

Handbook on Income-Generating Activities

**for the use of Danish NGOs and
their partners in the South**

1st edition

THE PROJECT COUNSELLING SERVICE

Klosterport 4E, 4.sal, DK-8000 Århus C

Denmark

Tel: +45-8612 0342, fax: +45-8612 0343

Email: prngo@prngo.dk

Website: www.prngo.dk

January 2000

Table of contents

<i>PREFACE</i>	1
1. Introduction	3
1.1 International experiences of IGAs	3
1.2 Danish experiences of IGAs	5
1.3 Structure of this handbook	5
2. Identification and analysis	7
2.1 Problem analysis	7
2.2 The market	9
2.3 Organisational matters	10
2.4 Socio-cultural aspects	13
2.5 Methods for the stage of identification and analysis	15
2.6 Checklist	15
3. Project design and planning	17
3.1 IGA design	17
3.2 Organisational framework	17
3.3 Assessing sustainability	19
3.4 Monitoring and indicators	20
3.5 Methods for project design and planning	22
3.6 Checklist	23
3.7 Project advice and support to small NGOs	23
4. Support modality	24
4.1 Financial services	25
4.2 Material support	27
4.3 Training	28
4.4 Checklist	30
5. Typical pitfalls	31
6. Literature and other references	33
7. List of annexes	35
 <i>ANNEXES 1-12</i>	 35-54

Preface

In 1998, the NGO Unit of the Danish Ministry of Foreign Affairs conducted a survey of Danish NGOs' experiences of income-generating activities (henceforth referred to as IGAs)¹. The study uncovered many of the problems, minor as well as major, faced by Danish NGOs in their planning and implementation of such projects. At a workshop held in March 1999, with the attendance of NGOs as well as Danida, it was recommended that a set of guidelines be drawn up in order to overcome some of the difficulties identified. Against this background, and funded by Danida, the Project Counselling Service took on the assignment.

Consequently, the aim of this "Handbook on Income-Generating Activities" is to provide Danish NGOs, especially small ones, with a tool to "*plan and implement gender specific and gender analytical IGAs with greater effect, in cooperation with partners in the South*" (textual quote from the terms of reference).

These guidelines have taken shape after comprehensive reading of available literature, in addition to interviews with selected Danish NGOs experienced in IGA, the Project Counselling Service and Danida.

How to use the handbook

The intention behind this publication is to enhance the capacity of NGOs, North as well as South, to plan and implement income-generating activities. Since the handbook's original in Danish has now been translated into English and Spanish, it may also serve to substantiate joint preparations of IGA projects between organisations in the North and the South.

The emphasis is on setting out a range of planning and analytical tools, which may contribute to increasing the success of IGA projects, and hence to improving the living conditions of the target groups, i.e. the poorest and most marginalised sectors of the population. This does not imply that better analysis and planning are enough to ensure successful IGA projects. As with all other development work, these take place within a cultural, political and economic context, in which sudden changes can affect the chances of carrying out the activities. Therefore, the interplay between IGAs and their social surroundings must be constantly assessed in order to adjust the project continuously. In this regard, the handbook is not meant as a recipe for 'the perfect IGA project', but rather as a reference work, which may serve as inspiration, and a checklist of questions relevant to ask throughout the various stages of a project.

¹ T&B Consult, *Skaber de indkomst? - et tematisk studie af NGO'ernes støtte til indkomstskabende aktiviteter* [Do they generate income? A thematic survey of the NGOs' support to income-generating activities], Danida 1998.

After a brief introduction and description of existing experiences of IGA projects, Chapter 2 outlines the **stage of identification and analysis**, including problem analysis, business-related issues, organisational matters and socio-cultural aspects.

Chapter 3 discusses **project design and planning**, including overall project design and an assessment of general concerns such as organisational set-up, sustainability and indicators.

Chapter 4 presents the **design of specific support modalities**, while Chapter 5 warns against a number of **typical pitfalls**.

Chapter 6 contains a series of references to **supplementary literature**. Finally, a range of relevant **tools and methods** are set out in annexes 1-12.

How can the handbook be obtained?

By placing an order with:

The Project Counselling Service
Klosterport 4E, 4.sal
DK-8000 Århus C
Denmark

Tel: +45-8612 0342
Fax: +45-8612 0343
Email: prngo@prngo.dk

Price: DKK 75

The handbook has been written by Rambøll Consulting and gender consultant Else Marie Buck for the Project Counselling Service. It has been translated into English by Rasmus Sønderriis, Zapata Translations and Consulting, Santiago de Chile.

*The Project Counselling Service,
March 2000*

The Project Counselling Service has previously published:
“Guide til formulering af NGO-projekter” [Guide for the formulation of NGO projects], which can also be obtained by approaching the Project Counselling Service’s secretariat.

1. Introduction

In many developing countries, people are being increasingly pushed into finding new ways of generating income. Regular wage-earning jobs are becoming harder to come by, while pressure on the land drives many families to seek alternative means of support. Moreover, the growing application of charges for basic services obliges even poor households to raise a minimum of cash in order to secure the family's livelihood.

The individual household tends to depend on a range of sources of income, which combine to form its basis of subsistence. To millions of people, activities like breeding chicken, selling vegetables at the market, or producing mats are the income-generating activity (IGA) which ensures the household its most essential cash income. In this regard, women usually have fewer options, which is why they often make up the target group of IGA projects.

1.1 International experiences of IGAs

The definition of an IGA varies from one organisation and project to another. Here, we have chosen to understand IGA as economic activity pursued with the aim of improving the living conditions of poor households. This may be the production of goods or services—including commerce— or a combination of both, in rural as well as urban areas. Activities will often be group-based, though this is far from always the case. Women are the target group of a great deal of IGAs. Poverty often hits women worse than men. Therefore, many projects have the key goal of creating economic opportunities for women in particular. Moreover, it usually strengthens a woman's position within the household to be generating her own income.

The Danida-commissioned survey of Danish NGOs' support to income-generating activities (written by T&B Consult) argues that very few IGA projects can be described as successful, identifying six critical areas.

- The support modality has often proved to be somewhat out of line with the target group's needs and opportunities. This is explained by insufficient knowledge of local conditions and resources.
- The chances of selling produce resulting from IGAs are often dubious, given a lack of familiarity with market conditions.
- The credit schemes introduced have often proved too expensive to run, and have been riddled with default problems.
- IGAs launched to finance other project activities are often handled as of minor importance, leading to very poor economic results for the target group.
- The projects often focus narrowly on factors at the micro level, thus leaving aside the influence of the wider context. This shortcoming may, for instance, end up outcompeting other producers.

