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Investing in rural people

## **President's report**

### **Proposed grant to the Republic of Kiribati for the Outer Islands Food and Water Project (OIFWP)**

#### **Note to Executive Board representatives**

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**For: Approval**

## Contents

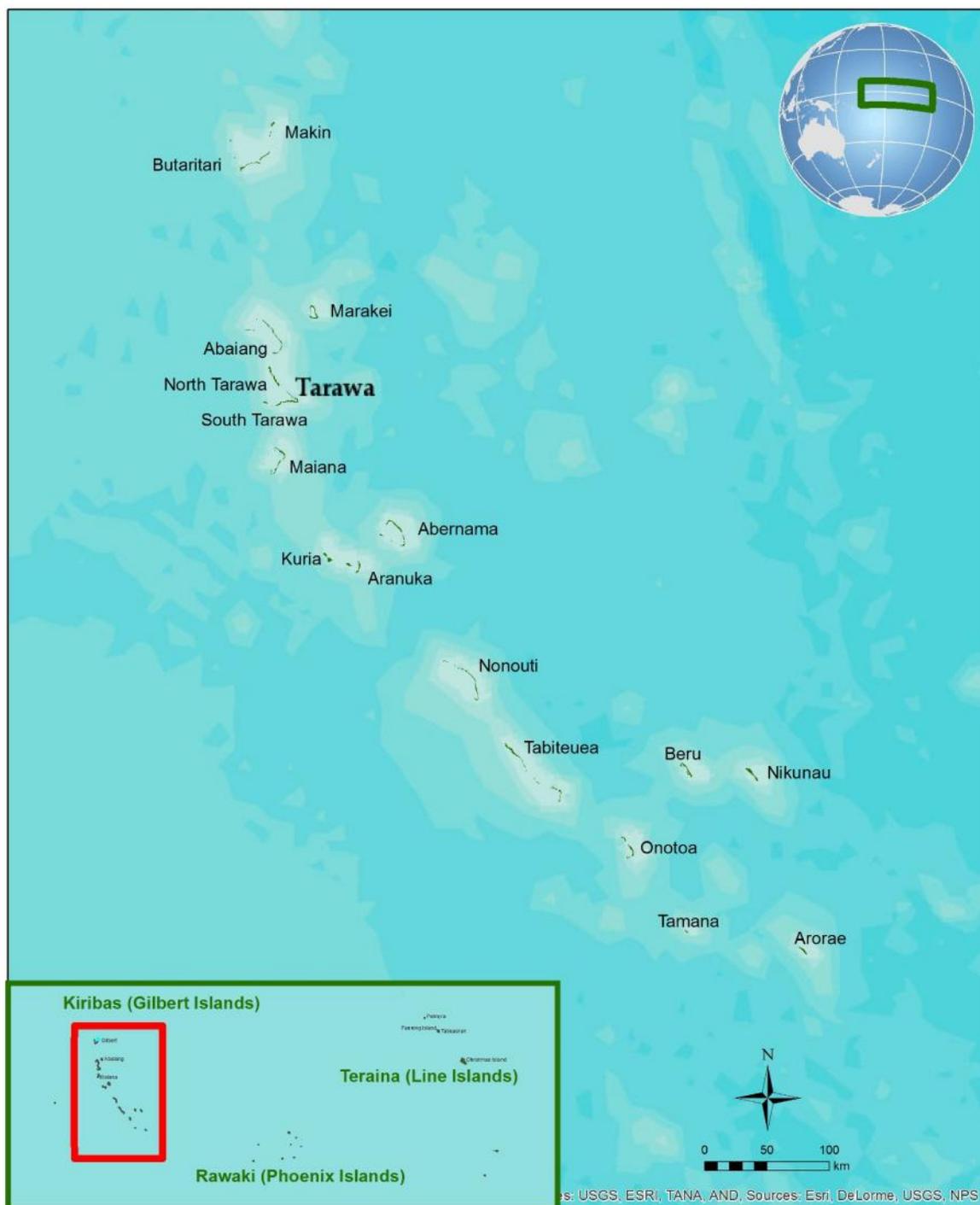
<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Map of the project area</b>	<b>iii</b>
<b>Financing summary</b>	<b>iv</b>
<b>Recommendation for approval</b>	<b>1</b>
<b>I. Strategic context and rationale</b>	<b>1</b>
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities and RB-COSOP	1
<b>II. Project description</b>	<b>1</b>
A. Project area and target group	1
B. Project development objective	2
C. Components/outcomes	2
<b>III. Project implementation</b>	<b>3</b>
A. Approach	3
B. Organizational framework	3
C. Planning, monitoring and evaluation, and learning and knowledge management	4
D. Financial management, procurement and governance	4
E. Supervision	5
<b>IV. Project costs, financing, benefits</b>	<b>5</b>
A. Project costs	5
B. Project financing	5
C. Summary benefit and economic analysis	7
D. Sustainability	7
E. Risk identification and mitigation	7
<b>V. Corporate considerations</b>	<b>8</b>
A. Compliance with IFAD policies	8
B. Alignment and harmonization	8
C. Innovations and scaling up	8
D. Policy engagement	9
<b>VI. Legal instruments and authority</b>	<b>9</b>
<b>VII. Recommendation</b>	<b>9</b>
<b>Annex</b>	
Negotiated financing agreement	10
<b>Appendix</b>	
Logical framework	1

## Abbreviations and acronyms

ACIAR	Australian Centre for International Agricultural Research
ALD	Agriculture and Lands Department
ANZ	Australia and New Zealand Banking Group Limited
AWP/B	annual workplan and budget
CFO	community field officer
FSPK	Foundation of the Peoples of the South Pacific, Kiribati
IWT	island water technician
KFSU	Kiribati Fiduciary Services Unit (MFED)
KIRIWATSAN	Kiribati Water and Sanitation Project
M&E	monitoring and evaluation
MELAD	Ministry of Environment, Lands and Agricultural Development
MFED	Ministry of Finance and Economic Development
MORDI	Mainstreaming of Rural Development Innovations
MPWU	Ministry of Public Works and Utilities
OIFWP	Outer Islands Food and Water Project
PCU	project coordination unit
PIM	project implementation manual
PPSC	project partnership steering committee

# Kiribati: Kiribas (Gilbert Islands)

## Outer Islands Food and Water Project



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 Map compiled by IFAD | 18-06-2014

## Republic of Kiribati

### Outer Islands Food and Water Project (OIFWP)

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Republic of Kiribati
<b>Executing agency:</b>	Ministry of Finance and Economic Development (MFED)
<b>Total project cost:</b>	US\$7.23 million
<b>Amount of IFAD grant:</b>	SDR 1.94 million (equivalent to approximately US\$3 million)
<b>Cofinancier(s):</b>	To be confirmed
<b>Amount of cofinancing:</b>	Cofinancier 1: US\$3.00 million Cofinancier 2: US\$0.15 million
<b>Terms of cofinancing:</b>	Grant
<b>Contribution of recipient:</b>	US\$1 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Kiribati for the Outer Islands Food and Water Project, as contained in paragraph 38.

