

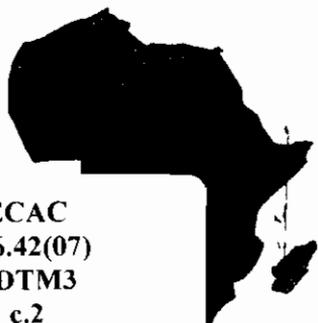


Participatory Development Training Manuals

No. 3

Project Development Methods

A Training Manual



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United Nations
Economic Commission for Africa

*Public Administration, Human Resources and
Social Development Division*



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Preface

This is the third issue of the Participatory Development Training Manuals. It focuses on project development methods with a view to assist NGOs to acquire the basic skills in project formulation and resource mobilization. The manual has a practical emphasis and is intended as a useful reference and source book.

It is now widely recognized that popular participation in development is an essential prerequisite and a cornerstone of human-centred self-reliant and self-sustaining development. Without the active involvement of the people and their organizations in the development processes, improvements of human conditions can neither be achieved nor sustained. The **African Charter for Popular Participation in Development** affirms this by calling for an era in which the participation and empowerment of the ordinary men and women are the order of the day. In a rare consensus, the Charter attested to the fact that people's participation must be at the heart of Africa's development mission and vision, and it confirms that authentic development springs from the collective imagination, experience and decisions of people. The Charter, and the emerging unanimity, have presented us with an unparalleled opportunity to unleash the creativity and harness the energy of the people for a better future for themselves, their countries and Africa as a whole.

It is this recognition that prompted the United Nations Economic Commission for Africa to take the initiative to promote popular participation in development, facilitate the implementation of the Charter and to strengthen the role of

people's organizations and work with them to formulate and articulate programmes and initiatives that would foster widespread participatory action. The publication of this series of manuals is a contribution to these objectives.

Comments and feed-back on this first manual of the series on Participatory Development Training Manuals will be highly appreciated. Please address correspondence on these and related matters to:

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I Introduction

In recent years, the number of people's organization and indigenous NGOs operating in areas of socio-economic development has grown substantially. The increasing importance of people's organization and NGOs is evident in the prominent roles they are accorded in implementing a wide range of development projects. Bilateral assistance agencies, multilateral institutions and Northern NGOs have established cooperative funding agreements with local organizations and are channelling considerable resources through these organizations.

Most of the time these projects are so badly formulated that — when submitted to funding agencies — they seldom go beyond the first screening officer.

Although an increasing number of donor NGOs, foundations and governments have guidelines for designing and writing a project proposal, it takes a great deal of skill to elaborate a successfully funded proposal. This failure stems from these NGOs basic lack of knowledge of the donor's requirements which are for some quite a handicap.

To obtain funding for a project, an NGO should master the project formulation technic, know thoroughly the donor's area of involvement, its geographical preference, its operational targets, priorities, motto and sensibilities ...etc. The NGO should first assess — to save effort — local assistance giving instances that are active in their area of involvement. The northern partner should be identified among the multitude of multilateral, bilateral agencies, foundations, professional associations, guilds, clubs, churches, welfare organizations ...etc that are assisting local development initiatives.

The objective of this manual is to assist NGOs overcome the above referred handicaps by providing them with the basic skills in project formulation and resource mobilization.

II Project Formulation

Most projects are part of the applicant's organizational mission and programme strategy and are indicative of the overall purpose and direction of the agency. For example, there is no sense presenting a project to provide emergency relief for refugees if the organization's mission is to promote and help develop credit unions. Expending resources and energies in that direction, it would mean a drastic organizational structure and staffing and a major departure from the intended purpose and mission of the organization. The chances that such a proposal would be funded without making some fundamental changes is slight. Hence any project formulation should be consistent with the goals and objectives of the applicants organization and must be seen to contribute to the achievement of the overall mission.

Project Proposal Development

Many aid recipient NGOs and groups may have multiple program goals and program strategies. Each program strategy may require a number of related activities that can be broken down into separate projects, each with its own budget. As these projects come on line and are completed, together they may achieve the program goal and help to fulfil the organization's mission.

