REPUBLIC OF ZAMBIA

THE LOCAL AUTHORITIES DEBT AND ARREARS MONITORING MECHANISM

December, 2023

THE LOCAL AUTHORITIES DEBT AND ARREARS MONITORING MECHANISM

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LIST OF ABBREVIATIONS

C.G	Central Government
C.O	Cabinet Office
CIA	Committee of Internal Auditors
DAMM	Debt and Arrears Monitoring Mechanism
DMS	Debt Management Strategy
DRMS	Debt Risk Management Strategy
DS	Decentralisation Secretariat
GDP	Gross Domestic Product
IFA	Intergovernmental Fiscal Architecture
IFRU	Intergovernmental Fiscal Relation Unit
LA	Local Authority
LADMS	Local Authority Debt Monitoring System
LGSC	Local Government Service Commission
MLGRD	Ministry of Local Government and Rural Development
MOFNP	Ministry of Finance and National Planning
MOUs	Memorudum of Understandings
NDP	National Decentralisation Policy
NRMF	National Risk Management Framework
OAG	Office of the Auditor General
PDMA	Public Debt Management Act
PEs	Personal Emoluments
PFMA	Public Finance Management Act
RMG	Risk Management Guidelines

DEFINITIONS

In this document, unless the context otherwise require

Accountability	Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis a vis mandated roles and/or plans.
Activity	Courses of actions undertaken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs and ultimately desired objectives and goals.
Data validation	The process of ensuring that debt data is complete, accurate and consistent in order to produce reliable and timely information meeting the objectives and needs of the Ministry.
Local Authority Debt and Arrears Monitoring Mechanism (LADAMM)	A framework for Local Authorities aimed at monitoring debt management in the Local Authorities to ensure that accrued debt is maintained at sustainable levels and also ensure financial stability over the medium to long term
Debt Sustainability Analyses (DSA)	DSA is a debt management tool used to measure the sustainability of public debt.
Goal	A broad and long-term objective that a policy, programme or project intends to accomplish.
Impact	Long-term outcome of a policy, programme or project that can be directly or indirectly attributed to the policy, programme or project implementat ion. This may be positive or negative, intended or unintended.
Indicator	A quantitative or qualitative factor or variable that provides a simple and reliable means to measure change, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
Inputs	Resources invested or used in the implementation of a policy, programme or project, which may include financial, human resource and capital.

Line Ministry	Government ministry responsible for performance of stipulated functions and responsible for providing oversight to the State -Owned Enterprises (SOEs) or other public entities.
Local Authority Arrears	Includes arrears owed to the suppliers of Goods and Services to the Local Authorities, arrears for personal emoluments related payments such as Statutory obligations to bodiessuch as ZRA, NAPS, LASF and NHIMA and other staff costs.
Local Authority Debt	The Local Authority debt is a financial liability arising from borrowing by the Local Authorities
Monitoring	A continuous,systematic and objective collection of data on specified indicatorsto provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progressin the use of allocated funds.
Objective	A statement that is specific, measurable, achievable,realistic and time-bound that describesthe intended outcomes of a policy, programme or project.
Output	The products, goods or services which result from the implementation of a policy, programme or project.
Performance	A measure of the degree to which a policy, programme or project achieves intended results based on an objective system of assessment.
Policy	A statement of goals, objectives and courses of action outlined by the Government to provide guidance for its actions.
Project	A set of well-planned and interrelated activities aimed at achieving a specific objective(s)in a stipulated time frame.
Result	An output, outcome or impact arising from the implementation of a policy, programme or project. This may be intended or unintended, positive or negative.
Programme	A set of well-planned projectsthat contribute towards attainment of a specific goal(s).

FOREWORD

The Ministry of Finance and National Planning has developed the Local Authorities' Debt and Arrears Monitoring Mechanism (LADAMM) in order to streamline and enhance the monitoring arrangements for Debt and Arrears Management in Local Authorities. Particularly, the LADAMM is aimed at monitoring the implementation of the Debt Management Strategy for Local Authorities to ensure that accrued debt and arrears are maintained at sustainable levels and also ensure financial stability over the medium to long term. This will be done through implementing effective preventive and remedial monitoring measures of local authority debt through the various strategies that Government is implementing. It is envisaged that the outcomes of the LADAMM will play a key role in guiding the future acquisition of local authorities' debt which is critical to the success of the measures being taken to restore debt to sustainable levels at all levels of government. The development of the LADAMM comes at a critical time when Zambia is faced with a debt crisis of significant proportion. Therefore, addressing this debt situation requires commitment at all levels.

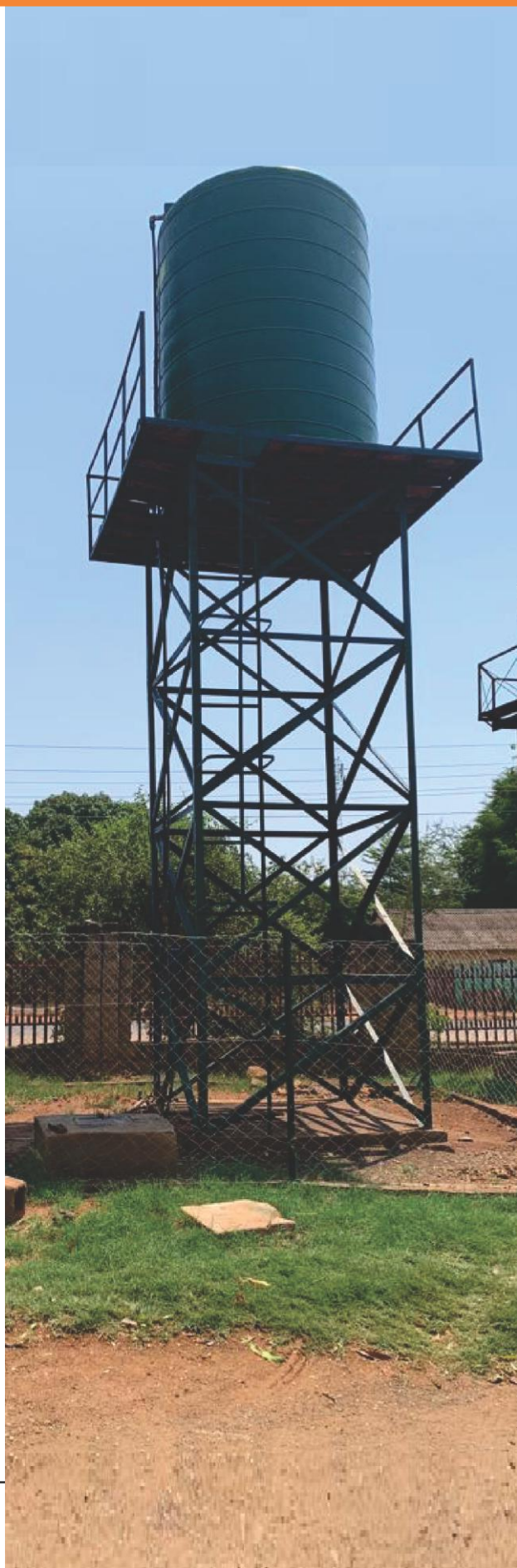
Lastly, I wish to thank the various stakeholders who participated in the compilation and development of this LADAMM which is now ready for use.

