures</li> </ul>

## 5.2 At the Central Government in Puntland

<b>Institution and Composition</b>	<b>Main roles</b>
<p><b>Inter-ministerial LG Committee</b></p> <ul style="list-style-type: none"> <li>• Vice President (Chair)</li> <li>• Ministers of: Interior, LG &amp; RD; Finance; Planning &amp; International Cooperation; Health; Education; Public Works and Transportation; Women and Family Affairs</li> <li>• Serviced by Secretariat Office</li> </ul>	<ul style="list-style-type: none"> <li>• Overall policy guidance;</li> </ul>
<p><b>Meeting of Director Generals</b></p> <ul style="list-style-type: none"> <li>• Director Generals of Ministries of: Interior, LG &amp; RD; Finance; Accountant General; Office of the</li> </ul>	<ul style="list-style-type: none"> <li>• Review of capacity building activities/reports prepared by the JPLG II partners that are providing capacity building to LGs</li> <li>• Discuss technical issues and discern policy related</li> </ul>

<b>Institution and Composition</b>	<b>Main roles</b>
<p>Auditor General; Planning &amp; International Cooperation; Health; Education; Public Works and Transportation; Women and Family Affairs</p> <ul style="list-style-type: none"> <li>• JPLG Partners and other DPs supporting decentralization and service delivery</li> </ul>	<p>issues to be discussed by the Inter ministerial LG Committee</p> <ul style="list-style-type: none"> <li>• Discuss a changes to the Operational Manual</li> <li>• Discuss changes to the LG Performance Assessment Manual</li> </ul>
<p>Ministry of Interior, Local Government and Rural Development</p>	<ul style="list-style-type: none"> <li>• Government counterpart responsible for the overall implementation of the LDF</li> <li>• Take on responsibility for LDF administration (reviewing work plans and accountabilities, progress reporting, value for money audits etc.) with ongoing support from JPLG II.</li> <li>• Review LG LDF requests and initiate LDF transfer requests to AG through MOF</li> <li>• Coordinating the provision of hands-on support to LDF Districts</li> <li>• Mentoring and supporting the district councils</li> <li>• Support District to meet minimum conditions</li> <li>• Monitor physical implementation of projects;</li> <li>• Analyse financial requests and reports for DCs and act promptly.</li> </ul>
<p>Ministry of Finance</p>	<ul style="list-style-type: none"> <li>• Capture LDF as part of national budget</li> <li>• Review and approve LDF requests from MoI to the AG</li> <li>• Validate adherence to accountability and reporting requirements</li> </ul>
<p>Accountant General</p>	<ul style="list-style-type: none"> <li>• Together with MoF, open and manage the MoF LDF Bank Account in a commercial bank</li> <li>• Make LDF withdrawal application to JPLG/UNCDF as per the request made by MoI and cleared by MoF</li> <li>• Authorizing vouchers for release of the LDF (JPLG II and Central Government funds) from the MoF LDF Bank Account to the LG LDF Bank account</li> </ul>
<p>Office of the Auditor General</p>	<ul style="list-style-type: none"> <li>• Conduct Annual Audits of LDF Accounts</li> <li>• Ensure compliance to the financial agreements of the LDF</li> <li>• Support the functioning of LG Internal Audit staff</li> </ul>

### 5.3 At Local Government Level

<b>Institution</b>	<b>Main roles</b>
<p>Local Government Council</p>	<ul style="list-style-type: none"> <li>• Approve: (i) the Annual Work Plans and Budgets; and (ii) the procurement plans which are the basis for LDF funding;</li> </ul>
<p><i>Expanded LG Executive Committee</i></p> <ul style="list-style-type: none"> <li>• Mayor</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinate the key functions – development planning; budgeting; procurement; physical and</li> </ul>

<b>Institution</b>	<b>Main roles</b>
<ul style="list-style-type: none"> <li>• Deputy Mayor</li> <li>• Executive Secretary</li> <li>• Head of the following departments: Planning and Development; Administration and Finance; Public Works and Land; Social Services; and Revenue</li> </ul>	<p>progress reporting; etc...</p> <ul style="list-style-type: none"> <li>• Coordinate all aspects of LG institutional strengthening: capacity needs assessment; capacity building plan; coordination and monitoring of capacity building delivery</li> <li>• Make and submit financial reports on LDF expenditures to MOI</li> <li>• Make request for LDF releases with all supporting documents to MOI</li> <li>• Coordinate the raising of own source revenue commitments to the LDF and ensure its transfer to the Fund.</li> </ul>
Mayor	<ul style="list-style-type: none"> <li>• Co-signs with the Executive Secretary the LDF reports submitted to MoI</li> </ul>
District Executive Secretary	<ul style="list-style-type: none"> <li>• Accounting Officer – overall responsible for the LDF</li> <li>• Coordinate inputs from the technical staff related to the planning, implementation, accounting and reporting for the LDF as per stipulated guidelines and formats</li> </ul>

## **Formsto Guide the Implementation of the LDF**

## Form A MoU between Central Government & UNCDF

### JOINT PROGRAMME FOR LOCAL GOVERNANCE & DECENTRALISED SERVICE DELIVERY MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN PUNTLAND GOVERNMENT OF SOMALIA AND THE UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

The Memorandum of Understanding is made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_ between Puntland Government of Somalia, represented by the Minister of Finance, the Minister of Interior and Accountant General, and UNCDF on the administration of the Local Development Fund (LDF) under the auspices of the Joint Programme on Local Government and Decentralized Services Delivery (JPLG II) by the United Nations, Somalia.

