

GENERIC
MEMORANDUM OF UNDERSTANDING BETWEEN
COMMUNITY MANAGED PROJECTS (CMP) FINANCING
PARTNERS

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Version: Final Draft

Date: 18/01/12

1 INTRODUCTION

According to Growth Transformation Plan (GTP) Ethiopia is committed to increase potable water supply coverage in rural areas from the present 65.8% to 98.5%. The main strategy set in the plan is to develop and implement low cost technologies. According to the revised Universal Access Plan (UAP) (April 2011) a *total of 93,827* schemes will be constructed to achieve 98% access by 2015 in rural Ethiopia. With these schemes it is planned to serve 17.95 Million additional people still at the moment without potable water service.

Side by side with new construction, non functionality of schemes is expected to be reduced from 20% in 2011 to 10% in 2015.

The implementation strategy, defined in the revised WASH Implementation Framework (WIF) and signed by the four ministries of Water, Health, Education and Finance would follow an accelerated demand responsive stepped approach in which awareness creation and capacity building would be followed by implementation. In terms of technology simple and low cost schemes will be the priority area for implementation. Sustainability of the services through focused and improved operation and management of schemes is also one of the strategies.

In terms of finance a strategy for maximizing community and government contribution would be enhanced in line with the GTP financial strategy. Effective and efficient use of funding from donor and NGO sources would also be enhanced to achieve UAP targets.

Accordingly, the signatories of this MOU have committed to pull together allocated budget for CMP projects in theregion effectively by cooperating and aligning their efforts.

The MOU is, essentially, a set of coordination activities that will lead to the implementation of the consolidated WASH account.

Building the consolidated WASH account is not a turn-key operation and requires incremental steps. It requires gradual harmonization in planning, budgeting, reporting and financial management. It requires a high level of commitment to build sustainable partnership.

It is against this background that the signatories have agreed to form partnership and cooperate in the implementation of CMP projects in the region.

2 PURPOSE OF THE MOU

The purpose of the MOU is to facilitate the cooperation among the different financiers and ensure effective implementation of CMP projects in the region.

The detailed purposes of this MOU are the following:

- To ensure effective allocation of resources so that maximum outputs and outcomes can be achieved
- To coordinate efforts among the different financiers of CMP
- To mobilize additional fund for the implementation of CMP
- To prepare for the eventual consolidated WASH account

3 PRINCIPLES OF COOPERATION

The guiding principle for the cooperation among the different signatories is that they are committed to contribute budget towards CMP in the region and to jointly utilize resources as per agreed framework.

The principles for the cooperation will include the following:

- All signatories are committed to abide by the core principles of CMP
- All signatories will channel or (notify for NGOs) their committed CMP budget through BOFED
- All financiers will share one regional technical assistance
- All financiers are committed to joint planning and budgeting of CMP

4 PRINCIPLES OF THE CMP

The core principles of CMP are the following:

- Investment fund for physical construction is directly transferred to the communities via woreda finance office or an intermediary financial institution (micro finance, bank etc)
- Community will access to the fund through approval of Woreda WWT for the implementation of the project
- The WASHCO is directly responsible for contracting, procurement and quality control of the scheme construction

- The WASHCO is financially accountable – to the community and to the Kebele and Woreda Administrations.

5 CONDITIONS FOR ENTERING MOU

The signatories agree that any other financier can join CMP partnership if it fulfils the following conditions:

- Acceptance of WASH Implementation Framework
- Willingness to contribute fund towards the implementation of CMP projects for investment or capacity building or technical assistance or operation costs or research
- Channeling the finance through BOFED
- Agreeing to streamline planning, budgeting, reporting and monitoring as described under section 6.

6 AREAS OF COOPERATION

6.1 STREAMLINING PLANNING PROCESS

Streamlining the planning process is very essential to coordinate the efforts of the various financiers and assure effective implementation of CMP projects. The main issues that need to be streamlined in the planning process are the following:

- Using the same planning formats to be used by Woredas WWT
- Agreeing on the same planning schedule agenda on the distribution of the planning format, the delivery of draft plan, the conducting of planning workshop and finalizing the annual plan
- Agreeing to use the same planning process
- Agreeing to have similar institutions responsible for planning
- Conducting joint planning workshop

6.2 STREAMLINING BUDGETING PROCESS

Having the same budgeting process is the first step towards having one WASH budget and as such an important aspect for cooperation. The budgeting process includes the following items:

- Using the same Budgeting formats to be used by Woredas WWT
- Agreeing on the same budgeting schedule agenda on the distribution of the budgeting format, the delivery of draft budget and sending date of approved budget to Woredas
- Agreeing to have similar institutions responsible for budget approval

- Agreeing on unit rates for calculating the budget like scheme cost, daily subsistence allowances, etc....

