



Practitioner's Guide:

Development and Social Funds



District Development Fund, South Caucasus



Deutsche Gesellschaft für
Technische Zusammenarbeit
(GTZ) GmbH



Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung



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



Development and Social Funds

Example



District Development Fund, South Caucasus

Background

The GTZ supported Food Security, Regional Cooperation and Stability (FRCS) programme seeks to strengthen local self-governance through community participation and the empowerment of rural citizens and their representatives, the mayors. Among the main instrument to be adopted for strengthening local self-governance is the provision of a District Development Fund (DDF).

The legislative framework in the three Caucasian countries Armenia, Azerbaijan and Georgia related to local self-governance provides for decentralised government at the communal level where local government authorities are charged with a range of responsibilities. They are to:

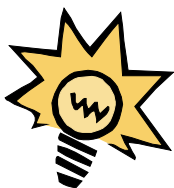
- ▶ ensure good governance;
- ▶ facilitate and manage the local development process;
- ▶ provide services that address local needs;
- ▶ manage their organisation and work procedures;
- ▶ establish effective linkages with the citizens;
- ▶ prepare and implement development plans and budgets and to ensure proper financial management.

These tasks are challenging, given that local self-governments are often plagued by chronic shortage of financial resources, and given that mayors and councillors received little education to understand their rights and responsibilities or to acquire the knowledge and skills to perform stipulated roles and functions.

Therefore, access to additional resources in form of a development fund has proven to be a key ingredient for the success of local-self governance.



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Seven main principles and steps to establish the District Development Fund are:

Step 1: Development of a manual

Defining the general objective(s), institutional principles, organisational procedures for the fund. Furthermore eligible sub-projects and targeted groups of the fund are defined.

1.1 General objectives:

The District Development Fund is a financial instrument to contribute to food security and poverty alleviation by financing small-scale projects that benefit the needs segments in the district. The Fund also contributes to community capacity building and to the coordination of development activities in the district. More specifically the fund addresses the needs of the poor and poorest in terms of:

- ▶ Creating income and employment generating activities;
- ▶ Provision of basic services;
- ▶ Supporting capacity building and outreach (i.e. expansion into areas not presently covered).

1.2 Institutional principles:

▶ *Transparency:*

A clear set of rules accompanied by a public monitoring and auditing system will protect food security and poverty-relevant spending against corruption. By ensuring that all community members are informed about the development project activities, budget and status of implementation greater public accountability will be achieved.

▶ *Efficiency:*

a) **Accountability:** The Fund will be subject of an biannual external audit to supervise financial and operational activities.

b) **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.

c) **Annual work plan and budget:** Project proposals, annual work plans and budgets shall be presented to all interested organisations. Budget and work plans are to be prepared according to the criteria defined in the manual.



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Organisational procedures:

- ▶ The fund is open to all communities and Community Union (CU) members.
- ▶ A “Food Security Screening and Approval Commission” made up of representatives from the Community Unions, the Marzpeteran (Provincial administration) and the donor organisations contributing to the fund.
- ▶ The administrative, technical and financial autonomy to regulate its operations.
- ▶ The Fund is subject to regular public audits.
- ▶ The CU administers and monitors the fund at regional level.

Eligibility:

- ▶ The DDF 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 are based on the needs of local population and meet the following key criteria:
 - ▶ Project proposals are to be submitted by the beneficiaries themselves (members of the CU) through the CU.
 - ▶ Projects must be socially, technically and economically feasible.
 - ▶ Maintenance of projects must be guaranteed by the communities.
 - ▶ Projects must be sustainable.
 - ▶ Community contributions of at least 20% of the project investment cost of which, at least 5% has to be in cash (the remainder can be in kind) will be required from the community/villagers.



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Step 2: Capacity building

Promotion of cooperation and participatory processes at different levels of government in the region is of major importance for the fund. Therefore FRCS provides a broad capacity building scheme that targets local communities, municipalities, regional authorities as well as NGOs.

Training for *communities* is related to general project management (mobilisation skills, organisation of community groups, project identifications, planning and implementation, communal savings and loan schemes, etc.) and to food security, employment and/or income generation.

Training for *Community Unions* is provided to improve the general performance and citizens-orientation of local self-governments. Furthermore, their capabilities at mobilising the people in towns and villages and working closely with them needs to be strengthened.

