



Practitioner's Guide:

Development and Social Funds



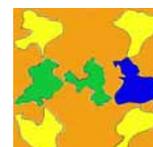
Example of a District Development Fund Manual, Tavush, Armenia



Deutsche Gesellschaft für
Technische Zusammenarbeit
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Bundesministerium für
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und Entwicklung



FRCS
Food Security, Regional
Cooperation & Security
(Georgia, Armenia, Azerbaijan)



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BERD COMMUNITY UNION REGIONAL DEVELOPMENT FUND RDF

REPUBLIC OF ARMENIA TAVUSH MARZ

OPERATIONAL MANUAL 2003



Table 1: Acronyms and Abbreviations

Acronyme / Abbreviation	Description
RDF	Rayon Development Fund
CBOs	Community organization(s)
CSOs	Civil Public Organization(s)
GDP	Gross Domestic Product
GOA	Government of the Republic of Armenia
GTZ	German Technical Assistance
IDPs	Integration Development Programs
les	Intermediaries
MFIs	Micro-Financial Institution(s)
MFAs	Micro-Financial Association(s)
NGOs	Non-Governmental Organization(s)
FRCS	Food Security Regional Cooperation South Caucasus
CU	Community Union



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1. GENERAL OBJECTIVES AND PRINCIPLES

1. Operational guidelines and general administrative procedures presented in this manual can mainly promote socio-economic, food security, income and employment generation activities foreseen in Tavush Marz. Regarding conditions and terms of the area may require revisions and specifications of the procedures defined in this manual. In this case such changes require the consent of all participants.

1.1 Objectives

2. The main objective of the RDF (in the future this abbreviation may be used interchangeably with the term "Fund") is to promote the establishment of food security and poverty alleviation in Armenia by financing small-scale projects that benefit the needy groups of Armenian society. The Fund will also promote the activation and development of community capacity building and possibilities which are directed towards the coordination of activities. Projects financed by the Fund will help the groups that have reached to the limit of poverty to overcome social, economical, political and psychological constraints by improving their access to services and by activation of their role in the process of decision-making. Due to transparent means of administration by ensuring the connection between government and civil society the Fund promotes both the satisfaction of needs submitted by various groups of society and reforms of means of administration.

3. The RDF will promote the satisfaction of needs and demands of the poor and the poorest groups in Tavush Marz by:
Creating income and employment generating activities;
Provision of basic services and
Supporting usage and enlargement of community capacity building possibilities (i.e. expansion into areas not presently covered).

1.2 Institutional principles.

4. The institutional principles of the Fund require transparency, efficiency and responsibility and accountability in its operations, which must ensuring that they serve to their intended purpose and rapid and optimal distribution.

5. Transparency. A clear set of rules and norms accompanied by a large public and the auditing system which is developed in the exact same way will make it possible to protect the operation of the Fund from possible corruption and dishonesty. The required public accountability and transparency can be achieved in case if there will be established such terms of operation which will allow all the residents of town and village be informed of the ways of realization of programs and of spending the sums which are foreseen for these programs.



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6. Efficiency. The Fund will ensure that resources are used for their intended purpose while keeping operating costs low. Certain important activities which concern the operation of the Fund will be entrusted to the stakeholders in the villages and towns.

7. Accountability. The Fund will be subjected to a biannual external audit to supervise operational and financial activities. The audit report shall be submitted to in order to be approved to a special committee which is engaged in questions concerning Marz Food Security. Due to external audit it will be possible to clarify whether the institutional principles of the Fund were met in the reported area.

8. Rapid operation. In order to provide the greater operational flexibility and the ability to respond to emergency situations in a quick, efficient and effective manner, it is desirable to be as unbureaucratic and free from procedural and regulatory constraints as possible.

9. Annual work plan and budget. Each RDF shall present to Marz special committee all project proposals, annual plans and budgets foreseen by the program. The annual plan and budget must correspond to the criteria mentioned in this manual.



2. RDF ORGANIZATIONAL TASKS

10. The RDF is a financial instrument available to all Community Unions. The latter ones in their turn operate within the framework of the Local Self-Governance Law. The Fund's most salient organizational features are (see compare figure 1):

Community RDF

Food Security Marz Special Commission which is made up of representatives from the Communities, the Marzpetaran and the donor organizations

The administrative, technical and financial autonomy is needed in order to regulate its operations



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2.1 COMMUNITY RDF

2.1.1 Community Union Meetings

11. The Community Union must implement programs of the Fund on the level of this region. Administrative tasks connected with project submitted to the Community Union from the residents must be managed by the executive director of the Community Union whose responsibilities include preparation of a complete list of all the programs and projects being applied to the Community Union and approved by the latter. The approval of the programs will be done twice a year during community union meetings.

12. Applications from communities must be submitted at least 1 month before the annual meetings.

2.1.2. EXECUTIVE OFFICER AND CHAIRPERSON OF THE COMMUNITY UNION

13. The Executive Officer of the Community Union is a person who is responsible for all the everyday administrative activities which concern the activities of RDF in corresponding area. And as for the Chairperson, s/he is elected by the members on rotational basis and serves for one year.

