



Practitioner's Guide:

Development and Social Funds



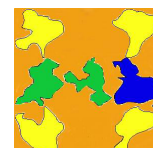
Example of a District Development Fund Manual, South Armenia



Deutsche Gesellschaft für
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Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung



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



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Community Associations: Operations Manual South Armenia Integrated Food Security Programme (IFSP)

1. This manual is developed to coordinate regulative activities of the community associations of Sjunik Marz. The following principles will guide the community associations while operating.
2. **Transparency:** A clear set of rules accompanied by a public monitoring and auditing system will shield food security and povertyrelevant spending against corruption. By ensuring that all villagers and town people are informed about the development project activities, budget and status of implementation greater public accountability and transparency will be achieved.
3. **Efficiency:** The Fund will ensure that resources are used for their intended purpose while keeping operating costs low. The Fund will also transfer important activities to the stakeholders in the villagers and towns.
4. **Accountability:** The Fund will be subjected to a biannual external audit to supervise operational and financial activities. The audit report shall be submitted to and approved by the Marz Food Security Screening Commission. An annual internal audit will ensure that rules and procedures are respected throughout the operational stages of the Fund.
5. **Rapid delivery:** To provide the Fund with greater operational flexibility and the ability to respond to emergency situations in a quick, efficient and effective manner, it will seek to be as un-bureaucratic and free from procedural and regulatory constraints as possible.



1. Community Union Meetings

6. The Community Union will administer the CA projects at the Rayon level. Project applications submitted to the Community Union from the villagers and town people will be administered through the executive director of the Community Union. The Executive Director will prepare a complete list of projects being applied for and will submit these for assessment and approval by the Community Union. Projects will be approved twice a year during community union meetings. Application by the villages and towns must be submitted at least 1 month in advance of the Community Union approval meetings. According to the regulation Community Unions cooperate with Marzpetaran and other non-governmental organizations in the Marz. Aiming the above Marz Commission is being formed.



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1.1. MARZ COMMISSION

1.1.1. Objectives of Commission

7. Marz Commission's roles are to coordinate, and jointly approve larger projects. It is expected to:

- ▶ Carry out sensitisation and information dissemination amongst the villages & towns and the Community Unions
- ▶ Carry out appraisal of the projects for verification purposes (compatibility with sector plans, avoidance of duplication with sector activities, etc),
- ▶ Ensure that impartial allocation of resources and development projects takes place
- ▶ Undertake project monitoring.

8. An independent Marz Food Security and Approval Commission will be given the responsibility of overseeing overall policy and final project approval. It will be comprised of 16 members:

- ▶ Two representatives from each Rayon Association (1 representing the towns and 1 the villages, making up a total of 8 members for Sjunik Marz),
- ▶ Four representatives from Marzpeteran (incl. the Marzpet),
- ▶ Four representatives from development organisations/donors/NGOs (to be based upon the actual financial contributions made to CA).

9. The Commission' main duties will be to:

- ▶ Ensure that Community Unions work within the mandates stipulated in their statutes.
- ▶ Assist the Community Unions in developing selection criteria and processes for selecting development projects;
- ▶ Convene half yearly meetings to review and approve development projects to be financed from the fund,
- ▶ Monitor and evaluate the development projects;
- ▶ Approve projects above the defined limits on twice a year based purely on proposals submitted by the Community Unions (Marz Commission will only be regularly informed of projects approved below the stipulated limit),
- ▶ Review and approve project operating procedures and practices,
- ▶ Review detailed half yearly progress reports from the Community Unions regarding the CA,

10. The commission' main rights are

- ▶ Order a review any external audit of accounts if required.
- ▶ Invite other representatives, specialists with the right of consultative vote
- ▶ Call special sessions
- ▶ Make proposals to CA
- ▶ Organize different kinds of seminars, workshops, conferences etc.



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1.1.2. Commission Chairperson

11. The Chairperson of the Marz Food Security Screening and Approval Commission will be elected by the members on a rotational basis. The elected Chairperson will serve for one year.