*WHEREAS* Puntland Government of Somalia is undertaking a broad decentralization process to facilitate local development and decentralized service delivery implemented by the MOI aimed at strengthening capacity for strategic local development planning, fiscal planning, financial management and effective monitoring , accountable and transparent local governance;

*WHEREAS* the Joint Programme on Local Governance and Decentralized Service Delivery (represented by ILO, UNCDF, UNHABITAT, UNDP, and UNICEF), sets out (among others) to facilitate communities access to basic services through local governments and ensure accountable and transparent local government institutions; to enhance investment in public services and goods through testing the Local Development Fund (LDF) Model, direct service provision and promotion of public-private partnerships;

*WHEREAS* the JPLG through the United Nations Capital Development Fund (UNCDF) shall provide an annual financial contribution for the purpose of capitalizing the Local Development Fund (LDF) as stipulated in the project document of the JPLG II;

*WHEREAS* a key component of the JPLG II is the implementation of a Local Development Fund which shall serve as a sustainable mechanism for financing participatory district planning and budgeting and project implementation and provide a regular link between community needs and district resources;

*WHEREAS* the basic principles that govern the operation of the LDF are described in the LDF Operations Manual for Local Governments; and the respective guidelines which shall be considered as integral to this Memorandum of Understanding.

*WHEREAS* the basic principles and procedures that guide LG Public Finance Management are described in the Municipal Finance Policies and the JPLG initiated LG Public Finance Management processes contained in the PEM Manuals covering: Planning and Budgeting,

Investment Programming, Procurement and Implementation, and M&E and Asset Management and will be considered as integral to this Memorandum of Understanding

*NOW THEREFORE*, the Parties of the Memorandum of Understanding hereby agree as follows:

---

**Article 1**  
**DEFINITIONS**

Unless the context otherwise dictates, the following terms have the following meanings:

- a) “Programme” means the United Nations Joint Programme for Local Governance and Decentralized Service Delivery (JPLG II).
- b) “Local Development Fund” or “LDF” means the Grant provided to the LG for use in provision and/or improvement of selected infrastructure services as specified in the LDF Operations Manual.
- c) “LDF Operational Manual” means the Operational Manual that sets out procedures and requirements for Local Governments to access and use the LDF for construction or rehabilitation of capital investments
- d) “Sub-project” means an investment, financed or proposed to be financed, under the LDF.

*Article 2*  
**OBLIGATIONS OF THE GOVERNMENT**

The Government shall:

- a) Be responsible for the management of the Project and will manage the Project through its Ministry of Interior (hereinafter referred to as the “MoI”).
- b) Comply with and meet its obligations in accordance with the LDF Operational Manual and the Performance Assessment Manual and any amendments made thereto from time to time including:
  - a. Ensure that the performance assessment of the LGs is conducted in a timely and objective manner as per the LG Performance Assessment Manual;
  - b. Ensure that the aggregate allocations of the LDF are captured in the Annual budget produced by the Ministry of Finance and approved by Government.
  - c. Respond in a timely manner to LG replenishment requisitions on submission of prescribed accountability reports.
  - d. Submit to UNCDF/JPLG II consolidated financial and physical progress reports for all sub-projects undertaken using the prescribed formats
  - e. Ensure that a dedicated MoF LDF Bank Accounts has been established through which the LDF shall be deposited;
  - f. Promptly inform UNCDF/JPLG of any condition which interferes with or threatens to interfere with the performance of its obligations under this MoU, the accomplishment of the purposes of this MoU or the LDF;
  - g. Enter into a participation agreement with all LGs receiving the LDF

**Article 3**  
**OBLIGATIONS OF THE UNCDF/JPLG II**

The obligations of UNCDF/JPLG include:

- a) Management of the LDF for and on behalf of the JPLG II.
- b) Ensuring that the LDF is used only for funding of eligible local government projects.
- c) Ensuring that all payments due to the Government are effected in a timely manner and in full.
- d) Ensure that the JPLG reports to the Steering Committee on the Local Development Fund as part of its annual accountability.
- e) Ensure that the responsible JPLG Partners respond to the capacity needs as specified in the respective capacity building plans for the successful implementation, management and operation of the LDF on a sustainable basis

**Article 4**  
**RIGHTS AND REMEDIES OF UNCDF/JPLG II**

- a) In the event that the right of the UNCDF/JPLG II to make withdrawals from the Multi-Donor Trust Fund (MDTF) shall be suspended or terminated then, regardless of the reason for the suspension or termination the right of the Government to receive further monies as otherwise expected in this MoU shall simultaneously and to the same extent be suspended or terminated as the case may be.
- b) Notwithstanding cancellation of any amount of the LDF or any suspension of the right of the UNCDF to make withdrawals from the MDTF all provisions of this MoU shall remain in full force and effect except as provided contrary to this Article 4.