Furthermore, *selected members of the Community Unions* (i.e. chief executive officers, chairpersons and their deputies and accountants) are trained on how to access external sources of funding in order to promote sustainability of local self-governments beyond the life span of the District Development Fund. The training builds upon their capacity to develop a strategy to approach potential sources of funding and to acquire the necessary skills for presentation, discussion and negotiation with potential funding organisations.

Representatives of province administration are trained to improve the overall responsiveness of regional stakeholders to the participatory planning process at the community level. For regional administrators to perform stipulated roles and functions as supervisory bodies for the local level, training sessions are provided to increase their understanding of participatory planning approaches, decentralization and good governance.

Training for *NGOs* is provided in the areas of participatory planning and implementation approaches, financial management and networking to support the institution building of civil society. The great strengths of NGOs – flexibility, speed of reaction due to comparatively less bureaucratic procedures as well as political independence – are particular advantages in developing work.

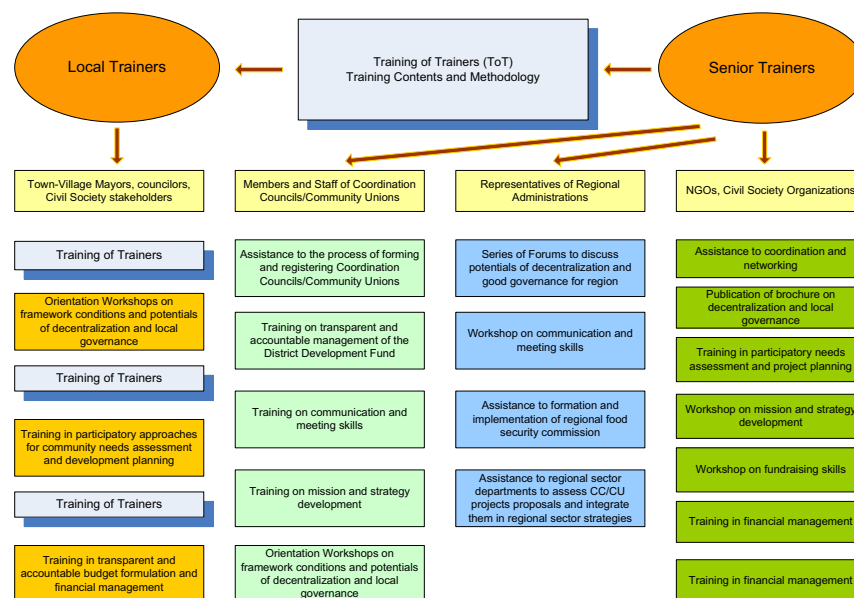
A typical approach for capacity building has been illustrated in figure 1 in form of a “road-map” that was developed for the FRCS project:



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Figure 1: Process for capacity building, including training of trainers



Step 3: Project identification

The CU inform local communities about the fund, how the communities can request projects and selection criteria, conditions for financing (financial contribution from communities), maintenance obligations, etc. A public meeting is held to prioritise the projects they wish to apply for. Project proposals are written by the community mayor and approved by the councillors. Proposals are submitted including Minutes of Meeting to the Community Unions.

Step 4: Project assessment

The CU assesses the project proposals and prioritises them according to defined criteria in the manual. Projects up to an amount of US \$ 5000 can be approved by the CU. Projects exceeding that amount are submitted to the "Food Security Screening and Approval Commission". If within 14 days no letter of objection is received the project is deemed as having been approved. Table 1 provides an example of the project selection process.

Step 5: Contract

After project approval the contract between parties is concluded. The contract includes a maintenance and operation plan. Responsibilities for procurement, supervision, modes of payment and handing over are defined. If applicable and in accordance with the plan, a maintenance fund, managed by the community group, may be established to finance the daily operating costs and maintenance costs on an annual basis.



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Table 1: Example of criteria to be applied for project selection

Project Selection Criteria used by Community Unions

Project Proposals submitted to the community unions for selection have to contain the following data for prioritization according to determined criteria. For each criterion an evaluation table is developed by the members, which may look as follows:

Project cost	Points
less than \$1000	10
\$1000-\$1500	9
\$1500-\$2000	8
\$2000-\$3000	7
\$3000-\$4000	6
\$4000-\$5000	5
\$5000-\$6000	4
\$6000-\$7000	3
\$7000-\$8000	2
more than \$8000	1

The main criteria used, are the following:

Project costs - the lower the better, lower costs per project lead to more projects are implemented with limited financial resources;

Project costs per user - the lower the better; costs are then calculated per user to eliminate the difference between bigger and smaller communities, and it also means that for the same amount of investments more people will benefit;

Community contribution (%)¹ - the higher the better, the more communities contribute the less resources are used from the RDF, and more projects are implemented. The community contribution is also a competition element and the more communities are contributing the higher is the ownership after the project is completed;

Direct beneficiaries - the higher the better, the objective of any project is to involve and target as many beneficiaries as possible;

Project participants - the higher the better, the same principle is applied here, projects where more people are actively participating, FFW, CWF or even for free (community mobilization);

Maintenance and operation costs (M&O) - the lower the better for sustainability reasons, the communities should be able to afford them;

Maintenance and operation costs per user - the lower the better, during discussions of the project the members of the community will know how much each household will have to pay, the lower this costs is the higher is the probability that the household will pay;

Additional criteria can be developed and applied depending on the objectives of the projects.

The numbers (points) are then added up.

Furthermore, points are also distributed related to community status and sector priorities. Based on the decisions of the members the sectors and communities are ranked and the weighted.

EXAMPLE

Community Status

- Mountainous (as per national policy)
- Refugee population (in % of total population)
- Bordering (proximity to national border)
- War affected (% of buildings and infrastructure affected or destroyed)
- Multiethnic
- Emergency (drought, floods, storms, earthquakes)

Sector weighting (example from Agstafa, Azerbaijan)

1. Irrigation
2. Non-agriculture economic development
3. Agriculture
4. Schools
5. Kindergartens
6. Health
7. Drinking water
8. Culture houses

¹ % are used in order to be able to compare small and larger communities

Practical Example

This example is taken from the Coordination Council of Agstafa, Azerbaijan. Data on two project proposals are compared:

Kindergarten rehabilitation in Vurgun community
Drinking water line rehabilitation in Khatai community

Community	Project Cost	Points
Vurgun	\$3 900	6
Khatai	\$4 870	5
	Project Cost per users	Points
Vurgun	\$19.5	3
Khatai	\$7.4	5
	Community Contribution	Points
Vurgun	21.8%	4
Khatai	10.3	2
	Direct beneficiaries	Points
Vurgun	200	2
Khatai	658	4
	Project Participants	Points
Vurgun	6	1
Khatai	22	3
	M&O costs (annual)	Points
Vurgun	\$200	8
Khatai	\$460	8
	M&O costs per user	Points
Vurgun	\$1	7
Khatai	\$0.6	6
		Total
Vurgun		31
Khatai		33

Community Status and Sector Weightings in Agstafa Coordination Council

War affected	- 1.5	Irrigation	- 1.8
Bordering	- 1.4	Drinking water	- 1.7
Mountainous	- 1.3	Kindergartens	- 1.5
Emergency	- 1.2	Schools	- 1.4
Refugee populated	- 1.1	Agriculture	- 1.3
Multiethnic	- 1.0	SME	- 1.2
		Culture houses	- 1.1
		Health	- 1.0

Vurgun is a mountainous village and wants to implement a kindergarten rehabilitation project:

$$\text{Vurgun} = 31 \times 1.3 \times 1.5 = 60.45$$

Khatai is a bordering, mountainous and war affected village and wants to implement a drinking water project

$$\text{Khatai} = 33 \times 1.4 \times 1.3 \times 1.5 \times 1.7 = 153.15$$

After applying the criteria catalog contained in the Agstafa Coordination Council fund regulation manual the Khatai community project receives a higher number of points and is prior against the Vurgun project for funding.



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Step 6: Implementation monitoring

Community Union assesses the output produced and the progress with regard to achieving the main objectives. Key performance indicators have been developed for measuring the achievements. Internal audits are also undertaken.

Step 7: Post monitoring and evaluation

At the micro level, post evaluation is carried out on focal community groups between 3 and 6 months after the project's end. At the macro level, impact evaluation takes place one year after completion of a significant project component.

Figure 2: Process for accessing the District Development Fund