- The implementing organisations' (scarce) capacity and knowledge, in areas such as monitoring and relevant indicators, are often the bottleneck impeding success.

The support to IGAs may, in crude terms, be divided into two major categories. Firstly, those seeking to meet the *demand* for a given good or service. Secondly, those addressing the individual person's or firm's² ability to *supply* a product in demand. The point of this distinction is to keep in mind that some factors may be directly influenced by IGAs, whereas others lie beyond their immediate scope.

Beyond the project's influence are conditions such as consumption patterns, purchasing power, sales channels, legislation and politics, climate and geography (the location). These make up the framework within which a given IGA has to be implemented, and, on the face of it, they cannot be reversed.

However, other factors can be directly influenced by the project. These include gender relations, physical infrastructure (buildings, wells, etc.), access to information, available resources and —to a limited extent— government policy in relevant fields.

In order to pass on the required support to the target group, the NGO should possess comprehensive knowledge of the target group's resources and needs. There are different views on how to determine these, and on the degree to which the target group itself is able to assess its own situation. What is important in this regard is that the project's support be designed in close contact with the target group and with local partners familiar with the conditions concerned.

All experiences indicate that income-generating activities based on existing information and known market conditions stand the best chances of succeeding (i.e. of becoming self-sustaining). On the other hand, in such cases, there is a risk that the market is already saturated and offers low profitability. If new, hitherto unknown activities are to be launched, it is a crucial precondition that the target group is committed to the project and believes in its viability, that the necessary sales channels are established, and that local expertise is available to remedy possible problems arising along the way.

An essential basic principle is that support to the IGA must be 'help to self-help', which seeks self-sustainability and avoids creating dependence. In this regard, capacity-building is an important factor, which may contribute to enabling the counterpart in the South and the target group to analyse their own situation, adjusting to ongoing developments, and —not least— to keep the IGA alive after the external support has expired.

² A firm may also comprise a women's group or a marketing cooperative. The term is applicable to any IGA shaped as a measurable economic unit.

1.2 Danish experiences of IGAs

Initiatives aimed at mobilising the unemployed and improving the financial outlook for weak groups in society are not unknown in Denmark. They encompass ‘workfare’ schemes for young people, subsidies to jobless entrepreneurs and to domestic services. However, these measures differ from IGAs discussed by this paper on one crucial point: they are government-run programmes, not NGO projects.

Very briefly, these Danish experiences of job creation for young people and subsidised self-employment have only had a limited effect, having failed to meet the expectation of providing the target group with a stable source of income. A partial explanation is that the support modalities chosen have not been attuned to the target group’s resources and needs. Conversely, the domestic-services initiative seems to have been more successful, and has created a significant number of jobs for potentially unemployed people. It is tempting to seek an explanation for this in the scheme’s demand-side approach. Instead of supporting each firm/individual, the concept consists in stimulating demand through state subsidies. Instead of supporting the producer, a subsidy is given to the consumer.

Perhaps the cooperative movement is the Danish heritage most relevant to IGAs. It originated in the countryside in the 19th century, largely —though not exclusively— to improve the conditions for small-scale farming. However, the experiences of cooperatives in the third world are rather mixed. Based upon knowledge of the local organisational culture, an association of small-scale producers in wholesale societies may be worth considering as a useful way of securing access to stable input delivery, higher selling prices and assistance to enter new markets.

1.3 Structure of this handbook

These problems points to the need to enhance IGAs in the following areas:

- analysis of problems and needs
- formulation of objectives
- analysis of target group’s capacity
- market research
- project design
- monitoring

At the same time, especially considering that the lion’s share of IGAs are targeting women, it is important to integrate the gender dimension into all stages.

This handbook will focus on presenting recommendations in some core areas, inspired by the key points of the MAIR-model³ set out below.

MAIR model for the development of IGA projects

- ◆ **Motivation** – why do the individuals or the group want precisely this IGA? Are they being supported by their immediate surroundings (family, neighbours, etc.)? And are they making preparations signalling a serious commitment?
- ◆ **Abilities** – previous professional experiences of this activity, or of related fields, skills and personal expression.
- ◆ **Ideas** – an assessment of the idea's durability (which problems does it solve, which needs does it cover, and what does the market survey have to say?)
- ◆ **Resources** – equipment, physical facilities and financial resources, time consumption, access to information, etc.

³ See *Business Development Services for SME Development: A Guideline for Donor-Funded Interventions*, page 8, Donor Committee on Small Enterprise Development, April 1997.

2. Identification and analysis

2.1 Problem analysis

As in other types of project, the IGA's phase of identification and analysis is crucial to determine whether the project is relevant and has a realistic chance of bringing about the desired effects.

Throughout the identification stage, it is recommended to use the logical framework approach and the goal-tree in cooperation with the counterpart and target group in the South. The participatory approach is particularly relevant to IGAs, since target groups rarely have time or money to spare, and find it hard to adjust to changes. The surrounding society moves quickly, and developments are difficult to foresee. Consequently, the essence of the process is enabling the target group to analyse and assess its own problems, developing according to the needs, and adjusting to new situations. The following recommendations should be seen within this framework.

Problem analysis

- Start off with a workshop or focus-group session in order to map out the problem to be addressed⁴, and try to discern the immediate analysis of the situation —i.e. practical needs felt on the ground— from more strategic interests or long-term needs. When moving from problem analysis to the formulation of objectives, it is important to distinguish between those factors which can be influenced by an IGA, and those lying beyond its scope. Make sure that men and women are equally represented and exert equal influence on the formulation of problems.

Target-group analysis

Clarify who is part of the direct target group, and what their capacity is.

- It is often difficult to involve the very poorest in IGAs, among other reasons because they tend to count on fewer resources, have no time left, etc.
- Donor demands for a measurable economic effect exacerbate the trend towards targeting the not-so-poor rather than the poorest. This is especially obvious in credit schemes aiming for the lowest possible default rate.
- Carry out a gender analysis describing men's and women's different roles and responsibilities in the family and the local community. This is meant to ensure an understanding with the counterpart and target group as to who has access to, decides on, and benefits from the resources.