14. Duties of the Chairperson include (through executive director):

- ▶ Calling the Community Union meetings;
- ▶ Ensuring that all members have been invited on time;
- ▶ Preparing an agenda for the meeting and sending it to all members at least 1 week in advance of the meetings;
- ▶ At least 2 weeks in advance of the committee sitting present to all the members of the meeting all the projects for discussion in the process of the meeting
- ▶ Chairing the Community Union meetings and ensuring the needed quorum to be maintained as well as the process of approval of projects which will be financed from RDF;
- ▶ Ensuring the proper minutes to be made at the meetings and distribution among all members;
- ▶ Developing and proposing co-ordination policy to stakeholders.



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2.2. MARZ COMMISSION

2.2.1 Mission of the Commission

15. The responsibilities of the Marz Commission include co-ordinate and jointly approve bigger projects. In accordance with this it is expected that the Commission must:

- ▶ Carry out dissemination of the needed information in villages, towns and Community Unions
- ▶ Carry out target evaluation of the projects, which means to control their correspondence to general programs of the Marz, whether they do not copy other programs and so on.
- ▶ Ensure unbiased distribution of resources and developing programs
- ▶ Undertake monitoring of plans and projects

16. Marz Commission is foreseen as an independent commission which will have a responsibility for monitoring of general policy and final coordination of projects. It must consist of 12 members. The commission must include:

- ▶ 1 representative from each CU: executive directors. Thus for Tavush Marz the general number of the members will make up 4 persons:
- ▶ Four representatives from Marzpetaran;
- ▶ Four representatives from development organisations, donor organisations, and public (non governmental) organisations: in this case their actual financial contributions made to RDF must be considered.

17. The main duties of the Commission are:

- ▶ ensure monitoring and formulate general policy of the Fund
- ▶ discuss and approve the order and means of programs implementation
- ▶ call semi-annual meetings for discussion and approval of developing projects and programs which are submitted to Marz Commission and must be financed by the Fund

2.2.2 General Meetings

18. The general meeting of the Marz Commission must:

- ▶ if needed help with its advices Community Unions on technical and financial problems concerning development projects;
- ▶ help Community Unions to elaborate precise criteria for selection of programs;
- ▶ discuss and assess development programs, submit its remarks not later than in due time, based exclusively on the proposals submitted by community unions for discussion;
- ▶ assist Community Unions in searching for sources of funds;
- ▶ provide the required juridical field for activities of Community Unions.



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2.2.3. Chairperson of the Commission

19. The Chairperson of the Marz Commission must be elected by the members on a rotational basis and serve for one year.

20. Duties of the Chairperson include:

- ▶ calling the meetings of the Marz Commission,
- ▶ ensuring that all the members are informed on time,
- ▶ preparing and agenda for the meeting and sending it to all members at least 14 days before the meeting,
- ▶ informing all the members to all the project proposals which must be considered at the meeting at least 2 weeks in advance of the Commission meeting,
- ▶ chairing at the Commission meetings by ensuring the needed quorum as well as regular process for approval of the projects submitted by RDF to Marz Commission,
- ▶ ensuring the making of proper minutes of the meetings and their circulation to all the members,
- ▶ elaboration and proposing co-ordination policy concerning stakeholders.

2.2.4. Technical Groups

21. Technical group/ groups must be based on special principles in Marzpetaran and administered by the head of corresponding Marzpetaran administrative body. The necessity of such group will emerge only in case if communities will make a proposal, and Community Unions will state programs connected with Marz Commission as priority ones.

22. The main activities of technical groups must be:

- ▶ give technical assessment and further plan for the programs submitted by Community Unions
- ▶ inform Marz Commission of approval or denial of the submitted programs by basing exclusively on technical criteria
- ▶ help Community Unions to evaluate (in the means of expenditure) the programs and give the technical plan of realisation of the latter
- ▶ help Community Unions to elaborate and organise proper documents
- ▶ organise instructional and consultative trainings for Community Unions in order to reveal the capacity of the community and give the right assessment, formulation of the program, for proper evaluation of expenses connected with the program



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2.2.5. Internal Monitoring (control)

23. The internal monitoring implemented by the Marz commission must:
- ▶ ensure the proper implementation of the laws and orders in various stages of implementation of Marz commission programs
 - ▶ submit proposal to general meeting of community unions on organisation of internal audit.

2.2.6. Technical assistance

24. External advisory support is needed to:
- ▶ elaborate and carry out the institutional policy;
 - ▶ advise the Community Unions and the Marz Commission on the issues of institutional development of the Fund;
 - ▶ support the plan of the operation procedures;
 - ▶ assist in fund raising;
 - ▶ support the plan of a monitoring system to be in accordance with the process of programme management;
 - ▶ include good practices from other experiences.



3. BASIC SOCIO-ECONOMIC ACTIVITIES ELIGIBILITY AND TARGETING

3.1. ELIGIBILITY AND PURPOSEFULNESS

3.1.1 Eligible subprojects

25. With the help of grants RDF will promote and finance the establishment and rehabilitation of basic socio-economic development projects and social services, including income and creation of work places. All activities will be based on the needs of local population and will meet the following key objectives:
- ▶ the fund will finance and cover only investment expenditures listed as eligible projects on the menu,
 - ▶ projects must benefit the poor and vulnerable in the focus areas and targeted population groups,
 - ▶ submitted project proposals must be presented for discussion and research to Community Unions,
 - ▶ projects must be socially, technically and economically acceptable and viable
 - ▶ maintenance of projects must be guaranteed by the communities,
 - ▶ projects must be sustainable.