Felix Nkulukusa
SECRETARY TO THE TREASURY

ACKNOWLEDGMENTS

The development of the Local Authority Debt and Arrears Monitoring Mechanism (LADAMM) is a culmination of collective collaborative work that could not have been completed without the concerted efforts of various stakeholders. I therefore wish to express my sincere appreciation to all those that contributed to the development of the LADAMM. While recognizing the valuable contribution of the various stakeholders to the LADAMM development process, I wish to pay special tribute to the World Bank, GIZ, USAID, Local Impact and the Local Authorities for their immense contribution. Also, the team from the Ministry of Finance and National Planning; and Decentralization Secretariat, Cabinet Office and the Ministry of Local Government and Rural Development deserves special credit for their tireless commitment to the development of the LADAMM. Other stakeholders not mentioned specifically here, also deserve appreciation for their respective contributions.

Mwaka C. Mukubesa
ACTING PERMANENT SECRETARY – BUDGET AND ECONOMIC AFFAIRS



THE LOCAL AUTHORITIES DEBT AND ARREARS MONITORING MECHANISM

1. 0. INTRODUCTION

The Local Authorities Debt and Arrears Monitoring Mechanism (LADAMM) is aimed at monitoring the implementation of the Debt Management Strategy for Local Authorities 2021 to 2025 to ensure that accrued debt arrears are maintained at sustainable levels and financial stability is achieved over the medium to long term. The LADAMM shall be implemented by a multi-disciplinary team comprising officers from the Ministry of Finance and National Planning (MOFNP), Ministry of Local Government and Rural Development (MLRD), Decentralisation Secretariat (DS), Local Government Service Commission(LSC) and Local Authorities (LAs).

2.0. BACKGROUND

The issue of debt in Local Authorities still remains a challenge that continues to compromise the efficient and effective delivery of municipal services. As at June 2020, the debt for all Local Authorities combined was estimated at K2.8 billion, of which statutory obligations accounted for the largest share at K2.2 billion (78.6 percent) of the debt with the rest of the categories of this debt accounting for 21.4 percent. This situation prompted Central Government to intervene by developing the Debt Management Strategy (DMS) for Local Authorities (2021-2025) with the objective of dismantling existing debt, preventing new accumulation of debt and putting in place measures to guide future borrowing.

3.0. CAPACITY DEVELOPMENT IN MANAGEMENT OF DEBT

One of the objectives in the DMS is to guide future acquisition of debt and ensure debt Sustainability. In order to achieve this objective, the DMS proposed the establishment of a DMM as one way of monitoring and ensuring better management of debt in Local Authorities. It is evident that debt in the Local Authorities has continued to grow with the latest verified total debt stock standing at an estimated K3.8 billion as at June 2022. It is against this background that this LADAMM has been developed. Therefore, it is expected that, the LADAMM will ensure that this level of debt accumulation is managed so that it does not continue to disrupt the provision of services.

4.0 CONCEPTUAL FRAMEWORK OF THE LADAMM

This Debt Monitoring Mechanism provides a comprehensive front-end and back-end relationships of debt monitoring and management in the Local Authorities. The mechanism monitors preventive and remedial measures of Local Authority debt management that Central Government and Local Authorities are implementing.

The mechanism builds on the works that are also already being done under the Debt Management Strategy for Local Authorities. The mechanism assists the Treasury and other stakeholders to utilise the output of the LADAMM to inform national level outcomes regarding stabilisation of the economy and predicting potential economic impacts.