Needs assessment

- Analyse the needs together with the target group in order to ensure an understanding of their situation, strengthen their ownership, and thus the

⁴ As set out in "Guide til formulering af NGO-projekter" [Guide for the formulation of NGO projects], the Project Counselling Service 1998.

IGA's sustainability. This requires being close to the target group. It is important that the needs assessment be focused, and not too wide-ranging or generalised. Make sure that men and women are equally represented and both exert influence on the determination of the target group's needs.

Local roots

- Right at the planning stage, it should be specifically fleshed out how to achieve local roots and phase-out of external support (drawing up an 'exit strategy').
- This is no easy task, unless care has been taken to avoid the typical problem of the income-generating project being relatively expensive to run compared to the financial gains to be attained by the target group. Once again, it is essential to be clear about which effect you wish to achieve (as in the clarification of objectives).

Experiences show that IGAs work best when they:

- start off with existing skills and workmanship,
- refrain from introducing new, unknown products and production techniques,
- make use of credit institutions to the extent possible,
- carry out in-depth research of local demand,
- do not compete with other, potentially more lucrative economic activities,
- keep in mind that different groups in the local community may have differing cultural norms,
- keep in touch with the relevant local authorities from the outset of the project in the making,
- Take account of possible reactions to the activity from various social groups in the community.

On the basis of the problem analysis, it is possible to outline the overall approach by determining whether the IGA is an aim in its own right or a means of pursuing other objectives. In this regard, by and large, two main categories of IGA projects stand out.

- Firstly, poverty-reducing IGA projects focused on increasing the target group's *income or access to resources instantly useful to raising income*. This may take place directly through income-generating business activity, or through credit schemes. In this category, the project consists primarily of the IGA, and rarely encompasses other components.
- Secondly, anti-poverty projects focused on increasing the target group's *access to basic services*. In this case, IGA is seen as a means of achieving other objectives, such as greater awareness of rights, more organisation, or better

schooling⁵ This may be implemented by offering more basic skills through training and information campaigns aimed at organising people or expanding social services in, for instance, health and education. Here, the IGA will often be one component of a wider project.

One example of an anti-poverty project is taking place in Tucuru, Guatemala. The objectives are, on the one hand, to spread the knowledge of statutory land rights, strengthening organisation and leadership. And, on the other, to expand knowledge and practical experience of organic farming methods to raise yields. In this case, a greater harvest is not the aim *per se*, but is seen as a means of pursuing other ends in terms of organisation, which serve to consolidate acquired land rights.

Against the background of this general outline of the stage of identification and analysis in an IGA project, the following sections shall take a closer look at other significant aspects.

2.2 The market

Market research is necessary to estimate an IGA's sustainability. A survey must answer whether the goods or services can be sold, at what price, and whether the activity makes financial sense. To this end, the points listed below should be looked into.

- Is the product known, accepted, popular?
- Product demand and sales opportunities.
- Can the group/individual deliver on time in appropriate quality and quantity?
- Expected expenses and earnings.
- The price, quantity and origin of competing products.
- Storage possibilities.
- Transport options and related expenses.
- Is the competition unreasonably intensified within a limited market, so that others are outcompeted (for instance because they do not receive project support)?
- Legislative matters and their significance to the IGA's chances of success.
- Existing credit institutions in the area, and how they work.

Kagadi women's group in Uganda

A women's group from Kagadi in Uganda had identified their problem as poor health and little influence, seeing the solution as a source of income. They had experience of embroidering and sewing, and thus started to make drawing-room pictures and table cloths. However, as they researched the market, they realised that almost every woman would do this kind of work herself. Consequently, there was no demand for their

⁵ Since experience shows that successful, self-sustainable IGAs are difficult to implement, it is worth considering seriously if an IGA is the most effective and efficient way of reaching these other goals, or if there are alternative, more direct routes to the same destination.

product. The crafts made by the women's group could not be sold at the market, and were too expensive for passers-by. By discussing the problems involved, the women acknowledged that it was unrealistic to achieve a production pace and quality able to meet their need for an income, and hence could not justify spending so many hours on this rather than working in the field. They subsequently abandoned the whole idea, but also expressed that, had they not learned to research the market and think along these lines, they would probably have kept on sewing and embroidering, provided they could afford the fabric and the yarn.

2.3 Organisational matters

This heading covers the organisation of those involved, their capacity (knowledge and skills), and the resources (human as well as physical) on which they count.

How is the group organised?

Many IGAs are undertaken by small organisations or groups of varying origins. Some have sprung up as a working community (extended family, a village, self-help groups) or as loans-and-savings associations. Others have organised to solve a problem or manage funds, for instance on the occasion of IGAs or microcredit schemes.

Groups based on friendship and family bonds have shown to be cohesive, but not necessarily democratic or good administrators. It may be the tradition to grant a leading position to a prominent member of the family or the community, without paying proper attention to the qualifications required or the principles guiding the group's work. The result is often top-down control, which is not very dynamic. The group will stand a better chance of making it work on market terms, if it stays in contact and cooperates with a somewhat larger organisation or institution able to provide training and other types of backup.

Management training and credit

Since 1989, Rutete women's group in western Uganda has built a *revolving fund* meant to strengthen joint as well as individual IGAs in agriculture and related production. Since then, the group has taken part in the foundation of a larger cooperative with its own loans-and-savings fund, on which members of the group may draw themselves, too. Further ahead, the plan is to open a local bank, which should serve the area's women in particular. The group members have evolved from being inward-looking and family-orientated towards participating actively in local politics and passing on management know-how to other women's groups. Part of the recipe behind this development is that the group enjoys solid, open leadership with management experience gained, for instance, through courses and technical assistance delivered by the local organisation URDT, Ugandan Rural Development Training Institute. Here, the group has learned to analyse the relevance of a project, carry out market research, plan production, handle finances, conduct monitoring and reporting. The URDT runs a series of management courses parallel to classes in organic farming and social affairs. The institute is also a catalyst for debate on gender, and fosters processes of self-development by encouraging each participant to draw on his or her own knowledge and experience throughout the planning of activities. Moreover, the URDT takes part in monitoring, thus helping the myriad groups and individuals to apply a variety of tools and techniques.

Capacity: which knowledge and skills exist?

When estimating the capacity relevant to an IGA, a distinction can be made between that of the target group, the counterpart in the South, and the Danish NGO, respectively.