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26. Improvement and development of income and employment opportunities and provision of basic social services for the poor and vulnerable must take place in the following fields:

- ▶ Agriculture,
- ▶ Drinking water,
- ▶ Educational buildings,
- ▶ Roads,
- ▶ Irrigation,
- ▶ Culture,
- ▶ Small and medium enterprise development,
- ▶ Capacity building,
- ▶ In the fields of other social services

27. RDF will not finance private works, especially if they already operate.

28. Menu of eligible projects could, for example, include:

- ▶ In the field of agriculture: training, seed production, fruit and multi-purpose tree production, erosion control, production of livestock (domestic animals), marketing activities.
- ▶ In the field of small and medium enterprise development: training and assistance in establishing small businesses, marketing activities.
- ▶ In the field of material infrastructure, including water supply, sanitation, irrigation, buildings, community roads (no highway): it assumes the establishment, enlargement and rehabilitation of systems for public health and water supply, and for the latter the most important task is to avoid loss of water, as well as water supply for animals. It also includes construction or rehabilitation of small paths and bridges, rehabilitation of small irrigation systems, as well as other communal infrastructure.

29. The following will not apply for the fund:

- ▶ Construction of administrative buildings,
- ▶ Construction of religious buildings,
- ▶ Infrastructure which carries out personal domestic services.

30. Those social services which were not mentioned above will be financed only in case of preliminary approval by the Marz Commission.



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31. Average size of the project:
- ▶ In order to promote decision-making at local level and local governance, the Fund does not foresee the limitation of values of the programs, and the money intended for personal subprojects is limited to \$US 3000.
 - ▶ The list of projects approved by the Community Union must be sent afterwards to Marz Commission in informative order.
 - ▶ Objections of the Commission must be considered jointly by at least three members of the Commission (e.g. one representative from the Community Union, one from Marzpetaran, and one from donor organisation).
 - ▶ Larger programs which will require more financial inputs than those mentioned must be additionally discussed in order to reveal the level of their advantage. In order to approve these projects they will require the opinion of Marz Commission, and the Commission will decide on the limits of financial input.
32. The limits can be renounced if several villages combine to carry out one project. In this case the Community Union can decide to raise the limit according to the number of villages which participate in the joint project.
33. Under no circumstances the project can be divided into several graded steps for avoidance in exceeding the maximum limit determined above.
34. The projects must be simple, evade administrative complexity and completed in one year. In some cases more time period can be provided for realisation of the program if it will be based and approved by Marz Commission.
35. The Fund foresees also private inputs of the community. This need is explained by the fact that the community must prove that the expenses mentioned in the program are not artificially exceeded and that the subprojects will continue to operate even if the period of the Fund will expire. The least limits of input assume that:
- ▶ the overall financial input foreseen for the program is at least 10%, and
 - ▶ at least 2% of the input must be in cash. The rest of the sum can be in kind as labor, materials and so on.
36. Communities cannot use funds from other projects financed by donors or funds in order to make up the contribution to the project. Money, labour and materials must be provided by community residents themselves.



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3.1. PROMOTION

3.2.1. Development groups of the Communities

37. These are the groups which consist of a group of persons or families, that suffer from common problems (shortage of food, poverty and so on), possibly share the similar tenseness, such as lack of access to production resources (land, credit), who share the common interest to “solve their problems by themselves” and who show a form of joint decision-making in a territorial unit (i.e. several villages or groups of houses which join together).

3.2.2. Mobilization of development groups

38. A development group in a community is considered to be mobilized when it is in a position when it can organisationally, administratively and socially evaluate its own potentials and constraints in development, formulate and carry out measures which will allow achieving planned objectives. Communities are responsible for their own development and sometimes various development governmental and non-governmental organizations may render help.



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Table 2 shows different steps of mobilization – from embryonic to mature.

Table 2: Mobilization from embryonic to mature

Nr	Criteria	Stages of mobilization of village groups from embryonic to maturity request projects, the selection criteria				
		1	2	3	4	5
1	Was formed and has an organisational structure	✓	✓	✓	✓	✓
2	Has regular meetings as a group	✓	✓	✓	✓	✓
3	Participated in basic training course in organisational, institutional and administrative methods		✓	✓	✓	✓
4	Was trained in techniques for joint planning and implementation		✓	✓	✓	✓
5	Carried out an assessment of problems and potential and planned a small development project		✓	✓	✓	✓
6	Realised a small development project with the help from outside			✓	✓	✓
7	Independently planned and carried out development project			✓	✓	✓
8	Regularly maintain development projects which were completed by the group			✓	✓	✓
9	Established a maintenance fund for socio-economic infrastructure			✓	✓	✓
10	Regularly maintain accounts				✓	✓
11	Started group savings and loaning system				✓	✓
12	Developed and jointly agreed on a Village Action Plan				✓	✓
13	Started independently carrying out stages of Village Action Plan					✓
14	Regularly audited accounts					✓
15	Independently handled money and guaranteed the payment of contractors					✓



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3.3. APPROVAL/SELECTION OF THE PROGRAMS

3.3.1. General principles

39. Development projects must be accepted by the beneficiaries of realisation results i.e. people who live in the community.