**Article 5**  
**EFFECTIVE DATE AND TERMINATION**

- a) This MoU shall come into force and effect on the date on which the MoU is signed.
- b) This MoU shall terminate and all obligations of the parties shall cease on the date on which the Government has made all payments for which it is or may become liable and fulfilled all its obligations under this Agreement.

**Article 6**  
**NOTICES**

Any notice, request, approval, information, declaration, further agreement or other communication between the parties permitted or required by this Agreement shall be in writing and shall be deemed to have been duly given, made, or sent when it shall be delivered by hand or by mail, facsimile or telegram, to the party to which it is required or permitted to be given or made at the address of such party hereinafter specified, or at such other address as such party shall have designated by notice to the other party:

For the UNCDF/JPLG II:

To: -----  
 Email -----  
 Telephone -----

For the Government:

To: Director General

Ministry of Interior, Local Government and Rural Development

Email -----

Telephone -----

*Article 7*  
***OTHER PROVISIONS***

- a) This MoU shall be binding upon all successors of the Government in whatever forms constituted and their assigns.
- b) No delay in exercising or omission to exercise any right or remedy accruing to either party under this Agreement upon any default, shall impair any such right, power or remedy or its exercise or be construed as a waiver thereof or as acquiescence in such a default, or shall affect or impair any right or remedy in respect of any other subsequent default.
- c) Any Schedules annexed hereto form and constitute an integral part of this MoU.
- e) Any action permitted or required to be taken and any document permitted or required to be executed under this Agreement may on behalf of the Government be taken or executed by the Director General or such other person, as he shall designate in writing.
- f) This MoU may be executed in several counterparts, each of which shall be an original.
- g) This MoU shall not be amended, supplemented, varied or rescinded except with the consent and approval of the Government and UNCDF.
- h) In case of a dispute between the parties hereto the decision of the Programme Steering Committee shall prevail.

**IN WITNESS** whereof the parties hereto have executed and delivered this MoU on the day and year first above written.

**FOR AND ON BEHALF OF UNCDF**

\_\_\_\_\_

In the presence of

\_\_\_\_\_

**FOR AND ON BEHALF OF THE GOVERNMENT**

\_\_\_\_\_

**Director General**  
**Ministry of Finance**

**Countersigned by**

\_\_\_\_\_

Director General  
Ministry of Interior, Local Government and Rural Development

**Countersigned by**

\_\_\_\_\_  
Accountant General

## **Form B Participation Agreement between CG and Local Governments**

### **PARTICIPATION AGREEMENT PUNTLAND GOVERNMENT OF SOMALIA AND THE LG OF \_\_\_\_\_**

**This AGREEMENT is** made this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ between Puntland Government of Somalirepresented by the Ministry of Finance, Ministry of Interior, and Accountant General (hereinafter referred to as the “Government”) of the one part and the \_\_\_\_\_ LG (hereinafter referred to as the LG of the other part.

*WHEREAS* Puntland Government of Somalia is undertaking a broad decentralization process to facilitate local development and decentralized service delivery implemented by the MOI aimed at strengthening capacity for strategic local development planning, fiscal planning, financial management and effective monitoring , accountable and transparent local governance;

*WHEREAS* the Joint Programme on Local Governance and Decentralized Service Delivery (represented by ILO, UNCDF, UNHABITAT, UNDP, and UNICEF), sets out (among others) to facilitate communities access to basic services through local governments and ensure accountable and transparent local government institutions; to enhance investment in public services and goods through testing the Local Development Fund (LDF) Model, direct service provision and promotion of public-private partnerships;

*WHEREAS* the JPLG through the United Nations Capital Development Fund (UNCDF) shall provide an annual financial contribution for the purpose of capitalizing the Local Development Fund (LDF) as stipulated in the project document of the JPLG II;

*WHEREAS* a key component of the JPLG II is the implementation of a Local Development Fund which shall serve as a sustainable mechanism for financing participatory district planning and budgeting and project implementation and provide a regular link between community needs and district resources;

*WHEREAS* the basic principles that govern the operation of the LDF are described in the LDF Operations Manual for Local Governments; and other guidelines which shall be considered as integral to this Memorandum of Understanding.