## **Proposed grant to the Republic of Kiribati for the Outer Islands Food and Water Project (OIFWP)**

### **I. Strategic context and rationale**

#### **A. Country and rural development and poverty context**

1. Kiribati could be considered the most vulnerable Pacific Island country, with the lowest income per capita and a dispersed population across 33 islands, mostly inhabited, over an area of 13 million square kilometres in the Central Pacific. South Tarawa, the main atoll, is home to half the country's population, with a very high demographic density due to recent migration from the outer islands. The remaining population, some 50,000 rural people, are experiencing growing hardship owing to climate change, limited access to fresh, clean water, and malnutrition due to unreliable imported food supplies and poor, unhealthy diets.

#### **B. Rationale and alignment with government priorities and RB-COSOP**

2. The Kiribati Development Plan 2012-2015 calls for "enhancing aid effectiveness to support economic growth" and identifies poverty reduction, health and the environment as key policy areas for development. Outcome 3 of the environment area is "improved food security and strategies" under the responsibility of the Ministry of Environment, Lands and Agriculture (MELAD). OIFWP will support the Government of Kiribati in achieving this outcome, in line with MELAD's Strategy for Agriculture and Livestock Development, which aims, inter alia, to develop sustainable atoll crop and livestock production systems.
3. The project capitalizes on IFAD's previous support to Kiribati through two regional grant programmes: a small regional grant for the Atolls Centre for Excellence, a MELAD research station in South Tarawa, and an IFAD-funded regional grant for Mainstreaming of Rural Development Innovations (MORDI).
4. OIFWP will also scale up to the outer islands: (i) applied research undertaken by MELAD with the Secretariat for the Pacific Community, through financing and technical support from the Australian Centre for International Agricultural Research (ACIAR); and (ii) training and technical assistance for home gardens from the Taiwan Technical Mission. OIFWP also complements the Kiribati Water and Sanitation Project (KIRIWATSAN), funded by the European Union, by increasing the total supply of fresh water on the outer islands.

### **II. Project description**

#### **A. Project area and target group**

5. OIFWP targets four outer islands: Abebama, Beru, North Tabiteuea and Nonouti. The project area has a total population of over 11,600 people (25 per cent of the total outer island population) and 2,200 households. Activities will initially be implemented in approximately 43 communities, selected on the basis of criteria defined in the project implementation manual (PIM). Implementing agencies will work with communities as a whole, adopting an inclusive approach to community

and household engagement. However, especially vulnerable people will be prioritized, particularly women, and young people (aged 15-30): women represent about half the population and young people account for about one third.

## **B. Project development objective**

6. The overall goal of OIFWP is that “people living in outer island communities have healthy, sustainable livelihoods”. The project development objective is that “outer island communities are able to successfully plan and implement investments that result in better nutrition and access to clean water”.

## **C. Components/outcomes**

7. The OIFWP has three operational components plus a project coordination and management component, as follows: (i) community planning and action; (ii) improved household food and nutrition; (iii) rainwater harvesting for increased household water supplies; and (iv) a project coordination and management component.
8. **Component 1 - Community planning and action.** This component will build the capacity of communities to plan and implement community development interventions, particularly in the areas of household food production and access to clean water. Its overall approach and implementation will be under the responsibility of a service provider such as the Foundation of the Peoples of the South Pacific, Kiribati (FSPK). Island facilitators and community field officers (CFOs) will be recruited and trained in participatory planning and action approaches. They will in turn train communities to analyse constraints and opportunities in order to identify appropriate solutions, rank priorities and take action. Activities will be implemented in coordination with staff from MELAD and the Ministry of Public Works and Utilities (MPWU), which are responsible for components (ii) and (iii) respectively.
9. **Component 2 - Improved household food and nutrition.** This component will focus on promoting activities to increase household production of fruits, vegetables, poultry, and root and tree crops, and to improve diets through an increased proportion of calories and nutrients from local food crops. The following main activities will be undertaken: (i) training in improved soil and water management to address the impact of climate change, and in improved use of planting materials for home gardening through the farmer field school approach. Equipment (i.e. gardening tools and materials) will be provided to improve the collection and use of grey water for gardens; (ii) training in household poultry practices and support for upgrading and improving existing household poultry production systems; (iii) training in and support for improving existing production systems for root and tree crops; (iv) research on food crops; and (v) nutrition education through the production of educational and food preparation materials, training in food preparation and preservation, and social marketing through the use of radio broadcasts and itinerant local theatre. Nurseries will be established in secondary schools, which will also be used as venues for cooking and food preservation training activities. The component will be implemented by the Agriculture and Lands Department (ALD) of MELAD. Field activities will be carried out by MELAD’s agricultural assistants, supported by CFOs.
10. **Component 3 - Rainwater harvesting for increased household water supplies.** This component will finance the construction of some 278 purpose-built rainwater harvesting structures, each with a consensus-based water users’ agreement on construction and maintenance of the infrastructure, use of the land occupied by the structure, and water allocation among users. Training will be provided to volunteer community water technicians in regular maintenance and repair work. MPWU, with its island water technicians (IWTs), will be responsible for this component. A manager will be recruited to follow the procurement process for installation of the structures, overseeing the work of a contracted private firm and

ensuring that structures are built according to MPWU standards and in coordination with KIRIWATSAN and the Kiribati Adaptation Project II, implemented by the World Bank.