The target group's and the individual participant's existing knowledge, skills and relevant experience are significant preconditions for a successful IGA. However, knowledge and skills can also be acquired through training, though this may be costly and time-consuming. At any rate, it may be an advantage to ensure up-to-date information on market conditions and to maintain the skills. The 'new-poor' groups often hold greater potential, due to their experience of past economic activities.

Another important condition for a successful IGA is the availability of local capacity—both in the target group and the counterpart organisation—to *plan and implement the activities, after the support expires, too*. The administrative capacity has often proved to be the weak link in IGAs. In addition to expertise in the formulation of objectives and indicators, there is a need for specific skills in book-keeping and budgeting, as well as sales and revenue analysis to substantiate further planning. Moreover, knowledge is required concerning competition, rules and regulations, the local community's opportunities—and lack of opportunities—with regard to transport, credit/banking, training, education, technical assistance, registration, etc.

Finally, the *Danish* NGO should also assess its own capacity before entering into IGA-related cooperation. Expertise must be at hand in management, finance, market conditions, in addition to an understanding of the problems faced by poor men and women.

If the local partner organisation or the target group does not possess the necessary capacity, the activity could be either adjusted or abandoned. Alternatively, other (locally-based) expertise could be drawn in right from the initial stage of analysis, until the phase-out of support. In this case, the higher costs need to be measured against potential benefits.

Resources: which ones are essential to implementing the IGA?

Human resources

Those supposed to implement and those meant to gain from IGAs also make up the most important resource of all. Therefore, it is a precondition that people taking part in the project have the time, knowledge, skills, health and energy to work on the activity concerned. Experience shows that especially women already have many irons in the fire: in addition to their involvement in IGAs, they have to

conduct a host of activities in the home, such as child-minding, cooking and gardening. Consequently, an IGA must be planned with due attention to existing production, making it compatible with other daily chores. Group activities often prove to work best on a seasonal basis, either in relation to production or coinciding with breaks from other, more time-consuming work. Finally, it is worth paying attention to the impact an IGA may have on the children's daily lives, asking whether they participate directly in the IGA, or take over other tasks, thus spending less time at school.

Land

To many families in the South, land is an important resource, and the basis for cash-economy production. However, due to agrarian policy, skewed distribution, unjust measures, inheritance, environmental conditions, gender relations, etc., land tends to be scarce, and agriculture must be supplemented by other sources of income. If an IGA is based on crop cultivation, it is necessary to look into who is in control of the land (holding material power), and who is working on it (providing the man-power).

Raw materials

Many IGAs are based on raw materials or other inputs which have to be bought, possibly somewhere else in the community, or, in the worst case, imported from abroad. These may be synthetic dyes for 'tie and dye', timber for carpentry or woodcarving, fabrics and yarn, sisal, rushes, seed grain, etc. It often turns out that the further away producers have to get their raw materials, and the more expensive these are, the more vulnerable the economic activity becomes. This is 'the point of using local inputs, though care should be taken not to induce oversupply of raw materials in the local market.

Money and microcredit

In the wake of the Grameen Bank's success and the launch of the microcredit campaign, recent years have seen a boom in microcredit schemes set up in parallel to the foundation of credit institutions. Consequently, many places offer access to a financial injection, though with a series of provisos such as repayment, mobilisation, attendance at meetings, training etc. (more information on this in Chapter 4).

Important questions to consider and answer in relation to organisation

- How is the organisational set-up? Is the IGA to be carried out by an individual, a group or as part of a wider project?
- Which relevant local organisations exist already, and what are their experiences and knowledge of the field? Is it possible to involve them, and if so, how and for how long?
- What is the target group's background and educational level, experiences of similar activities, etc?
- What are the optimum institutional and ownership foundations for the IGA's functioning in the short and long term?

- How does the IGA fit into other types of work and activity?
- Does the IGA lie outside the home? Does it require the man or the woman to leave the household for a certain number of hours on certain days of the week? Does this impinge on other activities and responsibilities at home? For instance, how does it affect the children's chores and schooling?

2.4 Socio-cultural aspects

A community's socio-culture encompasses its social power relations, i.e. the interaction between different groups of people, the norms and values governing their behaviour, their beliefs and view-points. Therefore, socio-cultural aspects greatly influence an activity's chance of success.

Power relations express themselves through hierarchies, in which some have greater control and decision-making competence than others, own the resources, make up the local authority, etc. on the basis of gender, age, ethnicity, caste, race, social and economic status. Moreover, educational and urban-rural differences may underpin power relations. An IGA will often challenge and interfere with traditional relations of power, and hence require traditional roles to be changed before the activity can function properly.

The role of a project partner involves listening, conducting a dialogue with different groups as well as individual men and women, observing from the outside, and trying to get stakeholders with a variety of outlooks to express themselves. It is important that all stakeholders take part in the formulation of an IGA, since their view-points may be useful to the planning process. At the same time, fostering prior understanding of a group's choice of activity may serve to forestall potential conflicts.

The social gender

The demand for independent finances is voiced by women in particular, as they discover that an income enhances their status in both the family and the community. It gives rise to greater self-esteem, more leeway and control over the family's nutrition, education, etc. Changes in status and income often alter gender relations, too, thus affecting the man's roles, responsibilities and not least his self-perception. Therefore, a dialogue on the implications of this type of change, and how to follow it up, needs to be included throughout all stages of the project,

Income- and identity-generating activity: Jeevika women's network

The Jeevika women's group forms part of the Jeevika Network located in the outskirts of Calcutta, where it is working to enhance women's opportunities and status. In addition to administering a *revolving fund*, from which the members can take out loans, the group is involved in women's legal rights and health. Several group members have achieved a regular income, which is first and foremost spent on expanding their business or project, and as a contribution towards the household economy, especially the children's education. The strength of the credit scheme is that each member builds her own project

upon existing experience, and that an analysis of her personal background serves as the starting point for further training in how to become more efficient and gain greater control over budgeting, purchasing and marketing. Most women work on various types of processing and sale of rice, yarn and fabrics, leather, vegetables, etc. The women set great store on the status which the project is giving them in their family(-in-law). Nevertheless, this status sometimes produces the expectation, from the family(-in-law), of receiving money. The project, however, helps them become more self-assertive. As a first step, the women mention the ability to leave home to attend meetings, go to a health seminar, sell at the market square, etc. They have also become more aware of domestic violence and their own chances of saying 'enough', both as individuals and as a group. Therefore, the group has an important function as a network. Jeevika is prominent as an overall network for training and advocacy concerning violence and legal rights. Its capacity-building stands out in terms of courses in management and finances, in addition to the development of self-esteem and self-awareness. This is what is needed to keep their economic activities going, and to add a long-term perspective. Without this overall network, it would have been hard for the women to build this capacity, to feel confident and secure.