*WHEREAS* the basic principles and procedures that guide LG Public Finance Management are described in the Municipal Finance Policies and Procedures, and Public Finance Management

processes contained in the manuals for planning and budgeting, investment programming, procurement and implementation, and M&E and asset management and will be considered as integral to this Memorandum of Understanding

**WHEREAS** the LG is aware of the respective roles and responsibilities of the Government and Local Governments as set out in the Constitution; the Law No 7; and the Decentralization Policy wishes to access the LDF from time to time as grants to finance the cost of selected eligible infrastructure investments

*NOW THEREFORE*, the Parties of the Participation Agreement hereby agree as follows:

**Article 1**  
**DEFINITIONS**

Unless the context otherwise dictates, the following terms have the following meanings:

- a) “Programme” means the United Nations Joint Programme for Local Governance and Decentralized Service Delivery (JPLG).
- b) “Local Development Fund” or “LDF” means the Grant provided to the LG for use in provision and/or improvement of selected infrastructure services as specified in the LDF Operations Manual.
- c) “LDF Operational Manual” means the Operational Manual that sets out procedures and requirements for Local Governments to access and use the LDF for construction or rehabilitation of capital investments
- d) “Sub-project” means an investment, financed or proposed to be financed, under the LDF.

**Article 2**  
**OBLIGATIONS OF THE GOVERNMENT**

The Government shall:

- a) Be responsible for the management of the Project and will manage the Project through its Ministry of Interior (hereinafter referred to as the “MoI”).
- b) Comply with and meet its obligations in accordance with the LDF Operational Manual and the Performance Assessment Manual and any amendments made thereto from time to time.
- c) Respond in a timely manner to LG replenishment requisitions on submission of prescribed accountability reports.

**Article 3**  
**OBLIGATIONS OF THE LOCAL GOVERNMENT**

The LG shall fully cooperate with the Government to ensure that the purpose of the LDF is accomplished and do everything possible to enable the Government to fulfill its obligations under the MoU. It shall comply with and meet its obligations in accordance with the Operational Manual and any amendments made thereto from time to time including:

- a) Ensuring that each sub-project is consistent with the approved annual work plans and budget in effect at the time the sub-project is approved;
- b) Ensuring that all payments due to contractors, suppliers and providers of services engaged on sub-projects by the LG are effected in a timely manner;
- c) Submitting to MoI financial and physical progress reports for all sub-projects undertaken in the forms prescribed by the Government in the LDF Operations Manual

- d) Ensuring that a dedicated LDF Bank Accounts have been established through which program funds shall be spent;
- e) Ensuring that land on which sub-projects are to be located is free of encumbrances and that there are no involuntary resettlement issues;
- f) Assuming responsibility for the implementation, supervision and certification of sub-projects
- g) Use the LDF for the purposes meant and outlined in the LDF Operational Manual and with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices and national standards under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and that funds are not “borrowed” from the accounts where these are located for other purposes;
- h) Ensure that the proceeds of the LDF are used exclusively to fund eligible sub-projects and that the sub-projects funded from the LDF are confined to only those in the eligible menu of investment under LDF Operations Manual.
- i) Promptly inform the Government of any condition which interferes with or threatens to interfere with the performance of its obligations under this Agreement, the accomplishment of the purposes of this Agreement or the LDF;
- j) Enable authorized representatives of the Government and donors to inspect the sub-projects, related records, documents and operations;

#### **Article 4**

#### **RIGHTS AND REMEDIES OF THE GOVERNMENT**

- a) In the event that the right of the Government under the MoU to make withdrawals from the JPLG/UNCDF shall be suspended or terminated then, regardless of the reason for the suspension or termination the right of the LG to receive further monies as otherwise expected in this Agreement shall simultaneously and to the same extent be suspended or terminated as the case may be.
- b) Notwithstanding cancellation of any amount of the LDF or any suspension of the right of the Government to make withdrawals from the LDF all provisions of this Agreement shall remain in full force and effect except as provided contrary to this Article 4.

#### **Article 5**

#### **EFFECTIVE DATE AND TERMINATION**

- a) This Agreement shall come into force and effect on the date on which the MoU comes into force and effect or the date on which this Agreement is made whichever is later.
- b) This Agreement shall terminate and all obligations of the parties shall cease and determine on the date on which the LG has made all payments for which it is or may become liable and fulfilled all its obligations under this Agreement.