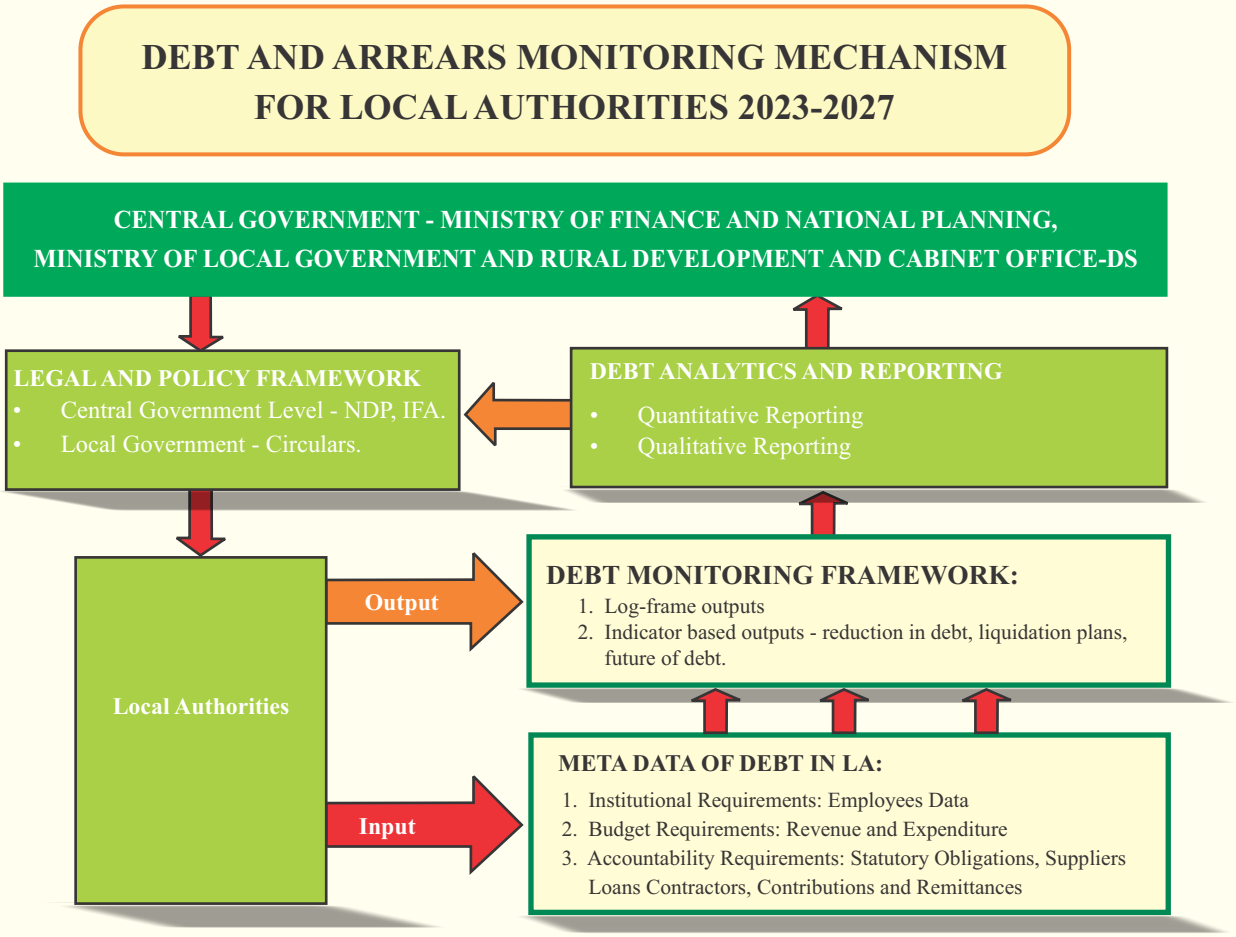
The LADAMM operates at two levels of government with responsibility assigned specifically to each of the levels.

At central government level, MOFNP, MLGRD, and the DS shall be responsible for the development of the policy framework and legal framework that guides local authority debt processes and management. The recommendations that will be made from the analytical reports from the LADAMM will contribute to evidence based decision making to influence policy making on Local Authorities debt.

Local Authorities intervention is at two levels. Firstly, they are responsible for capturing of meta-data arising from their daily debt and arrears financial transactions, as inputs into the debt database. On the other level, the outputs generated from the debt database processing as reports provide the result frame that will be monitored through this LADAMM to shape future policy.

The figure below depicts the conceptual framework as explained in the text above.

FIGURE 1: Conceptual Framework of the Ladamm

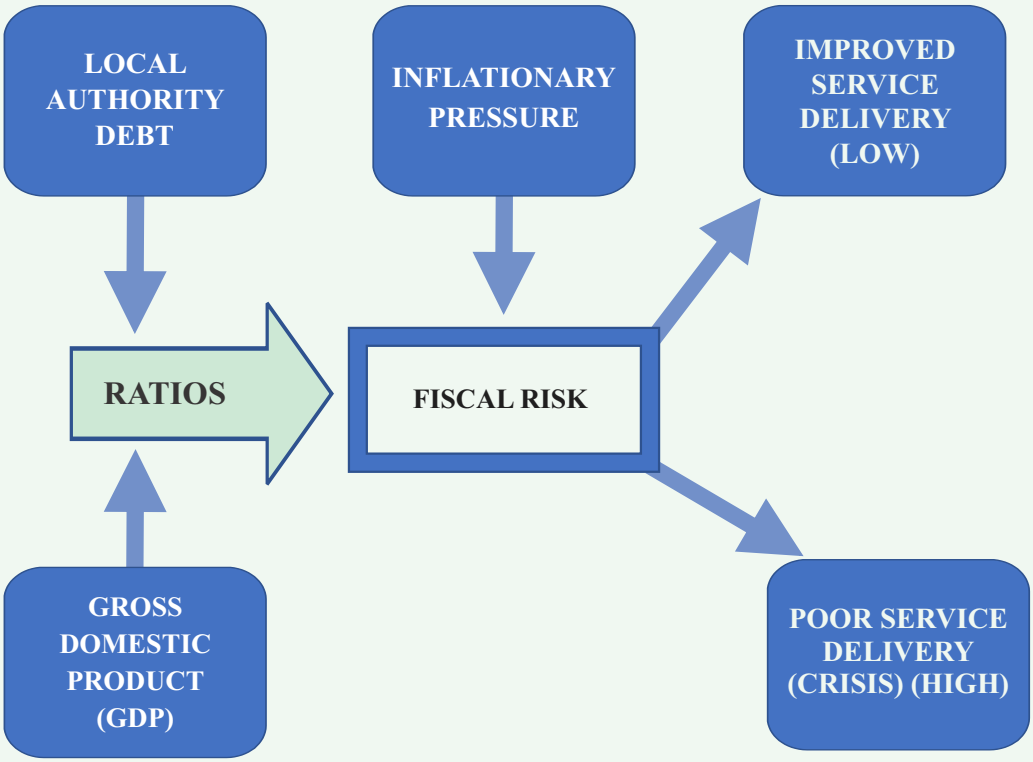


5.0. RATIONALE

This tool provides a consolidated platform that allows various players/stakeholders to participate in the fiscus by having a one-stop shop for Local Authorities Debt and Arrears Monitoring and Mechanism through the provision of evidence based reports to inform decision making and effective debt preventive remedial measure.

When the ratio of local authority consolidated debt to national GDP is high, it creates fiscal risks as the Treasury could be required to increase financing to local government through grants to fill up the financing gap to maintain the provision of effective municipal services. This may increase necessary taxes to mobilise more resources which could discourage private investment or tax compliance. If the Treasury borrows from the public through government securities to fill this gap, it could lead to crowding out of private investment and lead to inflationary pressure arising from higher interest rates that the treasury must offer for the additional finance. If the Treasury overlooks financing of this gap, service provision at the local level would be affected.

FIGURE 2: Local Authority Debt and Economic Impact



5.1 National level will be monitoring the following:

At the national level, debt and arrears ac counting and accountability, debt and arrears transparency, debt and arrears auditing, debt and arrears reporting, debt-to GDP Consolidated for all LAs) etc. will be monitored

5.1.1. At Sub-national level, the following will be monitored:

In order to ascertain the level of indebtedness in the Local Authorities, there is need to utilise the necessary debt performance metrics or analytical tools such as, debt service-to-revenue, debt stock-to-revenue, age analysis of debt, debt-to-assets, debt per capita, and debt guidelines will be developed that will show the detail of these analytics.

6.0. OVERVIEW OF THE LADAMM

6.1. Objectives

6.1.1. Overall Objective

To provide a comprehensive platform for capturing, monitoring, and analysing debt and arrears in local authorities.

6.1.2. Specific Objectives

a) To monitor the implementation of the Debt Monitoring Strategy in local authorities;

b) To assess the impact of the Local Authority plans and programs leading to debt sustain ability;

c) To monitor the debt and arrear management capacity activities in Local Authorities;

d) To assess risk management of debt and arrears in local authorities.

e) To provide data or information on debt and arrears accountability, auditing, and transparency;

f) To provide an analytical tool for debt and arrears related to suppliers, Loans and contracts, Personnel Debt, Statutory Obligations, Contributions, and Remittances in local authorities;

g) Monitor the impact of local authority debt and arrears on service provision at a community level; and

h) To provide various reporting on the Local Authority debt and arrears.

7.0 COMPONENTS OF DEBT MONITORING MECHANISM

The LADAMM components consist of the monitoring framework, the risk management framework and the debt and arrears monitoring data base.

7.1. Monitoring framework

The monitoring framework provides the means to determine whether the DMS is on course to achieve its objectives. It summarises how the monitoring activities will be implemented and describes the indicators that are used to measure whether the DMS program is a success. *See Appendix 1*.

7.1.1. Risk management framework

The risk management framework provides a 3-part approach to risk management:

1) Risk identification
2) Risk assessment
3) Risk response

The risk management framework is anchored on the National Risk Management Framework (NRMF) and the Risk Management Guidelines (RMG) to guide the implementation of risk management in the Local Authorities.

Further, a communication and reporting platform shall also be incorporated. Each Local Authority should use the Debt Risk Management Framework to improve its institutional risk management, focus on prevention of fraud and corruption as well as review and assurance of risk management. Risk management shall be implemented through the accounting officers and top management of the Local Authorities. *The risk management framework is attached at Appendix 2*.

7.1.2. Debt and Arrears Monitoring Database

The tool captures, accounts, computes and analyzes debt data for Local Authorities. Some of the specific functions the software will perform include:

1) Providing a platform for Local Authorities to manage arrears and debt by generating a gap analysis report;
2) Use both cloud-based and offline- based platforms; and
3) Providing a function for capturing age of debt and arrears in each Local Authority.

8.0. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

This mechanism shall be coordinated by Ministry of Finance and National Planning and implemented through a Technical Committee on Local Authority Debt and Arrears Monitoring Mechanism. The composition of the Committee will include officers from the Ministry of Finance and National Planning, Cabinet Office, Ministry of Local Government and Rural Development, selected Local Authorities, Local Government Service Commission, Cooperating parties and Civil Society organisations.

TABLE 1: Institutional and Implementation Arrangements

ROLE	RESPONSIBILITIES
Ministry of Finance and National Planning	1. Conducting Analysis, Reviewing Reports, Making Decisions based on the data 2. Conduct spot checks and validation activities for the entire DMM 3. Provide support towards the dismantling of existing debt and development of capacity in the Local Authorities for management of debt to prevent future accumulation; 4. Development of an integrated system for debt management and monitoring which interfaces with other financial management systems used by the Local Authorities; and 5. Monitoring and reporting of the debt situation in all Local Authorities.
Cabinet Office, Decentralisation Secretariat	1. Provide coordination in the implementation of policy and participate in debt monitoring activities.
Ministry of local government and rural development	1. Provide supervision to all Local Authorities in the capturing, processing and reporting through the Debt Monitoring Software; and 2. Provide supervision in the implementation of the Risk Management Framework for all Local Authorities to avoid unsustainable Debt. 3. To validate and consolidate report on the debt position of the Local Authorities.
Local Authorities	1. Debt data capturing, processing, analyzing and reporting through the Local authorities' Debt and Arrears Monitoring Database (LADAMD). 2. Updating of the risk management framework and implementing risk mitigation measures and Provide reports as required by this mechanism to all relevant stakeholders.
Auditor General	1. Undertake external auditing activities for each LA for reliability of debt data and ascertain the existence of the risk management framework. 2. To ascertain the implementation of the risk mitigation measures.
Controller of Internal Audit	1. Undertake internal auditing activities for each LA for reliability of debt data and ascertain the existence of the risk management framework. 2. To ascertain the implementation of the risk mitigation measures.
Cooperating Partnerships	1. Cooperating partners will support the implementation of Local authorities' Debt and Arrears Monitoring Database (LADAMD), through financial and technical support.

9. 0. REPORTING MECHANISMS AND TOOLS

The LADAMM will have two reporting channels namely: An administrative reporting channel and a data management channel using the following reports:

TABLE 2: Local authorities' Arrears Report

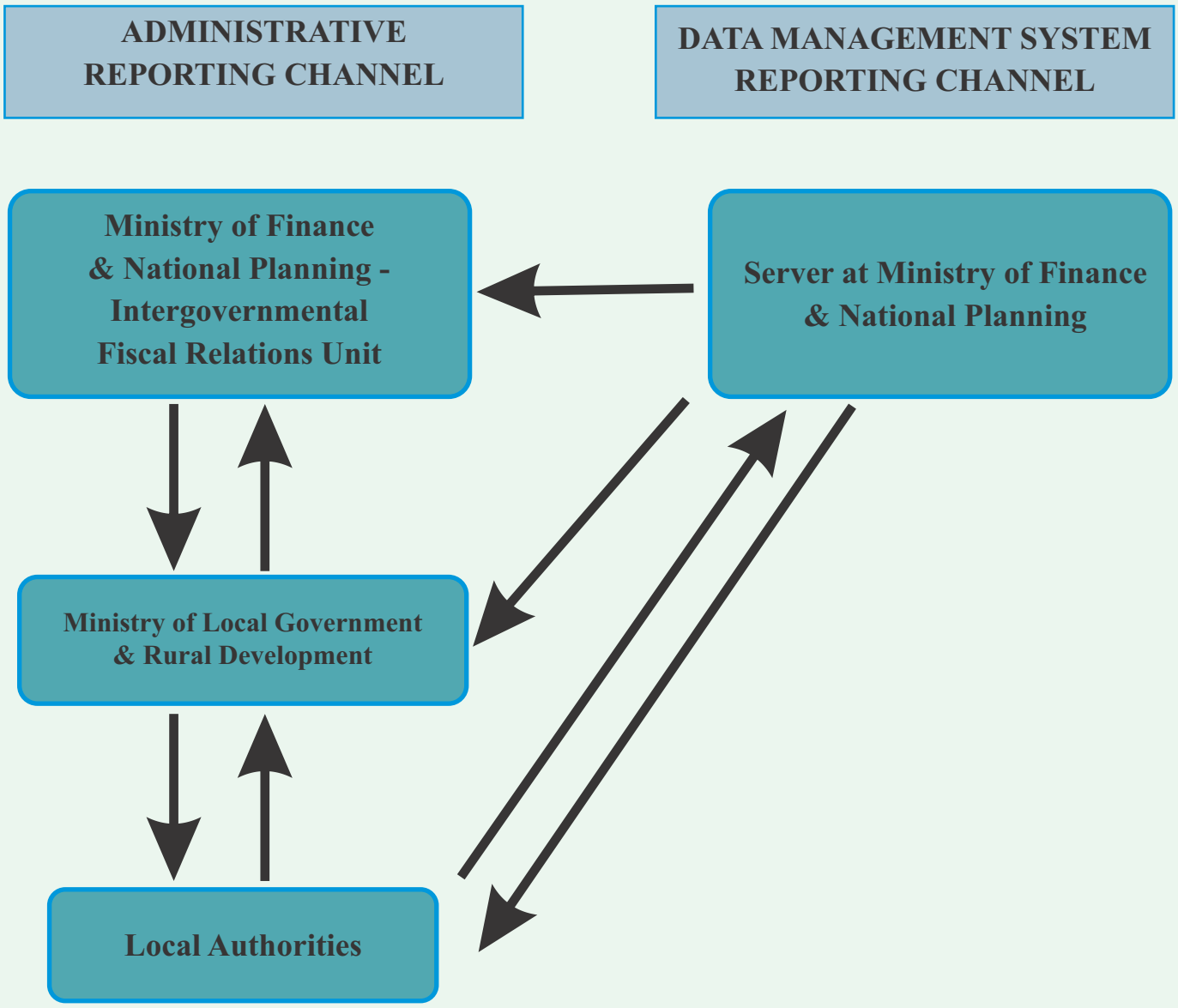
A. LOCAL AUTHORITIES' ARREARS REPORT (LAAR)	
1.	Latest Stock of Arrears by Economic classification
2.	Stock of Debt liquidated in the month
3.	Additional unserviced invoices that has qualified in the month as arrears
4.	Net additional arrears in the month
5.	Progression of Arrears as a share of Own Source Revenue
6.	Progression of Arrears as a share of Total Resources
7.	Progression in Arrears payment as a share of Total Expenditure
8.	Progression in Creditors Aged Analysis Report
9.	Ratio Analysis on Management Accounts to assess creditworthiness
10.	Variance Report between month arrears liquidation planned and actual performance

TABLE 3: Local authorities' Debt Report

B. LOCAL AUTHORITIES' DEBT REPORT (LADR)	
1.	Disbursed and Outstanding Debt
2.	Stock of undisbursed debt
3.	Debt Service projection (liquidation plan based on the loan agreement)
4.	Actual Debt Service
5.	Projected disbursement
6.	Actual Disbursement
7.	Loan Account Statement by creditor
8.	Amortization Schedule
9.	Payments in Waiting
10.	Ratio Analysis on Management Accounts to assess credit worthiness
11.	Variance Report between month debt liquidation planned and actual performance

10.0. REPORTING AND FEEDBACK MECHANISM

FIGURE 3: Reporting Mechanism and Feedback



11.0. APPENDIX 1: LOGICAL FRAMEWORK

Existing Local Authority debt liquidated

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
RESULTS	**RESULT AREA 1: EXISTING LOCAL AUTHORITY DEBT LIQUIDATED**				
OUTPUTS	▪ Local Authority debt liquidation plans developed.	▪ No. of LA's with debt liquidation plans. ▪ Presence of debt liquidation plan guidelines.	▪ Minimum Debt Liquidation budgetary Allocations determined. ▪ Sensitization of LAs on the guidelines. ▪ Implementation of the debt liquidation guidelines.	▪ Debt Liquidation Plan guidelines ▪ LA debt liquidation plans. ▪ Quarterly LA Fiscal Performance reports.	▪ Unrealistic debt liquidation plan ▪ Delayed approval of budget.
	▪ Local Own Source Revenue Enhanced.	▪ No. of Local Authorities with Revenue Enhancement Plans developed.	▪ Sensitization of LAs on guidelines for the development revenue	▪ Revenue Enhancement Plan ▪ LA Annual Budget ▪ LA Stakeholder engagements on revenue	▪ Adverse macro-economic conditions. ▪ Low allocations to revenue generating

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	INDICATORS	ACTIVITIES	MEANS OF VERIFICATION	RISKS
		▪ No. of Revenue Enhancement Measures Implemented. ▪ No. of Local Authorities attaining Revenue Target. ▪ Percentage change in Revenue Collected.	enhancement plans. ▪ Budget performance reviews. ▪ Spot checks on LAs. ▪ Conduct financial audits in LAs.	enhancement measures minutes. ▪ LA Monthly Fiscal Performance Report.	programs and activities by the LA. ▪ Omission of stakeholder consultation on measures to enhance revenue collection for the LA. ▪ Inertia in approval of amendment of Legal provisions to raise revenue.
	▪ Matching Grant Introduced.	▪ Presence of guidelines for Matching Grant ▪ Proportion of Budgetary allocation towards matching grant annualy. ▪ No. of LAs qualifying for Matching Grant.	▪ Develop and implement Matching Grant guidelines. ▪ Inclusion of matching grant in the National Budget Preparation.	▪ Annual National Budget. ▪ Budget Execution Reports. ▪ LA Financial Statements.	▪ Adverse macro-economic conditions. ▪ Low allocation towards matching grant. ▪ Local Authorities complacency in liquidating their part of the debt.

