# **00 Discretionary Development Equalisation Grant 7**

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# 2016/17 Grant and Budget Guidelines

*Final Draft for sign off – 5th March*

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## Introduction

These guidelines are issued by the Office of the Prime Minister to Local Governments to provide information about the District Development Equalisation Grant and associated requirements for its allocation in the development budget of local governments. They give details of (i) relevant national policies, (ii) the role and mandate of local governments with respect to the grant, (iii) an overview of central government grants to local governments, (iv) an explanation of how these are allocated to each local government, and (v) requirements that local governments must follow when preparing the budget.

This information is accompanied by a more detailed Budget Requirements Assessment and Compliance Tool which should be used by local governments to ensure compliance and which will be used by central government to verify if local governments have actually complied. This will inform the signing of performance contracts with Accounting Officers by the Permanent Secretary/Secretary to the Treasury.

## National Development Plan and Sector Policy Priorities

In order to ensure equitable subnational development across the country, Article 193 (4) of the Constitution provides for subsidies or special provisions for the least developed districts based on the degree to which a Local Government unit is lagging behind the national average standard for a particular service. One of the objectives of the reform to fiscal transfers is therefore to distribute resources more equitably to Local Governments, so that those Local Governments which are less well-off are able to catch up with other areas. To this effect, special regional programmes such as the PRDP and the LRDP which are intended to support areas of the country with specific development needs will use harmonised country systems. In addition, the National Development Plan (NDP) underscores the need to review modalities for central government transfers to Local Governments to ensure greater equity and flexibility/more discretion. The reform to fiscal transfers therefore also builds in greater flexibility and discretion for local governments to allocate resources to local priorities, in line with their District Development Plans.

## Roles, responsibilities and mandate of Local Government

Schedule 2 of the LG Act Chapter 243 stipulates the functions and services for which the LGs are responsible for (mandated) including: Primary Education; Primary Health Care; Water and Sanitation; Feeder Roads and Production. The implementation of these mandates requires spending on operation costs, capacity development and investments in services and facilities. Operation costs are catered for in the Recurrent Budget, which will be funded by Conditional and Unconditional Grants and Locally Raised Revenues. Investment in services and facilities and capacity development are catered for in the development budget. The development budget shall be funded by: (i) sector development conditional grants (ii) discretionary development equalisation grants; (iii) contributions from unconditional transfers and locally raised revenues; and (iv) Off-Budget donor, Development Partners and NGO programmes.

## Overall purpose and structure of the Discretionary Development Equalisation Grant

The overall objectives and/or purpose of the discretionary development equalisation grant are to:

* Enable LGs to allocate funds to priority Local Development needs that are within their mandate and that are consistent with the National Priorities.
* Provide Local Governments with equitable access to development financing, ensuring that more disadvantaged LGs receive additional funding to enable them to catch up. In doing so, the grant acts as the: (i) the equalization grant provided for in the Constitution Article 193 (4); and (ii) primary financing for regional development programmes including PRDP and LRDP. Sectoral budget requirements will help ensure that allocations are focused on areas where LGs lag behind national average standards for a service
* Provide development financing which caters for the differing development needs of rural and urban areas.
* Improve Local Government capacities and systems for provision of services

All development allocations under the DDEGs must adhere to sectoral budget requirements set out in the respective sector information papers. The respective sector ministries shall play key functions to ensure the proper management and utilisation of the DDEG allocated to their sectors alongside sector development grants and funding from other revenue sources.

There will be:

1. The district discretional development equalisation grant; and
2. The urban discretional development equalisation grant.

The district discretionary development equalisation grant shall have 4 windows for: (i) PRDP and LRDP Districts (allocated to PRDP III and LRDP districts only); (ii) PRDP and LRDP sub-counties (allocated to PRDP III and LRDP sub-counties only); (iii) other districts (allocated to the remaining districts only); and (iv) other sub-counties (allocated to the remaining sub-counties only).