#### **Article 6**

#### **NOTICES**

Any notice, request, approval, information, declaration, further agreement or other communication between the parties permitted or required by this Agreement shall be in writing and shall be deemed to have been duly given, made, or sent when it shall be delivered by hand or by mail, facsimile or telegram, to the party to which it is required or permitted to be given or made at the address of such party hereinafter specified, or at such other address as such party shall have designated by notice to the other party:

For the Government – to Director General, Ministry of Interior, Local Government and RD

For the LG - to the Executive Secretary \_\_\_\_\_ (*name of Council*)

**Article 7**  
**OTHER PROVISIONS**

- a) This Agreement shall be binding upon all successors of the LG in whatever forms constituted and their assigns.
- b) No delay in exercising or omission to exercise any right or remedy accruing to either party under this Agreement upon any default, shall impair any such right, power or remedy or its exercise or be construed as a waiver thereof or as acquiescence in such a default, or shall affect or impair any right or remedy in respect of any other subsequent default.
- c) Any Schedules annexed hereto form and constitute an integral part of this Agreement.
- e) Any action permitted or required to be taken and any document permitted or required to be executed under this Agreement may on behalf of the LG be taken or executed by the Executive Secretary or such other person, as he shall designate in writing.
- f) This Agreement may be executed in several counterparts, each of which shall be an original.
- g) This Agreement shall not be amended, supplemented varied or rescinded except with the consent and approval of the Government, the LG and UNCDF.
- h) In case of a dispute between the parties hereto the decision of the Minister of the Government at the time responsible for Finance shall prevail.

**IN WITNESS** whereof the parties hereto have executed and delivered this Agreement on the day and year first above written.

**FOR AND ON BEHALF OF THE GOVERNMENT**

\_\_\_\_\_  
Director General  
Ministry of Interior, Local Government and Rural Development

**Countersigned by**

\_\_\_\_\_  
Director General  
Ministry of Finance

**Countersigned by**

\_\_\_\_\_  
Accountant General

**FOR AND ON BEHALF OF THE LOCAL GOVERNMENT**

\_\_\_\_\_  
Mayor

In the presence of

---

Executive Secretary

**Form C Financial Summary Sheets for LGLDF**

<b>MoI – Local Development Fund</b>				
Financial Summary Sheet				
(a) LG _____				
(b) Program: LDF				
(c) For the period _____ to _____				
(d) Currency: (XXXX)				
(I)	(II)	(III)	(IV)	(V)
	Period Amount	Annual LDF Budget	Year to date	Available LDF Budget
(e) <b>Opening balance</b>				
(f) Advance received (CG)				
(g) Co-funding from other sources (e.g. 5% LG contribution)				
(h) Available funds	= (e) + (f) + (g)			
<b>Expenditure by Description</b>				
1. Capital investments (min 95%)				
2. Programme development (max 5%)				
<b>3. Bank charges</b>				
(i) Total expenditure	add 1 to 3			
(j) Closing balance	= (h) - (i)			
(k) Outstanding obligations/ commitments				
(l) Planned expenditure				
(m) Total requirements	= (k) + (l)			
(n) Less closing balance	= (j)			
(o) Advance requested	= (m) - (n)			

Prepared by  
Executive Secretary  
Date \_\_\_\_\_

Certified by  
Mayor  
Date \_\_\_\_\_

***The above Form must be filled based on the following Guidelines:***

- a) The Name of District
- b) The programme: LDF
- c) The period for which the accountability is being done;
- d) Currency in which the accountability is being done: XXX.
- e) Opening balance, this is the cashbook balance at the beginning of the period, the District is accounting for. If the accountability is a proceeding one, this should have been the closing balance of the former one.
- f) Advances received should only be the amounts received from the Accountant General/Commercial Bank LDF Account.
- g) Co-financing; any co-financing banked on the account should feature in this subsection including the 5% LG contribution
- h) Available funds should be the sum of (e) + (f) +(g)
- i) Total Expenditure is the sum of the infrastructure and project development costs. The percentages in brackets represent the maximum amounts of the fund to be used in each category, but when filling the form the District should fill in the actual amounts spent which can be less investment servicing cost but more for investment for that particular period.
- j) Closing balance is the difference between available funds and total expenditure. (h)-(i) which should be reconciled with the balance in the cashbook.
- k) Outstanding obligations represent the financial commitments such as outstanding contractual commitments entered into and not yet fully paid for.
- l) Planned expenditure represents the amount the LG intends to spend in the coming period. These should include new activities for the period and the old activities that the District did not accomplish in the past period.
- m) Total requirements are the sum of the obligations and planned expenditure, (k)+(l)
- n) Less closing balance, that is (j)
- o) Advance requested, this represents the District total needs or requirements less the amount it has on the account, that is (m)-(n).

## Form D Physical Progress Report

- a) ..... District  
 b) Program/Project title.....  
 c) For the period..... to..... 20 XX

SECTOR	PROJECT DESCRIPTION (QUANTIFIABLE)	CODE <sup>9</sup>	BUDGETED	EXPENDITURE PER INSTALMENT		SOURCES OF FUNDS (indicate used funds by source)		COMPLETE YES/NO	COMMENTS
			Project Costs	1 <sup>st</sup> Instalment	2 <sup>nd</sup> Instalment	LDF	Others		
Example: Works	Example: Tarmacking of a 5 kilometre road from XX to XX	Example:							
Project Development costs (for clarity, itemise each activity and attach a budget)	Example: (i) Engineering design (ii) Contracted supervision cost								
<b>Total</b>									

Signed (indicate name & sign).....  
 Executive Secretary

Signed (indicate name and sign).....  
 Mayor

Date & Stamp.....