A program then usually has several goals, which may be prioritized. Each goal will have its own set of major and secondary activities. A project should have only one goal, although it may have primary and secondary objectives. A project goal might be to reduce infant mortality in a region of a country. A project objective might be a baby-friendly health service at all major health facilities in this region. Another objective would be to develop and sustain women's or

mothers' health and nutrition committees in each village to safeguard the health of infants. A third objective would be the development of family planning clinics in five centres of this region.

Project objectives should be measurable. In other words, they must tell one how many clinics are going to be established where (even if in a general way), and by what date (i.e. in the third year or last 12 months of the project).

For a village water system, the project goal might be to improve the supply of water to the village. An objective would be to make water easily accessible to all villagers by building five water tank outlets with spigots, another would be to pipe the water to all the houses in the village. Another objective would be to train two peoples as local water system maintenance technicians. We could add other objectives.

When one has two or more objectives for a project, it becomes necessary to consider prioritizing them. The water project goal, however, may be one objective of a larger goal - a program goal, such as that of improved village health, or better village living conditions, or lower morbidity and mortality.

Additionally, a project becomes an activity in carrying out the program strategy. Program strategies usually are developed in such a way that they facilitate project proposal development. Although in a general way, programme strategies usually describe the target group or groups, the geographical area, the time frame, and the activity (i.e. health, agriculture, housing, environment, etc.) The kinds and priorities of each intervention may also be described. Program strategies, however, sometimes fail to consider all of the necessary interventions for attaining stated objectives, and

these have to be added as the strategy unfolds through its project action.

Once the questions concerning the organization's mission, its program goals and strategies are answered or reviewed, then one should ask the following questions in preparing to develop the project proposal:

- | | |
|-----------|--|
| Why? | Why does the project need to be developed and implemented? |
| What? | What kind of project is intended with what activities? What are the project's goal and objectives? |
| For whom? | For whom is the project? Is the target group clearly identified and does the project focus on their needs? |
| How? | How will the project be carried out (the interventions that may be required)? |
| By whom? | What staff are needed? Who in the target group will participate - leaders, all of the community, etc...? |
| Where? | Define the geographical area or location. |
| When? | During what time frame will the project be carried out? |

The above is offered as an outline for quickly reviewing the project idea before moving on to developing the proposal. Our experience shows that if one can clearly answer these seven points, the project process can more easily be under-

taken. The above is only one guide of many that can be used.

For large and complicated projects, a conceptual tool such as the logical framework (log frame), can be used. In fact, if possible, the log frame should be used for most projects regardless of size. An example of a log frame is shown on the next page.

The logical framework identifies the project or program goal, purpose, outputs, inputs, measurable indicators, means of verification, and assumptions or external factors over which the NGO may have no control.

There are variations of this outline, and as noted previously, Some donors require projects to follow their own particular guidelines. Nevertheless, let us look at the different components of an outline.

Title Page

The title should be short and must catch the donor's attention. Titles can tell the donor what kind of project it is and sometimes who the target group will be. Title pages need to be well laid out. We find it useful to put the date of submittal in one of the corners at the bottom of the title page.

Table of Contents

A table of contents can be helpful to donors in reviewing a project. It should be kept to one page.

LOG FRAME OUTLINE

1 Goal	Indicator	Mens of Verifica- tion	Assumption
<p>That is the overall reason for the project? To what overall objectives will the project contribute?</p>	<p>What indicators will signal achievement of goal?</p>	<p>Specific source of data and method of obtaining it.</p>	<p>What external conditions are essential for the project to make its expected contribution to the program of sector goals?</p>
<p>2 Purpose</p>			
<p>Briefly state what the project is expected to achieve, if completed successfully on schedule.</p>	<p>Describe the conditions or situation which will exist when the project achieves the stated purpose. Designate an identifiable point (or state) which will be the logical end of the project.</p>	<p>What are the types and sources of evidence to be used in verifying the condition marking end of project status.</p>	<p>What conditions must exist if the project is to achieve its purpose? What are the factors over which the project personnel have little or no control, but which if not present, are likely to restrict progress from output to purpose achievement</p>
<p>3 Outputs</p>			
<p>What are the major kinds of results that can be expected from good management of the inputs?</p>	<p>What are the specific cumulative targeted indicators for each of the planned outputs (i.e. How much of What, for Who, by When)?</p>	<p>What are the specific sources of data for each of the indicators, and how are the data going to be obtained? If it doesn't already exist, make provision for funding it under inputs, and require it as a condition precedent, or as a separate output.</p>	<p>What external factors must be realized to obtain planned outputs on schedule?</p>
<p>4 Inputs</p>			
<p>What are the key the governments, other donors, cooperating country, etc...?</p>	<p>For each category of inputs identify the quantity and/or \$ value by year. (Materials, personnel, funds, etc...)</p>	<p>Specify source documents (records, re-ports, etc...).</p>	<p>Identify conditions precedent to project implementation for donors and local government.</p>

