Capsule 6: Sub-Project Proposal & Business Plan

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Stages in the Life Cycle of a Development Project

The development project begins as an idea in a leader's mind. From then on, it passes through several stages. The stages and the processes in the stages are briefly described below.

1. Project Idea

The leader analyses the current situation and the possible alternative solutions. He then discusses the alternatives with various stakeholders and arrives at the feasible solution. It is generally during this phase that the leader undertakes a wide ranging consultations, both with the target communities and his contacts. There are two results of this process:

The evidence required to justify the project is gathered and the logic is refined to defend the project idea. The critical support required for the idea to be implemented is also generated in the process; which would ease the process of implementation after the project receives adequate resources. In some cases, gathering the evidence itself could be resource intensive. In such cases, the evidence is gathered after building a preliminary case for the project from the secondary sources.

The process of generating the critical support for the project idea could involve getting the idea across in the informal discussions at various places including the village centre, Panchayat, discussion with the village elders, sounding out with the teachers or doctors in the village, discussing with the present actors in development, etc. The process could also involve generating approval of the academic community and practitioners by publishing the idea in seminars, workshops and mass media. If it is a new idea, attempts will have to be made to look at the closest possible parallel and then articulate the learning. Another manner to generate the critical support could also involve taking up a pilot in very small scale and demonstrating the feasibility of the idea. Inviting the attention of the district level officers to the pilot could also be involved in such a case. This stage also involves the search for a suitable donor for the idea and the priorities of the donor.

2. Project Proposal

After the project idea gets sufficient critical support from the relevant environment, the champion of the project goes to write the project proposal. The processes involved in this phase are: Refining the justification for the proposal and developing the log frame. The justification involves answering the following:

- Why is solving the problem very important and utmost urgent?

- Why is the proposed solution the best method of solving the problem? What alternatives were considered and rejected?

- Is the project technically feasible with the level of technology involved?

- What are the costs and benefits of the project?

- How does the project contribute to equity?

- Would the results of the project be available after to the target communities after the completion of the project?

- What are the possibilities of elite capture in the project? How can elite capture be avoided in the project?

Justifying how the organization is suited to execute the project (the work that was done previously and how that previous work dovetails into the new project). Working out the institutional arrangements (both the CBOs and the proposed implementing NGO) and the details of the works involved CB requirement of the proposed (or existing) staff.

Working out the funds requirement. Monitoring and reporting arrangements proposed, along with the cost thereof.

3. Submission of Project Proposal, Presentations and Appraisal

The process involves tailoring the project intervention logic to the one supported by the funding agency. (How would the funding agency benefit by sanctioning the project? How does the proposed project contribute to the objectives of the Funding agency?) The presentation also involves defending the proposal, the institutional arrangement, the schedule of implementation and the budget involved. On the other hand, the funding agency would want to negotiate for faster implementation at a lower cost. There would also be some negotiation between the NGO and the funding agency regarding the installments of release of the funds.

The funding agency would undertake a review of the justification of the project, and the way in which the proposed project contributes to their aims and objectives. The funding agency would also judge the suitability of the NGO to implement the proposed project in a satisfactory manner. The processes could involve the funding agency visiting the NGO and a visit to the field to study the field situation.

4. Approval of the Proposed Project

After a favorable appraisal, the funding agency approves the project. The processes that follow are the signing of a memorandum of agreement ("terms of reference") between the NGO and the funding agency, and the submission of a Project Inception/Initiation Report by the NGO stating that the NGO has taken steps necessary to start the implementation of the project. The agreement generally contains the details of the records to be maintained by the NGO and financial/procurement procedures to be followed.

5. Release of Funds, Execution and Submission of Reports

After the project inception report is submitted, the first installment of the funds are released by the funding agency and the NGO starts the work. The NGO recruits the persons required and acquires the assets. The best practice is to spend some time in quickly gathering the baseline data and disseminating the report. In the process of execution, the NGO needs to maintain all the records as per the agreement or the best practice. Care should be taken to see that the funds meant for a project are not used to meet the expenditure under some other project. The NGO will have to submit regular utilization certificates (in the form suggested by the funding agency) regarding the money spent.

The head of the NGO or the project coordinator will have to devise ways to regularly monitor the project. While the project activities would be in progress, the NGO should submit periodic reports (financial and progress) to the funding agency and relevant other stakeholders as per the agreement and best practices accepted. The reports could also include some case studies to highlight the activities and early results of the project activities.

Some decisions during the implementation phase could require the concurrence or approval of the funding agency or a designated (approved) expert. In such cases, the NGO will have to obtain the approval as required and file a copy of such approval. In some other situations, the funding agency may ask the NGO to notify it of some developments like the qualifications and experiences of person in-charge of the project or the leaders of the CBOs. NGOs would do well to submit these reports promptly.

6. Inspection of Accounts, Monitoring and Action Taken Reports

The funding agency could request all the vouchers and receipts, along with all the financial records to be sent to their office or depute an accountant to inspect the accounts at the NGO's premises. Some funding agencies make field visits to verify the accounts and check the progress of implementation.

Many a times, the visitor may not understand the language of the target community. In such cases, the NGO may have

to hire a translator if the head of the NGO or the project coordinator cannot interact with the visitor easily. Where the services of a translator are hired, the translator would have to be briefed about the project beforehand so that the context is appreciated by the translator. The general practice of the funding agencies is to send a reporting highlighting the concerns in the implementation of the project and suggestions for improving the results. The NGO needs to submit its considered opinion regarding the observations made by the visitor and its plans to implement the

suggestions. After sometime, the NGO will have to submit an 'action taken report' to the funding agency highlighting how the suggestions made by the visitor were implemented.

7. Project Completion

Towards the end of the project period, the NGO negotiates with the funding agency for some more time to spend the unspent amount or converting the unspent amount as corpus of the NGO/CBO. The NGO also negotiates for an extension of the project (breadth or depth) at the stage. After the project implementation is complete, the NGO gives the funding agency a project completion report. Depending on the method in which the unspent amount is to be handled, the amount may have to be refunded to the funding agency.

8. Impact Assessment and Dissemination of Learning

In most cases, the completion of the project is followed by an impact assessment. In case of a larger project, the impact assessment is a detailed exercise. Otherwise, it could be a small exploratory study. However small the project be, the NGO would do well to document the impact of the project with photos, case studies, graphs, and observations of visiting dignitaries.

The current emphasis is on the learning. Hence, the NGOs could participate in some seminar and bring out the learning from the implementation of the project. Such efforts would improve the credibility of the NGO. When properly backed by a survey of literature on the subject, the learnings get appreciation of the larger world. With this, the practice could lead to theory.

Benefits of a Project Proposal

A good project proposal can give us the following benefits:

The funding agency knows about:

- Us

- Our past and proposed work

- Our target community

- How the proposed work is important for our target community

- Our professional approach to work

- Our partners and

- The role of the external agency in supporting us in the proposed work

The funding agency can also judge about the chances for our work to yield the anticipated results.

The staff in our own organization know:

- The reasons for our undertaking a work

- How this fits into the overall organizational endeavour

- The scope of the work

- Who would do what

- The budget constraints under which the work needs to be completed

The accountant knows how to book various expenditure incurred in the course of implementing the project.

The project manager can regularly check whether:

- The risks are happening and take corrective action

- The activities are yielding appropriate results or they need to be changed

- Source the resources and be ready before they are actually required

- Which works needs to be done and the sequence in the works

Required reports have been prepared and put-up for review as planned and agreed upon. Further, the project proposal helps the project manager to:

- Collect the required baseline data to feed into various evaluations

- Convey the project priorities and works to other members in the organisation

- Design the monitoring systems to focus on the proper control of the project implementation

- Report about the progress to the funding agency and outsiders

- Decide on the case studies, etc., to show case the results of the project

- Ensure the presence of other conducive factors

- Liaise with other appropriate agencies and build favorable climate for the execution of the project

- Defend the work of the subordinates before external agencies/politicians

The proposal also helps in improving the coordination among various units at the lower level as they would have understood their respective roles and the complementary nature of each others work.

An outsider can evaluate our action based on what we achieve if the proposal is known to him In case of evaluation, the project proposal helps in designing the baseline study, whose results can then be compared with the situation at the end of the project to understand the impact.

Sub-project Proposal and Business Plan

There is a need for a detailed plan for the interventions planned. These plans could be in the form of either a sub-project proposal or a business plan. The plans need to be thorough - the strategies of implementation, budget, resources required, results, etc., should be clearly indicated.

What is a Sub-project Proposal?

A sub-project proposal is a comprehensive document prepared with the objective of assessing how it can address a set of prioritized needs/problems/issues by taking into consideration each and every detail of the Sub-project Implementing Agency. The details involve the agency's history, coverage, activities undertaken, capacity building effort, linkages, savings and loans, self-rating, fund management capacity, future plan etc.

A good sub-project proposal addresses the following -

- Details of Sub-project Implementing Agency (SHG, Collective etc.)

- Details of target group - baseline, coverage in groups, etc.

- Details of the assets and resources and their control after the sub-project

- Procurement, Production and marketing aspects (if relevant)

- Sustainability, operational feasibility and maintenance of the sub-project

- Outputs, Outcome, and Impact with clear indicators

- Sub-project implementation mechanism and fund management mechanisms

- Sub-project reporting and monitoring mechanisms

- Operational management, maintenance and evaluation; post project mechanisms

- Sub-project action plan roles and responsibilities

- Costs and benefits/income

- Community contribution

- Convergence of funds and resources

- Discussion on the nature of sub-project investment (common and individual infrastructure, grant and loan details)

- Discussion on loan repayment and the contributions (if required)

- Clear milestones and fund release schedule linked to milestones

The sub-project proposal is prepared with intense involvement of the stakeholders at various stages of preparation. It is owned by the Sub-project Implementing Agency. All the sub-project proposals are generally subjected to a third party (other than the persons involved in the preparation) appraisal. The broad appraisal checklist can be seen at Annexure 4. **Log Frame:**

Business Plan

What is a Business Plan?

A business plan aids a business in looking ahead, allocate resources, focus on key points, and prepare for problems and opportunities. But they are also vital for running a business, whether or not the business needs new loans or new investments. Businesses need plans to optimize growth and development according to priorities.

Whenever one has a business idea or needs to start a new venture the need to represent the idea on paper emerges. This will give clarity about your business and how one can operate it successfully in the future. It is not just writing about the business but to bring up the realities and strategies to counter risks. A sound rationale is the basis of an effective business.

The key elements of a Business Plan (See Annexure 5 for Template) include -

- About the Organisation: Legal establishment, history, start-up plans, etc.

- Products and/or Services

- Market Analysis: Market, Customers, customer needs, where they are, how to reach them, etc.

- Strategy and Implementation: Specific. Include management responsibilities with dates and budget.

- Management Team: Include details of key members of the team and key staff.

- Financial Plan: Include profit and loss, cash flow, break-even analysis etc.

The business plan is prepared with intense involvement of the Entrepreneur and Enterprise. All the business plans need to be subjected to a third party appraisal.

Appraisal of the Proposals/Plans

Appraisal is a process to assess the proposal/business plan - its ideas and activities. The appraisal is important to know how the sub-project/business is going to perform. The benefit of the appraisal is the **third-party look at the proposal/ plan** that would help in identifying gaps and improvements. The proposal/plan should be presented to the appraisers. Any gaps which the appraisal would bring out need to be addressed and the proposal/plan needs to be revised.

Points of Appraisal

Feasibility: The focus is on ascertaining whether the proposal/plan is possible under the given circumstances. A technology, proven elsewhere, has to be rechecked for suitability in the present location. Similarly, the suitability of proposal to the social and cultural setting, the strength of existing institutions likely to be involved, and the ecological situation needs to be examined. Lastly, whether the required finances can be raised as expected also needs to be assessed. In other words, if a proposal/plan is not feasible, it is being conjured up in thin air and is based only on the imaginations of some persons.

Viability: Here the focus is on ascertaining whether the proposal would yield adequate financial returns. If the person or community decides to keep the money in bank instead of investing it in the proposed activity, he would have received interest on the deposit without facing much risk. Further, would the persons involved realise higher wage returns for their time? If the answers to these two questions are yes, the proposal/plan can be considered viable. The assumptions behind the calculations would have to be checked for consistency and feasibility.

Cost-effectiveness: The appraisal needs to consider whether alternative methods have been examined and whether the proposed method is the least cost method among them all.

Productivity: Productivity constitutes positive changes in one or more of the four arrows of the poor. A proposal/plan need not be invested in if it does not contribute positively to any one of the arrows of the poor people.

Equity: The proposal/plan should be such that it does not cause suffering to even a single poor person. This is the negative test for the proposal/plan. The benefit caused to several poor persons is not a justification for a poor person to suffer. For example, for the benefit of several thousands of farmers who gain from irrigation created by a dam, a few hundreds of farmers should not suffer submergence of land. If there is no other way for the dam to be built, the farmers whose lands are submerged should be compensated with a benefit equal to that the farmers downstream would receive from the dam.

Sustainability: Proposal/plan is worthy of investing resources in only if the benefits from the proposal/plan are going to continue into some time in the future. ❖

Annexure:

Annexure 4: LogFrame: http://www.aksharakriti.org/magazines/doc_download/220-logframe-

Annexure 5: Business Plan: http://www.aksharakriti.org/magazines/doc_download/221-project-proposal