<sup>9</sup> As per Chart of Accounts

***Guideline for filling the Quarterly Physical Progress Report – Form XXX***

The Physical Progress Report should be filled based on the guideline detailed hereunder in this section.

***Sector:*** In which sector is the project? - e.g. in works, education,

***Project description:*** It should be as descriptive and quantifiable as possible. It should mention location etc. e.g. tarmacking 10 km of xxxx (road name) located in xxxx (village) in xxxx District. Do not describe projects in general terms such as gravelling roads etc as one would be bound to ask how many kilometres of roads and in which village in the District is it located? It is therefore very important that each project should be described in a concise manner and in a quantifiable term as possible.

***Code:*** This is an accounting code, and includes the District code, department; sector and activity as per the Chart of accounts. This should be unique for each project, for example H-07-133204—FY 2015-001 where H stands for a District, 07 is for a sector (e.g. Works); 133204 is for LDF; and FY 2015 is the financial year in which the project is being implemented, and 001 is the unique project number (if there are 10 projects in the sector, the numbers will run from 001 to 010).

***Project cost:*** This is the budgeted total project cost.

***Expenditure per instalment:*** This is done cumulatively as follows:

- a) For the report of 1<sup>st</sup> instalment of the FY the first sub-column is filled.
- b) For the second instalment, the first and second sub-columns are filled.

Note that this form must be used until the projects are completed and is cumulative since at the end of the Financial Year a District will be able to compare how much it has spent on a given project and what has been its total aggregate expenditure in the year.

***Sources of funds (LDF):*** The LDF column should be filled by entering in how much funds from the LDF have been used.

***Others:*** Under this column fill in how much money has been used from other sources. If it is in kind e.g. bricks, stones and sand value them (monetise and insert the figure). Mention the source e.g. Community, NGO (specify name), etc, in the comments column.

***Completed:*** In this column mention, whether the project has been completed or not completed. Simply write Yes or No. In the last column state the reason as to why the project is not completed e.g. rains disrupted the work, contractor not paid on time, etc, (N.B that is if the project is not complete) One may include any other comment about the project implementation. For example excellent workmanship, the contractor absconded another was hired to complete the work, etc.

***Comments:*** The Officer (the project supervisor) filling this form should have visited the project site and therefore able to make comments. If the project is uncompleted, the comment should state the stage at which it is, whether or not it is on schedule. If not on schedule, give reasons. If completed comment on the utilisation, operation and maintenance of the project.

**Form E Annual Work Plan for the District**

- a) ..... District
- b) Program/Project title - LDF
- c) For the period (month and year)..... to (month and year).....

SECTOR	PROJECT DESCRIPTION (QUANTIFIABLE)	CODE (as per Chart of Accounts)	BUDGETED	PLANNED EXPENDITURE BY INSTALMENT				SOURCES OF FUNDS	
			PROJECT COST	Jan – June		Jul –Dec		LDF	OTHERS
Example: Works	Example: Construction of a road at XX place, XXX								
Project Development Costs (for clarity, itemise each activity and attach a budget)	Example: Consultant for designing xxx project  Contracting in of XXX consultants for project supervision								
Total									

Signed (name & signature).....  
Executive Secretary

Signed (name & signature).....  
Mayor

Date and Stamp.....

Date.....

### **Filling Instructions for the Annual Quarterly Work Plan**

The Annual Work Plan should be filled based on the guidelines detailed in the following section.

**Sector:** In which sector is the project? For example: Roads, Water,

**Project description:** This should be descriptive, quantifiable and should indicate the project location (name of the xxx, Village etc.) and/or user department. Do not describe projects in general terms such as construction of roads.

**Code:** The Accounting Code should include the name and code of the departments and sector, and activity code as per the Chart of accounts. This should be unique for each project.

**Project cost:** This is what the project is budgeted to cost.

**Planned Expenditure by instalment:** Amount of funds planned to be spent by instalment.

**Sources of funds (LDF):** The LDF column should be filled by entering in how much funds from the LDF has been budgeted.

**Others:** Under this column fill in how much money is planned to be used from other sources. If it is in kind e.g. bricks, stones and sand, value them (monetise) and insert the figure. Mention the source of funding e.g. Community, NGO, etc.. in the comments column.