40. Approval assumes a joint process between residents and local authorities (heads of communities and town councils).

41. The procedure of program admission must have two steps: The Community Union must provide information on how and by when the projects must be submitted to union for discussion. The Community must carry out the preliminary evaluation of the programs and prioritises them according to criteria which are determined in this manual. The proposals will admitted only if they will correspond to the standards listed in the end of the manual. The criteria for BCU table are attached.

3.3.2. Provision of information

42. The Marz Commission, Community unions must provide the information to local communities through Community Unions. The information provided will allow the communities to have a notion on the terms of presentation of an application for programs, selection criteria for the program, terms of financing (financial contributions of the communities, program maintenance obligations and so on). The information will be provided both as a simple brochure, and at village or community meetings. People who live in villages and towns can submit written project proposals through members of the union or village mayors. (See Figure 2)

3.3.3. Initial project selection by communities

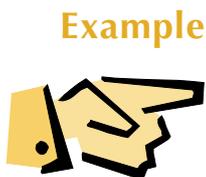
43. Preliminary presentation of the programs can be organized in the following way: a public meeting of community /village can be held and make a joint decision about programs which are priority ones for residents in order to submit them to Community Union.

44. In the process of programs evaluation the community must prioritize them according to the following criteria (each Community Union must assess these criteria by choosing such criteria which are more appropriate for its needs and requirements):

- ▶ overall number of community residents who benefit from the program
- ▶ overall number of residents who benefit from the program
- ▶ investments carried out by residents (money, labour, material)
- ▶ investment expenditure per each person



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- ▶ program investment in the process of poverty reduction
- ▶ number of communities which are engaged in the program
- ▶ program investment in the process of local capacity building
- ▶ maintenance expenditure for the program
- ▶ number of program indirect beneficiaries
- ▶ possibilities for distribution of the program at regional level
- ▶ protection of environment
- ▶ general benefit expected from realization of the program

45. Report of the meeting will be attached to the application of the project.

3.4. POSSIBILITY RESEARCHES & FINAL SELECTION CARRIED OUT BY COMMUNITY UNIONS

3.4.1. Possibility

46. Since the programs correspond to the abovementioned criteria and don't exceed the sum which is foreseen for each program (\$US 3000) there will be no need to study technical possibilities in order to realize them. There will be no need for such assessment also if the programs will correspond to approved standards and "fall" within the limits of determined sum.

47. Those programs which will exceed the determined financial limit and will have technically complicated nature will be subject to additional discussion.

48. Additional study (including technical, financial, and social and poverty aspects) will be carried out on the basis of the program which is submitted by community and assessed and approved by Community Union. This process assumes the following steps:

- ▶ a technical specialist will visit the community presented in program in order to make sure that the selection of the program is correct
- ▶ a general meeting at community level will be called in order to discuss questions concerning program project, the means for realization, ▶ financial investments and maintenance
- ▶ the application will be certified, well-founded and the technical and financial information will be added to it.



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49. Technical possibilities. The technical group of Marz Commission will visit the community/village presented in the program in order to confirm the technical basis of the program, possibilities and usefulness. For this matter the following must be clarified:

- ▶ Current status of socio-economic infrastructure,
- ▶ Description of subproject works
- ▶ Number of users
- ▶ Basic restrictions
- ▶ Any issues concerning land ownership and related to the project
- ▶ Main types of the works
- ▶ Estimated expenditure based on standard prices
- ▶ Estimated maintenance costs
- ▶ Rapid evaluation of influence on environment, and other.

50. Socio-economic possibilities: The technical group of Marz Commission will visit the community/village presented in the program in order to evaluate socio-economic possibilities of the program, including:

- ▶ Local contributions,
- ▶ Maintenance arrangements.

51. Form of project feasibility: After the visit and meeting in the community the corresponding engineer will draw up the document (form) on project possibilities including:

- ▶ Technical data and cost
- ▶ Realisation and maintenance activities of the program
- ▶ Financial contributions of local people
- ▶ Other contributions
- ▶ Final decision on project feasibility
- ▶ Recommendations foreseen for Marz Commission and so on.

52. If realization possibilities for the program are feasible then the project proposal will be signed by both community and the engineer.

53. Afterwards the program will be sent to Marz Commission for final conclusion.

3.4.2. The selection carried out by Community Unions

54. The selection of the programs which are considered for discussion is accepted by Community Union. This process takes place twice a year.

55. The selection must be carried out in the following way. First Community Unions must make selection. Small-scale programs which do not exceed the abovementioned limits can be approved and operated by Community Unions. Larger programs must be evaluated according to their priority and sent to Marz Commission for discussion.



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56. The programs must be approved in the period of two weeks after their submitting to Community Union or Marz Commission.