12. Duties of the Chairperson include:

- ▶ Calling the Marz Commission meetings,
- ▶ Ensuring that all members have been invited on time;
- ▶ Preparing an agenda for the meeting and circulating this to all members at least 14 days in advance of the meetings,
- ▶ Circulating to all members all the project proposals which are to be considered at the meeting at least 14 days in advance of the Commission meeting,
- ▶ Chairing the Commission meetings and ensuring that a quorum (2/3 of the members) is maintained during the selection and approval process for the projects to be financed from the CA,
- ▶ Ensuring that proper minutes are made of the meetings and that these are circulated to all members,



2. BASIC SOCIO-ECONOMIC ACTIVITIES

2.1. ELIGIBILITY AND TARGETING

2.1.1. Eligible subprojects

13. General. CA will promote and finance, through grants the establishment and rehabilitation of basic socio-economic development projects and social services, including income and employment generation activities. All activities will be based on the needs of local population and will meet the following key objectives:

- ▶ The fund will only finance investment expenditures listed as eligible projects on the menu,
- ▶ Projects must benefit the poor and vulnerable in the focal areas and targeted population groups,
- ▶ Project proposals are to be submitted by the beneficiaries themselves via the Community Unions,
- ▶ Projects must be socially, technically and economically viable,
- ▶ Maintenance of projects must be guaranteed by the communities, and,
- ▶ Projects must be sustainable. 14. Objectives of the improving income and employment opportunities and provision of basic social services for the poor and vulnerable in the fields of:
 - ▶ Agriculture,
 - ▶ Small and medium enterprise development,
 - ▶ Training,
 - ▶ Water supply,
 - ▶ Community infrastructure,
 - ▶ Other social services.



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15. CA shall not finance private works and consumable items, especially if they are part of operations and maintenance.

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

- ▶ Agriculture: For example: agricultural training, seed production, fruit and multi-purpose tree production, erosion control, agricultural credit, livestock production, marketing activities,
- ▶ Small and medium enterprise development: For example: Entrepreneurship training, assistance in establishing small scale businesses, marketing activities
- ▶ Physical infrastructure, including water supply, sanitation, irrigation, buildings, minor roads: Establishment, expansion and rehabilitation of systems for the provision of safe water and effective sanitation, including waste disposal, construction or rehabilitation of water supply for animals. Construction or rehabilitation of small access roads, paths and bridges. Construction or rehabilitation of small irrigation systems. Any other communal infrastructure

17. The following will not qualify:

- ▶ Grants for business development in those areas where a credit system has been established and is operational (small business credits, etc)
- ▶ Administrative buildings,
- ▶ Religious buildings,
- ▶ Infrastructure owned and operated by public utility enterprises.

18. Other basic social services not listed above will be financed only with prior agreement of the Marz Food Security Screening and Approval Commission.

19. Average project size:

- ▶ In order to encourage greater local level decision-making and local governance, projects can be approved by the Rayon Community Union.
- ▶ The list of projects approved by the Community Union has to be forwarded to the Marz Commission for their information. The Commission has 14 days time in which to raise any objections.
- ▶ Objections raised by the Commission will be investigated jointly by at least three Commission members (e.g. one representative from the Community Union, one from the Marzpeteran and one from the Donor organisation).
- ▶ Larger projects requiring investments above these limits will need to undergo a feasibility assessment and will require approval by the Marz Commission. The Commission will determine investment limits for larger community projects.



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Table 1: Approval limits (ceilings)

Limits	Approval levels / subproject size limits	
	Community Union	Marz Commission
Total Volume	\$ 20.000	
AMD per project	\$ < 2.000	\$ >2.000

20. The above limits provide an operational framework. In exceptional cases where Community Unions prove high degree of competence and transparency the Marz Commission can raise the above limits with the approval of all financiers.

21. The limits can be waived in the event that several Villages combine to implement a single project. In this case the Community Union can decide to raise the limit according to the total number of villages participating in the joint project.

22. Under no circumstances shall a project be divided into several consecutive phases in order to avoid exceeding the maximum size limit defined above.

23. The limits above shall be reviewed periodically and adjusted if necessary with the agreement of the Marz Commission.

24. Project's shall be simple, avoid administrative complexity and should be completed within one year. In exceptional cases more than one year may be considered (subject to the approval of the Marz Commission).