11. **Component 4 - Project coordination and management.** MELAD will establish a project coordination unit (PCU) within its headquarters, to be headed by a senior MELAD official. The PCU will have the following responsibilities: (i) establishment of the project partnership steering committee (PPSC) and finalization of its TORs; (ii) conclusion of written agreements with the Ministry of Finance and Economic Development (MFED) for the provision of procurement and financial management services through the Kiribati Fiduciary Services Unit (KFSU); (iii) consolidation of the overall project annual workplan and budget (AWP/B); (iv) submission of AWP/Bs to the PPSC for review and approval; (v) monitoring and evaluation (M&E) of physical outcomes and impact; (vi) communication and management of information and knowledge across implementing agencies and to all stakeholders; and (vii) fulfillment of PPSC secretariat functions.
12. Project management and coordination costs will include salaries of the project coordinator, and the financial management, procurement, M&E, and knowledge management and communications officers. Costs will also cover the baseline survey, dietary diversity and impact studies, travel to the outer islands for M&E and supervision, basic office equipment, and four months of external technical assistance to the project coordinator, mostly at project start-up.

### **III. Project implementation**

#### **A. Approach**

13. The project will adopt a community-driven development approach that will provide communities with the capacity to collectively identify, plan and execute activities to improve their living conditions, and support communities in organizing themselves for the operation and maintenance of rainwater harvesting structures. OIFWP will build on and replicate successful features of the community development approach implemented by MORDI. An inclusive targeting strategy will be adopted, involving households and the community as a whole in project implementation, while addressing the specific concerns of women and youth. The introduction of well-tested household methodologies that have proved successful in a number of countries in Africa will enable household members to analyse resource availability, use, opportunities and constraints as a means to determine, together, how they can benefit from project-financed activities. Finally, technical training will be delivered using the farmer field school approach, beginning with discussion of nutrition issues and of how home gardening can help women meet household nutritional requirements.

#### **B. Organizational framework**

14. MELAD will be the lead agency in project implementation and will host the PCU. A PPSC will be formed and chaired by the Secretary of MELAD with representatives of: MFED; the Office of Te Beretitenti; MPWU; the Ministries of Internal Affairs; Women's Development; Health and Medical Services; Education; Foreign Affairs and Immigration; Commerce, Industry and Cooperatives; the Office of the Attorney General; and FSPK or other service provider. The PPSC will: provide overall oversight of project activities; review and approve AWP/Bs and the PIM; promote coordination among the international, regional, national and local development implementing partners; identify policy issues; and ensure transparency and accountability in project management.
15. Each component will be implemented under the responsibility of an implementing agency: FSPK or other selected service provider for component 1, ALD/MELAD for component 2, and MPWU for component 3. Each component will also have a manager and staff deployed at the island level, that is, island facilitators and CFOs

(component 1), agricultural assistants (component 2) and IWTs (component 3). For component 1, the selected service provider will have experience in participatory development and possess the organizational and logistical capacity to work in the outer islands on the scale required by the project. For component 3, construction of water structures will be outsourced to a private enterprise to be selected through competitive bidding. Project activities will be implemented in close consultation with Island Councils so as to ensure maximum complementarity with other government or donor interventions.

### **C. Planning, monitoring and evaluation, and learning and knowledge management**

16. AWP/Bs will be prepared for each component by each implementing agency on the basis of project design, project M&E reports, and lessons learned during implementation. Plans will be consolidated by the PCU and submitted to the PPSC and IFAD for approval. An M&E officer, located in the PCU, will collect up-to-date information on physical progress as measured against the activities planned in the AWP/B in collaboration with implementing partners. S/he will also liaise with KFSU for all information on financial progress. On the basis of information collected, the M&E officer will prepare semi-annual and annual progress reports.
17. The project design includes features to foster learning and sharing of knowledge in target communities, among the managers of this project, and across the wider group of stakeholders in the Government, civil society, and development assistance providers in Kiribati. The knowledge management and communications officer will select a limited number of topics for documentation (1-3 each year) and will define a process for sharing documented project knowledge with stakeholders in Tarawa. As far as possible, the project will use existing government channels, such as the Parliament or the Kiribati National Expert Group for policymaking and subject matter consultations. A collaborative website will be created within the IFAD Asia and the Pacific portal to document and share online lessons and knowledge emerging from project implementation.

### **D. Financial management, procurement and governance**

18. In order to reduce fiduciary risks and implement an effective internal control mechanism, all activities related to financial management and procurement will be centralized in KFSU, within MFED. This practice is also being followed for other projects financed in the country by the World Bank and the Global Environment Facility.
19. **Accounting and reporting.** All accounts and records will be maintained on a cash basis and in accordance with the systems used by KFSU (the current accounting software being QuickBooks). The system's features are compatible with IFAD's minimum reporting requirements. QuickBooks will be used to generate project financial reports and to monitor financial progress.
20. **Flow of funds.** IFAD will provide funds to the Government in the form of a grant under the terms and conditions specified in the financing agreement (see annex). The Accountant General will open a designated account in Australian dollars (\$) in the name of the recipient, in a bank acceptable to the Fund, and managed by MFED. MELAD will ensure that project funds are channelled to KFSU to finance the financial management and procurement officers.
21. **Audit.** An annual audit of project financial statements will be conducted by the Kiribati National Audit Office, legally mandated to audit and report on the use of public financial resources for all government agencies. Audit reports will be submitted to IFAD within six months of the end of each fiscal year. Upon IFAD's request, the project may contract an international firm to conduct additional external audits. In addition, the Government will submit quarterly unaudited

financial reports to the Fund, prepared by KFSU, within one month of the end of each calendar quarter.

22. **Procurement.** Procurement of works, goods and services will be carried out by KFSU in accordance with World Bank procurement guidelines, except where procurement requires national competitive bidding, in which case government national competitive bidding procedures will be applied by KFSU.

#### **E. Supervision**

23. The project will be directly supervised by IFAD. A supervision mission and at least one implementation support mission will be fielded on an annual basis. Whenever possible, supervision missions will coincide with AWP/B preparation. A supervision plan for the first three years, up to the midterm review, will be agreed on at start-up.

### **IV. Project costs, financing, benefits**

#### **A. Project costs**

24. Total investment costs, including physical and price contingencies, are estimated at US\$7.23 million (\$A 7.6 million). Physical and price contingencies amount to 9 per cent of total project costs. The foreign exchange component is estimated to be 18 per cent of the total. Costs of component 1 amount to US\$0.75 million, of component 2 to US\$4.30 million, of component 3 to US\$1.61 million, and of component 4 to US\$0.57 million.
25. Incremental project costs in the form of MELAD and MPWU staff time dedicated to project implementation have been included as part of the Government's contribution.