Other aspects to be considered

In addition to gender, it is important to look into the influence of ethnicity, caste, superstition, etc. on the planning and implementation of IGAs.

The significance of ethnicity and caste varies from one area to another. Caste is mainly known in South Asia, where it may be unthinkable for people from different castes to work inside the same group. Although this system has been losing its stranglehold, the division into castes is still deep-seated enough to apply to everyday life. The poorest people tend to be untouchables or from low-ranking castes, and often make up an IGA's target group. Therefore, it is necessary to know these local conditions.

Ethnicity may separate the locals in similar fashion, though in many societies it has no effect. Former ethnically-based conflicts or civil wars will often make it hard to conduct projects across this divide. Even the fact that people come from different villages within the same district may contribute to apprehension and mistrust, especially in economic projects with a need to carve up the gains. Finally, traditional ceremonies and rituals may have to be carried out in an IGA area.

Rabbits without cultural connotations

Culture may have a bearing on how, for instance, different values and meanings are attributed to animals, so that certain species, colours, etc. are used at particular ceremonies. This lies behind the successful experience of women's rabbit breeding made by the Danish NGO 'Ghana Friendship Groups' (acronym in Danish: GV). In the communities with GV-sponsored IGAs, rabbits —as opposed to fowl, for instance— are devoid of a culturally-determined 'value'. Killing a chicken to eat it may signal irresponsible lavishness and cause problems inside the household, because birds with certain colours are also required for important religious purposes. Rabbits, by contrast, have no such cultural connotation, and may be freely used as meat for the sake of nutrition. This enables the women to keep, consume and sell rabbits as food and market commodity, without being constrained by culturally-determined demands for delivering

animals to special ceremonies and festive occasions. Only when the Ghana Friendship Groups evaluated the first rabbit-breeding course did the women point out this additional ‘cultural advantage’ of rabbits as opposed to poultry-farming, which had previously been addressed at these women’s courses, but without much of a multiplying effect.

Important questions to consider and answer in connection with socio-cultural aspects

- Which norms and values predominate in the community, and who defines them?
- How does culture influence the target group’s day-to-day activities, and hence its chances of participating in IGAs?
- Which cultural connotations may be attached to the good or service concerned?
- What are the social, economic and cultural consequences of either men or women working in the IGA?
- How does the IGA affect the children’s life and schooling?
- Are there obstacles (like taboos, norms, attitudes, practices and leadership) to men and women carrying out an IGA together?
- Which are men’s and women’s roles and responsibilities at home, in production and in the community? Who actually does the work, and has the experience? What does this mean to the participants’ time and workload?
- Who has access to resources, who takes the decisions, who earns an income, who spends it and on what?
- What are men’s and women’s basic needs and strategic gender interests, with the needs seen in relation to activities in the field, and the interests in terms of long-term social change desired by men/women?
- What are the expectations of the IGA (in addition to income generation) and how can they be met?

2.5 Methods for the stage of identification and analysis

- Target-group and gender analysis (Annex 1)
- Market survey (Annex 2)

2.6 Checklist

- Women and men typically have different roles, responsibilities, needs, resources and interests. For this reason, it is important that the gender dimension be built into the problem analysis, planning and implementation of the IGA concerned. It should also be carefully considered whether, and how, the IGA implies a shift in traditional gender roles.
- The project must be based on the target group’s needs and capacity. In practice, this means that the activity suggested must build upon existing resources, physical as well as human, and well-known technology.

- It is essential that the project be conceived in close dialogue with the target group, ensuring that it is responding to a demand. Therefore, thorough research on local conditions and the target group's potential should be carried out, avoiding the danger that the project bases itself, first and foremost, on a bright idea from the NGO in the North.
- The costs in terms of the participants' time and money must be assessed in view of the benefits expected from the activity.
- The starting point should be the area's traditional organisational patterns and group structures. Consider the demands that each type of organisation places upon, for instance, coordinating capacity and trust.
- Existing experiences indicate that IGA projects require significant know-how within the NGO project applicant in order to succeed. Most success stories are associated with close monitoring and follow-up on the ground.
- At the same time, it is important that NGOs in the South as well as the North have (access to) professional expertise enabling them to assess relevant market conditions and to draw on specific technical knowledge, depending on the type of activity.

3. Project design and planning

3.1 IGA design

The first step in the design of a concrete IGA project is to lay down the actual goal. This may be done by contrasting a variety of possible aims, and alternative strategies to achieve them. One method for this purpose is to develop and compare different scenarios.

This consists in formulating overall objectives, such as higher incomes or better health, and then briefly outlining major activities and inputs presumed to be necessary to fulfil them. Problem-trees and goal-trees can be used. On the basis of overall scenarios, alternative strategies can be mapped out, and the IGA's aim and role can be set out. Thereafter, the listed strategies can be compared according to the criteria brought to light in the initial identification and analysis. Examples of criteria are given below.

- The target group's experiences and resources relevant to implementing the IGA.
- The target group's problems and traditional solutions.
- Costs incurred by the target group (time, money, other resources) by carrying out the IGA.
- Socio-cultural factors affecting the IGA.
- Gender issues affecting the IGA.
- Market opportunities.
- Organisational and institutional capacity to initiate, carry out and maintain the IGAs.

Once the overall strategy has been chosen, more detailed planning can begin, for example by applying the logical framework approach⁶.

3.2 Organisational framework

IGA projects often target a specific group composed of up to thousands of individuals or family units. Frequently, the Danish NGO and the project have no direct relationship with the target group, while a nationally-based counterpart organisation is in charge of implementation. Therefore, it is important to assess this counterpart carefully, since different types of organisation have different strengths and weaknesses.

- **Non-governmental organisations (NGOs)** are founded in order to work for a specific mission, which transcends the pursuit of a positive balance sheet

⁶ Logical framework approach is described in "Guide til formulering af NGO-projekter" [Guide for the formulation of NGO projects], the Project Counselling Service 1998.

and making a profit for the organisation. An NGO is typically a service organisation set up by people outside the target group, either to deliver specialised services —concerning, for instance, the environment or women’s rights— or more general benefits for the community. Their strength is that they usually have great capacity in their specialist field, whereas they tend to be less capable in the area of IGAs. Moreover, the target group sometimes perceives them as outsiders, who fail to inspire any sense of obligation.