## Form F Output/Outcome/Impact Monitoring Reports

### Instructions to filling Form F

- A. Project Name** Fill in the project title as given in the investment profile.
- Project No** This is the project code as in the investment profile
- FY** This is the year being reported on.
- B. Location** Give the name of the Village and District where the project is located. Where a project is located in more than one Village, give all the names of the Villages involved.
- C. Implementation Duration** Indicate the planned and actual start date in terms of day, month and year. Give project completion date as planned and actual giving date, month and year.
- D. Project Cost** Three figures must be filled. First, the cost as in the Development Plan/investment profile; secondly, the contract sum as reflected in the contract document; and the actual cost at project completion.
- E. Total Labour Cost** Indicate the actual labour cost of the project.
- F. Meeting National Standards** Indicate whether a project has met technical, functionality (appropriate & working) environmental and overall standards by ticking only one of the boxes for each of the aforementioned areas, i.e. highly satisfactory, satisfactory, unsatisfactory or highly unsatisfactory. Check the technical completion certificate by the supervisor and the environment certificate by the Environment Officer or the Environment Focal Point Person.
- G. Employment generated** Indicate the planned person days (total number of planned days for the employees to work in order to complete project implementation) and the actual person days worked (total number of actual days worked by the employees to complete the project). *The project supervisor in collaboration with the contractor should always keep track and make records of persons (by gender) employed on the project during its implementation on a weekly basis.*
- H. Female participation** Indicate the planned female person days (total number of planned days for female employees to work in order to complete project implementation) and the actual person days worked (total number of actual days worked by the female employees to complete the project)
- I. Output** Indicate the number of facilities created by each project and by unit measurement where applicable. Indicating the size of the system is very essential, as well as the unit construction cost.
- Beneficiaries** Give the number of people (by sex) directly benefiting from the project as well as those indirectly benefiting from the project.
- Baseline** Give the number of facilities existing before implementation of the project being reported, e.g. 20 km of roads tarmacked.
- Impact** Possible options (key sector indicators) are given in sub-column 1 of column 5 but there could be more. If a factor of impact is not given under a column for impact indicators, add it to the list. Report on the

relevant indicator(s) in sub-section 2 of column 5.

The form should be dully signed and stamped by the project supervisor and counter signed and stamped by the relevant District Head of Department, and the Accounting Officer. The names of signatories should be given.

**(Note: This form is for completed projects only).**

Some impact can best be determined by a field visit to site. Therefore, the person filling the form should first visit the site before filling in the form. They can utilize the Project Development costs component of LDF to do this.

The District Engineer is responsible for reviewing all the activities in the District. He/she will ensure that all forms are correctly filled for all completed projects. The number of completed projects can be determined from the Investment Inventory.

**Forms, which are poorly filled, will not be accepted by MoI and will lead to withholding of grants.**

**See examples of forms attached. In case a form is not provided for the LDF project implemented, the LG should develop the form following the same template.**



**LDF**

**Form – Output/Outcome/Impact Monitoring Report**

**Department: Works – Market** (Remember to use the correct sector form)

C. Project Name:..... Project No.....		FY.....						
D. Location:	Village.....	District.....						
C. Implementation Duration	Start Date (dd/mm/yy)	Completion Date (dd/mm/yy)						
	Planned...../...../.....	Planned ...../...../.....						
	Actual ...../...../.....	Actual ...../...../.....						
D. Project Cost	Cost in Budget .....	Actual Cost .....						
E. Total Labour Cost of the Project: .....		1. Estimated Labour Cost (at completion): .....						
G. Meeting National Standards	Highly Satisfactory	Satisfactory	Unsatisfactory					
Technical:								
Functionality rate:								
Environmental:								
Overall:								
G. Employment Generated	Planned Person days .....	Actual Person days .....						
H. Female Participation	Planned Person days .....	Actual Person days .....						
<b>J. Output, Outcome &amp; Impact of the Project</b>								
Market	Unit	Qty	Beneficiaries				Outcome/Impact	
			Direct		Indirect		Baseline (Previous FY)	Examples: Outcome/Impact Indicators (pick any or more of the following as appropriate)
			F	M	F	M		
1. Commercial markets	No.						<ul style="list-style-type: none"> <li>No. of traders acquiring market stalls;</li> <li>Improved income of traders</li> <li>Others (specify)</li> </ul>	
2. Food markets	No.							
3. Street vending	No.							
4. Other (specify)								
Prepared by Head of Department: Name and signature				Approved by Executive Secretary: Name and signature .....				
Date and stamp .....				Date and stamp .....				

**Direct Beneficiaries:** Community residents living within a range 0.5 to 1 km. on either side of the drainage; Population in Dwelling Unit (DU) & Commercial Premises (CP) which are no longer flooding.

**Indirect Beneficiaries:** Community/catchment area within a range of 1 km. to 5km from the drainage

\*F&M stands for females & males respectively.