Executive Summary

Since donors providing a summary may have many proposals to review, a summary capture the essence of the

project quickly. If properly presented, it can lead them to study the proposal closer. A summary also makes the proposal appear more professional. A summary will contain the following elements:

- organization or group making the request: address, telephone, fax;
- description of your organization in one paragraph;
- project manager(s);
- problem statement;
- goal and objectives; and
- amount requested - We find that it is not necessary to include the full budget. The total amount and one or two lines of what the money will be used for suffices.

You might add a paragraph on the partner organization, often the implementing agency, (if you are not the implementor): name, address, telephone, two line description.

The summary section should be short, and concise, preferably one page, but not longer than two pages. We find it easier to write the Summary last.

1 Introduction

Normally, we repeat the project title at the top of this page. The Introduction should describe in more detail your organization, and set the stage for linking the project to your organization's mission and program goals/strategies. It should be no longer than half a page.

2 Project Context

Some project proposal are written with the problem statement before the project context; however, it is also

possible to begin with project context since it identifies the conditions surrounding the problem, the background of the proposal and then you can later present the problem statement in a more concise fashion. Either approach could be effective.

One should be extremely careful not to make this section too long often two to three pages suffice. If necessary, documentation or other material can be annexed. While some people put a description of their organization and their partner group in this section, it is preferable to put it in the introduction. Obviously, if the project problem relates to organizational and administrative concerns, this becomes a part of the project context. For example, a family planning project may address concerns of training supervisors or of service contract management, but the description of the organization itself (mission, objectives, etc.) should be in the Introduction section. Only if needed, can one describe the organization in more detail here, if it does not detract from presenting the project context with its concerns and problems.

The project context should present a brief history of the region, the people, the social, economic, health, and other conditions, highlighting those that the project will impact on.

It should also include organization's history of involvement in the region and previous work with the community, if any. Achievements of the organization in the area should also be highlighted. Other activities to address the problem by government or other groups should also be mentioned. The following is an outline of the project context section.

- Describe history of area and people;
- Describe social, economic, health and other pertinent conditions of the community;

- Organization's involvement in the region and the target community; and
- What is the government doing to address these problems? Private sector groups and churches? What plans do these have to address these problems?

3 Problem Statement

This section should be a short and concise descriptive statement of the problem(s) and need(s) to be addressed, how the problem impacts the lives of the people who are the project's target group. If data is available, it should be used (i.e.% if the target group of children under 5 years of age suffer from at least one form of parasite infection - name source). It should also be stated why this problem has priority over other problems, and what comparative advantage the organization has a particular role in addressing this problem.

4 Project Goal and Objectives

The goal statement should a simple one sentence goal statement. For example, "the project will improve the health of children under 5 years of age in the northern two states of the country". It lets the donor know what the organization intends to do to address the problem. Objectives can be separated, if there are multiple ones, into primary or major, and secondary objectives. Objectives should be stated in measurable terms who will benefit, the time frame needed to achieve it, and the development units or outputs. Some examples;

- to provide 10,000 children under 5 years of age with parasite treatment in the first year;

- to construct 10 water systems in one year to benefit 10 villages with about 5,000 people; and
- to train 50 family planning workers in 6 months.

Objectives should be realistic, besides measurable. This is one of the most important sections of any proposal. The work plan or implementation plan that follows later will be designed in order to achieve these objectives.

5 Anticipated Results and Assumptions

Some project proposal developers feel this section is not necessary since it repeats the objectives or results stated earlier. However, some donors insist on this section. It is preferable to include it in most of the presentations because it forces one to take a closer look at the objectives and allows to analyze them in terms of tangible and intangible results. Tangible results are outcomes that are measurable and found in the objectives. Intangible results, on the other hand, cannot easily be measured, and may not be contained in the objectives.