#### **B. Project financing**

26. IFAD will finance 41.5 per cent of the total with a grant of approximately US\$3 million. The Government's contribution will be provided as in-kind resources in the form of staff and forgone tax revenue for an estimated total value of US\$1 million (15 per cent of total project costs). The financing plan by component is presented in table 1. As currently planned, cofinancier 1 would contribute parallel financing of about US\$3 million to cover costs associated with technical assistance, including housing and some related materials and equipment under subcomponent 2.1, production support; whereas cofinancier 2 would finance materials, equipment and technical assistance for activities under subcomponent 2.3, research and innovation, for a total value of US\$150,000. These cofinancing partners have been identified by the Government, in collaboration with IFAD, and agreements securing the support are expected to be in hand by mid-2014.

Table 1  
**Estimated cost by component by financier**  
 (United States dollars)

	IFAD	Cofinancier 1	Cofinancier 2	Government	Total				
	Amount	Amount	Amount	Amount	Amount	Percent- age	Foreign exchange	Local (excl.taxes)	Duties and taxes
1. Community planning and action	724 464	-	-	24 504	748 968	10.4	104 265	620 198	24 504
<b>2. Improved household food and nutrition</b>									
Component management	149 221	-	-	8 234	157 455	2.2	-	157 455	-
Production support	61 133	3 007 842	23 230	740 409	3 832 615	53.0	282 874	3 410 144	139 597
Nutrition education	164 281	-	-	10 680	174 961	2.4	8 039	156 241	10 680
Research and innovation	-	-	125 163	6 380	131 543	1.8	111 632	13 532	6 380
<b>Subtotal</b>	<b>374 634</b>	<b>3 007 842</b>	<b>148 394</b>	<b>765 703</b>	<b>4 296 573</b>	<b>59.5</b>	<b>402 545</b>	<b>3 737 372</b>	<b>156 657</b>
3. Rainwater harvesting for increased household water supplies	1 352 538	-	-	258 759	1 611 297	22.3	685 580	755 540	170 177
4. Project coordination and management	548 196	-	-	22 062	570 258	7.9	144 606	403 590	22 062
<b>TOTAL PROJECT COSTS</b>	<b>2 999 831</b>	<b>3 007 842</b>	<b>148 394</b>	<b>1 071 029</b>	<b>7 227 096</b>	<b>100.0</b>	<b>1 336 996</b>	<b>5 516 699</b>	<b>373 401</b>

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Table 2

**Estimated cost by category in SDR and United States dollars**

Category	Grant amount allocated (SDR rounded)	Grant amount allocated (US\$)
Goods, services and inputs	160 000	249 778
Works	650 000	1 004 676
Consultancies	70 000	101 641
Training	100 000	151 483
Salaries and allowances	680 000	1 062 820
Operating costs	80 000	129 451
Unallocated	200 000	299 982
<b>Total</b>	<b>1 940 000</b>	<b>2 999 831</b>

**C. Summary benefit and economic analysis**

27. The main tangible benefits will accrue from: (i) increased food availability through the adoption of home gardening and poultry activities and establishment of strategic food reserves; (ii) reduced household dependence and overall expenditure on imported foods; (iii) income generation opportunities for poor households, which will be able to sell occasional production surpluses; and (iv) reduced incidence of water-borne diseases as a result of better access to safe water sources. In addition, the project will create some employment opportunities and is likely to result in reduced medical expenditures for the Government. The base-case internal rate of return is estimated at 19 per cent.
28. Proceeds from the sale of surplus production of vegetables, tree crops and poultry (mainly eggs) will generate about \$A 1,241 per year of incremental income for the family. The total number of labour days per year will almost double, shifting from 310 to 591. The household will produce up to 65 per cent of the total value of food consumed and will enjoy a more balanced diet and a reduction of about 25 per cent in dependence on rice, flour and sugar. Expenses on imported food items will decrease to 22 per cent of cash income. A typical family of six members could save up to 41 days from water collection and 36 days from reduced water-borne sicknesses, totalling 77 days per year that may potentially be used for productive or income-generating activities. The economic net benefit is about \$A 1,088 per water system per year.

**D. Sustainability**

29. Capacity-building investments and activities are at the core of the project and are expected to sustain the benefits that will accrue through project support. OIFWP is expected to lead to increased capacity at all levels (household, community and government staff). Post-project sustainability will be ensured, as capacity will be built among household members to carry out home gardening and poultry activities; among households and communities to operate and maintain rainwater harvesting infrastructure; among communities to prioritize and execute development plans; and among staff from local and national institutions to provide better services to communities.

**E. Risk identification and mitigation**

30. The most serious risks to successful project implementation and achievement of the stated objectives are linked to: (i) logistical challenges in the country; (ii) a harsh atoll environment; (iii) limited numbers of trained staff and experience in project management, including procurement and financial management aspects; (iv) limited civic responsibility or respect for public goods; and (v) a cultural environment that tends to discriminate with respect to age and gender, giving greater weight to the views and preferences of men and elders. The following

mitigating measures have been embedded in the project: (i) setting realistic targets and institutional arrangements that envisage staff presence in the outer islands; (ii) expanding atoll agriculture research, work on indigenous crops, and rainwater storage capacity; (iii) assigning each implementing agency responsibility in its own area of expertise, while delegating procurement and financial management responsibilities to KFSU/MFED; (iv) forming and training water users' groups in the operation and maintenance of their own infrastructure; and (v) working with a local NGO that is aware of cultural concerns and defining strong gender and targeting strategies, whose operationalization will be under the overall responsibility of a project gender and youth officer. As the first IFAD project in the country, the main fiduciary risk is represented by the recipient's limited knowledge of IFAD procedures. This risk is mitigated by the centralization of financial management activities in KFSU, the Government's specialized unit for the management of official development assistance.

## **V. Corporate considerations**

### **A. Compliance with IFAD policies**

31. OIFWP is designed in accordance with the IFAD Strategic Framework 2011-2015, which aims to enable poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience. The project is also compliant with IFAD's policies on targeting, gender equality and women's empowerment, and the environment.

### **B. Alignment and harmonization**

32. OIFWP is aligned with the Kiribati Development Plan 2012-2015, which calls for "enhancing aid effectiveness to support economic growth" and identifies poverty reduction, health and the environment as key policy areas for development. The project will contribute to all these areas, and in particular to outcome 3 of the environment area, which focuses on "improved food security and strategies" and is under the responsibility of MELAD. Project activities are also in line with MELAD's Strategy for Agriculture and Livestock Development, which aims, inter alia, to develop sustainable atoll crop and livestock production systems. While implementation responsibility for component 1 will be outsourced to a local service provider, components 2 and 3 will be executed by government institutions (MELAD and MPWU) and their staff at island levels, to ensure so that their structures are used and institutional capacity is built. Mechanisms to ensure full coordination with ongoing projects working on water infrastructure have been established for the implementation of component 3 (KIRIWATSAN, implemented by the European Union, and the Kiribati Adaptation Project II, implemented by the World Bank).

### **C. Innovations and scaling up**

33. This is the first IFAD project of this scale in Kiribati and will thus be crucial in generating learning in terms of best practices and successful innovations that could be scaled up in future programmes in the country or should the project expand to other outer islands as planned. The community development approach implemented under the MORDI grant is replicated under OIFWP, with the required adjustments and lessons learned during implementation of that programme. Additionally, the results of the applied research undertaken by MELAD with support from the Secretariat for the Pacific Community and ACIAR, and training and technical assistance to home gardens from the Taiwan Technical Mission implemented in South Tarawa, will also be scaled up to the outer islands through OIFWP. Activities supported under component 3 will also complement and expand the coverage of KIRIWATSAN by increasing the total supply of fresh water on the outer islands.

**D. Policy engagement**

34. As mentioned above, the project will also refer knowledge acquired during implementation to existing government channels, such as the Parliament and the Kiribati National Expert Group, as a means of helping shape government policy. Issues on which project implementation is likely to provide the most useful insights are those related to: (i) local governance and the relationship between communities and island councils; (ii) the role of the public sector in capacity development for outer island households; and (iii) public financing and technology choices with respect to food crops and drinking water.

**VI. Legal instruments and authority**

35. A financing agreement between the Republic of Kiribati and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached hereto as an annex.
36. The Republic of Kiribati is empowered under its laws to receive financing from IFAD.
37. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the policies and criteria for IFAD financing.

**VII. Recommendation**

38. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Republic of Kiribati in an amount equivalent to one million nine hundred and forty thousand special drawing rights (SDR 1,940,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: "Outer Islands Food and Water Project (OIFWP)"**

(Negotiations concluded on 2 April 2014)

Grant Number: \_\_\_\_\_

Project Title: Outer Islands Food and Water Project (the "Project")

Republic of Kiribati (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **Preamble**

WHEREAS, the Recipient has requested a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, co-financiers intend to assist in the financing of Component 2 (Improved Household Food and Nutrition) of the Project on terms and conditions to be set forth in an agreement between the Recipient and the co-financiers;

WHEREAS on the basis of the above and other considerations, the Fund has agreed to extend a grant to the Recipient on the terms and conditions set forth in this Agreement.

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### **Section B**

4. The amount of the Grant is of one million nine hundred and forty thousand Special Drawing Rights (SDR 1 940 000).

5. The first day of the applicable Fiscal Year shall be 1 January.

6. There shall be a Designated Account, opened in the name of the Recipient, in a bank acceptable to the Fund, for receiving and holding the Grant proceeds in Australian dollar (AUD). The Designated Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Recipient and accepted by IFAD.

7. The Recipient shall provide approximately AUD 1.12 million in counterpart financing for the Project in the form of staff salaries for approximately AUD 740 000 and tax exemptions for approximately AUD 380 000.

8. Procurement of goods, works and consulting services financed by the Financing shall be carried out by the Kiribati Fiduciary Services Unit (KFSU) in accordance with the provisions of the World Bank's procurement procedures, with the exception of National Bidding and recruitment of Project staff which shall be carried out in accordance with national procurement procedures mutually acceptable to the Fund and the Recipient.

### **Section C**

9. The Lead Project Implementing Agency shall be the Ministry of Environment, Lands and Agricultural Development (MELAD). The Ministry of Finance and Economic Development (MFED) shall be the Executing Agency responsible for the overall financial and coordination oversight of the Project.

10. The Project Completion Date shall be the fourth anniversary of the date of entry into force of this Agreement.

### **Section D**

11. The Grant shall be administered and the Project supervised by IFAD.

### **Section E**

12. The following are designated as additional grounds for suspension of this Agreement:

- (a) the Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund and/or the Recipient, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project; and
- (b) the contract with the Foundation for the People of the South Pacific Kiribati (FSPK) or similar service provider retained for the implementation of Component 1 or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

13. The following are designated as additional general conditions precedent to withdrawal:

- (a) the Project Coordination Unit (PCU), shall have been duly established in accordance with Schedule 1, Section II and the Coordinator and key Project staff shall have been appointed;
- (b) the Designated Account shall have been duly opened and the authorized signatories shall have been submitted to the Fund; and

(c) a draft PIM shall have been prepared and is acceptable to the Fund.

14. The following are designated as additional specific conditions precedent to withdrawal:

- (a) no disbursement shall be made in respect of expenditures under Category II (Works) until a draft Water User Agreement referred to in Schedule 1, Section B, paragraph 3.4, has been sent to the Fund and the Fund has provided its no-objection;
- (b) no disbursement shall be made in respect of expenditures for the implementation of activities under Component 1 (Community Planning and Action) until the contract referred to in Schedule 1, Section B, paragraph 1 has been submitted to the Fund for its no-objection; and
- (c) no disbursement shall be made in respect of expenditures for the implementation of activities under Component 3 (Rainwater Harvesting for Increased Household Water Supplies) until the Memorandum of Understanding (MoU) referred to in Schedule 1, Section B, paragraph 3 has been submitted to the Fund for its no-objection.

15. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Republic of Kiribati  
Ministry of Finance and Economic Development  
P.O. Box 67, Bairiki  
Tarawa, Kiribati

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono, 44  
00142 Rome, Italy

This Agreement, dated [        ], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

REPUBLIC OF KIRIBATI

\_\_\_\_\_  
Authorized Representative  
[Title]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. **Target Population.** The Project will affect about 25% of the total outer island population of the territory of the Recipient and will be implemented, on four islands (Abemama, Beru, North Tabiteuea and Nonouti). The Project will initially be implemented in approximately forty-three (43) communities of the four islands selected on the basis of criteria agreed by the Fund and the Recipient and defined in the PIM (the "Project Area").
2. **Goal.** The Project goal is to enable people living in outer island communities to have healthy sustainable livelihoods.
3. **Objective.** The objective of the Project is to enable outer island communities to successfully plan and implement investments that result in better nutrition and access to clean water.
4. **Components.** The Project shall consist of the following four components:

#### **Component 1 - Community Planning and Action**

The objective of this component is to build the capacity of communities and households to plan and implement their plans to improve household food production and access to clean water. This component, which shall be achieved using a participatory approach, will finance the training of communities by Island and Community Field Officers to build their capacity to analyse constraints and opportunities so as to be able to identify solutions, rank priorities and take appropriate actions. These will respond to the environmental challenges they face and be linked to project-funded activities to implement their plans.

#### **Component 2 - Improved Household Food and Nutrition**

The objective of this component is to increase household production of food and improve the nutrition from local food crops. This component shall be achieved through:

- (i) training, including using the farmers' field school approach, in the improved management of soils and water and in the use of improved planting materials;
- (ii) the improvement of the collection and use of grey water for gardens;
- (iii) the financing of research on food crops; and
- (iv) the financing of educational and food preparation materials, training, preservation and social marketing.

The following activities shall be undertaken under this component:

#### **Home Gardens**

Technical assistance such as training on soil improvement, grey water channelling and storage and the use of better planting materials shall be provided to home gardeners. The activity shall be solely targeted at community women. The Project shall finance the supply of seedlings and planting materials for the start-up of viable commercial nurseries. The Project will finance gardening equipment such as composting sheds, shredding or chipping equipment, irrigation systems, propagation houses, shade houses, other gardening tools and equipment and labour costs. The eligibility criteria to access activities and equipment for the home gardens related activities shall be defined in the PIM.

*Household Poultry*

The Project shall invest in household poultry and provide training and support to upgrading and improving existing household poultry production systems. The eligibility criteria to access Project support for the household poultry-related activities shall be defined in the PIM.

*Root and Tree Crops*

The Project shall finance village farmers for the upgrade and improvement of existing production systems of root crops and tree crops through: (i) training; (ii) planting materials for root crops; (iii) rehabilitation of taro pits; and (iv) replanting of coconut and breadfruit trees. The eligibility criteria to access Project support for the root and tree crop related activities shall be defined in the PIM.

*Research and Innovation*

The Project shall finance focused crop production research through: (i) collection and evaluation of genetic materials; (ii) evaluation of materials in the outer islands; and (iii) dissemination and documentation of research findings.

*Nutrition Education*

The Project shall finance nutrition education and provide women in the Project Area with training on cooking and preserving foods to improve nutrition.

**Component 3 - Rainwater Harvesting for Increased Household Water Supplies**

The objective of this component is to provide secure access to a basic minimum quantity of clean drinking water by building rainwater harvesting structures, each with a consensus-based Water User Agreement for the maintenance of the structures, the use of the land that the structure occupies, and the allocation of the water amongst users. The eligibility criteria and selection of the rainwater harvesting projects to be financed under this component shall be defined in the PIM.

**Component 4 - Project Coordination and Management**

This component shall support the establishment and operation of a PCU. The PCU shall be hosted within MELAD and shall be responsible for the coordination and management of Project activities in accordance with the Annual Work Plan and Budget (AWPB). The PCU shall be guided by a Project Partnership Steering Committee (PPSC).

**II. Implementation Arrangements****A. Organization and Management****1. Lead Project Implementing Agency and Executing Agency**

1.1. The Lead Project Implementing Agency shall be the Ministry of Environment, Lands and Agricultural Development (MELAD) who shall have the overall responsibility for the execution of the Project.

1.2. The Ministry of Finance and Economic Development (MFED) shall be the Executing Agency responsible for the overall financial and coordination oversight of the Project.

**2. Project Partnership Steering Committee (PPSC)**

2.1. *Establishment.* A PPSC shall be established by MELAD to provide guidance and support to the PCU as well as a forum for the various implementing partners to discuss implementation issues with the PCU.

2.2. *Composition.* Membership of the PPSC shall include a representative each from MELAD, MFED, Ministry of Public Works and Utilities (MPWU). Additional members include a representative of the Office of Te Beretitenti, Ministry of Internal Affairs, Ministry of Health and Medical Services, Ministry of Education, Ministry of Foreign Affairs and Immigration, Ministry of Commerce, Industry and Cooperatives, the Office of the Attorney-General and FSPK or the selected service provider.

2.3. *Responsibilities.* The responsibilities of the PPSC shall be defined in the PIM and shall include:

- (i) the review and approval of the AWPB;
- (ii) general oversight over the implementation of Project activities;
- (iii) the promotion of cooperation and coordination amongst international, regional, national and local development implementing partners;
- (iv) the identification of policy issues for attention by Government;
- (v) vigilance over full transparency and accountability in Project management; and
- (vi) review and approve the PIM including any amendment thereof.

### 3. **Project Coordination Unit (PCU)**

3.1. *Establishment.* A PCU shall be established by MELAD and shall be located within its headquarters.

3.2. *Composition.* The PCU shall be headed by a Coordinator selected amongst senior MELAD officials and appointed by MELAD. Key PCU Project staff include a Financial Management Officer, a Procurement Officer, a Monitoring and Evaluation (M&E) Specialist and a Knowledge Management and Communication Officer. The Financial Management Officer and the Procurement Officer shall be located in the KFSU. The Coordinator shall have the authority to sign contracts and other agreements. Qualified staff shall be selected according to the Recipient's applicable procedures acceptable to the Fund. Termination of the contract of the Project Coordinator and his/her replacement shall be subject to the Fund's no-objection.

3.3. *Responsibilities.* The PCU shall manage and coordinate the day to day implementation of the Project. The responsibilities of the PCU shall include:

- (i) the establishment of a PPSC and finalisation of its terms of reference;
- (ii) the conclusion of written agreements with MFED for the provision of procurement and financial management services through the KFSU;
- (iii) the consolidation of the overall Project AWPB based on agreed inputs from the implementing agencies;
- (iv) the submission for review and approval of annual AWPBs to the PPSC;
- (v) monitoring and evaluation of physical outcomes and impact;
- (vi) support the communication with stakeholders, implementing agencies and beneficiaries of goals, objectives, knowledge and practical information required to implement agreed work plans;
- (vii) conduct of baseline survey; and
- (viii) act as secretariat to the PPSC.

### 4. **Kiribati Fiduciary Services Unit (KFSU)**

4.1. *Establishment.* The KFSU is established and staffed by the MFED. Amongst its responsibilities, the KFSU shall carry out the financial management and procurement of the Project. The KFSU shall be located within MFED and shall report to the Secretary of Finance and Economic Development of MFED and provide regular financial reports to the PCU.

4.2. *Project staff.* The Project shall support the appointment of two additional staff, the Financial Management Officer and the Procurement Officer of the PCU, which shall be primarily assigned to Project-related functions. Termination of the contract of the Financial Management Officer and/or the Procurement Officer and their replacement(s) shall be subject to the Fund's no-objection.

4.3. *Responsibilities.* The KFSU shall be responsible for all Project financial management, reporting and monitoring of financial progress and its responsibilities shall include: (i) preparing and submitting withdrawal applications; (ii) preparing monthly, quarterly and annual financial progress reports to inform the PCU and the Fund; and (iii) the carrying out of the procurement of works, goods and services in collaboration with MELAD.

## **B. Implementation of Components**

### **1. Component 1 - Community Planning and Action**

1.1. Component 1 shall be implemented by a service provider such as FSPK, under the supervision of the PCU. The PCU shall enter into a service contract with FSPK or the service provider which shall detail the activities to be carried out, the delivery schedule and expected results and the costs. In addition, the contract shall include that:

- (a) FSPK or the service provider declares its commitment to the goals and purposes of the Project as stated in Schedule 1 and, in furtherance of such goals and purposes, it shall undertake to carry out activities under Component 1 in accordance with this Agreement;
- (b) the Recipient, through FSPK or the service provider, shall transfer Project resources in accordance with the AWPBs and terms of the FSPK contract;
- (c) FSPK or the service provider shall select one Island Facilitator for each participating island of the Project Area and Community Field Officers in consultation with the Island Councils; and
- (d) FSPK or the service provider shall recruit a full time Component Manager to be assisted by a finance and administration officer and engage a training specialist and a gender and youth specialist.

1.2. The PCU, through the Lead Project Implementing Agency, shall submit a draft of the contract to the Fund for no-objection.

### **2. Component 2 - Improved Household Food and Nutrition**

2.1. Activities under this component shall be implemented by the Agriculture and Livestock Department (ALD) of MELAD. Individual activities, such as the access to fruit and vegetable seeds, planting material, gardening tools and equipment shall be implemented by the MELAD Island Agricultural Assistants based on prepared community and household plans. The service provider selected for the implementation of the activities under Component 1, working together with the Ministry of Health, Ministry of Education, and ALD staff, shall coordinate the preparation and planning of nutrition education activities.

2.2. *School Agreements.* The PCU shall conclude working agreements with the secondary schools present on the island for the collaboration in the establishment of commercial nurseries at the schools and for the use of school kitchens for selected cooking and food preservation training activities. The School Agreement may, amongst other things, foresee the hiring of a service provider to undertake the training and overall management of the established nursery. In such cases, the service providers shall be procured in accordance with procurement procedures acceptable to the Fund.

### 3. **Component 3** - Rainwater Harvesting for Increased Household Water Supplies

3.1. *Memorandum of Understanding (MoU - MPWU and PCU)*. The Water Engineering Unit of MPWU shall implement the activities under this component. Community infrastructure investments proposals under Component 3 shall be selected by MPWU in accordance with the criteria and modalities described in the PIM. The PCU shall provide a no-objection to the list of selected water harvesting structures. Any modification to the list shall be submitted to the PCU for no-objection. MPWU and the PCU shall enter into a MoU to define the roles and responsibilities of the MPWU which shall include the recruitment of a manager who shall carry out the following responsibilities:

- (i) preparation of procurement documents for the installation of the structures;
- (ii) supervision of the installation of water harvesting structures in accordance with MPWU standards and approaches; and
- (iii) coordination of the support from the MPWU Island Water Technicians (IWTs) currently stationed in the Project Area.

3.2. The PCU, through the Lead Project Implementing Agency, shall submit a draft of the MoU to the Fund for no-objection.

3.3. Under overall supervision from MPWU, the IWT shall work with Community Field Officers to prepare an inventory of existing community water assets and sources and their current status (reliability, salinity, contamination).

3.4. *Water User Agreement*. A Water User Agreement shall be signed between all users of an established Water Users Group to cover user rights and responsibilities with respect to the construction, operations and maintenance of the catchment structure. The Water User Agreement shall include provisions for water levies and collection arrangements. The person with land use rights over the land where the rainwater harvesting structure is located shall be party to the Water User Agreement. Copies of every signed Water User Agreement shall be provided for information to the relevant Island Council and community authorities.

#### **C. Project Implementation Manual (PIM)**

1. *Preparation*. The PCU shall prepare a draft PIM which shall include, among other things:

- (a) terms of reference and implementation responsibilities of Project staff, consultants and other service providers and implementing agencies;
- (b) criteria for the selection of Island Facilitators and Community Field Officers;
- (c) criteria for the performance appraisal of the Project professional staff;
- (d) selection and eligibility criteria for the proposed rainwater harvesting structures;
- (e) selection and eligibility criteria for the implementation of home garden, household poultry and root and tree crop activities under Component 2;
- (f) Project operational procedures, including participatory planning, implementation and monitoring procedures;
- (g) Project financial and procurement procedures adopted by KFSU for the administration of the Project;
- (h) a model template of a Water User Agreement and of a School Agreement; and
- (i) M&E system and procedures including the Results and Impact Management System (RIMS).

1.1. *Approval and Adoption*. The Lead Project Implementing Agency, shall forward the draft PIM to the Fund for comments and approval. The Lead Project Implementing Agency shall adopt the PIM, substantially in the form approved by the Fund, and the Lead Project Implementing Agency shall promptly provide copies thereof to the Fund. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed approved.