6.3 FUND FLOW

Ideally, there would be a national pooled fund under MoFED with resources from GoE, banks, donors and NGOs to be used for the implementation of CMP. While having a national pooled fund for WASH is the objective of all partners, it is essential that intermediary actions are done to create the foundation for the ultimate goal.

The signatory financiers agree to abide the basic features and principles of CMP fund flow, which are:

- CMP funds will be established at regional level
- CMP funds are managed regionally by BoFED and at woreda level by WOFED and communities;
- CMP funds will be used for investment, capacity building, technical assistance and operational support of implementing bodies;
- Investment funds from the regional CMP account are channeled to communities through woreda finance office or appropriate financial intermediaries;
- Operational and capacity building funds are channeled from the regional CMP account are channeled to the respective Bureaus, ZoFEDs and WoFEDs
- Communities are provided with the fund to manage procurement of services, goods and works.

The particularities for the different financiers will be the following:

- Every financier will have a special bank account for CMP fund
- The financier will decide what and where to finance (the woredas and the type of budget investment, capacity building or TA)

6.4 USING ONE CMP WASH STRUCTURE AT REGIONAL AND WOREDA LEVEL

All CMP partners are committed to use the WASH structures at regional, zone and woreda levels.

The regional WASH steering committee will be responsible for regional level oversight and regulation of all WASH projects including CMP projects.

The regional CMP Technical Team (implementing sector bureaus and financiers) will be responsible for regional level coordination and overall management of all CMP projects. The regional CMP Technical Team will be supported by the regional CMP coordinator and regional CMP specialists (Regional Support Unit) for the day to day follow up and management of CMP projects.

Individual financiers can have "financier specific focal person for CMP" who will be a liaison between the Donor's office and Regional CMP Support Unit in the Regional WASH Management Unit.

At woreda level the Woreda WASH Team will be responsible for the overall planning and management of all CMP projects. The CMP supervisor will be assigned from the Water Office and will be responsible for day to day activity of CMP projects including the following:

- Application and agreement processing
- Review of payments
- Monitoring of works
- Financial settlement
- Provide support to community

6.5 INVESTMENT FINANCING

All CM partners agree that CMP finance will be used for the following:

- Construction of new water points such as hand dug wells, on spot springs, roof catchment
- Construction of new institutional latrines
- Rehabilitation of old water points
- Rehabilitation of old institutional latrines
- Construction of water points with higher technology if approved by regional WASH steering committee

6.6 TECHNICAL ASSISTANCE

Technical assistance is a key element for the effective implementation of CMP projects. Therefore, at regional level there will be a CMP technical assistance that will be shared by all CMP partners. This Technical Assistance team is called "*Regional Support Unit*".

Accordingly, the CMP partners have agreed to pursue the following framework for the effective implementation of the technical assistance:

- All partners agree on uniform schedule of activities so that the TA team can discharge its responsibilities effectively
- All partners agree on monitoring schedule on a quarterly basis so that coordinated monitoring can be carried out
- The woredas will be packaged geographically (irrespective of the financier of the woreda) to conduct training to a number of woredas simultaneously in a planned manner

- All CMP partners agree to organize follow up (supervision) missions jointly
- Any partner with particular TA requirements that has not been outlined in the annual plan of action or requires specific input like new technology shall submit to the TA team separately
- Zonal advisors will be assigned in a manner that within the available number of zonal advisors all woredas are covered irrespective of the financier

6.7 JOINT UTILIZATION OF RESOURCES

The partners have agreed that CMP projects have the following cost types:

- Investment (including financial intermediary commission)
- Capacity Building
- Technical Assistance
- Operating costs
- Research

Recognizing that a CMP partner can finance the whole cost of CMP project in a Woreda/s or can finance one part of the project; the partners have agreed to channel the finance of CMP in the following manner.