- **Popular organisations (POs)** often have a mission of a political, religious or cultural nature. Members are not just enlisted in one local community, but come from regional or national trade unions, social, religious and cultural organisations. They are often good at mobilising members within their core area, whereas they rarely possess any technical IGA capacity.
- **Community-based organisations (CBOs)** are founded by the target group’s own members in order to work for an aim defined by themselves. The membership sphere is frequently confined to those individuals who feel affected by the same (local) problems. Their strength is often the short distance between members and leadership, enabling them to exert social pressure on their members. Their usual weakness is limited technical capacity, and their occasional tendency to be controlled by locally-dominant leaders, who override basic democratic rules and procedures.
- **Local governments (LGs)** are often aimed at ensuring local implementation of national or regional government policies. LGs are typically equipped with significant administrative capacity, but have little IGA experience. Moreover, they are often seen as a tool of the national government.

Before choosing a counterpart, it is important to assess the target group’s expectations of its involvement in the project, which may extend across the following forms:

- I. passive participation;
- II. producing information by filling out questionnaires and similar responses;
- III. delivery of manpower;
- IV. participation in externally planned groups;
- V. cooperation among equals, i.e. between the target group and external advisers;
- VI. self-management.

Intuitively, most NGOs claim that the two latter categories apply precisely to their IGA project. However, practice clearly shows that the bulk of target-group participation in NGO projects belongs to the first four categories.

In addition to estimating the target group’s expected involvement and relationship with the counterpart organisation, the following factors should be looked into when choosing a partner in the South.

- The organisation’s *professional qualifications* in relation to the planned IGA project.

- The organisation's *administrative qualifications* to implement the project.
- The organisation's *financial, physical and human resources*.
- The organisation's *policy and strategy* for development work.
- The organisation's '*development concept*', e.g. its view of ownership, human nature, organisational democracy and culture.

It can often be difficult to gauge the partner's concept of development. For instance, once project implementation is underway, disagreement may arise between North and South concerning the project's direction. As far as ownership is concerned, the organisation in the North may sometimes feel that its partner in the South is 'taking possession' of the project at the target group's expense.

The Northern NGO and the Southern NGO often have experience of previous cooperation. Nevertheless, an NGO in the South which has skilfully implemented, say, an environmental project, is not necessarily the right partner for an IGA project. Therefore, it should be seriously considered what kind of responsibility the Southern counterpart can be expected to undertake, and what qualifications are required to do so.

CBOs are frequently involved in credit schemes, since social peer pressure within this type of organisation fosters the repayment of loans. NGOs can take part in IGAs, if, for instance, there is a need for an external actor with specialist knowledge. POs, in turn, may participate because their political or religious nature is relevant to the struggle against poverty, e.g. through increased organisation or democratisation.

After estimating one's own as well as the Southern partner's capacity, it is time to flesh out the division of responsibilities, and assess which measures may be needed to enable the parties to comply with them. In this regard, it is worth keeping in mind that the target group has relations to other actors than the North and South partners, such as the local government or other organisations. Therefore, it is important to analyse the target group's relations to other actors, as well as relations between these actors, which can be done, for example, by drawing up inter-institutional charts, cooperation and responsibility matrices. It is also possible to illustrate the final shape of responsibility areas through 'process flow charts'.

3.3 Assessing sustainability

Many IGA projects have started as a brilliant idea, and ended as a complete flop. This may have happened even when the project looked reasonable, on the face of it, from the beginning. One reason is that these projects focus on the micro level and necessary inputs. Market research is far too rarely conducted, and a declining or saturated market very often contributes to an IGA's problems and failure. Even when market surveys are carried out, these only chart the situation prior to the project's launch, while many changes may occur throughout its duration. This means that ongoing developments must be continuously followed.

IGA projects are always, to varying degrees, subject to market forces, and hence to a range of factors beyond the project's influence. This will impinge upon the IGA's *sustainability*, and, at worst, frustrate the adherence to, or achievement of, the objectives once the project ends. Therefore, when planning the project, it is important to analyse factors which may influence sustainability. This can be done through the 'context scan' method (see Annex 8), which examines four major areas.

- **Inputs:** e.g. fluctuations in the price of raw materials, supply problems, climatic instability, the target group's technical competence and organisational capacity to carry out the IGA.
- **Demand:** e.g. consumption patterns, purchasing power, distribution channels, and marketing requirements.
- **Policy and regulations:** e.g. government policy within the sector, subsidies and devaluation, administrative regulation of the IGA, and relations to local government.
- **Cooperation and competition:** e.g. the target group's cooperative relations with other actors in the IGA area, and potential competitors to the target group's IGA.

Subsequently, among these factors, those falling within the project's sphere of influence can be identified, such as the target group's technical and organisational capacity, as well as marketing, which could be included in the project's design. Another category of factors, such as the government's sector and subsidy policy, are usually beyond the project's scope. Therefore, it should be ensured that the IGA's sustainability is not undermined by such conditions. External factors can be cited as assumptions within the logical framework matrix, though this does not put them 'out of the way'. On the contrary, it is important to monitor the evolution of these factors, since they may have a major effect on the project.

3.4 Monitoring and indicators

Experiences of NGO projects point to supervision of implementation and of the objectives' fulfilment as a widespread weakness.⁷ The area is often perceived by NGOs as data collection necessary only to draw up the reports required by Danida. In fact, the driving force behind project supervision should not be reporting requirements, but rather an understanding that poor target groups spend their time and scarce resources on the IGA project, and if it does not run smoothly, they may end up even poorer and more vulnerable after taking part in the project. IGA projects may thus have major consequences for the target group, and project supervision is not about satisfying donor's reporting needs, but about being responsible towards the target group.

⁷ See for example Danida 1999, *The Danish NGO Impact Study, Overview Report*, Section 5.2.

Project supervision comprises two main elements.

- *Monitoring*, which is the continuous supervision of implementation in order to see if the project is on the right track towards fulfilling its objectives.
- *Final evaluation* when the project period has expired, in an attempt to judge the degree to which the objectives have been met, and whether it can be recommended to phase out or perhaps continue the project.

In both cases, supervision is based on indicators, which are laid down during the planning stage, and may be adjusted in the course of the project. This must include answers to the five questions below.