For a parasite treatment project, the anticipated and tangible results would be the number of children treated in one year, the number of treatments per child, increase in weights, decreased bouts of diarrhoea (although this is harder to measure), number of children treated in clinics or health posts who have been treated previously (the number should decrease). Intangible results would be improved health, better absorption of nutrients, more energy and more alert children, and so forth. If anticipated results are in the objectives section, they should be measurable and tangible rather than intangible results. In other words, one can make an intangible result into one that is tangible.

In the case of a water project, tangible results would be 10 wells in 10 villages by the end of one year, number of household taps, number of community water tanks, amount of water flow, amount of water available to the community or home daily, of for irrigation and home gardens, formation of a water committee, collection of water fees, etc. Intangible results would be improved health and hygiene, savings from carrying water, reduced parasite infection, etc.

Normally, the anticipated outcomes are listed after reviewing objectives. For example, by the end of the first year, the project would have:

- installed 10 water systems in 10 villages;
- provided water to 5,000 people;
- installed 400 home taps;
- brought water to 5 village schools; and
- helped to irrigate 1,000 home gardens.

Unanticipated results are based on assumptions that something is going to happen as a result of the project. What happens is not a direct outcome of the project, but if the project is a part of a development program, the unanticipated results might become measurable through these other development components. One could give some indication that these could be measured.

If the project proposal does not have a separate section for assumptions, one or two paragraphs can be inserted within this section. Some assumptions would be:

- that the community would provide labour and materials for a water project in order to reduce costs and to show ownership of the project;
- that water will be found in adequate supply for each village;

- for an agricultural project, that rainfall will be sufficient; and
- that there is no political upheaval to disrupt the course of the project.

A statement might be made concerning the environmental impact of the project. For example, for a water project, would the water table be lowered to the point that it will effect other water supplies, cause the saline level to increase, etc. One should also look carefully at a project in regard to soil erosion and deforestation, Many donors want to know if consideration is given to environmental impact. i.e. while the project may bring a stream of benefit to the target community, would it later cause environmental problems.

6 Work Plan (or Project Implementation Plan)

A detailed implementation plan should be presented. It can be presented in a step by step fashion of activities. Some points to consider are:

- Was the local population involved in planning the project, and how will they participate in its implementation? Many donors want the local population involved from the planning stage, through implementation and evaluation. The community's role along with their inputs should be described in detail;
- The number and kind of personnel needed to carry out the project. Their qualifications, whether they are available locally, and how they would be recruited should be stated;
- Description of the relationship of the project between the applicant organization and the implementing or field agency should be given. The administrative and supervisory responsibilities of each party should be clearly stated;

- Justification of how and why target group, target villages, and so on are selected should be presented. In describing educational and training activities, many project writers fail to describe how they will identify and select candidates for training. Selection criteria should be presented; and
- Resources needed at each step of the project activity should be estimated. Funds are better kept for the budget section and resources in terms of pipe, pumps, vehicles, seeds, training manuals, space or locale for courses, tools, and other items should be mentioned. Resource needs must be quantified, i.e. 100 training manuals, 10 kilometres of plastic piping, 50 new family planning promoters, 3 supervisors, and so forth. Technical assistance inputs should be described.

Basically, this is the section of the project proposal where detailed plan of action of method of operation is presented.

7 Project Evaluation

This section is very important. It tells the donor how and when the project will be evaluated. The evaluation should be designed to determine how well the objectives are being achieved.

The project should be evaluated at certain points during its implementation, with a final evaluation at the end of the project. In a 2 or 3 year project, evaluations should take place every six months. This section should include.

- Person(s) who will undertake the evaluation;
- Time periods for the evaluation, i.e. every 6 months, or at the end of each project stage;

- How data or information will be recorded, analyzed, and presented;
- Criteria for evaluating outcomes or achievements, and progress made toward achieving objectives;
- How and to whom evaluations will be presented; and
- How evaluations will be used by the project, the community, implementing agency, and project holder (if different than implementor).

It is important to feed back to the project staff and community the results of the evaluation. They must take part in solving problems, but first they must understand them. It also gives them encouragement when achievements are on schedule. Evaluations should be reviewed by agency boards or persons designated by them, since this information has a bearing (usually) on the NGO's mission and development strategies.

Evaluations can employ many kinds of indicators. The simplest two sets of indicators are:

- **Operational indicators:** Numbers are recorded to describe the project's activities. These are the easiest to show when assessing progress. For example, one might report;
 - number of village water systems constructed;
 - number of people served by these new water systems;
 - number of home taps installed;
 - number of people paying water service fees;
 - number of people attending courses on sanitation and hygiene;
 - number of courses given; and
 - number of parasite treatments.

The list can be endless.

- **Performance indicators:** These are used to analyze a project for effectiveness and efficiency. Data is expressed in terms of percentages or ratios. Some examples are:
 - percentage of homes with taps compared to all houses in a village;
 - percentage of people in each village participating in the work force to construct the water systems compared to total village population; and
 - ratio of diarrhoeal bouts per month to villagers served by a water system.

Other examples are:

- ratio of parasite or ORT treatments per village in the area served by a health project;
- ratio of students to teachers;
- percentage of latrines built to those being used;
- percentage of families building latrines to number of families in a village; and
- ratio of staff turnover to length of service.

Most projects focus on operational indicators since the use of performance indicators requires more complicated data collection and analysis skills.

The evaluation section should also address problems, how they were solved or what can be done to solve them, recommended changes in outputs, resources, and administration, modifications of objectives, and other pertinent data. A simple statement can be made in the project proposal that these points would be addressed.

Evaluating and monitoring are different functions. We will address monitoring under the Report section.

8 Project Budget

Projects should generally be under-budget rather than over-budget. Certainly, ambitious, high cost budgets are sometimes presented. Budgets must be realistic, every dollar counts, to cover project inputs or costs to achieve outputs. Budgets should:

- be expressed on a yearly basis. For a 3 year project, each year's budget can be shown in separate columns, with a last column for totals;
- show costs in dollars and local currency. The exchange rate used should be indicated below the budget;
- always show what local funds and other resources are available. Many donors like to see a 20-50 percent local input;
- always divide expenditures into major sections, such as personnel, travel, equipment and materials, course costs, office costs, technical assistance, and so on;
- allow for inflation or other currency fluctuations, and for unforeseen costs. We sometimes add 5 to 10 percent to the cost of the project for these items. It depends on the country, our experience working there, and the kind of project presented.

Some Hints

- When presenting salary costs, calculations must be made of the monthly salary X 12 months to arrive at one year's salary.

- Fringe benefits should be shown in a separate line item for salaries.
- The salary section might look like the following:

A. <u>Salaries</u>	<u>Total (US\$)</u>
1. Nutritionist: US\$300 x 12 months	3,600.00
2. Nurse: US\$200 x 12 month	2,400.00
3. Fringe benefits for both staff, as established by law, including a 13th month's salary	1,250.00
Sub-total	US\$ 7,250.00

- Separate travel costs. Show line items for: air travel, land travel, vehicle maintenance, per diem or hotel and meals, other travel.
- Under office expenses: show separate line items for rent, communication (postage, telephone, fax), stationary, office equipment, maintenance, and other.
- When showing the costs of materials, indicate the per unit cost, i.e.

50 kilo bag of fertilizer at US\$15 x 10 bags	US\$ 150.00
1,000 meters of plastic pipe at US\$2.00 per meter	US\$2,000.00
or Publication of 1,000 - 3 page Women in Development newsletters at US\$0.20 each newsletter	US\$ 200.00

- Project applicants often forget that when volunteers are involved in a project, their input has a local value. It can be calculated easily by determining the number of hours weekly or monthly they will work on the project over the project's lifespan, times the minimum established wage in the country or region of it. One is often surprised by how large this input can be. Use of vehicles and office space can be calculated as local inputs. Estimates can be made for donated local materials, such as the gravel, wood, sand and hand tools donated by a village for a water project. Educational materials that have already been developed and will be used for your project can also be given a value. The more local inputs/value one has, the more attractive the budget and project itself becomes to the donor NGO.
- When purchasing equipment such as a vehicle, computer, vocational shop machinery, tractor, and similar items, depreciation must be made of them at 20 to 25 percent per year. It should also indicate how these would be maintained and replaced, and if maintenance is available locally. It is a good idea to set up an equipment replacement fund if the project generates income.

At the end of the budget section, one might add a paragraph on cost/benefit ratios. This is done by taking the total project budget requested from the donor divided by the number of people who will directly benefit by the project. For example, a nutrition education budget might require US\$10,000 to benefit 1,000 families. It comes out at US\$10 per family. We can take this two steps further. If we add US\$10,000 in local inputs to the US\$10,000 requested, then it comes out at US\$20 per family. But, by calculating 5 members to a family or 5,000 people, the cost now is US\$4

per person - a highly acceptable cost/benefit ratio. Some agencies try to calculate cost-effectiveness, but for most projects we do not recommend such a complicated exercise.

Some projects contain a full page or more of budget notes. Try to keep notes to a minimum, no more than 2 or 3 notes.

The following is an example of a budget format:

<u>Line Item (Expenditures: In US\$)</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>Total</u>
	<u>Local Input/Req.</u>	<u>Local Input/Req.</u>	<u>LR/Req</u>
A Personnel			
1. Salaries (list and calculate)			
2. Fringe Benefits			
B Travel			
1. Purchase of motorbike			
2. Gasoline: \$20 per month x 12 months			
3. Registration, insurance and maintenance			
4. Per diem: 10 days per month at \$15 per day x 12 months			
5. Bus fares			
Subtotal			
C Materials			
1. ORT salts: \$0.10 x 1,000 packets			
2. Printing of 500 posters: \$1.00 each			
Subtotal			
D Office			
1. Rent: \$100 per month x 12 months			
2. Communications: \$125 per month x 12 months			
3. Stationary			
Subtotal			
E Course Costs			
1. Five nutrition courses: 30 people in each at \$10 per day per person x 30 x 5 courses			
Subtotal			
F Unforeseen & inflation			
Estimate: 10% per year			
Total			

In the budget, one should show other grants that are anticipated. Sometimes donors want to know how and who will manage the funds, and what kind of accounting system there is. If funds are to be put in an interest bearing account, they should be mentioned and how interest earned will be used must be indicated.

9 Reports

This section should describe how and when financial and progress reports will be submitted. Financial reports are submitted more frequently than evaluations. They might be submitted quarterly or no longer than at 6 month intervals. Reports should monitor how inputs are being made and how outputs or results are being achieved. Financial reports should reflect the budget description/projected costs. Finance reports should reflect the budget description/projected costs. Finance reports must have an income and an expenditures section:

- Income
 - Funding Sources
 - Local Sources
- Expenditures (by line item as per the budget)
- Balance by donor input and line items.

The exchange rate for the report period should always be given. If funds are deposited in an interest bearing account, interest earned must be shown. Credit projects should show reimbursements and percentage of repayments to outstanding funds.

10 Project Sustainability

Increasingly, donors want to know how the activity will be continued once their grant is expended. It is good idea to address this point in every project. It is preferred to highlight it by presenting it in a special section.

There are at least three kinds of sustainability that can be described: (1) Financial Sustainability, (2) Technical Sustainability and (3) Managerial Sustainability.

- **Financial Sustainability:** The proposal should indicate how the project can continue or be sustained after donor funds are expended, i.e. through the use of locally generated funds, government funding, etc.
- **Technical Sustainability:** Indicate that the targeted group can provide technical inputs to the project after donor funding ends, that they have the training, skills and materials to continue to sustain the project.
- **Managerial Sustainability:** The proposal should show that the local target group and/or applicant will continue to provide organizational or managerial inputs after donor funding. It should indicate whether the community or target group itself reach a level where it can manage the project and organize for expanded or new activities? What will local leadership and organization be like at the end of the project?

Appendices

There should be very few appendices. If there are too many appendices, the document is unattractive and turns away donors. We suggest that only pertinent and very important documents or information be appended. One such appendix might be a time line of activities. This shows by month or quarter year what activities will be undertaken. Others might be a map of the project region, letter from responsible government official, information highlighting problems to be addressed, letter of support from another donor, staff credentials, and blueprint.

Many religious donors require a letter from the local head of the congregation or the religious superior supporting or recommending the project for funding. Even if such endorsements are not required, they help to give the project credibility.

III Generating Local Resources

Most local NGOs and other private development groups are dependent on external aid for nearly all of their activities and many would collapse within a year or so if foreign aid was stopped. Dependency is not only financial, but often technical. As competition becomes stronger for scarce donor funds, strategies for generating local resources will need to be developed and tried. Self-funding goals can be set incrementally, for example: in the first year - 10 percent; in the second year - 20 percent; and in the third year - 40 percent. It may take years, even decades to be self-reliant, but it is essential that an organization should be able to raise enough local funds to finance its administrative and fund raising costs for one to two years. Some 50 percent of the budget might be raised from local and capital generating sources.

Often one hears that local fund raising will not work since the people are too poor to contribute. Local fund-raising is often seen as tedious and unproductive and the return not worth the effort. Sometimes the idea is rejected on social or cultural terms. Since resources are scarce many project-focused NGOs are going out of the development business unless they begin to generate local funding. Local fund raising efforts also have an advantage of educating the population about an organisation and its activities and generating support.

1 How to raise funds locally:

● Membership contributions

Membership contribution increase the commitment of members to the organization and they can help stimulate new funding from others in the community. For some organizations, such fees annually bring in a sizeable amount. For others the amount is minimal but important for it constitutes a regular income that can be budgeted.

● Sale of materials and services

Many organizations have developed self-study books on a wide range of topics, and that includes materials on the technic of selling services. Indigenous NGOs often develop an expertise in certain specific areas which are in demand (water development, sanitation, biogas pit development, small enterprise development) others hold training seminars, perform evaluations or provide management services. These services are leased against payment of the equivalent of the staff salary, per diem, travel and other costs plus an organization charge.

- **Projects can also generate income for indigenous NGOs**

We can cite many examples:

- Using a truck to market farmers produce in an area and bringing products on the return trip for sale;
- Self sustaining Organisation volunteers can grow and sell vegetables, buying and selling used cloths, seeds, tools, and many other items;
- Establishing a community store to make everyday items available at a reasonable price, still with a profit; and
- Establishing chicken-raising, fish-farming, block making schemes.

Other possible means include:

- Direct-mail campaign
- Catalogue sales
- Setting up an endowment fund
- Mass media appeals
- Interest articles about your work
- Negotiating for local government support
- Lotteries, raffles and tombolas
- Backyard community events, dinner dances . . .

There are many other ways of raising money, the means cited above are only few illustrations of the many ways NGOs and community groups can generate local resources. The possibility of using one method over the other is strictly depend on local conditions. Technic that drains large sums of money in some places are inefficient elsewhere. Thus the identification of the best combination of local resource mobilization methods should be left to the NGO to decide.

IV Mobilization of External Resources

International funding sources are for sure highly demanded as they distribute their assistance to development endeavours all over the world. Before forwarding their projects to these sources NGO promoters should be conscious that there are many alternative projects that are applying for the same fund; this should make them all the more careful and wary in wrapping up efficiently their proposal. However NGOs should also be informed that these funds are there to be disposed off for development projects, what is expected from them is to present a good proposal in the financing line of the donor, to have a valid objective and sound arguments, to show that they have the capacity to implement the project and make it sustainable. NGOs should not attempt to attract the support of charitable minds for their assistance but to convince development programme managers that their project is the best that can be.

1 International NGOs

A large number of NGOs, especially those under the auspices of churches or religious groups, trade unions, educational institutions, and foundations, are partly, or even wholly financed by their governments, others are concerned only with one, or a small number of development issues, and thus have a highly specialized staff. The number of NGOs that provide overseas aid, varies a great deal between countries. Canada has 250 or more NGOs that provide overseas aid, out of over 40,000 registered charities, In Japan, there are about 150 that provide overseas aid. France, for example, has a directory of over 520 NGOs that provide overseas aid. Precise data on the numbers of overseas aid-giving NGOs are not available.

2 NGO Donor Trends

The new trends can be summarized as those below:

- To concentrate on countries where there is already an involvement;
- To work with designated partners;
- To prefer a mutual partnership model;
- To involve the local NGO in planning;
- There is a shift away from supporting projects in favour of programs;
- To ensure that projects can be sustained after outside funding ends;
- To fund key target components;
- There is a shift towards supporting the U.N.'s designated international years; and
- Many donors are concerned with the role of women and environment.