57. In order to approve the programs submitted both to Community Union and Marz Commission they will need consent of the simple majority of participants in the sittings.

3.5. CONTRACT

58. After selection of the program parties conclude a contract. In case of large-scale programs (after approval of Marz Commission) it is concluded between Community Union and the head of corresponding community. The contract determines terms of cooperation and relationship between parties.

59. From the part of Community Union the contract is signed, if, the community will transfer 2% of the total sum intended for investment as prepayment to the account of Community Union.

- ▶ The group which is a beneficiary of the Fund is formed and operated
- ▶ before the start of the program the financing of expenditure connected with operation and maintenance is ensured
- ▶ The availability of investment carried out by community is confirmed by an act

3.5.1. Community group for programs implementation

60. From the point of view of representation all the participating parties must be included in program implementation groups and they must be balanced (gender equality, and so on). The head of the group must be elected by participants. In case of planning collective infrastructure (i.e. small programs for irrigation or water supply) the group in its turn must form a commission which will protect interests of users.

61. During the preliminary stage of program implementation the group accepts the responsibility for provision of investment which is required for community (financial or other).

3.5.3. Maintenance and operation plan

62. Tasks concerning maintenance are to be agreed upon at the preparation stage before the start of approved program financing, and be determined by the agreement concluded between Community Union and community.



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63. The maintenance and operation plan will include:

- ▶ Description and frequency of maintenance (repair)
- ▶ Requirements for labor force for realization of works
- ▶ Annual cost
- ▶ Where applicable fees must be collected in order to cover at least the operation and maintenance cost.

3.5.2. Other sources for financing

64. In such cases when the program has additional financial sources, it is assumed that corresponding head of the organization also must sign the contract.

3.6. Realisation of the program

3.6.1. Supply

65. The supply of materials, property, services, and other which fall within total cost of the program is realised in the following way:

- ▶ in the limits up to 0.8 millions of drams /for goods of the same name/ the supply are provided by local means, without any formalities.
- ▶ limited tender in the limits of 0.8 millions-1.5 millions drams: at least three organisations must submit cost projects which must be stated in documents
- ▶ in the limits of 1.5 millions-3 millions drams: the process of tender must be registered in documents, at least three organisations must be engaged, detailed description of projects must be submitted in written form for discussion, the assessment of the tender must also be registered , written contracts must be prepared, invoices and receipts must be presented.
- ▶ in case if the sum is over 3 million drams: tender documents and projects submitted by consultants, tender evaluating reports, reports concerning evaluation of participants' projects, projects of contracts, contracts with consultants and so on (all these must be first of all approved by Marz Commission and donor).



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3.6.2. Contracts with consultants

66. In order to select consultants or consulting companies priority aspects are their knowledge, experience, the level of submitted proposal.

67. If provided consultation services exceed 20000 drams the following steps are implemented:

- ▶ the needs, terms and approximate expenses (cost) are evaluated
- ▶ a brief list of consultants is prepared (not less than three)
- ▶ consultants are invited to present proposals (including on technical questions and expenses)
- ▶ Marz Commission creates a special committee which must evaluate and systematize these proposals
- ▶ the committee in its turn submits the proposals which were highly rated to the Commission in order to approve them
- ▶ the payment is made only after the final result of the works is received, and it must be accepted by corresponding technical union and Marz Commission.

68. Limited local tenders must be carried out on the basis of legislation of the Republic of Armenia.

3.6.3. Supervision

69. The groups which carry out the project are responsible for its technical supervision.

70. In such cases when the works connected with the program are of complicated nature a supervisor can be appointed. The supervisor of infrastructure program must be an engineer or architect, and qualified person who will have a corresponding qualification will be the supervisor for (training) project.

3.6.4. Payment

71. Payment / materials/ is given to the party which concludes contract (that is the head of the community or organisation which concluded contract).

72. The participant to the contract must have a bank account.

73. Payment made from community investments must be registered (the proof will be the original of bank registration) until payment carried out by Community Union.



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74. Supply of money / material/ from running account requires presence of at least two persons who signed the contract.

75. Reports must be discussed in community / group at least twice a month.

76. Small-scale subprojects will receive three consistent payments / materials/ which will make up 40%, 30%, and 30% of contracted sum / correlation of supplied means may change depending on peculiarities/. The first payment will be made only after the approval of community investment.

3.6.5. Extra works

As a general rule no works can be done in addition to the amount of works stated in the contract. The Community Union will not compensate any additional works unless

- ▶ damages suffered in the consequence of natural disasters /force-majeure - flood, earthquake, bombardment and so on/.

3.6.6. Handing over of the program

77. A site visit will allow inspecting the completed project. The completed project will be considered finished if:

- ▶ implementing party invites community meeting which will approve sufficient level of works being carried out.
- ▶ by memorial order it will be handed over to community as basic, balance property

3.6.7. Breach of contract

78. The Community Union reserves its right to break the contract if the community group, enterprise or organization fails to carry out its duties or it turns out that the works cannot be properly implemented in due time and within the prescribed limits.

79. In these cases a detailed list of expenditures must be made and the goods and supplies which were already acquired will remain at the disposal of and on responsibility of Community Union until general meeting of Community Union will decide on their disposal.