## Schedule 2

### Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	percentage of Eligible Expenditures to be financed
Goods Services and Inputs	160 000	100% net of taxes and contributions from co-financiers
Works	650 000	100% net of taxes
Consultancies	70 000	100% net of taxes
Training	100 000	100% net of taxes and contributions from co-financiers
Salaries and Allowances	680 000	100% net of contribution of Government and contributions from co-financiers
Operating Costs	80 000	100% net of taxes
Unallocated	200 000	
<b>Total</b>	<b>1 940 000</b>	

(b) The terms for the categories used in the Table above are defined as follows:

“Goods, Services and Inputs” under Category I means eligible expenditures to finance activities under Component 1, Component 2 (“production support” and “nutrition education” activities), Component 3 and Component 4, including expenditures for vehicles, equipment and material.

“Works” under Category II means eligible expenditures to finance activities under Component 3;

“Consultancies” under Category III means eligible expenditures to finance activities under Component 4;

“Training” under Category IV means eligible expenditures to finance activities under Component 1, Component 2 (“nutrition education”) and Component 3;

“Salaries and Allowances” under Category V means eligible expenditures to finance the salaries and allowances of PCU staff, salaries and allowances for Community Field Officers and Island Facilitators under Component 1 and key staff salaries under Component 3.

“Operating Costs” under Category VI means eligible expenditures to finance office maintenance related costs under Component 1 and Component 4.

**Schedule 3***Special Covenants*

1. In addition to the financial reporting and information provisions set forth in Article IX of the General Conditions, the Recipient, through the PCU, undertakes to submit to the Fund quarterly unaudited financial reports prepared by KFSU within one month of the end of each calendar quarter.
2. MELAD shall ensure that Project funds are channelled to the KFSU for the financing of the Financial Management Officer and Procurement Officer in accordance with the terms of the present Agreement.
3. The Recipient shall ensure that MELAD, MFED, MPWU, Ministry of Internal Affairs, Ministry of Health and Medical Services, Ministry of Education, Ministry of Foreign Affairs and Immigration, Ministry of Commerce, Industry and Cooperatives, Office of the Attorney-General, Office of Te Beretitenti, collaborate in carrying out the Project with due diligence, efficiency and in conformity with the provisions of this Agreement.

## Logical framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Goal:</b>			
People living in outer island communities have healthy sustainable livelihoods	<ul style="list-style-type: none"> <li>• HHS with improved food security</li> <li>• Improved child health and nutrition status</li> </ul>	<ul style="list-style-type: none"> <li>• RIMS Impact Surveys and Household Dietary Diversity Index survey at baseline &amp; completion</li> <li>• Community facilitator HH food output records</li> <li>• Annual Project Reports</li> </ul>	<ul style="list-style-type: none"> <li>• No major decline in international food prices</li> <li>• Communities, farmers and home gardeners willing to participate in community led water and agriculture development</li> <li>• MELAD staff willing to actively participate in community led agriculture development</li> </ul>
<b>Project Development Objective:</b> outer island communities are able to successfully plan and implement investments that result in better nutrition and access to clean water			
<b>Component One – Community Planning and Action</b>			
Outcome 1: Communities know how to plan and prioritise activities in a participatory and inclusive way	<ul style="list-style-type: none"> <li>▪ 43 communities have made plans that address their specific needs on food and water, explicitly incorporating inputs from all community members, including women and youth</li> </ul>	<ul style="list-style-type: none"> <li>• AWPBs</li> <li>• Monthly NGO (FSPK) reports</li> <li>• Participatory survey of operational effectiveness of community groups (FSPK)</li> <li>• Community plans</li> <li>• CFOs' and ICs' records</li> <li>• FSPK Quarterly and Annual Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Island Councils and community leaders willing to support plan preparation.</li> <li>• Communities prepared to participate in planning and in-kind and or cash contributions to relevant activities</li> <li>• NGO, CFOs and other in-field implementers committed and capable to facilitate the planning process</li> </ul>
<b>Outputs:</b>			
1.1 Community and household development plans prepared and implemented	<ul style="list-style-type: none"> <li>▪ 43 communities and 899 households have written plans No. of sub-committees for community planning operational and disaggregated by gender and age</li> <li>▪ No. of community members and CFOs trained, disaggregated by age and gender</li> </ul>		
<b>Component Two – Household Food and Nutrition</b>			

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p><b>Outcome 2:</b> Households in the OIs are growing and eating more nutritious local foods</p> <p><b>Outputs:</b></p> <p>2.1 Increased total output of local fruits, vegetables, root crops and poultry</p> <p>2.2 Diets with a high proportion of calories and nutrients from locally-produced foods</p>	<ul style="list-style-type: none"> <li>• At least 889 HHs engage in home gardening activities</li> <li>• At least 889 HHs engage in poultry and egg production</li> <li>• At least 899 household engage in tree crop re-planting</li> <li>• At least 889 women increasing cash income from home grown food</li> <li>• 6 nurseries established and meeting output targets</li> <li>• At least 889 HHs with reduced expenditure on imported foods (assuming that 40% of the hhlds take up at least one ag. or poultry activity</li> <li>• At least 899 HHs improving nutritious intake</li> <li>• At least 4 Ag. Assistants in OIs trained and delivering useful service to producer groups</li> <li>• Farmers, home gardeners &amp; poultry producers trained as planned</li> </ul>	<ul style="list-style-type: none"> <li>• Household Dietary Diversity Survey to be implemented to track Diversity Index as indicator of consumption of more nutritious food</li> <li>• Annual participatory survey of operational effectiveness of household food groups (FSPK)</li> <li>• FSPK Quarterly and Annual Reports</li> <li>• Monthly Project Officers reports</li> <li>• Annual case studies of OIWFP beneficiary HHs.</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent relations with other donor funders</li> <li>• Farmers &amp; home gardeners willing to engage in OIWFP activities</li> <li>• Farmers &amp; home gardeners willing to move towards some level of “user pays”</li> <li>• HH members willing to change eating habits from reliance on imports</li> <li>• Women willing to change cooking habits from convenience focus to nutritional value.</li> </ul>
<p><b>Component Three – Rainwater Harvesting</b></p>			
<p><b>Outcome 3:</b> Households have secure access to a basic minimum quantity of clean drinking water</p>	<ul style="list-style-type: none"> <li>• 90% reduction in reported cases of diarrhoea and dysentery in the targeted HHS</li> <li>• Improved access to clean water for 75% of HHs</li> </ul>	<ul style="list-style-type: none"> <li>• Operational audits of community water infrastructure</li> <li>• VWT and IWT records</li> <li>• MOW reports</li> </ul>	<ul style="list-style-type: none"> <li>• Households able to cooperate to share water assets and water allocations</li> </ul>