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
	▪ Local Authority Debt Cancelled.	▪ Percentage of LA debt cancelled.	▪ Negotiation meetings held with creditors for debt cancellation. ▪ Conduct preliminary assessments and analyses to determine which debt should be cancellation	▪ MoU's on debt cancellation signed. ▪ Minutes of negotations for cancellation.	▪ Delayed agreements. ▪ Failure to reach agreements.
	▪ Local Authority Debt Restructured.	▪ Percentage of LA debt restructured.	▪ Negotiation meetings held with creditors for debt restructuring ▪ Conduct preliminary assessments and analyses to determine which debt should be restructured	▪ MoU's signed on Debt restructuring.	▪ Delayed Agreement of the terms. ▪ Failure to reach agreements.

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
	▪ Local Authority Debt Refinanced.	▪ Percentage of LA debt refinanced.	▪ Negotiation meetings held with creditors for debt refinancing. ▪ Conduct preliminary assessments and analyses to determine which debt should be refinanced.	▪ MoU signed on Debt Refinancing	▪ Delayed Agreement of the Terms. ▪ Failure to reach agreements.

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
RESULTS	**RESULT AREA 2: DEBT SUSTAINABILITY IN LOCAL AUTHORITIES ACHIEVED**				
OUTPUTS	▪ LA Budget Controls Enhanced	▪ Number of LAs paying Personal Emoluments at Gross. ▪ Presence of Treasury Authority Recruitment system ▪ Proportion of LA budget allocated for Debt Liquidation. ▪ Number of LAs with Own Source Revenue Growth Rate to Debt stock Growth Rate of at least 1.	▪ LAs guided to pay for PEs at gross through call circular. ▪ Develop LA recruitment guidelines. ▪ Inclusion of debt servicing allocation in LA budget. ▪ Preparation of LA fiscal fiscal performance reports.	▪ LA monthly Fiscal Performance Reports. ▪ LA Budgets. ▪ LA Debt. liquidation Plans ▪ LA Annual Profile. ▪ Circular on LA Treasury Authority for recruitment ▪ Budget Call Circular.	▪ Low budgetary allocations. ▪ Low OSR collections. ▪ Adverse macro-economic conditions. ▪ Recruitment outside the Treasury Authority system.

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
	▪ Recruitment and staff transfer guidelines for officers in Local Authorities established.	▪ Presence of Treasury authority system in Las.	▪ Develop treasury authority recruitment system. ▪ Develop treasury authority transfer policy. ▪ Budget for recruitment of staff. ▪ Budget for transfer of staff.	▪ Treasury authority system. ▪ LA Budget. ▪ National Budget. ▪ Recrutiment and Transfer policy/guidelines.	▪ Bureaucracy. ▪ Inadequate resources to implement treasury authority system. ▪ Legal framework – current state of LGEF allows for discretional expenditure even for funds that could be earmarked for recruitment.
	▪ Debt Sustainability Analysis conducted.	▪ Availability of Local Authority Debt Risk Matrix. ▪ Presence of LA Debt Sustainability Report.	▪ Develop debt risk matrix for LAs. ▪ Preparation and issuance LA Debt Sustainability report.	▪ Debt Monitoring Mechanism ▪ Debt. Sustainability Report for LA.	▪ Delayed capture of monthly financial fiscal performance data in LADMAS. ▪ Data not disaggregated to district level. ▪ Lack of Debt Monitoring system software (LADMAS) training.

GOAL	IMPROVED DELIVERY OF MUNICIPAL SERVICES AT COMMUNITY LEVEL				
	PROJECT SUMMARY	**INDICATORS**	**ACTIVITIES**	**MEANS OF VERIFICATION**	**RISKS**
RESULTS	**RESULT AREA 3. LA DEBT MANAGEMENT CAPACITY ENHANCED**				
	▪ Debt data reconciled.	▪ No. of LAs with reconciled debt stock.	▪ Conduct LA debt audits/verification exercises.	▪ Quarterly debt stock audit report verified by CIA ▪ Annual OAG report	▪ Delay in reconciliation of data. ▪ Ommissions.
	▪ LA debt management capacity trainings conducted.	▪ Number of LAs trained in debt management software. ▪ Number of staff trained in debt management software per LA.	▪ Conduct trainings in debt management software in LAs.	▪ Training reports. ▪ Attendance list.	▪ Inadequate funding.

12.0. APPENDIX 2: RISK MANAGEMENT FRAMEWORK

Detailed interactive framework is available in excel

REF NO.	KEY RESULT/OUTPUT	RISK DESCRIPTION	RISK CATEGORY	RISK DRIVER	CONSEQUENCE
1.	Existing local authority debt liquidated	Low budgetary allocations for debt servicing	Financial Management	Inadequate funding (LGEF & Grants in liue of Rates) and OSR, Lack of prioritisation of debt servicing,	Debt levels may increase
		Low revenue collections	Financial Management	Revenue base very low, Inertia from the community, Lack of sensitization, Political interests, Indequate enforcement, Lack of Automation	Failure to provide municipal services
		Non-adherence to debt servicing planned	Financial Management	Inadequate resources to undertake the planned activities, Human elements towards debt servicing.	Debt accumulation will continue raising.
2.	Local Authority debt liquidation plans developed	Unrealistic debt liquidation plan	Financial Management	Low revenue collections, Conditions of the budgets affecting allocations towards debt servicing	Failure to dismantle debt
3.	Local Own Source Revenue Enhanced	Adverse macro-economic conditions such as volatile exchange rates and inflation may affect implementation of planned activities.	Financial Management	Global economic challenges and conflicts	Volatile exchange rates, inflation may affect implementation of planned activities.

REF NO.	KEY RESULT/OUTPUT	RISK DESCRIPTION	RISK CATEGORY	RISK DRIVER	CONSEQUENCE
		Low OSR	Financial Management	Low local economic activities in local Authorities, Poor collection efforts by LAs	Low collection of revenue, Failure to provide municipal services
		Low allocations to revenue generating programs and activities by the LA	Financial Management	Low budget allocation to revenue generating activities	Failure to meet operational cost
		Inertia in approval of amendment of Legal provisions to raise revenue	Financial Management	Non-availability of legal provisions	Non - adherence to payment of taxes
4.	Matching Grant Introduced	Adverse macro-economic conditions such as volatile exchange rates and inflation may affect implementation of planned activities.	Financial Management	Global economic challenges and conflicts	Volatile exchange rates, inflation may affect implementation of planned activities.
		Low allocation towards matching grant	Financial Management	Limited fiscal space	Inadequate funds allocated to Matching Grant
		Local authorities complacency in liquidating their part of the debt	Financial Management	Non Sensitization of Local Authorities on the conditions of the matching grant	Low compliance levels
5.	Local Authority Debt Cancelled	Delayed agreements	Financial Management	Other parties not interested in cancellation of debt	Failure to reach agreements
6.	Unstainable debt in Local Authorities reduced	Unsustainability debt in local authorities	Financial Management	High wage bill in local authorities, Low levels of income in most councils,	Unsustainable debt, Failure to meet operational needs

REF NO.	KEY RESULT/OUTPUT	RISK DESCRIPTION	RISK CATEGORY	RISK DRIVER	CONSEQUENCE
7.	LA Budget Controls Enhanced	Low budgetary allocations	Financial Management		
		Poor Revenue forecasting, Low OSR collection effort	Financial Management	Unrealistic ORS revenue budget	Failure to meet operational needs
		Adverse macro-economic conditions such as volatile exchange rates and inflation may affect implementation of planned activities.	Financial Management		
		Recruitment outside the Treasury Authority system	Financial Management		
8.	Recruitment and staff transfer guidelines for officers in Local Authorities established	Frequent Transfers of staff across Local Authorities resulting in increased in Payroll and other PEs Costs Poor management of staff leave days resulting in increased other PEs Costs, Recruitment of staff not matched with resources resulting in bloated Payroll and not meeting Statutory obligations,	Financial Management	Unplanned transfers, Unsustained wage bill, Non- conduct of needs assessment	Debt levels will increase
9.	LA debt management capacity trainings conducted	Inadequate funding	Financial Management	Debt management capacity training not planned	Personnel will be knowledge on debt management
10.	LA Debt database software developed	Failure of the system to address its expectations	Financial Management	Non-existence of debt database software	Easy monitoring of debt

INDICATORS

MONITORING DATA SET	DESCRIPTION
Indicator	**No. of LA's with debt liquidation plans**
Definition	A debt liquidation plan will indicate the budget allocation amount towards debt liquidation each year by the LA (provide more clarity)
Purpose	To ensure all local authorities are allocating funds for debt liquidation in each budget year
Baseline	Baseline Year = 2023, Baseline = 0 , (Base line is no Debt Liquidation Plan Exists at the LA)
Target	Target = 1 (For life of project, a three -year date liquidation Plan at the LA)
Method of Data Collection	Observation, Review of the plan
Data Source	Debt Liquidation Plan guidelines, LA debt liquidation plans and Quarterly LA Fiscal Performance reports
Data Type	Number
Frequency	Annual
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	**Presence of debt liquidation plan guidelines**
Definition	Debt liquidation plan guidelines are the guiding principles that provides the format, step-by-step process and procedure for preparing and developing the debt liquidation plans.
Purpose	To standardize and harmonise the allocation of resources towards debt liquidation in LAs.
Baseline	Baseline Year = 2023, Baseline = 0, (Base line is no Debt Liquidation Plan guidelines at the LA)
Target	Target = 1 (For life of project)
Method of Data Collection	Observation, review of guidelines
Data Source	Debt Liquidation Plan guidelines
Data type	Yes/No
Frequency of data collection	Annual
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	**No. of Local Authorities with Revenue Enhancement Plans developed**
Definition	This is a three-year plan indicating measures, activities and projections that a LA will undertake to improve its own source revenue collections.
Purpose	To document the measures that the LA will undertake in improving own source revenues
Baseline	Baseline Year = 2023, Baseline = 0 , (Base line is no revenue enhancement plans in the Local Authority)
Target	Target = 116 LAs
Method of Data Collection	Observation, review of plan
Data Source	Revenue Enhancement Plan
Data type	Number
Frequency of data collection	Annual
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	**No. of Revenue Enhancement Measures Implemented**
Definition	Revenue Enhancement Measures are strategies that LAs devise and implement to improve collection efficiency of own source revenue and broaden their revenue base.
Purpose	To improve the fiscal space in LAs
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116 LAs
Method of Data Collection	Observation, review of measures
Data Source	Revenue Enhancement measures
Data type	Number
Frequency of data collection	Annual
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	**No. of Local Authorities meeting their projected Revenue Targets in the year under review**
Definition	The Revenue Target is the LA approved revenue estimates in the annual budget
Purpose	To assess management's efficiency in collecting revenue to increase potential to liquidate debt.
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116 LAs
Method of Data Collection	Review of budget performance reports
Data Source	Budget Performance Reports
Data Type	Number
Frequency of Data Collection	Monthly
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	**Percentage change in own source Revenue Collected in Local authorities**
Definition	The difference in the own source revenue collected between comparable periods calculated as (Y2-Y1/Y1) *100 Where Y2 is current year and Y1 is previous year.
Purpose	To monitor the efficiency and effectiveness of management's measures in collecting budgeted revenues and the potential to increase it in the LA ability in order to liquidate debt
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 8 percent (Minimum based on historical average of 5 percent + 3 percent arising from efficiency measures)
Method of Data Collection	Review of budget performance reports
Data Source	Budget Performance Reports
Data Type	Percentage
Frequency of Data Collection	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	Presence of guidelines for Matching Grant
Definition	**Matching grant guidelines are a set of conditions that guide local authorities should attain to trigger a disbursement of matching grant by Central Government for debt liquidation.**
Purpose	To determine the qualification criteria for obtaining a matching grant
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 1
Method of Data Collection	Observation, Interviews and Questionnaire
Data Source	Debt liquidation guidelines
Data Type	Yes/No
Frequency of Data Collection	Annually
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP
Indicator	No. of LAs qualifying for Matching Grant
Definition	A qualifying LA is one that has met the set of predetermined conditions of the matching grant
Purpose	To access the matching grant to enable the LA liquidate part of their debt
Baseline	Baseline Year = 2023, Base line = 0
Target	Target = 116 LAs
Method of Data Collection	Review of annual national budget and LA financial statements
Data Source	Annual national budget and LA financial statements
Data Type	Number
Frequency of Data Collection	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	Percentage of LA debt cancelled
Definition	Debt cancellation is the partial or total forgiveness of debt owed by a LA resulting from a series of negotiations with creditors.
Purpose	To reduce the debt stock of LAs
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = TBA
Method of Data Collection	Review of MoUs on debt cancellation, Review of minutes on negotiations for debt cancellation
Data Source	MoUs, Minutes
Data Type	Percentage
Frequency of Data Collection	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	Percentage of LA debt restructured
Definition	Debt restructuring is a process that involves negotiating with creditors to reduce interest rates, extend payment term or cut loan balance
Purpose	To make debt manageable.
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = TBA
Method of Data Collection	Review of MoUs on debt restructuring, Review of minutes on negotiations for debt restructuring
Data Source	MoUs, Minutes
Data Type	Percentage
Frequency of Data Collection	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	Percentage of LA debt refinanced
Definition	Debt refinancing is the replacement of an existing debt by means of another debt with terms and conditions that are more favourable.
Purpose	To make debt manageable.
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = TBA
Method of Data Collection	Review of MoUs on debt refinancing, Review of minutes on negotiations for debt refinancing
Data Source	MoUs, Minutes
Data Type	Percentage
Frequency of Data Collection	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	Number of LA paying Personal Emoluments at Gross
Definition	Gross PEs is the payment of net pay and all statutory obligations
Purpose	To prevent accumulation of debt
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116 LAs
Method of Data Collection	Review of the budget performance report
Data Source	Budget performance report
Data Type	Number
Frequency	Annually
Responsible	Las
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	Presence of Treasury Authority Recruitment system
Definition	Treasury Authority is the authority that LGSC will obtain from Treasury before recruitment of the staff for LAs
Purpose	To control and prevent the accumulation of PE related debts.
Baseline	Baseline Year = 2023, Baseline = 0,
Target	Target = 1 (for life of project)
Method of Data Collection	Review of circular on LA Treasury authority for recruitment
Data Source	Circular on LA Treasury authority for recruitment
Data Type	Yes/No
Frequency	Annually
Responsible	LGSC
Reporting	MOFNP
Quality Control	Cabinet Office
Indicator	Proportion of LA against total budget allocated towards Debt Liquidation
Definition	Budget allocation for debt liquidation is an amount set aside in the budget for the purpose of servicing debt in LAs
Purpose	To liquidate debt
Baseline	Baseline Year = 2023, Ba seline = 0
Target	Target = TBA
Method of Data Collection	Review of Debt Liquidation plan, annual LA budget
Data Source	Debt Liquidation plan, annual LA budget
Data Type	Percentage
Frequency	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	Number of LAs achieving a positive Own Source Revenue Growth Rate to Debt stock Growth Rate of at least 1
Definition	This is the measure of the change in OSR and the change in the debt stock over two successive periods
Purpose	To monitor debt sustainability in LAs
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116 LAs
Method of Data Collection	Review of Budget reports, Financial Statements and Debt stock reports
Data Source	Budget reports, Financial Statements and Debt stock reports
Data Type	Number
Frequency	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP
Indicator	Availability of Local Authority Debt Risk management framework in Microsoft excel
Definition	A Local Authority Debt Risk management framework is a tool that helps LAs to visualize the risks, implications, impact and proposes treatment to the measures for achieving the sustainability of debt in LAs.
Purpose	To manage risk associated with debt in LAs
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 1 (for life of project)
Method of Data Collection	Review of debt risk matrix
Data Source	Debt risk matrix
Data Type	Yes/No
Frequency	Annually
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	**Presence of LA Debt Sustainability Report**
Definition	A debt sustainability report shows LA's ability to manage its current and future debt.
Purpose	To manage current and future debt.
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 1 (for life of project)
Method of Data Collection	Review of debt sustainability report
Data Source	Debt sustainability report
Data Type	Yes/No
Frequency	Annually
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP
Indicator	No. of LAs with reconciled debt stock
Definition	Reconciliation of debt aims at measuring the accuracy and completeness of the debt stock
Purpose	To manage LA debt
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116
Method of Data Collection	Review of quarterly debt stock report by CIA and OAG report
Data Source	Quarterly debt stock report by CIA and OAG report
Data Type	Number
Frequency	Annually
Responsible	LA
Reporting	MLGRD
Quality Control	MOFNP

MONITORING DATA SET	DESCRIPTION
Indicator	**Number of LAs trained in Debt and Arrears monitoring database tool**
Definition	A Debt and Arrears monitoring database tool is a data capturing, monitoring and analysing tool that provide a platform to manage and report debt and arrears in local authorities
Purpose	To manage LA debt
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = 116
Method of Data Collection	Review of training reports, attendance list
Data Source	Training reports, Attendance list
Data Type	Number
Frequency	Annually
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP
Indicator	**Number of staff trained in Debt and Arrears monitoring database tool per LA**
Definition	A Debt and Arrears monitoring database tool is a data capturing, monitoring and analysing tool that provide a platform to manage and report debt and arrears in local authorities
Purpose	To manage LA debt
Baseline	Baseline Year = 2023, Baseline = 0
Target	Target = TBA
Method of Data Collection	Review of training reports, attendance list
Data Source	training reports, attendance list
Data Type	Number
Frequency	Annually
Responsible	MOFNP
Reporting	MOFNP
Quality Control	MOFNP

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