80. Moreover, if failure of the program is caused by implementing group, intermediary enterprise or organization the latter lose their right for financing of CU and will compensate caused damages.



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81. Possible sanctions:

- ▶ Legal proceedings will be initiated in case of failure of delivery at latest after declaration of 2 warnings
- ▶ If small intermediary organizations will fail to carry out their duties or will carry out an incomplete work they will lose the right to participate in any contract concluded by CU
- ▶ Large intermediary organizations must deposit a bank guarantee which is equivalent to 30% of the total advance sum. In case of poor quality of works or other forms of negligence they will lose the sum.

82. The sanctions can only be applied with the consent of Community Union general meeting and/or all the participants to the contract must agree on sanctioning any contract partner.

3.7. SUSTAINABILITY

3.7.1. General

83. Project sustainability is a key objective and requirement of CU. The supervisors of Marz Commission and investment organization must evaluate not only the ability of the community groups to promote high quality projects but their ability to assure maintenance of the projects as well.

84. After a project was completed and handed over Marz Commission and CU will continue to visit the site in order to verify that the program is being maintained. If it will turn out that the program has lost its sustainability and Community Union wasn't able to improve the situation, RDF will refuse to finance in the future any program foreseen in that area.

3.7.2. Community active groups

85. These groups are RDF local (that is beneficiary of the program) communities must be responsible for realization and maintenance of the program. The main tasks of the aforementioned groups are:

- ▶ guarantee sustainability of the completed project
- ▶ when required assure the daily operation of the infrastructure
- ▶ when appropriate collect user fees for the proper level of operation and maintenance
- ▶ when required create special fund for all the activities
- ▶ settle any disputes and problems among the users.



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3.7.3. Maintenance fund

86. If it is possible in order to finance annual operating and maintenance activities there may be established a special fund in accordance with maintenance and operation plan. Active group must implement the activity of this fund (2% of preliminary evaluated cost).

3.7.4. Emergency repair

87. In some exceptional events CU may finance emergency rehabilitation and repairs of infrastructure. It can take place if the following conditions will apply:

- ▶ if the infrastructure was developed or rehabilitated due to financing of RDF,
- ▶ the damages have been caused by unforeseen event and not by negligence, irresponsibility or incorrect use carried out by users.
- ▶ if repairs are beyond the financial and technical possibilities of groups,
- ▶ if the group has sent a written order to Marz Commission, and it was approved by Community Union
- ▶ a plan of the repair works is made and concluded a contract upon according to the process determined above,
- ▶ if the group contributed at least 10% of the cost of repair works.



4. Community group capacity building

88. RDF will finance training which will allow strengthening and developing local capacity of community groups. The training must be directly related to food security, creation of job places and/or income or reducing poverty the solution of which stands at the core of the RDF.

4.1. Eligible activities

4.1.1. Training of community groups

89. Besides all the mobilisation skills which the community will be trained in, they will also require training in other skills which require special practice:

- ▶ identification, planning and implementation of projects,
- ▶ monitoring and assessment of participants,
- ▶ organisation of project maintenance,
- ▶ collection of (user) fees
- ▶ procedures for community savings and loaning



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- ▶ organisation of community groups and associations (i.e. water associations, farmers' associations, and so on)
- ▶ environmental improvements

4.1.2. Training of Community Unions

90. The level of community trainings must be improved by trainings which will allow their more active engagement in decision-making process, will increase their administrative skills and level, will clarify their role and functional features in society

91. Community Unions will have a possibility to acquire skills which are needed for targeted activities, and owing to them it will be possible to organize more correctly their work with people.

92. Marzpetaran can be a participant in trainings, or an organizer or conductor of trainings. It is assumed that owing to this town and village residents will become self-reliant.



5. MONITORING

93. The process of program realisation must be a subject to observance of all concerned participants which assumes in the end the evaluation of received results and the process of achieving the target.

94. Monitoring will focus on material and financial progress as well as their impact on the poor, unemployed.

5.1. INDICATORS

95. In order to evaluate the development process the following indicators must be considered:

- ▶ reduction of poverty among the poor, particularly among poor women in community areas,
- ▶ creation of employment opportunities,
- ▶ reduction of food insecurity,
- ▶ increase of access of poor households to clean water,
- ▶ the impact of RDF on increase of activity of women,
- ▶ adoption of new technologies,
- ▶ environmental impacts and other dimensions of poverty,
- ▶ number and types of projects which are financed,
- ▶ number of projects that are operational and were maintained one or two years after their completion,
- ▶ number of beneficiaries / users of improved basic social services, opportunities for increase of income (including micro enterprises),
- ▶ increased capacity of communities,
- ▶ average cost of each project and beneficiary / user



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5.2. REPORT

96. CU must provide current and annual information to Marz Commission and other donor organisations. These reports must include:

- ▶ on the status of the project,
- ▶ on the payments,
- ▶ number of applications which were received, evaluated, rejected, contracted upon,
- ▶ activities of capacity building, training and outreach (i.e. number and type of training, number and profession of trainees),
- ▶ the cost for each category of activity,
- ▶ the cost of projects for component,
- ▶ the cost of projects for category of expenditure,
- ▶ the cost of projects for source of financing,
- ▶ summary of results of impact assessments,
- ▶ main problems and complications,
- ▶ recommendations on how to overcome them