- When are we going to measure? (time period)
- Whom is going to be measured? (target group)
- Where are we going to measure? (location)
- What has happened? (the changed conditions we are going to measure)
- How much has happened? (to which degree have conditions changed)

Example of poverty-reduction indicator

Objective: the target group's income has increased

Indicator: on 1 January 2002 (*when*), members of women's groups (*who*) in three selected villages (*where*) will have increased their household income (*what has happened*) by 30% (*how much has happened*).

Example of anti-poverty indicator

Objective: the target group will count on resources to improve the children's schooling.

Indicator: on 1 January 2002 (*when*), the children's (*who*) drop-out rate at school (*what has happened*) in two villages (*where*) will have been reduced by 90% (*how much has happened*).

The three major categories are:

- quantitative indicators, which mainly describe a changed situation through numbers;
- qualitative indicators, which describe a change in the level of quality;
- behavioural indicators, which are related to the qualitative sort, but describe changes in behaviour, habits or attitudes.

As a minimum, indicators should be laid down for the project's objectives and its outputs in order to monitor the degree to which the project is fulfilling its objective (see Annex 4).

In addition, process indicators can be drawn up, for instance by applying behavioural indicators to supervise project activities. Since IGA projects usually involve market forces, for which reason the project's success hinges on factors beyond its own control, such as the customers' purchasing power and the

response of possible competitors, it may be crucial to monitor changes in the project's context, too. This purpose can be served by context indicators, which may, for instance, describe the customers' expected purchasing power and competitors' response.

When IGA project indicators are made, it is important to check that they actually say something about what is supposed to be measured. In many cases, qualitative and quantitative indicators will be *directly* related to what is to be measured. Behavioural indicators, however, will often refer only *indirectly* to the intended object of measurement. The explanation is simple: the project can only deliver outputs that *motivate* people to change their behaviour, while they actually have to do the changing themselves. An example of an indirect indicator is that "more women will be represented at the municipal council", if the aim of an IGA project is to raise gender awareness.

The purpose of indicators is, as mentioned, to obtain a clear definition of what is expected from a project, what should be regularly monitored, and what should be evaluated at the end of the project. Therefore, it is important to consider how and where data will be continuously collected for project supervision. Since indicators serve to measure change, it is also important, before the project's start, to reflect on what information about the target group's situation is necessary to demonstrate changes during and after the project's implementation.

When selecting indicators, the questions below should be addressed.

- Do the indicators concern areas which the major stakeholders are interested in measuring?
- Are the indicators simple, and do they describe important qualitative and quantitative aspects?
- Do the indicators give any information on when the objectives are to be achieved?
- Do the indicators capture processes of change?
- Is it straightforward to collect the data necessary to use the indicators in project supervision?
- Has it been set out who is going to collect the data and analyse the indicators?
- Does the combined set of indicators reflect the project's strategy and the aim of improving the target group's lot?

This chapter has set out overall issues to be assessed in the design of IGA projects. Depending on the project's nature, direct support modalities should be included in the project proposal. Various specific types of such support are described in Chapter 4.

3.5 **Methods for project design and planning**

- Developing and comparing scenarios (Annex 3)

- Logical framework approach (Annex 4)
- Cooperation matrix (Annex 5)
- Responsibility matrix (Annex 6)
- Process flow chart (Annex 7)
- Context scan (Annex 8)
- Checking assumptions of LFA (Annex 9)
- Inter-institutional chart (Annex 10)

3.6 Checklist

- As the first step in the design phase, the project's actual aim should be laid down.
- Assess the relationship between the counterpart and the target group in the South, as well as the expectations of the target group's involvement in the project.
- Assess the Southern counterpart's professional, administrative, financial, physical and personnel-related fitness for the project, as well as their policy and strategy for development work.
- Estimate which factors may impinge upon the project's sustainability, such as the market for inputs, demand, government policy and regulations, cooperative relations, and existing competition.
- Indicators should not just measure direct material gains (established firms' viability, increase in calorie intake, cash income, disease rates, etc.); they should also capture institutional, cultural and psycho-social effects within the target group (self-esteem, status in the community, stronger networks, etc.).

3.7 Project advice and support to small NGOs

The project document should be prepared in the closest possible cooperation with the Southern counterpart and the target group. It is often difficult for Danish NGOs to stay in touch with either of these during the stages of analysis and preparation, which is why it is common to write the project document at the Danish NGO's headquarters.

Danida has set up a fund for small-scale appraisals with the specific aim of enabling NGOs to finance appraisals, i.e. an assessment of the project proposal towards the end of the preparatory stage. An external committee is continuously going through applications, and the Project Counselling Service is ready to give applicants advice and guidance.

Furthermore, the Project Counselling Service holds a number of after-work meetings and weekend seminars, which address central issues of formulation and implementation of NGO-sponsored development projects with a view to furthering the NGOs' comprehension of how to apply for, and carry out, IGA projects. Danida has also drawn up guidelines for the application of NGO project funds, which may aid the completion of a project document.

4. Support modality

The type of support most suitable for each IGA should hinge on an assessment of a range of specific external conditions (see also Chapter 2 and 3). Moreover, the foreseen IGA modality should be seen in relation to the target group. In this regard, the central question is:

- which type of firm/IGA is to be supported, and **which factors (external as well as internal) are currently keeping the target group from exercising the activity with maximum benefits** (in other words, what is the target group's primary support needs)?

Technical assistance concerning design and quality could be relevant to individuals or groups making crafts and wanting help to reach a wider, more profitable market. Cooperatives and one-man firms may need training in book-keeping in order to get a clearer picture of receipts and expenses. An even smaller one-person enterprise, whose main aim is to make a little on the side for the household's subsistence, may first and foremost need access to small, short-term loans, or a savings scheme to help buffer fluctuations in the already scarce income. The table below sets out the main types of support.

SUPPORT TYPE	SUPPORT MODALITY AND AREA
Financial services	<ul style="list-style-type: none"> • Loan/credit for investment in productive equipment and as working capital • Savings facilities • Support for, or facilitation of, access to existing financial services
Material support	<ul style="list-style-type: none"> • Distribution of tools, raw materials and other inputs for free or at subsidised prices
Information and networking	<ul style="list-style-type: none"> • Information, possibly through networking, on sales opportunities, demand, organisational forms, production techniques, etc.
Professional and technical training/ assistance ⁸	<ul style="list-style-type: none"> • Production processes, technological development • Tools and equipment • Product design and development • Product quality (quality level and control)
Training (or technical assistance) in administration, management and leadership	<ul style="list-style-type: none"> • Book-keeping and accounting • Literacy campaigns • Production planning • Procurement and inventory control (raw materials and finished products for sale) • Investment planning • Personnel management
Training (or technical assistance) in sales and market conditions	<ul style="list-style-type: none"> • Market conditions (demand, packaging, marketing) • Procurement of raw materials

⁸ Technical assistance is typically targeted at individuals, and is hence associated with high costs per participant, whereas training is more amenable to be adapted to a group.