25. Community contributions will be required from the community/ villagers. This is needed in order to ensure that the cost of the projects is as low as possible and that subprojects will be sustainable after CA financing has been completed Minimum limits include:

- ▶ At least 30% of the project investment costs, of which,
- ▶ At least 5% of total costs has to be in cash, the remainder could be in kind (i.e. labour or materials).

26. The villages and towns CAN NOT take funds from other donor-assisted projects to make up their part of the project contribution. The money, materials and labour have to come from the villagers and town people themselves.



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2.1.2. Food Security and/or Regional Targeting

27. Each Rayon has been evaluated for poverty using the following simple criteria:

- ▶ Number of poor (absolute poverty) as a percentage of the whole population in the CA region,
- ▶ Number of people not able to ensure adequate food security,
- ▶ Proportional weight of contribution to region level poverty.

28. This results in defining the Expenditure allocation per capita (poor people or those not able to ensure adequate food security) and the total allocation within the Marz.

29. The allocation mechanism will be used repeatedly whenever funds are allocated to the Syunik Marz directly.

30. To assure transparency and fairness project funds would be allocated a priori among Rayons according to this targeting methodology.

31. Limitation: The Community Unions will only always allocate half of the available funds, as there will be two approval dates per year.

2.2. PROMOTION

2.2.1. Village / town development groups

32. General definition of a "development group": "...a grouping of individuals, families, households, who suffer from common problems (e.g. food insecurity, poverty), possibly share a similar constraint, such as the lack of access to production resources (e.g. land, credit), who share a common interest in 'developing themselves' and who exhibit some form of common decision making in a spatial unit or area defined by their own commonality (i.e. several villages or groups of houses joining together, etc.)."

2.2.2. Development group mobilization

33. A development group in a village or town is deemed mobilized when it has been "... brought into a position where they can organisationally, administratively and socially assess their own developmental potentials and constraints, formulate and implement activities to achieve the planned objectives. Communities take responsibility for their own development and they may at times be assisted by developmental agencies (Gov't, NGO's, CBO's, etc) in order to improve their ability to achieve a better future". Table 2 depicts the various stages of mobilization from embryonic to maturity.



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Table 2: Mobilization from embryonic to maturity

Nr	Criteria	Stages of mobilization of village groups from embryonic to maturity request projects, the selection criteria				
		1	2	3	4	5
1	Has been formed and have an organisational structure	✓	✓	✓	✓	✓
2	Meets regularly as a group	✓	✓	✓	✓	✓
3	Participated in a basic training course on organisational, institutional and administrative methods		✓	✓	✓	✓
4	Trained in participatory planning and implementation techniques		✓	✓	✓	✓
5	Carried out a problem and potential assessment and planned small development project			✓	✓	✓
6	Implemented a small development project with external assistance			✓	✓	✓
7	Planned and implemented a development project completely on their own			✓	✓	✓
8	Regularly maintain the development projects completed by the group			✓	✓	✓
9	Have established a maintenance fund for their socio-economic infrastructure				✓	✓
10	Regularly maintain accounts				✓	✓
11	Commenced a group savings and loaning system				✓	✓
12	Formulated and jointly agreed upon a Village Action Plan					✓
13	Started implementation of parts of the VAP on their own					✓
14	Regularly audited accounts					✓
15	Handled money and undertaken payment of contractors on their own					✓



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2.3. PROJECT IDENTIFICATION/ SELECTION

2.3.1. General

34. Development projects are to be identified by the final beneficiaries (i.e. people living in the towns and villages).

35. Approval is to be a joint process between beneficiaries and local authorities (heads of communities and town councils).

36. Identification procedure will follow two steps:

- ▶ Information will be provided by the Community Union as to how to and by when community project requests have to be submitted to the Community Unions,
- ▶ The Community Union assesses the initial project proposals and prioritises them according to criteria defined in this manual. The weighting of the criteria is a matter for each Community Union to decide upon. Applications will only be considered if they follow the application format defined in the annex of the CA.

2.3.2. Information provision

37. The Marz Commission would provide information to local communities via the Community Unions. The information provided will define how the communities can request projects, the selection criteria to be used, conditions for financing (financial contributions of the communities, maintenance obligations, etc.). The information will be provided in form of a simple brochure as well as during village or community meetings. The people living in the villages and towns can then submit written project proposals via their respective councillors or village mayors (see figure 2).

2.3.3. Initial project selection by communities

38. Preliminary screening: A public meeting would be held within the community/village with the participation of all members. The community would prioritise and select projects through voting they wish to submit to the Community Union.

39. The following selection criteria will be applied by the community in the ranking process, including (the project must have been identified and the application for support submitted by beneficiaries (i.e. by the community). Each Community Union should weight the following criteria according to their needs and requirements, whereby all criteria should be applied:

- ▶ Total number of beneficiaries in the village / town of the project,
- ▶ Total number of poor people who will benefit from the project,
- ▶ Past investments in the village / town,
- ▶ Contributions from the people in cash and kind,
- ▶ Investment costs / per head,
- ▶ Low level of maintenance / per head (including a 3-5 year maintenance plan),



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- ▶ Number and success of self-help projects which have been undertaken in the village / town over the past 2 years
- ▶ The project contributes to poverty alleviation,
- ▶ Number of people suffering from food insecurity who will benefit from the project,
- ▶ Contribution to strengthening local capacities,
- ▶ Longer-term sustainability of the project,
- ▶ In line with government priority areas / sectors,
- ▶ High spatial priority within the Rayon,
- ▶ Extent to which it taps and makes use of existing local expertise,
- ▶ Environmental sustainability,
- ▶ Overall quality of the application. Matrixes as attached at the end of the manual can be developed and used.

40. Minutes of the meeting will be attached to the project application.

2.4. FEASIBILITY STUDIES & FINAL SELECTION BY COMMUNITY UNIONS

2.4.1. Feasibility

41. As long as projects fulfil the above criteria and do not exceed the total cost of \$ 2.000 per project, then no technical feasibility study will be required. Projects that also make use of standard project designs and that meet the bill of quantities and price structure will also not need to undergo an in-depth feasibility assessment.

42. Projects exceeding the \$ 2.000 limit and projects that are technically complicated will need to undergo a detailed feasibility assessment.

43. A feasibility study will be undertaken (including technical, financial, social and poverty aspects) of the project presented by the beneficiary community and it has been ranked and approved by the Community Union. Feasibility will undertaken through:

- ▶ A site visit by technical expert (i.e. Marzpeteran) to verify the project selection,
- ▶ A public meeting at the community / village level will be held to discuss the project design, implementation, financial contribution and maintenance issues,
- ▶ Application forms will be verified and substantiated and technical and financial information added by the relevant engineer, technical specialist.



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44. Technical feasibility: IFSP and the Marzpeteran engineer together with the community members applying for support will participate in the site visit to check the project technical feasibility. The feasibility form will include:

- ▶ Present status of the socio-economic infrastructure,
- ▶ Description of the works of the subproject,
- ▶ Number of users,
- ▶ Key limitations,
- ▶ Any land ownership issues related to the project,
- ▶ Main quantities of works (whereby standard designs will significantly reduce this work),
- ▶ Estimated costs based on the main quantities and standard unit prices, • Estimated maintenance costs and maintenance schedule
- ▶ Rapid assessment of the environmental impact.

45. Socio-economic feasibility: IFSP and the Marzpeteran engineer together with the community members applying for support will assess, on site, the socio-economic feasibility, including:

- ▶ The establishment and operation of the project group (i.e. association, formal group, etc.),
- ▶ Local contributions,
- ▶ Maintenance arrangements.

46. Project feasibility form: After the site visit and community meeting the respective engineer will draft the final project feasibility form including:

- ▶ Technical data and cost,
- ▶ Maintenance arrangement,
- ▶ Local financial contribution,
- ▶ Other contributions (i.e. Marzpetaran),
- ▶ Final decision regarding project feasibility
- ▶ Recommendation for the Marz Commission.

47. Projects will then be forwarded to the Marz Commission for final approval / rejection.

2.4.2. Selection by Community Unions

48. Both the Council Unions and the Marz Commission every six months would undertake selection of submitted projects.

49. Two-stage selection procedure would be undertaken. First the Council Unions would carry out their selection and prioritisation. Small projects that fall within the limits set out above can be approved and implemented directly by the Council Unions. Larger projects would be ranked and would then be submitted to the Marz Commission.

50. Second stage involves the final assessment and ranking by the Marz Commission. This would be undertaken once the final feasibility studies have been submitted.

51. Approval is to be undertaken within 4 weeks of receiving applications (twice a year).



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52. A simple majority vote is required both at the Council Union and Marz Commission meeting. In each case a quorum of at least two-thirds (2/3) of the members is required for decision-making.

2.4.3. Contract CA Applicant

53. The contract to be signed between CA and the applicant (village/town group) approves the preliminary allocation of CA funds for the project and defines the respective obligations of each partner (i.e. CA, village/town groups and any other contractual partner).

54. Contracts up to \$ 2.000 will be signed by the Community Union, CA CEO with the respective beneficiary group. Above this amount, the contract will be signed by Marz Commission after approval by the Commission (the approval is based upon the voting system defined above).

55. The conditions for CA financing and signing the contract are:

- ▶ The beneficiary group in the village/town has been established and is functional,
- ▶ A written agreement exists which defines and regulates the village/town contribution including a minimum of 5% cash to be deposited in a bank account,
- ▶ Maintenance arrangements have been agreed between CA and the village/town for at least the next 3 years,
- ▶ The funding of operating and maintenance costs is secured before the commencement of the project.

2.4.4. Village / Town project committees

56. Village / town project committees must be in existence. The members are to be balanced representation of all those participating in the project (i.e. gender balanced, etc). The Chairperson is to be elected by the group. For collective infrastructure (i.e. small irrigation or water projects) the committee will form the "users committee".

57. During the project preparation, the committee will be in charge of collecting and/or securing the village / town contributions (cash or kind).

2.4.5. Maintenance and operation plan

58. Arrangements for maintenance shall be agreed prior to project financing being approved. The arrangements shall be specified in the contract between CA and the village / town group.

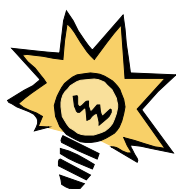
59. The maintenance and operation plan will include:

- ▶ Description and frequency of maintenance,
- ▶ Manpower requirements for these works,
- ▶ Yearly cost,
- ▶ Average cost per beneficiary,
- ▶ Where applicable, fees to be collected to cover at least the operation and maintenance cost.



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2.4.6. Other financing

60. Where additional financing, for example from Marzpeteran has been agreed upon, the relevant head of department of the Marzpeteran department will also have to become signatory to the contract.

2.4.7. Technical design

61. In case of larger technical works, Marz Commission will select and hire an engineer. CA will finance the cost of the design and supervision up to a maximum of 5% of the amount of the contract to be signed with the construction firm for the implementation of the project.

62. Marz Commission in cooperation with IFSP SA (or more specifically the Marzpeteran technical department) shall check and approve all design documents. The technical design, bill of quantities and estimate cost of the project will be approved and signed by the engineer and presented to the Commission for approval.

2.4.8. Involvement of the Marzpeteran

63. If the Marzpeteran finance any part of the investment or operating costs of the project, the Marz Commission and CA will require a written agreement from Marzpeteran in the form of a letter defining the exact financial commitments. This will be added to the contract with the village/town group.

2.5. IMPLEMENTATION

2.5.1. Procurement

64. Procurement of items, goods, services and so on will be handled through a tender. The proposals will be viewed by a tender committee where the members are the mayors of involved communities.

2.5.2. Consultant contracts

65. For the selection of consultants or consulting companies principal significance is given to competence, expertise, quality of submitted proposal. Price is considered as a secondary factor.

66. For procurement of consulting services above AMD 200.000 the following procedures will be followed:

- ▶ Terms of reference and approximate cost estimates are estimated,
- ▶ A short list of consultants is generated, with a minimum of at least 3 consultants,
- ▶ The short listed consultants are invited to submit a proposal, including technical and price considerations,
- ▶ Marz Commission forms a committee to evaluate and rank the proposals based on a combination of technical and price considerations,



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- ▶ The committee submits contract of award recommendations the whole Marz Commission for approval,
- ▶ Payment is only made upon satisfactory completion of work; this is to be certified by the relevant technical unit and the Marz Commission.

67. Contracts will be awarded after the bids have been evaluated in accordance with the procedures established in the bidding documents, which may only take into consideration price and duration of works. The contract shall be awarded at all times to the lowest evaluated bidder:

- ▶ If the lowest bid is less than 85% of the estimated price, the Marz Commission has to carefully review the bidder capacity to perform the works in due time and quality,
- ▶ Unless prior agreement of the Marz Commission is given, contracts shall not be awarded if the lowest bid is more than 115% of the estimated price.

68. Marz Commission's Certificate of no objection will have to be provided before notification of the award and signing of the contract. The certificate of no objection covers the bidding procedures, the award and the contract. If a "no objection" is not provided by Marz Commission for any reason, CA shall not reimburse the community group or intermediary for the expenses related to the bidding.

69. In the event that a group or individuals in a town or village group or any Marzpeteran department unfairly interferes in the bidding procedures or bid evaluation, the bid shall be immediately cancelled and the CA shall not finance any further basic social services in the town or or village in question. Bidders who have submitted false or fake documents will not be allowed to participate in any works financed by CA for at least the next 2 years.

2.5.3. Contracting

70. As soon as the Marz Commission has issued a certificate of no objection, the town / village group or the intermediary organisation will contract the enterprise on the basis of the standard contract provided by Marz Commission with the bidding documents within 5 days.

71. Marz Commissions no objection notice will be considered as an addendum to the contract between the contracting partners as it will define the project costs, the name of the contractor and the information known only after successful procurement / works.



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2.5.4. Supervision

72. Village / town groups implementing a project are responsible for the technical supervision of the project.

2.5.5. Payments

73. Payments will be made to the contractual partner (i.e. village / town group) or the contracted enterprise.

74. Payments of local community contributions have to be registered prior to any money being disbursed from the CA. Proof of payment being an original bank statement lodged with the Marz Commission.

75. If the payments of the local community are not carried out within a month the contract will be cancelled.

76. Smaller subprojects within the approval limits stipulated in table 1 will receive two successive instalments of 40% and 50% of the contract sum. First payment will only be made once community contribution has been assured, second after 50% of the subproject is complete. Remaining 5% will be paid 3 months after successful completion (i.e. guarantee deposit).

77. Advance payments of a maximum of 20% of the contract amount at signature of contract and once community contribution have been assured.

78. CA will make payments within 21 days from the date CA receives the invoice, the invoice being checked and agreed by both local supervisor and IFSP.

2.5.6. Extra works
79. Payments are made only on the basis of actual quantities of works performed. No works can be done in addition of the contracted amounts. Marz Commission / CA will not reimburse any extra works unless:

- ▶ These extra works are unforeseen and have to be done to insure the safety of, for example, certain infrastructure (bridges being under-washed)
 - ▶ These works are not induced by dispute or problems which can be solved by the village / town or the Community Union
 - ▶ The cost of these extra works is less than 10% of the total cost of the project
80. If one of these conditions is not met, CA reserves its right to break the contract



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2.5.7. Handing over

81. Upon completion of the works a site visit will allow the inspection of the completed project. The completed project will be deemed completed:

- ▶ Latest 3 months after completion and final payment of the guarantee sum,
- ▶ A certificate of satisfaction has been signed by the village / town group after holding a public meeting (signatories to be the chairperson, secretary and at least two members selected by the whole community),

2.6. SUSTAINABILITY

2.6.1. General

82. Project sustainability is a key objective of CA. Marz Commission and IFSP inspectors / supervisors shall evaluate not only the village / town groups' ability to promote high quality projects, but also their ability to assure maintenance of the projects.

83. After a project has been completed and handed over, Marz Commission will continue to pay ad hoc visits to the project site to verify that it is being maintained. In the event that maintenance is not taking place and the Community Union cannot rectify this situation, CA shall not finance any further projects in the village / town. This sanction may be extended in extreme cases to the whole Rayon. However, this requires approval from the Marz Commission.

2.6.2. Village / town group committees

84. The village / town group committee shall be the local partner of the CA (i.e. the beneficiary community) and will therefore be responsible for operations and maintenance. The main tasks of the committee will be to:

- ▶ Safeguard the completed project
- ▶ When required, assure daily operation of the infrastructure
- ▶ When applicable, collect user fees for operation and maintenance,
- ▶ Manage any maintenance fund, if required
- ▶ Settle any disputes among the users.

2.6.3. Maintenance fund

85. If applicable and in accordance with maintenance and operation plan, a maintenance fund may be established to finance the daily operating costs and maintenance costs on an annual basis. This fund (2% of the pre-estimated cost) will be collected and managed by the village / town group committee.



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2.6.4. Emergency repair

86. In some exceptional cases, CA may finance emergency repairs of infrastructure if the following conditions apply:

- ▶ The infrastructure has been developed or rehabilitated under CA funding,
- ▶ The damages have been caused by an unforeseen event and NOT by the lack of maintenance or misuse,
- ▶ Repairs are beyond the financial and technical capacity of the village / town group committee,
- ▶ A written request has been sent to Marz Commission / CA by the committee and endorsed by the Community Union,
- ▶ The Marz Commission endorse the request,
- ▶ A design of the repair works is made and contracted as defined in the process above,
- ▶ The community or group committee contributes 10% of the cost of the repairs.

3. VILLAGE / TOWN GROUP CAPACITY BUILDING

87. CA will finance training that strengthens the local capacity of the groups in the villages / towns. The training has to be related to the food security, employment and/or income generation or poverty alleviation approach, which stands at the core of the CA.

3.1. ELIGIBLE ACTIVITIES

3.1.1. Training of village / town groups

88. Apart from all the mobilisation skills and techniques which, the community will have to be trained in, they will also require training in:

- ▶ Project identification, planning and implementation,
- ▶ Basic participatory monitoring and assessment,
- ▶ Organisation of project maintenance
- ▶ Collection of user fees
- ▶ Community savings and loaning procedures,
- ▶ Organisation of village / town groups and associations (i.e. water associations, farmers associations, etc.)
- ▶ Environmental improvements

3.1.2. Training Community Unions

89. The process of institutional learning will have to be accompanied by extensive training, greater involvement of the communities in decision making procedures, good governance coupled with the clarification of roles and functions.



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90. Community Unions will be eligible for targeted training designed to improve their capabilities at mobilising the people in the towns and villages and working closely with them.

91. The Marzpeteran will also be trained and can act as trainers. Villagers / and people living in the towns are expected to become self-reliant.

4. MONITORING

92. The monitoring and evaluation unit of the IFSP, the Marzpeteran and the Community Unions will monitor the implementation process. This will include assessing the output produced and the progress on achieving the main objectives set.

93. Monitoring will focus on programmatic and financial progress as well as their impact on the poor, unemployed and food insecure people.

4.1. INDICATORS

94. Key performance indicators for measuring the achievement of the development objectives include:

- ▶ Reduction of poverty amongst the poor, particularly amongst poor women in urban and rural areas,
- ▶ Created employment opportunities,
- ▶ Reduction in food insecurity,
- ▶ Increase in access of poor households to clean water
- ▶ Impact CA has on activities of women,
- ▶ Adoption of new technologies,
- ▶ Environmental impacts and other dimensions of poverty,,
- ▶ Number and types of projects financed
- ▶ Number of projects that are operational and maintained one and two years after completion,
- ▶ Number of beneficiaries / users of improved basic social services, income generating opportunities (including micro enterprises),
- ▶ Increased capacity of communities,
- ▶ Average cost per project and per beneficiary / user.



Example of a District Development Fund Manual

4.2. REPORTING

95. CA will submit annual reports to the Marz Commission. These reports will include: • Programme status report,

- ▶ Account and expenditure statements
- ▶ Status of fund committed / disbursed,
- ▶ Number of applications received, appraised, rejected, contracted,
- ▶ Activities of the capacity building, training and outreach (i.e. number and type of training, number and type of trainees),
- ▶ Operating cost per category.
- ▶ Programme cost by component,
- ▶ Programme cost by category of expenditure,
- ▶ Programme cost by source of financing.
- ▶ Summary of results of any impact assessments and evaluations undertaken,
- ▶ Main problems and constraints,
- ▶ Recommendations how these are to be overcome

4.3. QUALITATIVE IMPACT MONITORING AND ASSESSMENT

96. A simple qualitative impact monitoring system will be developed which will include a simple Management Information System. This will include:

- ▶ Key technical, financial and socioeconomic information on micro projects,
- ▶ Information on clients
- ▶ Cost indicators
- ▶ Performance indicators derived from the logical framework

97. Impact follow-up will be undertaken to observe the entire "chain of effects", from implemented projects to the changes in the living conditions of the beneficiary groups. This will require the formulation of hypotheses on the plausible relationship between contributions and expected modifications, questioning and utilization of the products by the community and reviewing the direct effects of each of the distinct projects to be executed.

98. At the micro level, an ex-post evaluation should be carried out on focal community groups between 3 and 6 months after the project's end. At the macro level, an impact evaluation should take place one year after completing a significant component of the identified project in one targeted area.



Example of a District Development Fund Manual



5. FINANCE AND ADMINISTRATION

5.1. PROCUREMENT

5.1.1. General principles

99. All procurement practices for works, goods and services to be used by CA or any of its implementing partners in any project shall comply with the procedures outlined in the operational manual and will be aimed at achieving efficiency and economy. The accounting procedures will be in line with national standards and based upon manual: Accounting in community associations in Syunik Marz

100. CA's staff in the Finance and Administration Unit shall be responsible for keeping track of all resources committed and received and of engaging in mobilizing additional resources as needed. CA will be responsible for following required procedures for drawing down funds available to CA from internal and external sources. This involves verifying, filing and compiling all supporting documentation for disbursement requests.

5.1.2. Accounting

101. CA will work according Armenian and international accountancy practices and on the basis of the manual Accounting in community associations in Syunik Marz. The Community Unions are expected to maintain an efficient internal accounting system.

102. CA will ensure that the resources are spent according to the rules.

103. Community Union accounts will be audited annually by an external audit firm acceptable to the financiers (i.e. IFSP, etc).

104. Community Unions operating an CA will submit an annual work plan and operating budget to the Marz Commission for approval.

105. Contracts and Standard Lending Agreements constitute the basic document for the commitment of funds, subsequent disbursements and entry into the accounting system. Following the signing of contracts (credit contracts, basic social service contracts, etc.), will account for the funds according to the rules stipulated in the manual.

106. The Community Union will be responsible for transferring funds for financing village / town projects such as agreed upon by the Community Union. The Community Union Executive Director and at least one other Community Union member shall sign all checks and payment orders. The Executive Director may delegate, in writing, the authority to sign in his/her absence.



Example of a District Development Fund Manual

107. A photocopy of each signed check or payment order, and if the signature authority has been delegated, a reference to the delegation, shall be attached to an invoice before it is filed.

108. Bank statements shall be periodically reconciled with CA accounts, signed by the head of the Executive Director and filed. Financial accounts (CAA, SPA, LA Accounts) shall be produced monthly and filed.

5.1.3. Internal audit

109. An Internal Auditor will be responsible for monitoring CA's budgets and all financial operations. The Internal Auditor has to verify that the Community Union management and staff follow their duties spelled out in the manual: Accounting in community associations in Syunik Marz. The internal Auditor reports directly to the Marz Commission (and also IFSP). The report is expected to include any irregularities found in the CA operations, and proposals for correcting them. These reports shall be made available to the Marz Commission members.

110. Community monitoring and auditing: the accounts of all village / town projects will be posted in the respective village notice board. The accounts will be made visible for all, including the amounts that have been collected from the community. This community monitoring and auditing system will also apply for the progress being made in implementing the project.

5.1.4. External audit

111. Private independent auditors acceptable to all CA financiers will undertake external audit of all accounts. Not later than six months after the end of the fiscal year, Community Unions will submit to all financiers certified copies of audit reports containing the balance sheets, income statements and the auditors opinion on whether the CA is achieving its objectives in a cost effective way and whether internal controls are adequate to minimize the possibility of misuse of funds.