5.3. MONITORING AND EVALUATION OF QUALITATIVE IMPACT

97. A simple monitoring system for qualitative impact is needed to be developed, and it will include a Management Information System which in its turn will consist of:

- ▶ basic technical, financial and socio-economic information concerning micro projects,
- ▶ information on clients,
- ▶ cost indicators,
- ▶ performance indicators

98. In order to observe the entire "chain of effects" from projects which were carried out to the changes in the living conditions of beneficiary groups there will be undertaken a trace of influence. This will allow formulation of opinions about probable correlation between contributions and expected modifications, demand and consumption of goods and on the basis of all this by revising the direct impact of each program, to decide which of these must be implemented.

99. At the micro level there must be carried out an examination and evaluation of the impact of program on community groups in the period of 3-6 months after completion of the project. At the macro level the examination and evaluation must be carried out in a certain target area one year after completion of a significant component of certain project in one targeted area.



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6. FINANCIAL AND ADMINISTRATIVE TASKS

6.1. SUPPLY

6.1.1. General principles

100. All the works concerning supply of works, goods and services which must be used by RDF or any of its contracting partners must follow the procedures determined in the operational manual and must be aimed in achieving efficiency and economy. The accounting procedures will comply with national standards.

101. The body which takes care of financial and administrative questions of CU must be informed of all introduced and received resources as well as mobilization of additional resources as needed. CU will also be responsible for attraction of sums from internal and external resources in order to carry out the required activity. It concerns verification, filing and drawing up of all documentation.

6.1.2. Bank accounts and financial transactions

102. Each Community Union may open and maintain the following accounts at a bank, and they will be acceptable to all the financial contributors:

- ▶ RDF account for cost of money (RDF –A)
- ▶ other local accounts (LA) according to need (for example, for investments of private sector or other donor organizations)

6.1.3. Accounting

103. RDF will carry out its activities in accordance with Armenian and international accountancy laws. The Community Unions must ensure maintaining of an efficient internal accounting system.

104. CU will ensure that the resources are spent according to the aforementioned rules.

105. The accounts of Community Unions will be audited annually by an external auditing company which is acceptable to the financiers.

106. Community Unions which are beneficiaries of RDF must annually submit work plan and annual budget to donor organizations for approval.

107. A document which serves as a basis for implementation, spending and registration in accounting system is determined by contracts and loaning standard agreements.



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108. Community Union will bear responsibility for the transfer of sums / materials/ foreseen for programs.

109. Bank documents must be controlled periodically by comparing with the accounts of CU, and maintained. Financial accounts must as well be controlled revised and maintained every month.

6.1.4. Internal audit

110. An internal auditor must be responsible for monitoring the budgets and all financial operations of the RDF. The internal auditor has to verify that the Community Union management and staff follow their duties properly. The internal auditor submits reports directly to the general meeting of the CU. The report is expected to include any invalidation which was found in the operations of the RDF, and proposals for their correction.

111. Auditing carried out by community. All the accounts connected with the program must be sent to the corresponding community. The accounts (including amounts collected from the community) must be accessible for everyone. The auditing carried out by community will promote the productive implementation of the program.