4.1 Financial services

Today, the poorest people are beginning to appreciate access to savings facilities almost as much as credit opportunities. Therefore, it is appropriate to talk of financial services rather than credit and loans, although the legislation often bars NGOs from getting involved in savings⁹.

Lending to the poor: how to cut the cost of small loans

Experiences indicate that poor communities' prime need is flexibility with regard to the loan's size and repayment schedule. They typically need small amounts, on short notice, and usually not according to any regular cycle. Repayment should be in small instalments with frequent intervals. Consequently, a successful credit scheme for poor individuals or micro-firms is based on adjusting the credit procedure so that the cost of lending matches the size of the loan. In this regard, some important concerns are set out below.

- **Know the market. Poor communities are also prepared to pay for access to credit on terms adjusted to them.** The service in greatest demand is short-term loans (maximum one year's maturity) to obtain liquidity or working capital, with swift disbursement and no demands for spending the money on specific purposes. This requires the lender to be located close to the target group, while borrowing applications have to be simple and quickly dealt with. Repayment should typically take place in small instalments with short intervals.
- **Adjust procedures to deal with borrowing requests with a view to limiting the lender's administrative costs.** Procedures to apply for credit, and examine these requests, must be straightforward. For instance, applications can be considered according to simple criteria, such as compliance with former repayment schedules rather than an assessment of the entire firm or undertaking. Moreover, responsibility for the decision could belong to credit committees, whose members are familiar with individual applicants and perhaps willing to underwrite the loans.
- **Ensure motivation to repay.** Group-based credit schemes may achieve very low default rates, partly by letting participants underwrite each other's loans in solidarity, partly through strong peer pressure on individual borrowers. One drawback of organising people in groups or committees, however, is the risk of a domino effect (if one person fails to pay up, everyone else may react by withholding their money, too). Likewise, when a group is cohesive in the sense that its participants are drawn from the same circles and tend to be employed in the same type of economic activity, there is greater likelihood of running into repayment problems simultaneously due to outside circumstances affecting their shared livelihood. Although positive experiences

⁹ Annex 11 presents an overview of different types of credit schemes and institutions.

of group-based credit schemes abound, this type of organisation is not suitable for all sorts of society and culture. Therefore, local organisational traditions must be examined, including the degree of individualism versus collectivism. Alternative ways of securing low default rates include a promise of access to steadily increasing subsequent loans, or demands for savings of a proportion of the loan.

Targeting credit schemes: how to reach a specific target group

NGOs will often prefer to target a particular group (the poorest within a community, women, etc.). Since an active search for 'suitable' persons is burdensome and costly for a major credit scheme, the targeting can be *automated* by incorporating the following mechanisms.

- Defining a criterion for access to credit based on geographic location (such as a particularly poor neighbourhood).
- If the aim is to target the poorest living across a given area, a ceiling can be set for the possession of land and other assets, which is so low that only the poorest become entitled to take part.
- Finally, it is possible to demand attendance at regular meetings (an argument against this is that the poor, especially women, have no time, chance or permission to take part in 'unproductive' meetings¹⁰).

In addition to the poverty orientation, it is important to incorporate the gender dimension into the definition of such mechanisms. Women may be excluded by, for instance, a demand for land as collateral, the spouse's co-signature¹¹, and attendance at meetings outside the home. One way of taking such problems into account beforehand is, of course, to involve target-group representatives in laying down the principles of lending.

However, targeting credit at a particular type of firm or activity —as opposed to consumption, for instance— is not recommendable. Firstly, is it difficult to control if the loan is spent in the way proposed. Secondly, the distinction between consumption and production is often spurious or inconvenient. For instance, a consumption credit may enable poor farmers to carry on working in their own fields, instead of seeking employment as day labourers just before harvest time.

¹⁰ However, where such social norms prevail, women may use compulsory group meetings to legitimise their attendance as a social obligation, just as group sessions may be very useful to isolated women. The implication of obligatory attendance thus varies, depending on the social and cultural context, and it is important that women take part in defining the nature and requirements of their participation in meetings.

¹¹ However, it may be an advantage to count on the husband's co-signature, since repayment is then, in principle, his responsibility, too.

How to create access to savings facilities

In poor communities, even limited savings provide an opportunity to even out income fluctuations and obtain quick liquidity in acute situations. In the light of poor people's extreme vulnerability, such unconditional resort to their own resources may save a family from selling its only pig to pay for a doctor, buy medicine, etc. As in the case of lending, **access to savings must be adapted to the target group**, i.e. it must be unconstrained, easy and quick, with no strings attached whatsoever. However, legislation often prevents NGOs from handling savings accounts (and particularly from investing the deposits in lending), since this entails special requirements in terms of competence, guarantees, etc.

NGOs' role in relation to financial services

Due to greater demands for professionalisation in the financial area, NGOs can benefit from concentrating on **procuring financial services**, rather than delivering these directly. For instance, an NGO can confine itself to help set up savings and loans groups, make contacts to existing groups, mobilise and train with a view to opening up access to existing or potential credit institutions. At any rate, it is recommendable to map out which credit schemes are already working in a given area. If there is no alternative to the established credit system, the NGO could also consider paying existing, formal banks a fee for administering the project's credit facility.

4.2 Material support

Free distribution or heavily subsidised sales of tools and materials are a common attempt to reach the poorest communities, in special situations also to encourage the repatriation of refugees. The UN system is a keen user of this type of support as part of stabilisation efforts in the wake of armed conflicts. Usually, international NGOs are in charge of the distribution on the ground.

There is no doubt that, under extreme conditions, handing out tools and materials may contribute to getting a community back on its feet. However, as a long-term development method, it raises a range of problems. Subsidised support practised over a long period usually fosters dependency and undermines sustainability (affecting the recipient as well as the donor). Moreover, it should not be overlooked that subsidies distort competition to the disadvantage of small-scale producers operating in the same market. