

The planning process

Once the components of the microproject have been identified, a planning process is started for each activity. This helps to identify in very concrete terms what each activity will consist of, how and when it will be implemented, who will be involved, who will benefit, what resources are available locally and what resources are

needed. Going through this exercise with the community is crucial to the design of a good project and supplies most of the information needed for the actual writing of the proposal. (See Part 3 “Writing the Proposal” for an outline of what is required in a typical proposal.)

The key steps of the process are:

- clarifying the goal
- deciding who will benefit - *the beneficiaries*
- deciding what needs to be achieved - *the objectives*
- selecting the best approach and identifying the tasks that must be completed - *project design*
- deciding when each identified task will be done and by whom - *action plan*
- deciding what resources are required and how these will be obtained - *budgeting and funding strategy*
- deciding how the project will be implemented and run - *management, monitoring and evaluation*

Clarifying the goal

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Before launching into the planning process, development workers and the community need to remind themselves about the problem that the activity is intended to help solve. Although the problem has probably already been discussed on many occasions, it is useful to review it again. In a microproject proposal to promote household food security and nutrition, the overall problem is household food insecurity and malnutrition. However, this problem needs to be described in more detail.

To define the problem, the community needs to express what is wrong, who is affected by this, and the factors contributing to what is wrong. At this stage it is good to refer back to the work carried out during the participatory appraisal of the community food and nutrition situation. The information gathered may have been consolidated in the form of a Problem Tree (see Figure 1).

This information can be used to write a Problem Statement.

Box 6: Example of a problem statement

In the village of Chilolo, in northern Zambia, an increasing number of children are malnourished. Food production is insufficient due to high cost of agricultural inputs, poor extension services and lack of seeds. Food preservation and preparation methods are poor. Access to clean water is limited and the village has no community health worker. Women are overworked and the community is poorly organized.

This description of the problem provides what is often referred to as the “Background and Justification” of the microproject proposal.

Next, it is important for the community to be clear about its goal, that is, its vision of what it expects the situation will be after the project has helped solve the problem. A goal is usually stated in one or two sentences. It does not mention specific numbers but should identify those who will benefit and where they are located. In the case of a microproject to promote household food security and nutrition, the goal will be to improve household food security and nutrition.

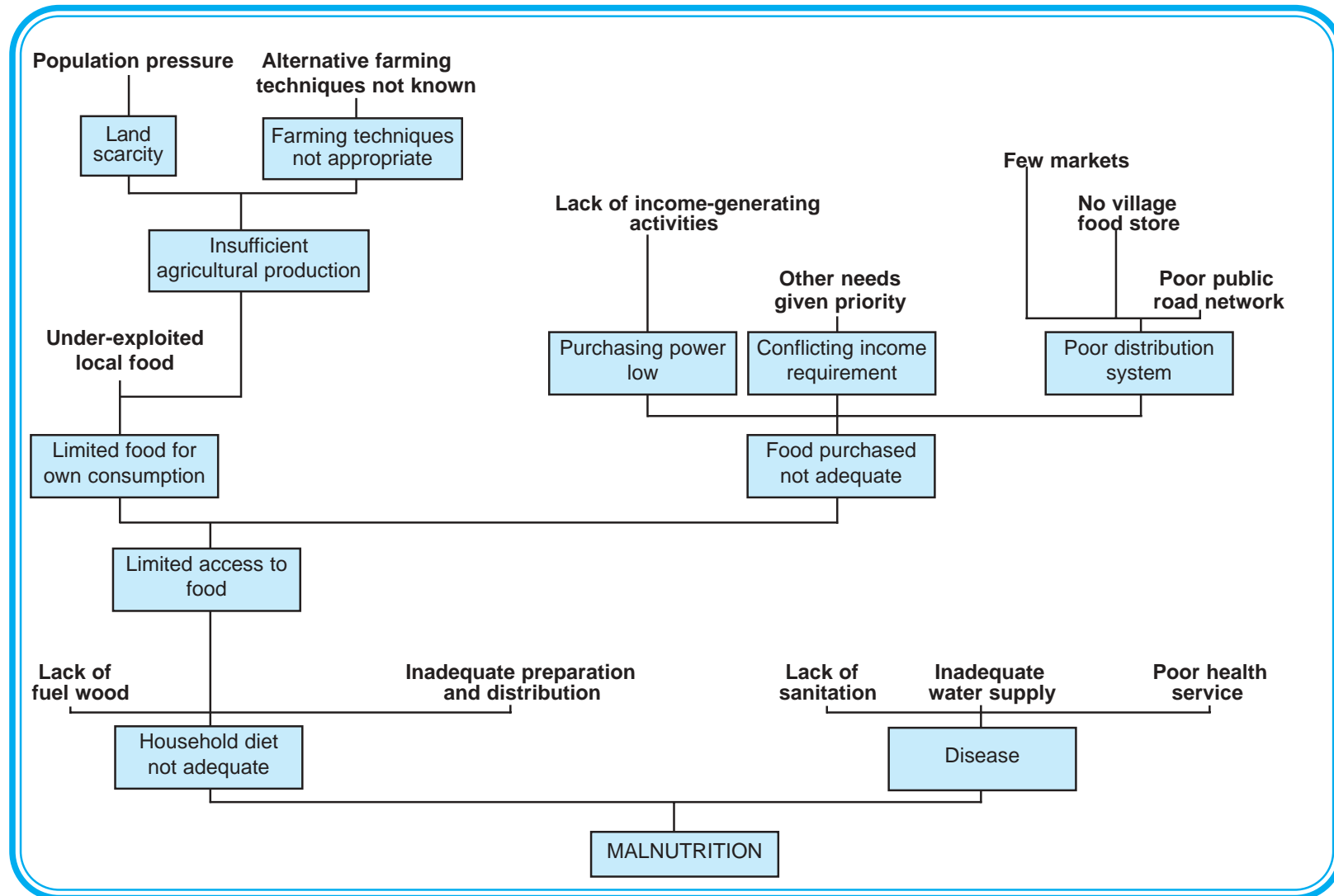
The goal is sometimes called the development objective. It describes the ultimate reason for undertaking the microproject. The microproject cannot be expected to attain the goal but to contribute to it.

Box 7: Example of a goal

Using the previous example of Chilolo, the goal might be: to reduce malnutrition in children under five years of age (beneficiaries) in the village of Chilolo (location).

The goal is sometimes called the development objective. It describes the ultimate reason for undertaking the microproject. The microproject cannot be expected to attain the goal but to contribute to it.

Figure 1: “Problem Tree” identifying causes of malnutrition (in selected communities of Kakamega District, Kenya)



Identifying beneficiaries

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Now that the problem and goal have been reviewed, the beneficiaries need to be clearly identified. These are the people who should benefit from the project. They are sometimes also called the target group. In most projects there are two types of beneficiaries: those who will benefit directly as a result of the project and those who will benefit indirectly from the project in the long term. Before developing the objectives and designing the project the community needs to be clear about who the project is intended to benefit.

This will help both in framing the objectives and in determining the design of the project.

Equally important in this discussion is who will not benefit from the project and whether they should or should not benefit. When representatives of an entire community (not just the elite or the educated) or representatives of an entire group actively participate in the design of its project, then there is more chance that those who should benefit *will* benefit.

Examples of beneficiaries

- *The community believes that the lack of seeds prevents them from growing the food they need. A seed multiplication group has therefore been formed.* Direct beneficiaries will be the members of the group who will obtain technical assistance and income from the seed production. Farming households in the community will benefit from the increased availability of seed to purchase and are, therefore, indirect beneficiaries.
- *The community has identified the distance from the nearest food store as a major constraint. A group of women would be interested in operating a village food store as a means to generate income.* The direct beneficiaries of this activity will be the women's group as they will obtain direct support (such as training or credit) and should ultimately have a more sustainable livelihood. The indirect beneficiaries will be the people from the community who will have easier access to basic foods.
- *An already established farmers' association has decided to establish a marketing cooperative to reduce the costs of marketing their produce. This will ultimately increase their income.* In this case, the direct beneficiaries are the members of the farmers' association. The indirect beneficiaries are the families of the farmers, since an increase in income should enable them to buy more and better quality food for the household. This in turn should lead to improved health and nutrition in the entire family.
- *Women spend on average two hours a day collecting water from the nearest spring. The community has decided to dig a well in the village.* Direct beneficiaries will be the women who will save time. Indirect beneficiaries will be the family as a whole, and particularly the children who will benefit from better care and hygiene.

Setting objectives and defining outputs

In order to contribute to the overall goal, a certain number of objectives will have to be achieved by the microproject. An objective (sometimes referred to as immediate objective) describes the situation which is expected to exist at the end of the microproject. It explains what the microproject intends to achieve. It shows the change that the microproject is expected to bring about. As far as possible, it should be stated in quantifiable (and therefore verifiable) terms. Objectives should be specific, realistic and timed.

A project is declared a success or a failure depending on the degree to which the objectives have been achieved. The community should keep this in mind, as it may be interested to ask again for funding at

a later stage. It is, therefore, important to avoid overstating the objectives of a project and to ensure that the objectives are realistic and not just wishful thinking.

Outputs are the products resulting from the microproject activities. They should be described as concretely and precisely as possible. For example, if a community has decided to address the problem of inadequate diet by introducing the production of green vegetables, the outputs would be the number of people trained in the production techniques and the quantities of vegetables produced. These two outputs are necessary in order to begin to have an impact on inadequate diet in the community.



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Box 8: Examples of objectives and outputs

Lack of access to purchased food has been identified as the problem. One proposed solution has been identified as the establishment of a village food store. Through discussions with the community and through work directly with a village women's group, it has been decided that the store will be established and maintained by the women's group. This will have the added benefit of generating income for these women. In this case the objectives might be stated as:

1. Within six months the entire community will have increased access to at least 10 basic foods through the group's establishment of a community-based food store.

Beneficiaries: *the entire community*

What is to be done: *establish a store*

By whom: *members of the women's group*

By when: *within six months*

Output: *a store and availability of 10 basic foods*

2. At the end of one year, the members of the women's group will have increased their income by X amount of cash a month.

Beneficiaries: *members of the women's group*

What is to be done: *increase income*

By whom: *members of the women's group*

By when: *at the end of one year*

Output: *X amount of cash a month*

3. After two years, through hands-on training, all the members of the women's group will have developed skills in bookkeeping, decision-making and management of an income generation project.

Beneficiaries: *members of the women's group*

What is to be done: *hands-on training*

By whom: *themselves*

By when: *after two years*

Output: *skills in bookkeeping, decision-making and management of an income-generation project*



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After the community has developed its objectives, the following checklist can be used to ensure that each objective is acceptable to most external funding sources.

When objectives have been developed for all the proposed activities, it is important to review all of them together. In so

doing, the development worker should ask the community whether it feels that the problem will be solved if all of these objectives are achieved. This may help identify other areas that need to be addressed, either in this project, or at a later date.

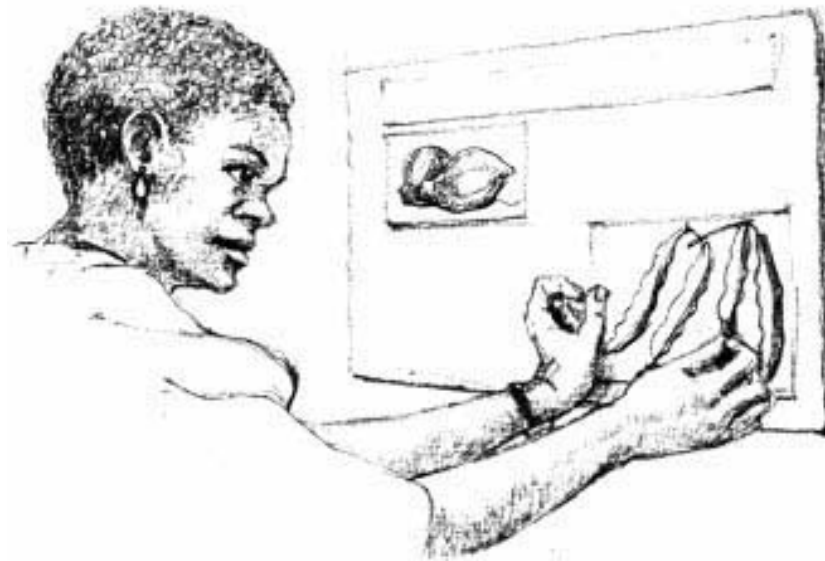
- | | | |
|---|---|--|
| 1. Is the objective clear | - | <i>does it explain what will happen?</i> |
| 2. Does the objective identify who will benefit | - | <i>the entire community, women heads of household, landless people, children, youth?</i> |
| 3. Is the objective realistic | - | <i>can this really be achieved?</i> |
| 4. Does the objective specify a time frame | - | <i>does it indicate when it will happen?</i> |
| 5. Does the objective specify quantities | - | <i>how much or how many?</i> |

Project design

The project design stage begins when the community works out in detail how it will achieve the objectives, describing all the tasks or steps it plans to complete. In order for the project to be successful, it is important for the specific tasks to be clearly identified and well thought out.