Similarly the urban discretion development equalisation grant shall have 4 windows: (i) Municipal USMID (allocated to USMID municipalities only); (ii) Municipal – non USMID (allocated to the remaining municipalities only); and (iii) Division – non USMID; and (iv) Town Councils (allocated to Town Councils only). Additional windows will be created to cater for any other regional development programmes that may be introduced.

|  |  |
| --- | --- |
| **Grant** | **Purpose** |
| **District Discretionary Development Equalisation Grant** | * Address development needs of rural areas
* Provide discretion to LGs to fund priorities
* Increase adequacy of funding whilst giving preferential treatment to LGs that are lagging behind
 |
| o/w PRDP District Development |
| o/w PRDP Sub-county Development |
| o/w LRDP District Development |
| o/w LRDP Sub-county Development |
| o/w Other District Development |
| o/w Other Sub-county Development |
| **Urban Discretionary Development Equalisation Grant** | * Address development needs of urban areas
* Provide discretion to LGs to fund priorities
* Increase adequacy of funding whilst giving preferential treatment to LGs that are lagging behind
 |
| o/w Municipal USMID  |
| o/w Municipal – non USMID  |
| o/w Division – non USMID |
| o/w Town Councils  |

## Grant Allocation Formula

The proposal is for both grants (district and urban) to have two components: (i) the basic component allocated based on the allocation criteria; and (ii) the performance component based on the performance of the LG.

### Basic component allocated based on the allocation criteria

The proposed grant allocation formula for the basic component (albeit with different weighting applicable to both district and urban LGs) is described in the table below.

| **Variable name** | **Weightings** | **Justification**  |
| --- | --- | --- |
| **District DDEG** | **Urban DDEG** |
| **All windows** | **USMID** | **Other** |
| Conflict[[1]](#footnote-2) | 5 | 3 | 3 | Allocate more resources to LGs severely affected by conflict |
| Constant (fixed allocation for higher/ LLGs) | 20 | 10 | 20 | Ensure that Higher and Lower LGs have minimum allocations for construction of meaningful infrastructure |
| Rural Population / Urban Population | 25 | 67 | 62 | Provide for demand/scale of delivering services |
| Poverty Head count | 50 | 20 | 15 | Equalizing variables - to allocate greater resources to districts that lag behind as per article 193 (4) of the Constitution. |

In both District and Urban DDEG allocations:

* The global PRDP and LRDP allocation will be maintained, thereby maintaining the additionality of the PRDP and LRDP to the relevant groups of districts. For example, LGs under PRDP will continue to get relatively higher per capital allocations compared to those that are not covered thereby maintaining the additionality to the PRDP districts.
* Similarly, globally, the USMID municipalities will not get a lower per capita allocation. Instead the non-USMID urban LGs will get a higher per capita allocation.
* However, in application of the allocation formulae, some individuals LGs within these groups may get less than the existing allocations, some may get more.

Overall, the intent of the allocation formula is that it should: be objective, simple and easy to understand; be (politically) acceptable; use reliable information from official sources; not introduce pervasive incentives at sector level and is above all equalizing. During FY 2016/17 all the grants will be allocated entirely based on the basic allocation criteria and the performance component will not apply except for municipalities under USMID (see below).

The above formulae will be phased in over the medium term. The formulae and the **medium term allocations and phase in plan** for the allocation formulae is available on the budget website: [www.budget.go.ug/fiscal\_transfers](http://www.budget.go.ug/fiscal_transfers). An individual local government’s allocation formula can also be found on the site.

### Performance Component based on the performance of the LG (to be applied starting from 2017/18)

The performance component of the grant will depend on the performance of the LG during an annual LG performance assessment. The results of the assessment will be weighted and compared to the performance of other LGs. Government will build on the performance assessment system that has been applied to the LGs by the MoLG (LGMSDP), MoLHUD (USMID) and OPM (GAPR) to design a revised system during FY 2015/16. The main areas that will be improved include: the indicators being assessed and how they are scored; the assessment process, timing and teams; quality assurance/ verification of assessment results; and mechanism of administering rewards and sanctions. The USMID assessment will continue to be applied for FY 2016/17 with the new assessment process starting in FY 2017/18.

Since the results of the performance assessment in FY year “n” determine the allocation of the grant in FY “n+1”, the revised LG Performance Assessment system, as first implemented during FY 2016/17, will impact on the allocations for FY 2017/18. For FY 2016/17, with the exception of USMID municipalities, performance assessment results will not have an impact on LG allocations. Before changes are introduced, LGs will be informed of the details and implications of the revised performance assessment system.