**LDF**

**Form – Output/Outcome/Impact Monitoring Report**

**Department: Works – Slaughter House** (Remember to use the correct sector form)

E. Project Name:..... Project No.....		FY.....							
F. Location:	Village.....	District.....							
C. Implementation Duration	Start Date (dd/mm/yy)	Completion Date (dd/mm/yy)							
	Planned...../...../.....	Planned ...../...../.....							
	Actual ...../...../.....	Actual ...../...../.....							
D. Project Cost	Cost in Budget .....	Actual Cost .....							
E. Total Labour Cost of the Project: .....		1. Estimated Labour Cost (at completion): .....							
G. Meeting National Standards	Highly Satisfactory	Satisfactory	Unsatisfactory						
Technical:									
Functionality rate:									
Environmental:									
Overall:									
G. Employment Generated	Planned Person days .....	Actual Person days .....							
H. Female Participation	Planned Person days .....	Actual Person days .....							
<b>J. Output, Outcome &amp; Impact of the Project</b>									
Slaughter House	Unit	Qty	Beneficiaries				Outcome/Impact		
			Direct		Indirect		Baseline (Previous FY)	Examples: Outcome/Impact Indicators (pick any or more of the following as appropriate)	Outcome/Impact (report on the performance of the indicator/change/improvement brought about by the Project)
			F	M	F	M			
1. Existence of slaughter house	No.						<ul style="list-style-type: none"> <li>No. of animals slaughtered</li> <li>Improved income of animal traders</li> <li>Others (specify)</li> </ul>		
2. Functional slaughter house	No.								
3. Other (specify)									
Prepared by Head of Department: Name and signature						Approved by Executive Secretary: Name and signature .....			
Date and stamp .....						Date and stamp .....			

**Direct Beneficiaries:** Community residents leaving within a range 0.5 to 1 km. on either side of the drainage; Population in Dwelling Unit (DU) & Commercial Premises (CP) which are no longer flooding.

**Indirect Beneficiaries:** Community/catchment area within a range of 1 km. to 5km from the drainage

\*F&M stands for females & males respectively.

**LDF**

**Form – Output/Outcome/Impact Monitoring Report**

**Department: Works – Drainage (Remember to use the correct sector form)**

G. Project Name:..... Project No.....		FY.....						
H. Location:	Village.....	District.....						
C. Implementation Duration	Start Date (dd/mm/yy)	Completion Date (dd/mm/yy)						
	Planned...../...../.....	Planned ...../...../.....						
	Actual ...../...../.....	Actual ...../...../.....						
D. Project Cost	Cost in Budget .....	Actual Cost .....						
E. Total Labour Cost of the Project: .....		1. Estimated Labour Cost (at completion): .....						
G. Meeting National Standards	Highly Satisfactory	Satisfactory	Unsatisfactory					
Technical:								
Functionality rate:								
Environmental:								
Overall:								
G. Employment Generated	Planned Person days .....	Actual Person days .....						
H. Female Participation	Planned Person days .....	Actual Person days .....						
<b>J. Output, Outcome &amp; Impact of the Project</b>								
Drainage	Unit	Qty	Beneficiaries				Outcome/Impact	
			Direct		Indirect		Baseline (Previous FY)	Examples: Outcome/Impact Indicators (pick any or more of the following as appropriate)
			F	M	F	M		
1. Lined Drainage/stone pitching	Metre						-No. of malaria cases -No. of Dwelling Units no longer flooding -No. of Commercial properties no longer flooding -No. of roads/path ways no longer flooding -Others (specify)	
2. De-silted Drainage	Metre							
3. Others (specify)								
Prepared by Head of Department: Name and signature .....						Approved by Executive Secretary: Name and signature .....		
Date and stamp .....						Date and stamp .....		

**Direct Beneficiaries:** Community residents living within a range 0.5 to 1 km. on either side of the drainage; Population in Dwelling Unit (DU) & Commercial Premises (CP) which are no longer flooding.

**Indirect Beneficiaries:** Community/catchment area within a range of 1 km. to 5km from the drainage

\*F&M stands for females & males respectively.



### **Instructions for filling Form xxx: Inventory of Investment**

Investment Inventories will be filled based on the guidelines detailed hereunder in this section:

<i>Local Government</i>	Fill in the name of the District/LG
<i>Sector:</i>	For example Works
<i>Project Description</i>	It should be quantifiable for example, e.g. 7 km of roads in XX place and the type of road. The names of the Village/Xxxx where the project is located should also be indicated.
<i>Budgeted</i>	Fill in the amount Budgeted for the road. Use the figures that were submitted in the approved budget.
<i>Actual amount spent</i>	This has two parts. LDF – How much LDF was spent on this project. This should include the LG’s own contribution/co-funding obligation. Others –How much other funding was spent on this project, Specify the others sources in the remarks column.
<i>Completed</i>	Simply answer Yes or No.
<i>Start Date</i>	State the date when implementation of the project actually begun.
<i>Actual End Date</i>	State the date when the contractor/supplier handed over the project to the LG.
<i>Expected End Date</i>	If the project is not yet completed on what date does the LG plan to complete it.
<i>Comments</i>	The Officer filling this form should have visited the project site and hence able to make comments pertaining to the project status. For example, if the project is not yet completed at what stage is it; if not on schedule why; and if completed comment on the utilisation, operation and maintenance.