A number of very useful participatory planning tools have been designed to facilitate project design, and some of them are presented in the following pages. Development workers may want to try them out or adapt them for use with the community. Each of these tools can help the community organize its thinking and answer crucial questions.

Many of these tools use visualisation techniques, which have proved very useful in many different participatory planning exercises. These have been used with a variety of audiences (including decision-makers at the highest level) but can also be adapted for use in communities with high illiteracy rates. Picture symbols can be used instead of writing. It is important that these symbols are chosen and, if possible, drawn by community members, as experience shows that symbols designed by outsiders are often misunderstood by people from a different culture.



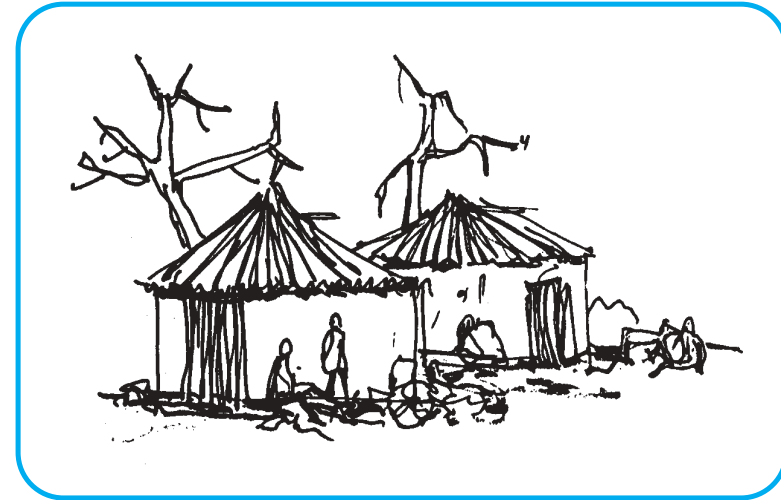
Listing the tasks

The first step is to go through each of the activities that have been identified for the microproject and list and discuss all the tasks that are necessary to complete each activity.

Box 9: Identifying tasks

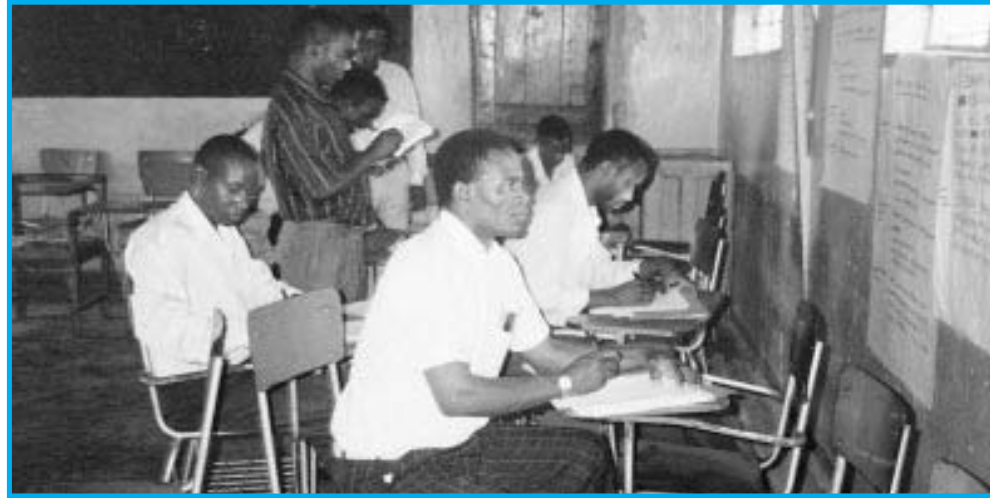
Two large posters are prepared to depict the expected changes. The “before” picture represents the situation in the community as it currently is. The “after” picture represents the community after the objectives or goal of the intended project have been met. For example, a dirty, unkempt village without a water supply and with sick-looking children could be depicted on the “before” poster. On the “after” picture the village is transformed into a well-kept, sanitary village with an accessible water supply, clean streets, latrines, solid waste disposal and healthy looking children. If desired, a story can accompany the posters. For example, a story might be told about a child who died due to malnutrition complicated by diarrhoea, and so the villagers decided to do whatever it takes to create a healthier environment.

Community members are invited to think of all the activities needed to bring about this transformation. Activities are then selected one by one and broken into a series of smaller tasks. Each of them is written or drawn on a card and placed on a blank sheet of paper or wall.



Sequencing the tasks

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Once the tasks have been agreed upon, the community needs to determine the order in which these should be carried out. This exercise is made much easier as each task has been written or drawn on a separate card. Cards can be rearranged as the discussion changes the order of the tasks. If additional tasks are identified during the group discussion, these can be added on the spot.

This type of exercise, like many visualisation techniques, requires a flat surface visible to all participants and protected from wind and rain. This could be, for example, a wall or a blackboard, on which cards can be placed and moved about. The surface can also be constructed from several sheets of paper or

cardboard. Tasks are then written on smaller pieces of paper or index cards, which can be taped or pinned to the prepared surface. This technique is highly participatory and very flexible since the task cards can be easily moved from one position to another. At the end of the exercise, it is important not to lose the information collected and discussed. A member of the group or the development worker should be responsible for gathering the information and writing it down for further analysis and use.

A community often plans to implement more than one activity in a given time period. Box 10 describes a method that can be used in literate communities to ensure joint planning of the activities by community members.

Box 10: Planning several activities

The villagers of M'bwe have identified three activities: vegetable cultivation, marketing the vegetables and nutrition education. The villagers are asked to identify the tasks for each activity, list them on individual cards and put these cards in a logical sequence on a planning calendar with one row per activity. They are thus able to compare and synchronise the tasks for each activity in the most suitable way.

ACTIVITY/TIME	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5
VEGETABLE PRODUCTION	Clear and prepare land	Make contours Plant barrier trees Plan rotation	Plant first batch of vegetables	Irrigate, weed and fertilise	Start harvest of first crop Plant second batch Plant third batch Continue weeding, etc
MARKETING	Identify market for vegetable	Organize grading and packing facilities	Investigate transportation options		Transport vegetables to market
NUTRITION EDUCATION		Prepare materials Train teachers		Advertise food preparation demonstrations	Conduct demonstrations, using excess produce

This technique allows villagers and development workers to review the whole picture and adjust the sequencing between the three activities. Through this process they can make sure that transportation and marketing are arranged well before the first vegetables are harvested, and that nutrition education activities are planned in time to encourage good use of unsold vegetable produce.

Making an action plan

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Once the community has reached an agreement on the order in which the tasks should be carried out, it must look at each task and decide:

- who will be responsible?
- what resources are needed to complete it?
- when should it begin and when should it be completed?
- how will it be completed?

As a first step this information can be written on the back of each task card. Then the information on the cards can be consolidated into an Action Plan.

In deciding who will take responsibility for a task, it is important to look at how much time people have available and when they have time for the task. It may be necessary to change the order in which some of the activities are carried out, depending on when the people who take responsibility for a task have time to do it.

Box 11: Action planning

This technique can help the community plan in detail the specifics of the proposed activity. It is used after all the tasks for an activity have been identified and sequenced by the participants. Each task, represented on a card, is taped in order down the left hand vertical edge of a large piece of paper (or on a wall). Columns with the following headings are drawn across the top of the paper: Who (will be responsible); When (will it begin and be completed); and What (is needed). The community then begins to fill in the Who, When, and What columns, task by task. The information emerging from this exercise can be transcribed later into a microproject proposal.



Communities and development workers have to use their common sense and go back as often as needed to previous topics in order for a good working plan to emerge.

Who will be responsible?

The first step in deciding who should do what is to examine the type of activities and tasks that make up the project. Then determine the best way of organizing these activities and tasks.

Activities that result in social goods, e.g. wells, clinics, bridges, may need labour contributions from many members of the community. A committee is usually formed to organize the labour inputs and to provide leadership. Assisting the community to form a committee or a group can be a lengthy process. This process is best evolved over time during the early stages of the project development rather than at the stage of developing a proposal.

Before deciding to form a new committee, it is important to see whether an already existing committee or group can fulfil this role. Too many committees and groups set up for temporary activities can cause confusion and end up being counter productive. Development workers promoting participatory nutrition projects have usually developed a good understanding of the community and know which groups and committees already exist. If, for example, a food and nutrition committee has been identified early in the appraisal process, it might be able to supervise or even manage the project. In other cases village development committees may be able to take the overall responsibility for the participatory nutrition project.

If the proposal is related to a specific aspect of the food and nutrition appraisal, it may have been developed with a given group - for example,

a mothers' club for a community-based child care system. In this case it might make sense for members of this group to manage the project.

Some tasks involve the management and maintenance of social goods in the longer term. Maintenance tasks should not be left as a vague responsibility of the whole community. Maybe a local authority will agree to take charge of items such as a school or road bridge. If not, the community must arrange to raise funds and ensure maintenance. One way of doing this is to set up a users' group to collect fees from each member and arrange for repairs and maintenance.

It is generally good practice to ensure that women are represented in the committee and participate in the decision-making process. Many donors even make this a requirement in order for a project to be considered for funding. Another good practice, which may also be required by donors, is that those holding management positions be democratically elected.

In all cases, it is important to discuss how best the interests and concerns of the poorest households in the community will be taken into account. When at all possible, they should be represented on the committee and encouraged to participate.

At the end of this phase of preparing an action plan, it is important that everybody involved is happy with their allocated tasks and will be committed to fulfilling their responsibilities if the plan is implemented.

Embarking on an income-generating activity

Income-generating activities require a specific organization and management approach. They have to be run as a business and should generate income. In most cases this will become the personal income of those involved in the activity. To be successful such activities should be carried out by small groups who have some common bond to help them work together effectively. Each group member must be prepared to invest time and some personal resources into the enterprise and to accept a share of losses just as much as a share of profits.

An exercise to decide who does what in an income-generating activity should be undertaken with the specific group of people who will be involved.

Development workers who are helping to establish group business enterprises should obtain a copy of “The Group Enterprise Resource Book” published by FAO, which gives an excellent account of the responsibilities associated with each of these roles.

The main areas of responsibility within a business are:

- Organizing the supply of inputs
- Coordinating production
- Keeping records and controlling money
- Arranging marketing and sales activities
- Providing overall coordination and management

What is needed?

To fulfil each task in the action plan various resources will be needed. Development workers should help groups think through what is required. Typical resource needs are:

- Materials such as bricks, seeds, cement, stationery...
- Equipment such as tools, machines, containers...
- Buildings for storage, shop premises, meetings...
- Land for crop production, grazing, fish ponds ...
- Labour and skills to carry out tasks
- Technical assistance
- Transport for inputs, products, people ...

At this point, the community needs to assess which of the resources identified are available in the community. Often communities do not realise the extent of resources that already exist in their own or neighbouring communities. A useful exercise is to ask the community to draw up on a large piece of paper a list of the skills, experience and material resources that already exist in the community.

Most resources are usually individually owned, e.g. tools, seeds, buildings, livestock, money, and, in some places, land. And everyone owns their own skills and labour time. So what becomes available for tasks which form part of a community microproject will depend on the decisions of individuals - whether they will participate and what they will contribute. It will depend on their motivation, on the group leadership, on their community bonds and on the perceived benefit to themselves and their families. Contributions are often a combination of labour, materials and cash.

This topic will be examined further when the budgets and funding strategy are prepared.

When will what be done?

The third part of an action plan is to think about the time frame for each task. In the previous sections, tasks have been listed and put in a sequence and responsibilities have been allocated.

Now thought must be given to how long each task will take, when it should be started and when it could realistically be expected to be completed.

This is particularly important for agriculture activities, which depend on seasons and on maturation or gestation periods. It is also important for start-up activities of business enterprises or construction of community facilities. Other tasks, such as obtaining inputs for a vegetable garden or maintaining a water pump, are recurrent and need not have defined times for starting and finishing.

One method of working out when things should be done is to create a planning calendar and plot when each activity should be carried out:

Task	Jan	Feb	Mar	Apr	May	Jun
1						
2						
3						
4						
5						

When people are asked to contribute time to specific project tasks, it is important to check how realistic this is. What activities would they need to sacrifice to make this time available? What effect would this have on the household? Special attention needs to be paid to the multiple responsibilities of women. It is not uncommon for projects to ignore the contributions of women in the planning process on the one hand and to actually increase the workload of these same women on the other hand! The same may be true of children and youth, who could be asked or instructed to carry out additional chores.

It may be helpful to ask the people concerned to prepare time charts of their daily activities and that of the members of their family. These help the community or parts of the community (and in particular women) to chart out how much time they are already spending on ongoing activities. This can help them identify how much time they may realistically be able to devote to a new project.

When considering activities that actively involve women, development workers may first want to encourage the community to develop project activities that free up women's time. For example, before embarking on an income-generating activity to assist food insecure households, the community or group may first need to plan a community-based child care centre to free women from some of their child care duties. This could help free up some of their time so that they can become involved in training and income-generating activities.

The work plan

As a facilitator of this planning process, development workers will need to help translate the community's decision-making and plans into a detailed work plan. A work plan briefly describes the tasks that need to be accomplished in the project. It also indicates who is responsible for each task and by when it should be completed. A work plan is usually presented in a chart or table format, which may be supplemented with additional written explanations.

Developing a work plan: a few tips

The work plan will help the community to manage the time and the people involved in the project. When developing the work plan, the community should address the following questions:

- What are the tasks which must be completed for each activity of the project?
- In what order should the tasks be done?
- When should each task be started?
- How long will each task take to be completed?
- Who should be responsible to complete the task? Is any other help needed?
- What physical materials and other resources are required to complete each task?
- If the project has different activities, do some tasks of one activity need to be completed before undertaking tasks of another activity?
- How much time will the project take overall?
- Are there limitations such as seasonal constraints that need to be taken into account?

Table 1 provides an example of a work plan for a village vegetable cultivation and marketing project. (A similar chart can be found on p. 51).

Either of these can be submitted as a work plan in a project proposal.



Table 1: Part of a work plan for a group vegetable cultivation and marketing project

TASK	WHO WILL DO IT?	WHAT IS NEEDED?	WHEN WILL IT BE DONE?
<i>Agree responsibilities of each group member</i>	<i>The group together</i>	<i>Book to record decisions</i>	<i>By March 31st</i>
<i>Conduct market research to decide what vegetables to produce</i>	<i>Joseph Emilia</i>	<i>Notebooks / pens Bus fares</i>	<i>By March 31st</i>
<i>Select production site and secure village agreement</i>	<i>The group Agricultural Officer Village Headman</i>	<i>Book to record decisions</i>	<i>By April 15th</i>
<i>Prepare production plan and budget</i>	<i>The group Agricultural Office</i>	<i>Book to record plan and decisions / Technical advice / Cash flow plan.</i>	<i>By April 15th</i>
<i>Prepare land and seedbeds and construct surrounding fence</i>	<i>Coordinator – Jackson Work – all</i>	<i>Hoes / Rakes Wheelbarrow or cart Manure</i>	<i>By April 30th</i>
<i>Obtain seeds</i>	<i>Peter</i>	<i>\$20</i>	<i>By April 30th</i>
<i>Sowing first crops</i>	<i>Coordinator – Jackson Emilia and Peter</i>	<i>Hoes / Rakes String</i>	<i>By May 5th</i>
<i>Watering, weeding and further sowing</i>	<i>Coordinator – Jackson Work - all in group according to rotation</i>	<i>Hoes / Rakes Watering cans</i>	<i>Throughout production</i>
<i>Begin harvesting</i>	<i>Coordinator – Edith Work - all members of group as required</i>	<i>Hoes / Knives String Baskets</i>	<i>From June onwards</i>
<i>etc.</i>			



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The role of development workers

Community action planning should be done by the community itself. However, development workers have an important role to play as facilitators of this process.

Development workers should ask critical questions that enable the community to think through the process clearly and realistically. Communities are often overly optimistic about the time needed to complete a given task, or about the capacity or willingness of individuals to take up additional responsibilities. Development workers may need to advise greater caution.

At times development workers may need to step in and get directly involved in the planning process. For example, if the community is planning to build a small bridge to improve access to the market, it may not be fully aware of the

technical constraints and implications. Development workers familiar with these issues should ensure that they are adequately included. Otherwise, they should encourage the community to contact and include in the project design a resource person, such as an engineer. A technical training session on building bridges could even be organized.

With the completion of the action plan, the community and the development worker are ready to conduct a more detailed analysis of resources and budgetary needs. These are discussed in the following sections. It is not uncommon for the action plan and time frame to be adjusted once the budget has been developed. These adjustments are often needed to ensure that the plan is complete, realistic and within available budget limits.

Preparing a budget

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A budget is a financial plan. It is a realistic estimate of how much money the community needs in order to implement the proposed project. In order to prepare this estimate, the community or group should review the planning exercise carried out so far in which it identified both the resources that are needed and the resources that it can bring to the project. It will also need to prepare a cash flow budget: this shows when things will be bought and sold and will help them to monitor progress.

When an income-generating activity is proposed, the budget should also include estimates of income as well as costs to see if the enterprise will make a profit. Different donors use different formats for budgets so it is important to check with them first before submitting the budget.

The first step in preparing a budget for a social investment project - such as building a community facility - is to separate the tasks listed into those relating to the initial investment and those forming part of the ongoing operation of the facility.

Investment costs (also known as capital costs) refer to the amount of money spent on physical structures, equipment, and supplies that are permanently available to the project and

community. These include such items as buildings, bicycles, water pumps, grain storage structures, rice mills, bricks and cement.

Operating costs (also known as recurring costs) are the expenses needed to maintain the project. They might include expenses for: maintaining and repairing the physical structures and equipment; stipends for village-level workers; supplies such as paper, fuel, electricity, seed or fertiliser.

Box 12: Investment versus operating costs

A community wants to ask a donor for funds to build a community water system. The budget consists almost entirely of investment costs, i.e. building materials and technical expertise.

However, once the water system has been built, it will need to be maintained. In this situation the community might explain in a cover note that it plans to create a maintenance fund through monthly contributions from the villagers and a maintenance committee to oversee the fund and the repairs.

Once this is done, the committee or community group should list all the resources identified in the action plan that will be needed to complete the initial investment. When making this list it is best to group the resources by type or category not task, e.g.:

- materials
- tools and equipment
- machinery
- manual labour
- transport
- technical assistance
- other

A cost should then be written down beside each item in the list, based on local prices, to buy or hire what is needed. Some things like technical assistance may be available free.

This process should be repeated for the operating or maintenance tasks.

If the community is asking for financial assistance for more than one year, donors usually require that budgets be submitted for each year. These can easily be prepared by reviewing the work plan with the community and seeing which tasks it expects to accomplish each year. Using the figures that were estimated for the entire project, it is possible to determine how much of each

budget category will be spent each year. This then translates into the yearly budget and can be presented in a similar format to that presented in Tables 2 and 3 (see Part 3 “Budget”).

The final phase of the budget is to make a cash flow plan. The various items that are going to be acquired with cash are listed on the left-hand side of a chart and the months across the top. The expected cash expenditure is then inserted in the chart and the total cash requirements each month can then be summarised across the bottom. When the funding strategy is prepared, this information can be used to plan community cash contributions and requests for external assistance.

Income-generating projects

Before embarking on the actual preparation of a proposal for an income-generating activity, it is important to make an estimate of potential profit. The group should start by discussing and answering the following questions:

- What products or services do they hope to sell?
- How much could they sell?
- Will they be facing competition from other producers or is their product unique?
- If it is unique do people want it?
- What price could they charge for the product or service?

The answers to these questions should be based on observation of the local situation and canvassing of people's opinions. This is market research. It may have been done when preparing the action plan. If not, it should be done now to ensure that people's expectations are realistic.

The next step is to separate the resources identified for each task into three groups:

Capital investment - buying things that are to be kept, e.g. tools, machinery, buildings, oxen, bicycles.

Fixed costs - payments which have to be made regardless of how much is produced or sold, e.g. rent, electricity, salaries. The group members should not allocate themselves salaries - their "pay" is a share of any profit that is made.

Variable costs - expenditure on items that vary in quantity according to how much is produced or sold, e.g. chicks and poultry feed, vegetable seed and fertiliser, goods for resale, flour or yeast, containers.

Now a profit estimate can be made for a selected period of time - the accounting period. It may be one year or six months or even

one month - it depends on the type of activity. Calculate an estimated income for the period, based on the volume of sales and proposed price, and subtract from this the expected costs for the period.

For example:

Income

50 kg. tomatoes sold at \$2 per kg.	\$ 100
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Variable costs

Seeds	\$ 10
Fertiliser	\$ 25
Chemicals	\$ 15
Bags	\$ 10

Fixed costs

Market licence	\$ 5
Transport	\$ 11
A share of the cost of tools (depreciation)	\$ 4

<u>Total costs</u>	\$ 80
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<u>Profit</u>	\$ 20
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Using these price assumptions, this budget suggests this enterprise could be successful. It is often a good idea to consider alternative assumptions. For example if the tomatoes could only be sold for \$1 per kg, the group would make a loss of \$30. It is important that people embarking on business enterprises consider the risks and check the realism of their budget assumptions.

When calculating the estimated profit for one production period, the group should take into account that the items they listed to calculate their capital investment will deteriorate with time and have to be repaired and replaced. This is what is meant by depreciation. This is done by dividing the cost of any items that will be kept for several production cycles by the number of accounting periods over which the item will last. For example, a tool costing \$40 and expected to last five years, will give rise to a depreciation charge of \$8 per year or \$4 per six months.

Finally a cash flow budget should be prepared. This budget is essential to identify whether the group has sufficient money to implement the activity or whether additional funds are required. (See Figure 2 on the following page).

In this example, the group members have already created a small fund of \$120 - the cash in hand at the start of the first month. The cash flow plan then shows that this is not enough to carry out the activity over the first six months. At least another \$225 is required to enable them to purchase all the inputs they think they will need. They could see if they can reduce the cost of those inputs but they will probably need to raise more money. If there were five group members, this would mean each one contributing a further \$45 to the funds. If they could not do this they may need to apply for external funding.

This example has been simplified and does not include all cost items. It would also be necessary to extend the cash flow plan over a longer time period to assess its real feasibility. A cash flow budget concentrates, as it says, on cash. Group members may also be contributing items in kind or attending training courses as part of the project.

Figure 2: Cash flow for poultry project

	APR	MAY	JUN	JUL	AUG	SEP
MONEY IN						
<i>Sale of eggs</i>					60	80
<i>Sale of chickens</i>				100	150	150
<i>Total (A)</i>	0	0	0	100	210	230
MONEY OUT						
<i>Chicks</i>	150					
<i>Feed</i>	30	30	35	40	40	40
<i>Vaccines</i>			20		20	
<i>Equipment</i>	80					
<i>Total (B)</i>	260	30	55	40	60	40
<i>Net cash flow (A-B)</i>	-260	-30	-55	+60	+150	+190
<i>Cash in hand at start</i>	+120	-140	170	-225	-165	-15
<i>Cash in hand at end</i>	-140	-170	-225	-165	-15	+175

Developing a funding strategy

Identifying and combining options

When all the costs are added up, a budget has been prepared which shows clearly the investment and operating costs for the project. If this exercise has been done by a committee or group, they will have to present it to the wider community, so that people can discuss it and decide on a funding strategy.

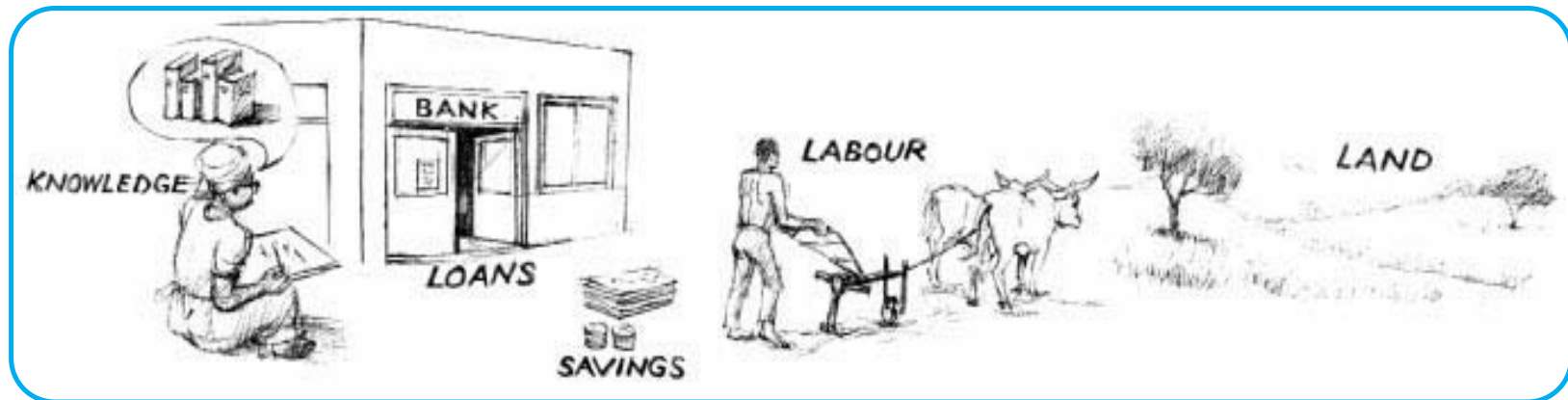
Community contributions

As we have seen before, community members are always in a position to provide in-kind contributions and these should not be overlooked. Community members may also be able to provide cash.

In-kind contributions may include labour, materials, the use of buildings, transportation, equipment, food and stationery. It may even include work already done on a structure that will be completed under the project.

Budget forms do not usually provide space to list the contributions that the community can provide but which are difficult to translate into financial terms (for example, any physical facilities that the community makes available to the project). In this case, these contributions can be described in writing either at the bottom of the budget or in a cover note to the budget.

In some cases, communities or groups may have an existing fund or income which can be used to contribute cash to the project. In other cases, the community may be able to raise some money through community events. Common ways of doing this are through membership fees, fund-raising events, asking for contributions from individuals or the local business community, or by selling services.



Box 13: Example of a project financed by community contributions

In the Philippines, a women's group identified lack of appropriate health service as a major problem for their village. Existing health services were located in the nearest city, 50 kilometres away. The group decided that there was a need for an emergency health fund which would lend money to families of the sick to assist either with medical expenses or the cost of transportation to the health facilities. Members of the village were invited to make small monthly contributions to the fund. Most of them, seeing the benefit of such a scheme, readily obliged. In addition, wealthy landlords were willing to contribute to the fund since it relieved them from requests for loans from the families of the sick. The women's group developed the terms and conditions for borrowing money from the fund, together with the rest of the community.

Contributions from the community show the donors that the project is being viewed seriously by the community - that the community is willing to contribute its own limited resources to ensure that the project succeeds. In some cases donors may even require that the community contribute a percentage of the budget. This contribution may be a combination of cash, in-kind labour and materials.

Donors like to know that the projects that they fund are sustainable - that the projects will continue to thrive after the donors withdraw their financial support. In fact, many donors require that the community explain how it plans to meet the costs of running the project once external support is withdrawn.

After this, it will start to become clear how much cash is required, how much will be given in kind and what funding will be needed from outside the community. If the community has been able to tap other sources for financial, in-kind or technical support, this should be shown in the budget. Donors usually respond very favourably to a community's ability to mobilise other resources.

Local support

Some contributions to microprojects may be provided by local institutions (government or NGOs). They may be able to provide material or financial support from existing budgets, technical assistance and information, or help with training or skills development. If the community sees that training is needed, it will have to explore where and how this training can be obtained. Often the government provides training courses or has channels for requesting training.

Grants

Grants are gifts - donations - which are usually made to communities or groups by organizations such as donors and NGOs. Grants may be in the form of materials and supplies - seed, farm equipment, books, bricks, etc. - or cash. Material grants for a community project can be a useful complement to cash. NGOs, rather than donors, tend to be the best source for these material grants. Cash grants normally have to be placed in a bank account opened by the committee or group leaders.

An advantage of obtaining a grant is that the sums of money are generally quite a bit larger than the amounts that can be raised through community contributions. Also, if the community successfully implements the proposed project, it will have a good track record in the donor world. Such a track record is very useful for obtaining more grants at a later date. Grants can fund both social investment projects and income-generating projects, where they can be very useful in reducing capital start-up costs.

Grants also have disadvantages. One of these is having to meet donor requirements and expectations. For example, some donors require very time-consuming and detailed reports, beyond what might seem useful to the community. In other instances, donors may require the community to change or adapt the design or time frame of the project, forcing it to move in a different direction or at a much more rapid pace than the community intended.



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Loans are not gifts. They are a way of enabling a group to use future income now by advancing money with the intention of being repaid when that income is eventually generated. Loans are available from banks or specialised lending institutions or credit schemes. Traders may also give loans by supplying goods on credit and expecting the goods to be paid for when sufficient income has been generated.

When money is borrowed it has a cost. This is called interest and represents an income to the organization or person giving the loan. Interest rates vary and can be quite high in countries experiencing rapid inflation as the lender seeks to maintain the value of the money lent out. So when a group is considering using a loan to provide additional funds for a microproject, the members must be absolutely certain that they will generate sufficient future income to cover the interest charges and repay the borrowed capital. Loans are not suitable, therefore, for social investment projects which do not generate direct income.

Lenders are often wary about lending to groups because individual members may avoid the responsibility for repaying the loan. It is important to have very clear rules about each person's obligations with regard to loan repayment. Group members have to know what they will do if future income is less than they hoped. Lenders may demand some form of collateral such as a building or equipment, which they can seize if the group fails to repay. They will certainly want to see a properly worked out budget and may require that a group enterprise already have a successful business track record.

In the past, commercial lending institutions have not made it easy for inexperienced communities or marginalised groups within a community to borrow money - collateral demands were too high and application procedures were too complicated and burdensome. More recently a number of credit programmes or institutions have been established specifically to make it easier for urban and rural poor people to access loans. However, it is not uncommon for a community group itself - a farmers' association, for example - to exclude the more marginalised farmers from participating in a group loan since they may increase the group's risk in meeting the loan interest and repayment schedule.

One advantage of a loan is that, as long as the group is repaying the interest and loan capital according to schedule, it will be left to determine the direction and pace of enterprise development on its own. This can be empowering and can enhance the group's sense of commitment to the activity. If the group successfully repays the loan, it will establish a credit history that will increase its chances of receiving loans in the future.

The disadvantage of loans is that they can be risky because interest must be paid on them and they have to be repaid according to a specific predetermined timetable. If the enterprise fails, the group still has to repay the loan and the interest or they risk court action or loss of property.

Now that the community knows what resources are needed for the project and what resources exist within and outside of the community, the development worker needs to help the community determine which options to pursue.

Box 14: Sources of funding (a child care centre)

The community has identified the need for **a child care centre** to free up mothers so that they can actively pursue their income-generating activities and contribute income for the purchase of food. Contributions might be broken down as follows:

1. *Community contributions*: providing land for the centre, collecting sand and rocks and bringing these to the site, making bricks, providing transport of local materials, digging the foundations, providing unskilled labour for construction, small financial or in-kind contributions from families using the child care centre.
2. *External support*:
 - from NGO: training village women to run the centre and to keep accounts and good records.
 - from government: training and supervising interested and/or selected women as child care workers.
3. *Donor contribution*: a grant to buy roofing and basic equipment.

The community or group needs to list all resources that can be provided by the community or group members for this microproject. It then needs to list the technical assistance, training or other items that could be provided by local institutions. The remaining resources will have to be funded by the grant.

Box 15: Sources of funding (a village drug store)

A women's group has decided to establish **a village drug store** to ensure an easily accessible and affordable supply of basic medicine for the community. Contributions might be broken down as follows:

1. *Community contributions*: land, labour, materials to build the drug store.
2. *External support*:
 - from NGO: training in business skills.
 - from government: training in basic health information and messages, basic equipment, supply system and specification of essential drugs.
3. *Donor contribution*: a grant to provide skilled labour, cement, roofing, furniture and start-up capital to buy the medicine.



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The final step is to decide which sources to approach for obtaining a grant. Maybe there is only one appropriate source, but if there are more, the community needs to weigh the advantages and disadvantages of each source and then develop a strategy of how best to proceed. Usually it is wise to consult with the donors and lending institutions before writing a proposal. The community needs to decide who should do this - the development worker, community members, or a combination of both.

Whenever possible, the community should invite the donor or its representative to the community for discussions or to attend planning meetings. The more contact communities and development workers have with the donor, the more they will understand what the donor expects if it is going to fund a project. This will also make it more likely that the donor will appreciate the need for the project.

An important part of any project design is deciding how the project will be managed. This is true whether the community or group is seeking funds (loans or grants) from external sources or whether it is able to carry out the project with its own resources.

As we have seen before, projects are usually managed by a committee or a group rather than by an individual. A committee may be established especially for the project or it may be one already established for other community initiatives. Community groups (e.g. a women's group, a youth group, a water users' group) either manage their own activities collectively or elect a management committee.

The committee or group should have been identified by this point in time, and it is important to ensure that it is well organized. A well run committee or group must be clear about:

- its leadership
- its membership: who the members are and what their roles are; who can join and whether there are any requirements
- its constitution - the purpose and rules
- its procedures and methods of recording decisions and other important information

Donors and banks or other credit programmes usually want to know about the committee or the group - when it was established, its objectives, who are the members, how it is run. The community or group must be able to demonstrate that it has both stable membership and organizational skills, and is therefore able to make good use of the funds it is requesting.

This information can be used to write the Organizational Profile section of a proposal.



Monitoring and evaluation

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Once the plan has been set, the community needs a way to know if the plan is working. It also needs a way to be able to tell outsiders that it is working. This is what monitoring and evaluation is all about. Every project should include a plan for monitoring and evaluation, whether or not the donor requires this.

- *Monitoring* is carried out while the project is ongoing. It helps to identify problems as they arise so that these can be corrected while the project is still in progress.
- *Evaluation* is carried out at the end of the project. It helps determine whether the project achieved what it set out to do.

In order to monitor and evaluate the project, the community needs to be able to measure changes in conditions or behaviours that show whether or not the project is having the desired effect. Indicators need to be developed to measure these changes.

There are different categories of indicators:

- Performance indicators help the community check whether the activity is progressing as expected.
- Impact indicators help measure if the objectives are being met and if the food and nutrition situation in the community has improved.

Outputs are good performance indicators. For example, you may want to monitor the number of children being weighed or the number of women who have received training in bookkeeping.

The project's management performance should also be monitored. The work plan can be used to check whether the project implementation is proceeding according to schedule. Adding a column to the cash flow budget and writing down the actual amounts of money received or paid out for each time period, will help show whether things are going as planned. If they are not, it is important to find out why and make sure problems are identified and dealt with early on. It is always advisable to discuss the situation with the lending institution or donor agency.

It is also important to try to measure whether or not the project is having an impact. If the project has been designed to reduce malnutrition, then development workers, the community and the donor will want to know more than the number of children weighed. They will want to know, for example, if there has been a change in the number of malnourished children in the community. If the project was designed to increase income, they will want to know more than simply the number of women trained. They will want to know if the women trained are making a profit.

It is best to limit the number of indicators. Having too many often leads to problems in regularly collecting, maintaining and using the information to make decisions. In addition, the community needs to decide how these indicators will be monitored: what tools or methods should be used, who will collect the information, when it should be collected, and how it will be recorded. The Guidelines (pages 67-79) discuss many of these points in greater depth and should be referred to wherever possible. Checklist 3 on page 71 of the Guidelines, in particular, provides some useful examples of possible indicators for food and nutrition projects.

In order to see if a project is making progress, the community needs to be able to describe the situation before the microproject began. The participatory appraisal of the food and nutrition situation of the community should have given a clear understanding of this situation. However, specific information may need to be collected at the start of the microproject to describe the specific issues that the project is going to address. These “baseline data” should be simple and reflect the indicators that the community or group has selected. For example, if the community or group has decided that one of its indicators will be the number of malnourished children under five, then as part of the baseline data, it will need to identify these children and keep a record of this information.

Before submitting a proposal to any funding source, it is important to find out whether the donor requires an evaluation and, if so, who should plan and conduct this. In some cases when the project is to

be small, the donor does not require an evaluation. The community is simply requested to submit a report at the end of the project, stating what has been achieved, what problems were encountered and how the money was spent. In other cases, the donor will send someone from its own office to talk to the community and conduct its own evaluation. You should be aware of the donor’s requirements on evaluation in order to make sure this is included in your work plan and budget.

Box 16: Example of participatory monitoring and evaluation

In a water and sanitation programme in Nepal, a group of women in the village described what they considered to be healthy and unhealthy sanitation practices - domestic, environmental and personal. Their answers were used to create a monitoring form. These very same women then visited bazaars, temple grounds, school yards and individual homes and evaluated these against the indicators that they had developed for “healthy” and “unhealthy”. While this exercise was initially conducted to establish baseline data, the women decided to continue using it to monitor the project on a regular basis. The information collected by these women also contributed to the final evaluation of the project.

The community has now gone through the process of planning a project. Community members have discussed and made decisions on the key elements of the project. There has been discussion about the various donors. Information on donor's requirements has been provided. The time has now come for writing the proposal. This stage consists of taking the results of the discussions and writing it down in a proposal framework.

A microproject proposal describes the situation that has led to its preparation. It explains **why** the microproject is going to be

undertaken. It establishes the plan for **what** will be done, **what** will be **produced**, **when** and **by whom**. It also describes the situation that is expected to exist at the end of the microproject and what is expected to happen after the microproject ends.

Communities or groups should be encouraged to write the proposal. In most cases, however, development workers will have to coordinate, supervise and finalise the work.

