

Joint Report on Community Development Fund Exposure Visit to Amhara

29.-31.1.2010

Ministry of Water Resources

Ministry of Finance and Economic Development

1. Introduction

Based on years of encouraging results of the Community Development Fund (CDF) in Amhara and more recently in Benishangul Gumuz regions, the Governments of Ethiopia (GoE) and Finland (GoF) are jointly exploring the potential for mainstreaming the mechanism to a broader use by the WASH sector partners. The ultimate aim for this is to contribute towards increasing effectiveness of aid delivery and towards efforts to develop a single harmonized sector program that aligns donor financing with government systems.

With the objective of clarifying the key elements of the CDF to main GoE counterparts, the Embassy of Finland in Addis Ababa organized and sponsored an exposure visit for representatives of MoFED and MoWR (list of participants, annex 1), prepared by Embassy of Finland) to the Amhara region during 29.-31.1.2010.

The mission critically assessed the mainstreaming potential of the key elements of CDF from the perspective of GoE procedures and regulatory requirements, as well as from their long experience with development programmes in the country.

The mission was first given a brief presentation of the functioning and details of the CDF process, by RWSEP staff at BoFED. This was followed by two-day field visits to Yilmana Densa and Bahar Dar Zuria woredas. The mission observed

- a) School sanitation facilities and CDF support to the implementation of health extension programme package.
- b) A hand dug well and a protected spring, together providing water supply to some 4,500 people.

2. Brief Description of the CDF and its benefits

The Community Development Fund (CDF) was developed under the Finnish-Ethiopian bilateral Rural Water Supply and Environmental Programme (RWSEP) in the Amhara region of Ethiopia and introduced progressively between 2003 and 2006. Since 2007, funds have been transferred via the Bureau of Finance and Economic Development (BoFED) at regional level. Since 2008 CDF has been replicated to also include the Benishangul-Gumuz region.

The characteristics and benefits of the CDF were presented and discussed at the Bureau of Finance and Economic Development of Amhara, based on the findings of an independent evaluation study by the Water and Sanitation Programme of the World Bank. The study was commissioned by the Government of Ethiopia and conducted with resource inputs and collaboration with the Embassy of Finland.

A unique and innovative feature of the CDF is that it transfers funds for physical construction directly to the communities via a micro credit institution: the Amhara Credit and Savings Institution (ACSI), in the case of Amhara. The communities, through a water and sanitation committee (WATSANCOs), are responsible for the full development process, through planning, implementation (including procurement of most materials and labor) and maintenance. The communities contribute 15% in cash or in kind and make open a bank account at an ACSI branch for cash contribution to cover operations and maintenance costs. The mechanism is currently intended only for low level technologies such as hand dug wells and spring protection. Communities are provided with training and where needed support is given during scheme implementation.

Commissioned by the GoE and in collaboration with the Embassy of Finland, an independent evaluation has been conducted by the WSP of the World Bank on the CDF's mainstreaming potential. The results of this evaluation will be discussed at sector level at 'CDF Summit' organized by the Amhara Region during 9.-10. of February 2010.



The main findings of the WSP evaluation include:

- a. The implementation rate has increased by up to a factor of 5 (from an average of 200 water points per year (1994-2003) increasing steadily, from 2003, to over 1000 water points per year in 2008/9). This equates to an average of some 80 schemes per CDF-woreda per year.
- b. The technical quality of the facilities built is satisfactory and functionality rates for CDF schemes (94%) are above average for Amhara (estimated at over 75%)
- c. The level of expenditure on investments relative to operational costs and technical assistance has increased from 15% of the total expenditures in 2003 (pre-CDF) to 58% of total expenditures in 2009.
- d. Utilization of investment budgets has increased from an average of around 53% between 1998-2002 (pre-CDF) to close to 100% during the end of Phase III / start of Phase IV.

The WSP evaluation study concludes that there is indeed a case for mainstreaming the CDF. UAP review, recent WASH Joint Technical Reviews and the current CDF evaluation study, point to a number of lessons learnt from use of the CDF mechanism that could assist Ethiopia in pursuing the UAP and implementing policies on use of low cost technology and mass mobilization. There is strong evidence that the potential benefits of mainstreaming the CDF approach where conditions are suitable include:

- A rapid implementation rate due to simpler procedures and community project management
- Effective control of unit costs due to tight local controls
- Higher efficiency in the proportion of funding used for physical investment
- High degree of functionality associated with community responsibility for implementation

The mission critically observed and discussed these findings with representatives from RWSEP staff, Embassy of Finland, Bureaus in Bahir Dar (BoFED & Bureau of Water), Yilmana densa Woreda offices, as well as two communities with CDF experience.

3. Conclusions of the visit

As a result of the discussions with the relevant stakeholders, and the field visits, the observations made regarding the mainstreaming potential of the CDF, were overwhelmingly positive. The principle conclusion is that the CDF mechanism provides value for money and should effectively be adopted by a broader range of WASH development partners so that it may be implemented on a larger scale. This conclusion is further elaborated in the points below:

1. **Ownership and Sustainability:** The conduciveness of CDF to community ownership was found to be very strong. In addition to in-kind, cash and labor contributions, the fact that the communities coordinate and manage the resources required for the own water point construction enhances the sense of ownership tremendously compared with more conventional methods. The communities visited demonstrated tremendous satisfaction with the support provided to them by the CDF. The water points were well constructed and protected. Indeed, the functionality rate of CDF water points is very high.
2. **Effectiveness and efficiency:** With measurable proof, in terms of average number of water points constructed in the Amhara woredas, CDF can be used as an alternative support modalities in the current WASH sector programs. Taking into account inflation rates of recent years, CDF also shows important cost-efficiency in real terms.
3. **Administrative requirements:** Outsourcing fund transfers to a financial intermediary and the management of each water point construction to the communities, leads to reduced administrative burden from the region and woreda – level offices. Avoiding in this way administrative bottlenecks, accelerating construction to reach the UAP targets becomes more feasible.



4. **Compatibility with Government Procedures:** As a result of two days of discussions with Region, Woreda and Community stakeholders, it was established that GoE procedures are effectively used in CDF. Outsourcing fund transfer management to a financial intermediary (ACSI) was not perceived to pose a regulatory problem for scaling up and/or replication in other regions.
5. **Quality and Fiduciary Controls:** Given the outsourcing of parts of the processes, the participants had concerns about controlling the management of funds, as well as regulatory compliance and quality of procurement of goods and services. The participants found that the Woreda and community level control mechanisms are not only sufficient but effective. Also, it was found that with minor modifications to the existing CDF procurement and financial manuals it can be mainstreamed with the government procedures.
6. **Community Capacity:** As in other support modalities and approaches, trainings and capacity building inputs are significant with CDF. However, no training matches the capacity acquired from *learning by doing*, as is the case with CDF. Based on this experience, the communities are able to improve their livelihoods even in non-WASH fields.

Recommendations:

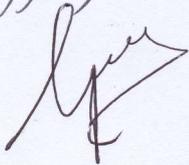
Based on the mission, the participants wish to recommend that:

1. The Government of Ethiopia, with the lead of Ministry of Water Resources and strong endorsement from the Ministry of Finance and Economic Development, immediately open a serious dialogue with relevant WASH development partners for the adoption of CDF as a funding mechanism. However, as the CDF is not the *only* answer to the sector's challenges, the recommendation is to adopt CDF in areas where it is feasible applicable. This seems to be the case in roughly one third of the country.
2. There is no time to waste, as the sector is falling behind schedule to reach the UAP targets by 2012. The dialogue with the WASH sector partners should begin immediately following, and in line with the recommendations of the CDF summit to be held in Amhara during 9.-10.2.2010.
3. Building on the capacity built by the Government of Finland-funded programmes, Amhara and Benishangul-Gumuz regional governments should be urged to take immediate steps to scale up the CDF in their regions. There is special urgency in Amhara, as the RWSEP programme will end in 2011. The Government of Finland has expressed initial willingness to finance the region, if a suitable management structure is in place. This will also facilitate increased participation also by other WASH partners.

Ministry of Water Resources

Ato Yohannes Gebremehdin

*Director, Directorate of
Water Supply and Sanitation*



Ministry of Finance and Economic Development

Ato Tilahun Tadesse

[Signature]
Director, Bilateral Directorate, Ministry of
Finance & Economic Development /MoFED/

Ato Alemayhu Asafa

Senior Expert, Central Accounts of MOFED

Ato Felleke Gebremariam

Senior Expert,,Channel 1 Coordination Unit

Ato Yusuf Yimer

Senior Expert, Treasury Department of MoFED

List of Bahir Dar Field Trip Participants

Mission participants

1. Ato Tilahun TadesseDirector, Bilateral Directorate, Ministry of Finance & Economic Development , MoFED
2. W/o Asnakech Teferra Senior Expert, Bilateral Directorate ,MOFED
3. Ato Alemayehu Assefa..... Senior Expert Account Section, MOFED
4. Ato Feleke G/marilam Senior Expert, Channel-1 Coordination Unit, MOFED
5. Ato Yesuf Yimer Senior Expert, Treasury Department MOFED
6. Ato Wossen Demisse Expert, Bilateral Directorate , MOFED
7. W/o Aynalem Mamo Senior Expert, Bilateral Directorate ,MOFED MOFED
8. Ato Yohannes G/Medhin Director, Directorate of water supply and sanitation, MoWR

As field visit facilitators:

1. Ato Tilahun Eshete.....Deputy Head, BOFED,
2. Ato Desalegn Berhane Senior Expert, Bilateral Department, BOFED
3. Mr Antti Inkinen Advisor, Water sector, Economic affairs, Embassy of Finland
4. W/O Martha SolomonWater Advisor, Embassy of Finland
5. Mr Elis Karsten..... TA Team Leader RWSEP Programme Office
6. Ato Mulatu Ferede..... Programme Coordinator RW SEP , BoWRD
7. RWSEP Technical Assistance Team joined as resource persons