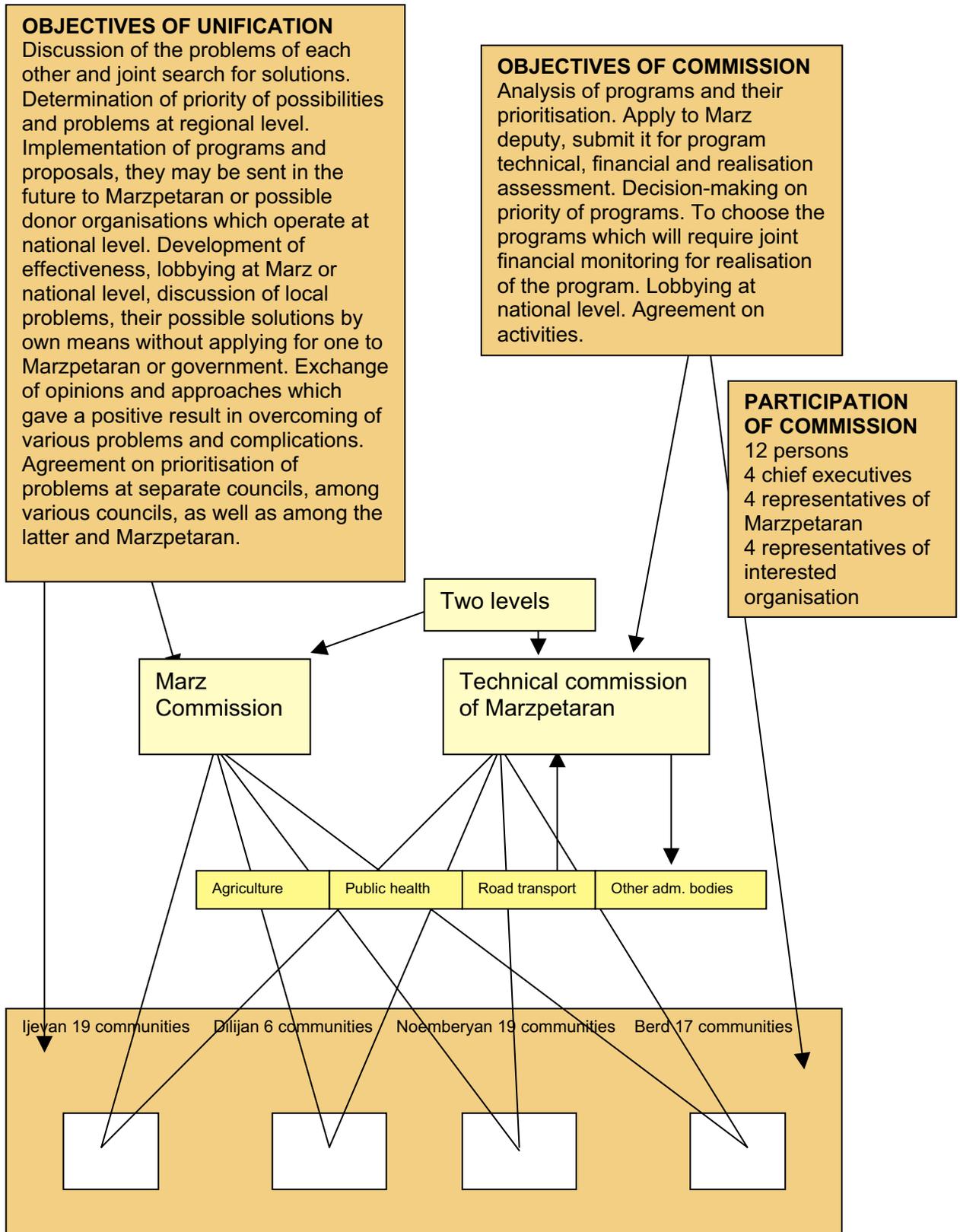
6.1.5. External audit

112. Independent auditors who are acceptable for all the financiers of RDF must implement the external revision of all the accounts. Not later than six months after the end of financial year Community Unions must present to all the financiers certified copies of auditing position papers where the balance, entrance fees and opinion of auditor on the case when RDF has reached its objectives concerning the costs of the productive way as well as on whether the internal audit promoted the incorrect using of funds in achievement of the least, must be mentioned.



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Figure 1: Organisational Structure of RDF





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Table 3: Example of project selection criteria

№	Project, Community	Population				Beneficiaries						Number of involved communities indirect (FFW participants)	Number of projects implemented	Points	Quality of application		Subtotal points		Factor for sector weighting	TOTAL	
		Total	Male	Female	Grand total	Total	Male	Female	Refugees	Unemployed	Youth				O&M Plan	Points	Eligible	Points			

№	Project, Community	Bordering	Points	Refugees/IDP	Points	Emergency	Points	Affected by the war	Points	Subtotal points	Factor for sector weighting	Total
	TOTAL											

№	Project, Community	Cross-border	Points	Resolution of local conflicts	Points	Establishment of peace	Points	Subtotal points	Factor for sector weighting	TOTAL

№	Project, Community	Total cost of the project	Input of the Community						Input of RDF	%	Input of the state	%	Other inputs	%	Maintenance costs	%
			Total	%	Cash	%	Labour	%								

№	Project, Community	Total cost of the project	Points	Input of the Community						Points	Input of RDF	%	Input of the state	%	Other inputs	%	Maintenance costs	%	Points	Subtotal points	Factor of sector weighting	Total		
				Total	%	Cash	%	Labour	%														Material	%

№	Project, Community	Agriculture	Points	SME	Points	Infrastructure	Points	Development of community/Capacity building	Points	Conflict management	Points	Priorities of the region	Points	Subtotal points	Factor of sector weighting	TOTAL



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Example



Table 4: Criteria threshold limits for project selection

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The tables for criteria for choosing a program

Indirect participants Participants in "Food for work"	Point
1-10	1
10-20	2
20-50	3
50-100	4
100-500	5

Input of community %	Point
>50%	5
40%-50%	4
30%-40%	3
20%-30%	2
10%-20%	1

Number of involved communities	Point
1	1
2	2
3	3
4	4
5	5
and other	and other

Input of Community Union	Point
<1000	5
1000-2500	4
2500-5000	3
5000-10000	2
10000<	1

Total cost of the program/Direct users	Point
<100	5
100-500	4
500-1000	3
1000-5000	2
5000<	1

Maintenance costs %	Point
<5%	5
5%-10%	4
10%-15%	3
15%-20%	2
20%<	1

FRCS Mandate	Point
Cross border	2
Regulation of opposition	1.5
Establishment of peace	1.2

Situation of Community	Point
Mountain	1.1
Border	1.2
Directed towards elimination of war consequences	1.3

Importance of the sector	Point
Agriculture	1.8
Drinking water	1.7
Educational	1.6
Roads	1.5
Irrigation	1.4
Culture	1.3
CMO	1.2
Capacity building	1.1