Financier	Allocated Budget	Type of financing
Financier A	abc	Investment
Financier B	def	Capacity Building
GOE	ghi	Investment, Operations
Financier C	jkl	Capacity building, Operations

Delay in release of fund by one financier can be compensated by other financier upon agreement of all partners.

BOFED will facilitate the inclusion of other finances like LIG, PSNP, MDGCF, PCDP towards implementation of CMP projects wherever it is possible.

BOFED will inform other partners about the upcoming new finance and notify the details of the planned financing

The details CMP funding by each financier including the list of woredas is attached to this MOU.

6.8 REPLENISHMENT PROCESS

A streamlined replenishment process of funds is vital towards a consolidated WASH account. Therefore, CMP partners have agreed to harmonize the following:

- Period of replenishment
- Requirement for replenishment

The CMP partners have agreed that the period for replenishment shall be every three months. Every CMP implementing woreda shall submit physical and financial report quarterly. Financial reports for capacity building shall be sent to BOFED while the investment report is submitted to Water Resource Bureau.

The requirements for replenishment are that both financial and physical reports are submitted to the regional water resource bureau and BOFED (capacity building financial report).

The replenishment will be effected based on agreed cash flow plans. However, the quarterly disbursement will consider the amount utilized during preceding quarter, so the amount to be disbursed will be quarterly cash flow requirement minus unutilized budget from previous quarter.

6.9 REPORTING

All CMP partners agree that the reporting process will be streamlined as follows:

- The period of reporting will be quarterly in accordance with the WASH Implementation Framework.
- There will be two types of reporting; financial report and physical report.
- Financial reports for investments channeled through financial intermediary will be prepared by Woreda water office (approved by WWT) and submitted to regional water resource bureau and copied to WoFED.
- Financial reports for investments channeled through Woreda Finance Office will be prepared by Woreda Finance office (approved by WWT) and submitted to regional BOFED copied to regional water resource bureau.
- Financial reports for capacity building will be prepared by Woreda finance office and submitted to regional BOFED and copied to Water Office.
- Physical reports are prepared by CMP supervisor (approved by WWT) and will be submitted to Water Bureau and Regional WASH Coordination Office and copied to WoFED.
- Quarterly Regional physical progress report will be compiled by the regional technical assistance team aggregated by financier and submitted to the regional coordination office for approval and further distribution to the individual financiers.
- Quarterly Regional financial report will be compiled by BOFED (with the support of technical assistance team) aggregated by financier and will be distributed to the individual financiers.

6.10 MONITORING

CMP partners agree that the monitoring process for CMP projects shall be based on the monitoring and evaluation framework of the WIF.

- In line with WASH Implementation Framework monitoring will be carried out quarterly.
- Composition of monitoring teams will include financial specialist and technical specialist
- The purpose of monitoring will be state of financial disbursement, construction quality, and progress of capacity building activity
- Annual physical and financial reports shall be prepared in such a manner so that they can provide inputs to utilize for WASH monitoring, therefore, the reports shall have all information that can be used to compute monitoring indicators.
- Biannual evaluations will be carried out by the regional WASH steering committee

6.11 AUDITING

All CMP partners have agreed to adhere to the following:

- To follow the internal control mechanism as set out in CMP financial guideline
- To accept the quarterly internal auditing by Woreda finance office and to be reported to WWT
- To hire external auditors by all CMP partners jointly through a local tendering procedure and the selection will be subject to CMP management committee
- The Regional TA team will work closely with the external auditor
- The result of the audit report will be distributed to all CMP partners and WASH steering committee
- The funding for the external auditor will be made available by

6.12 MEETING

All CMP partners agree to the following:

- CMP partners will meet biannually in July and in January.
- The regional CMP coordinator will act as secretary of the meeting.
- The meetings will be carried in the regional capital or any selected place.
- The meeting agenda will be prepared by the regional CMP coordinator and distributed to all CMP partners 10 days before the meeting.

- Minutes of meeting will be taken by the regional CMP coordinator.
- Minutes of meeting will be distributed to all partners for signature.
- Any partner can call extraordinary meeting through the secretary.