## Overview of Development Budgeting Principles

To maximise synergies, the LGs will use the same Planning, Budgeting, Procurement, Project Execution, Reporting, and Performance Assessments for all development funds: Discretionary Development Equalisation Grant; Sector Development Grants; Local Revenue; and Donor/NGO Funding. In preparing and implementing the development budget there are set of standard principles to guide that should be followed which are summarised in the table below and described thereafter.

In addition, there is a requirement for at least 10% of the allocation from the DDEG to be used to fund livelihoods development, and a maximum of 15% of the DDEG can.

|  | Summary of Budget Principles and Requirements |
| --- | --- |
| **Budget Requirements**  |
| Allocations of the DDEG across departments | * Allocations to non-capital livelihoods development activities, including community driven/based development projects are minimum of 10% of DDEG allocations
* Allocations to the administrative departments are maximum 15% of DDEG allocations
* DDEG funds allocated to each workplan will be compliant with the relevant sectoral budget requirements.
 |
| Allocations of DDEG to lower local governments  | Direct allocations and transfers will be made to lower local governments.* For the district component, sub-county DDEG allocations must be consistent with the indicative allocations provided by MoFPED.
* For the urban component, the non USMID DDEG allocations to the Municipal Level, Divisions and Town Councils must be in line with indicative allocations.

*Note: A schedule of allocations of the DDEG to Town Councils, Divisions and Sub-Counties accompanies the IPFs for Local Governments.* |
| Overall Development Budget Requirements | * A LG will spend maximum 10% of its combined sector development budget allocations for capacity development.
* A minimum of 65% of the GOU development budget is spent on capital investment.
 |
| **Overall Development Budgeting Principles** |
| Principles for selecting Investments | The principles for selecting all Local Government Investments (whether funded from the DDEG, Sector Development Grants or other sources) mean that investments should be:* Within the mandate of LGs
* Incorporated in the LG approved district/urban development plan, Work Plan and Budget
* Can be completed with the resources in the budget and made fully functional
* Have provisions for recurrent cost implications
* Focus on public rather than private goods
* Do not have negative environmental and social impacts
* Take into consideration equity issues (e.g. gender, etc.)
* Are in compliance with Sector Budgeting Requirements and standards for all LG Investments
 |
| Investment servicing costs | * Investment service costs shall be provided forall infrastructure outputs (either by sector specific or discretional development equalisation grant)
* Allocation from the DDEG will follow sector guidelines for investment servicing costs. In sectors where limits are not specified, the investment service costs shall be capped at a maximum of 5% of the cost of infrastructure outputs in each department budget. The budget for the infrastructure outputs should provide for investment service costs.
 |
| Capacity Development | * The LG capacity building will be coordinated by LG management.
* Allocations to Capacity Development can come from either the DDEG or sector development grants. Sectors will be encouraged to allocate part of their development grants for LG Capacity Building.
* The funds for capacity building will be used for: (i) discretional skills development – minimum 80%; and (ii) career development for technical staff which are a requirement for confirmation or promotion – maximum 20%
 |

### Overall and Sector Development Budget Requirements Applied to the DDEG

* **At least 10% of the DDEG will be allocated to livelihoods development**, defined as non-wage outputs in the Production, Natural Resources and Social Development sectors.
* **At maximum of 15% of the DDEG will be allocated to administrative developments**, defined as non-wage outputs in the Production, Natural Resources and Social Development sectors.
* **Sector development budget requirements** must be adhered to when allocating DDEG funding and identifying sectoral activities and investments to be funded.

### Vertical Allocation of the DDEG – share between HLGs and LLGs

* All the sector development grants (100%) will be allocated to the HLG (Districts and Municipalities).
* For rural areas the discretionary development equalisation grants will be allocated to both the districts and sub-counties using the allocation formula described above.
* For urban areas: (i) for the Municipal USMID 100% of the DDEG will be allocated to the municipal level only; (ii) for the Municipal non-USMID, the DDEG will be allocated to both the Municipal and Divisions; and (iii) funds will be allocated to Town Councils following the allocation formula described above.

### Principles for selecting investments

* Investment must be within the mandate of Local Governments
* Investments must be incorporated in the respective Local Government approved plan, work plan and budget
* Investments should be in line with the Physical Plan
* It must be ensured that investments are fully functional: priority given to: (i) repair/maintenance of existing investments; (ii) completion/extension/construction of new investments on existing facilities; before (iii) construction of new facilities which should be done only when there are provisions for meeting recurrent cost implications.
* LG should allocate the full resources to complete the investment in the budget.
* Recurrent cost implications linked to the operation of the facilities should be met from sector budgets financed by conditional grants and other LG resources. Investments that lead to significant recurrent cost implications that cannot be met should not be financed.
* Adherence to positive/negative list for investments.
* Focus on public rather than private goods (under USMID public goods are defined as those that benefit more than 100 people)
* Investments should not have negative social and environmental impacts
* Take into consideration equity issues (e.g. gender, etc.)
* Investments must meet the sector budget requirements set out in the respective information papers and associated guidelines.

### Budgeting for Investment Servicing Costs

These are the costs that support the construction of investments including: project design and specifications, cost estimation and preparation of Bills of Quantities; environmental and social impact assessments, development of operation and maintenance plans, engineering/ construction supervision etc. Activities under investment service costs are often contracted out. For the DDEG, investment service costs shall follow the budget guidelines for each sector in which it is allocated. Where no limits are specified investment servicing costs may not exceed a maximum of 5% of each capital output.

### Budgeting for capacity building activities

The LGs will adhere to the maximum capacity building allocations in each sectors. Overall the LGs will spend maximum 10% of its combined development budget allocations for capacity development. This can come from either the DDEG or sector development grants. The purpose is to enhance the capacity of LGs to fulfil their mandates. Whereas the component of the DDEG available for capacity building will be coordinated by LG management, it is supposed to be used to address the needs of both HLG and LLGs as reflected in the comprehensive capacity building plan approved by the LG Council. The capacity building component may cover:

* Discretionary capacity building activities: short-term skills development courses; on the job training; exposure visits etc. – minimum 80%;
* Career development for technical staff for areas that are a requirement for confirmation or promotion (e.g. certificate in Administrative Law for Administrators; Post Graduate Diploma in HRM for HRM Officers etc..) – maximum 20%

## Programme Specific Issues

The DDEG is the vehicle for funding of regional rural and urban development programmes. These programmes have their own specific guidance which apply within the framework of the DDEG. The three significant such are the PRDP, LRDP and USMID. Specific guidance relating to these programmes are set out here.

### PRDP

The PRDP represents 70% of DDEG funding in PRDP districts, towns and non USMID municipalities. In USMID municipalities PRDP represents 10% of DDEG funding.

PRDP 3 sets out clear parameters for utilisation of the PRDP funding at Local Government level and in all cases, sector guidelines must be adhered to. It is the role of sector line Ministries to ensure that sector guidelines are being followed as they review Local Governments’ PRDP sector work plans.

**Please note that 75% of PRDP funding (53% of the total DDEG in PRDP districts, town councils and non-USMID Municipalities) should be spent on interventions aimed at improving service delivery and livelihood (production) in the outcome areas. Expenditure should be justified as making a clear contribution to improving service delivery in the three outcome areas of Consolidating Peace, Economic Development and Reduction of Vulnerability. Out of the 70% earmarked for improving service delivery and livelihoods, 10% should facilitate operations at the Local Government with higher local Governments taking 3% and the lower Local Governments 7%.**

The eligible interventions aimed at improving service delivery and livelihoods (production) that will be financed under this grant include:

* 1. A wide range of pest, vector and disease control interventions including: construction of cattle dips, abattoirs in urban areas, testing labs, and plant clinics;
	2. Dairy production, improved crops, poultry, piggery, improved goats, Aquaculture, fish ponds, apiary, post-harvest handling, value addition and marketing and energy saving technologies among others;
	3. Construct market infrastructure, group market infrastructure such as storage, slaughter slabs, abattoirs, and livestock markets among others;
	4. Construction of small scale irrigation facilities for communal use, communal valley dams, fish drying kilns etc;
	5. Provision of foundation seeds for improved crop varieties to farmer groups, provision of foundation stocking materials for improved breeds of livestock (including poultry) to farmer groups etc;
	6. Support to community based multiplication of planting and stocking materials;
	7. Training of farmers in pre and post-harvest handing techniques; and
	8. Financing of Household Income Enhancement Grant

All costs of the investment/Project in the above areas must be within the market rates. All qualifying projects in the above categorization must satisfy the following conditions:

* 1. Reflect a need identified as a priority for poor households;
	2. Directly benefit the beneficiary households;
	3. Address a need in the community that is not being met by other funding agencies or programmes;
1. Demonstrate that at least 80% of the project costs will go into the core inputs of the project to ensure meaningful benefit in the households; and
2. Demonstrate that there will be active participation from the target group and/or beneficiary community.

**The remaining 30% of PRDP funds can be used for the other sectors of Education, Health, Works, Water, Environment, Lands and Local Government as per the criterion below:**

1. **Education**
2. Construction and rehabilitation of classrooms, construction of staff accommodation, provision of school furniture and provision of instructional materials;
* *Construction and rehabilitation can include: fencing, establishing lightening conductors, and solar.*
* *School furniture can include items such as desks, teachers’ desks and cupboards and chairs*
1. Construction of water points and latrine stances in schools and staff quarters
2. Construction and stocking of libraries for schools.
3. Training for School Management Committees
4. **Health**
5. Rehabilitation or construction of lower level health facilities, construction of staff accommodation;
* *Construction and rehabilitation can include: rehabilitation of wards, OPD and maternity wards, fencing, provision of electricity, cold storage for vaccines, lightening conductors, provision of health equipment, water points, and sanitation facilities e.g latrines*
1. Purchase of transport equipment e.g bicycles (HC IIs), motorbikes and vehicles (HC IIIs & IVs) where needed (the Ministry of Health will review whether requests are justified as they scrutinise the PRDP 3 health workplans) Priority should be accorded to provision of ambulances to ease referrals.
2. Training of Village Health Teams, including provision of VHT kits and bicycles where necessary LGs are advised to seek and follow guidelines by the MoH on training of VHTs.
3. Training for Health Unit Management Committees
4. **Water**

In line with the Water Sector Guidelines:

* 1. Local Governments should allocate at least 70% of their PRDP water grant for construction of improved water supplies and public sanitation facilities.
	2. They may use up to 11% for major rehabilitation of borehole and piped water supply systems that are beyond the capacity of the community to fully finance
	3. They may use up to 8% for ‘software’ activities including community mobilisation, establishment and training of water user committees and hygiene education.
	4. They may budget for up to 6% for planning and provision of sanitation and hygiene facilities in rural growth centres (RGCs) and public places.
1. **Roads**
	1. The PRDP budget grant can be used to finance periodic maintenance and rehabilitation of the DUCAR network, including work on bridges and culverts. It can also be used for opening community access roads where necessary.
* *The Ministry of Works will review whether the number of kilometres proposed for maintenance is viable as they review the PRDP road sector workplans*
* *In all cases, funding should also be provided for training Road User Committees.*
* *Labour based-methods should be prioritised in order to create local employment and inject money into the local economy.*
	1. Municipalities may undertake minimal tarmacking and provision of street lights.
1. **Local Government**
2. Local Governments can use PRDP grant funds to rehabilitate and complete existing administration buildings funded under PRDP II, providing solar panels, provision of furniture and IT equipment where necessary
3. **Environment**

Local Governments can use the PRDP budget grant to strengthen the activities of the District Environment Office in two areas:

* 1. Community sensitisation and training Community Natural Resource Committees where appropriate
	2. Establishment of tree nurseries
	3. Afforestation and re-afforestation. Restoration of degraded sections of local forestry reserves & wetlands
1. **Lands**

The PRDP land grant can be used for any of the following activities:

* 1. Physical planning (layout and preparation costs)
	2. Specialized equipment & stationery
	3. Surveying & titling of institutional land. All Local Governments planning to purchase surveying equipment must also budget for accessories (processing software & equipment, Computers) and training.
	4. Training of District Land Board

**Operational Funds**

Out of the 70% earmarked for improving service delivery and livelihood, 10% should facilitate operations at the Local Government with higher local Governments taking 3% and the lower Local Governments 7%.

Local governments will come up with a comprehensive work plan to guide the implementation of activities under the grant. Operational activities include verification, appraisal, monitoring and supervision by relevant Officers as well as RDCs.

Local governments shall be required to prepare and submit quarterly and annual reports which derive from their field monitoring reports. The report shall be submitted in soft- and hardcopy, and must include detailed accountabilities for funds spent. The hardcopy must also be accompanied by photographic evidence of the status of works.

### Luwero Rwenzori Development Programme

The LRDP represents 40% of DDEG funding in PRDP districts. LRDP sets guidelines for utilisation of the LRDP grant at Local Government level and where infrastructure construction are part of the priority area for resource allocation, sector guidelines must be adhered to.

**LRDP Goal and Objectives**

The goal of the LRDP is to address the development gap that resulted from the liberation struggle and ADF insurgency in the Districts of the sub-regions of Luwero Triangle and Rwenzori. The objectives of the revised LRDP are;

SO1: To improve the economic wellbeing of households within the Luwero- Rwenzori Sub region.

SO2: To promote social mobilisation for development, peace building and reconciliation.

**Target Beneficiaries**

The programme is open to all community members that are actively engaged in economic activities. However, special interest groups like **civilian veterans, youth, widows, ex-combatants, orphans,** and people with disabilities, will be given priority consideration.

**Project Eligibility Criteria**

As much as possible, Local Governments should ensure that;

1. Individuals/Groups should demonstrate need for the project (Demand driven)
2. There should not be discrimination based on gender, religion, etc.
3. Beneficiaries not already benefiting from other existing Government programmes;
4. A minimum of 80% of the project costs is to be spent on core inputs of the project.
5. Demonstrate that there will be active participation from the target group and/or beneficiary community.

**Areas of Household Income Enhancement Support**

Household income enhancement aims at supporting those interventions that increase the earning potential and reduction of household poverty within the communities. The support will mainly cover the following:

* **Agriculture Production and Productivity:** agric machinery, inputs, nurseries, animal husbandry, fisheries.
* **Value addition, Processing, Post-Harvest Handling and Marketing:** agro processing units, agricultural equipment, storage facilities, markets, post-harvest handling technologies, market information centres, any other process that adds value to agricultural produce.
* **Small and Medium Enterprise Development**: small scale enterprises, salon and barber shops, etc.
* **Infrastructure that promotes household income enhancement**; water for production (valley tanks, etc), construction of markets, community road opening, swamp raising and culvert installation for market access, support to power extension for production, and any other infrastructure that directly supports household incomes.

**Areas of Social Mobilisation, Peace Building and Empowerment**

* **Social Mobilisation and Empowerment of Vulnerable Groups:** SACCO support, SACCO capacity building, training of vulnerable groups, etc.
* **Peace Building and Conflict Resolution for harmonious living**. (rehabilitation and construction of monuments)

**Support to Individual/Group Beneficiaries**

The size of the support under household incomes will vary depending on whether the project is an individual project or group project. In providing support, we shall ensure that the support provided is substantial to change the earning potential of beneficiaries.

* Individual project shall not exceed **Shs. 5million**
* Group project shall not exceed **Shs. 30million**.

**Operational Funds**

Of the funds provided, at least 90% should be allocated to real service delivery with 10% earmarked for operational activities which include verification, appraisal, monitoring and supervision by both the Technical and Political Leaders.

Local governments will come up with a comprehensive work plan to guide the implementation of activities under the grant.

Local governments shall be required to prepare and submit quarterly and annual reports which derive from their field monitoring reports. The report shall be submitted in soft- and hardcopy, and must include detailed accountabilities for funds spent. The hardcopy must also be accompanied by photographic evidence of the status of works.

### USMID

## Budget Requirements Assessment and Compliance Tool

The Budget Requirements Assessment of Compliance is more detailed than the summary of budget requirements presented earlier in the Guidelines. For each summary requirement, detail is given on what the minimum level of compliance is, and how this will be checked in practice. An independent assessment will be conducted for the Budget Framework Paper, Draft Budget Estimates and Final Budget Estimates to determine if local governments are adhering to these requirements. This will be considered as part of the performance assessment of Accounting Officers and inform the appointment of accounting officers. Failure to adhere to these requirements may result delays to the signing of the perform ance contract for an Accounting Officer, or non-renewal of the contract of the Accounting Officer by the PS/ST of the Ministry of Finance, Planning and Economic Development.

*This assessment table applies to the allocation of the DDEG in the development budget across sectors.*

| **Area** | **Summary of Requirements** | **Definition of Compliance**  | **Source of Information** | **Verification and Reporting on Non-Compliance** | **Point Assessed** |
| --- | --- | --- | --- | --- | --- |
| **Budget Requirements** |  |  |  |  |
| Allocations across categories | Allocations to non-capital livelihoods development activities, including community driven/based development projects are minimum of 10% of DDEG allocations | At least 10% of the total DDEG allocation to the local government is allocated to the following departments:* 4 Production and Marketing
* 8 Natural Resources
* 9 Social Development

The allocations to Higher LG Services and Lower Local Services (output codes less than 70) in the GoU development budget these departments. *is greater than or equal to* 10% of DDEG allocations to the local government  | Most recent IPFs from MoFPEDOverview of Workplan Revenues and ExpendituresDetailed estimates of LG revenue and expenditure | State whether the LG **is or is not** Compliant. State:1. The total DDEG allocation to the local government in the IPFs
2. Total DDEG allocation to Workplans 4, 8 and 9 (separately)

State if the sum of (b) for all three Workplans is greater than or equal to 10% of (a), or not. 1. Total allocations to services provided or services funded outputs (those with codes less than 70) in the GoU Development Budget for Workplans 4, 8 and 9 (separately)

State if the sum of (c) for all three Workplans is greater than or equal to 10% of (a), or not.  | Draft BudgetFinal Budget |
|  | Allocations to the administrative departments maximum of 15% of DDEG allocations | A maximum of 15% of the total DDEG allocation to the local government is allocated to outputs in the following departments:* 1 Administration
* 2 Finance
* 10 Planning
* 11 Internal Audit
 | Most recent IPFs from MoFPEDOverview of Workplan Revenues and Expenditures | State whether the LG **is or is not** Compliant. State:1. The total DDEG allocation to the local government in the IPFs
2. Total DDEG allocation to Workplans 1, 2, 10 and 11 (separately)

State if the sum of (b) for all four Workplans is less than or equal to 15% of (a), or not. |  |
| Allocations to lower local governments | Direct allocations and transfers will be made to lower local governments.* For the district component, sub-county DDEG allocations must be consistent with the indicative allocations provided by MoFPED.
* For the urban component, the non USMID DDEG allocations to the Municipal Level and Town Councils must be in line with indicative allocations.

*Note: A schedule of allocations of the DDEG to Town Councils and Sub-Counties accompanies the IPFs for Local Governments.* | The allocation from the District Development Equalisation Grant to each LLG will be equal to the amount specified in the schedule provided by MoFPED. | Revenues and expenditure by LLGSchedule of allocations to LLGs from MoFPED | State whether the LG **is or is not** Compliant. State (separately) for all LLGs:1. Total allocation of the DDEG in the schedule provided by MoFPED.
2. Total allocation of the DDEG in the revenue budget of the LLG.

Calculate (a) – (b) for each LLG and state if the difference is not equal to zero. List any LLGs where the DDEG allocation is incorrect. | Draft Budget,Final Budget |
| Overall Development Budget Requirements | Allocations to capacity development | The total allocations to outputs for capacity development in the GoU development budget  *are less than or equal to* 10% of the total GoU development budget for the local government  | Most recent IPFs from MoFPEDOverview of Workplan Revenues and ExpendituresDetailed Estimates of Expenditure | State whether the LG is or is not Compliant. State:1. The total GoU development budget for the local government
2. Total allocations to capacity development outputs in each workplan (separately)

State if the sum of (b) for all Workplans is less than or equal to 10% of (a), or not. |  |
| Allocations to capital investments | The total allocations capital purchases in the GoU development budget  *are greater than or equal to* 65% of GoU Development Budget Allocations the local government | Detailed Estimates of Expenditure | State whether the LG is or is not Compliant. State:1. The total GoU development budget for the local government
2. Total allocations to capital purchases in each workplan (separately)

State if the sum of (b) for all Workplans is less than or equal to 65% of (a), or not. |  |

1. The conflict variable is calculated as follows: (i) 60 points to category 1 districts (severely conflict or cattle-rustling affected); (ii) 30 points to category 2 districts (sporadically conflict and/or cattle-rustling affected); (iii) 10 points to category 3 districts (conflict spill-overs); and (iv) 0 points to districts without immediate conflict impact in the last 35 years. The MoLG, OPM and LGFC will develop the criteria and determine the districts that follow with in the respective categories. [↑](#footnote-ref-2)