3 Estimates of Donor Support

The largest donor countries in regard to NGO overseas aid are the United States, about 50 percent of the total (or more), followed by Germany, Canada, the Netherlands, United Kingdom, Japan and Switzerland. These positions sometimes change from year to year. Italy, for example, has provided larger amounts to aid recently, while Canada's NGO aid seems to be decreasing.

4 How To Go About it

The first exercise is to identify the funding sources: Most of the Embassies of the above donor countries have information on their funding organisations, if it is not readily available they can provide you with a repertory through mail enquiry to their respective government. Many UN organisations can be

called upon for the provision of data bases on donors. UNDP country mission have various specialised publications that can be of help. It is advisable to identify donors interest both in terms of geographic choice and issue concentration and target the proposal.

V Debt for Development Swap

Background

Since Chile established the first internationalized debt equity swap program in 1985, many countries have adopted similar debt conversion mechanisms : in 1986 Mexico, the Philippines, Ecuador, in 1987 Venezuela, Argentina, Jamaica, in 1988 Nigeria,... Since then debt conversion has become part of debt management and negotiation strategies, as well as a development financing mechanism.

In 1990 debt swap conversion peaked at U.S.\$ 28 billion, while it only reached U.S.\$ 6 billion in 1991. In 1992 U.S.\$ 11.3 billion was converted. While the volume of debt/equity swap has generally declined the instrument continues to be the most important type of debt conversion with 36% of the total amount between 1985 and 1992. About 77% of the volume of debt conversion was concentrated in four Latin American countries, while only two African countries (Nigeria and Tanzania) benefited from this internationally offered facility.

The Debt swap mechanism is one of the various debt repayment facility offered by creditor countries to alleviate the burden of debt principal and interest on the development of third world countries:

1 Debt buybacks (debt for cash swaps)

With the concurrence of the commercial banks, debt buybacks allows the debtor country to purchase its debt at a discount. In 1988 Bolivia repurchased about 350\$ million of its commercial bank debt at a price of 11% cent on a dollar, Chile was allowed to buyback \$ 299 million at about 56 cents on the dollar. Niger, Mozambique, Guyana in 1992, and Uganda and bolivia in 1993 were able to buy their commercial debt at deep discount.

2 Debt for Bonds Swaps

There are two main categories:

- **Exit bonds**

These instruments allow the conversion of debts into low interest bonds. Under this scheme banks could swap \$5 million of debt at face value for a 25 year bond with a 12 year grace period.

- **Loan for collateralized bond swap**

Under this scheme, debt is also exchanged for bonds but principal is collateralized with a US government zero coupon bonds in 1988. Mexico obtained 30% discount ; the collateral was purchased by Mexico with its own reserve.

3 Debt conversion programs

- **Debt / Equity programs**

It is a process through which LDC foreign debt is converted into local currency equity in a domestic firm. The investor buys the foreign debt of a country at a discount in the

secondary market. The debt is redeemed to the central bank of the host country near its face value for local currency investment.

- **Debt for development swaps**

An International NGO purchases debt in the secondary market at a deep discount, the NGO then negotiates this debt with the central bank, the local currency generated through this process is used to finance development projects such as debt-for-nature, debt-for-health, and debt-for-education...

- **Debt for export swaps**

This instrument allows a bank to acquire hard currency secured against exports of a variety of domestic products or commodities in return for cancelling part of its outstanding claims on the country. The exchange ratio applied in the transaction can vary from "1 to 1" (for high-tech goods) to " 5 to 1 " for agricultural goods.

- **Advantages and disadvantages of debt buy backs, debt for bonds, debt/equity conversion, debt for export swaps and debt for development swap.**

Debt buy backs is the conversion of commercial loans into soft loans, debt for bonds is another variety of debt buy backs; debt/equity conversion has the disadvantage of allowing a foreign firm to invest in local currency and compete advantageously with indigenous entrepreneurs. Debt for export swap has the disadvantage of blocking hard currency earning export commodities for the swap purpose, this mechanism is only useful when an export commodity is met with temporary sale problem (overquota volume or

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overproduction...).Debt for development swap is the only mechanism that instantly cancels the hard currency debt against the payment of the debt equivalent amount to indigenous NGOs development projects,in a long period of time, during which time the government generates interest on the debt fund.It may have the disadvantage of putting a lot of paper money in circulation and generate inflation, but this is only valid in small countries and certainly not in countries.

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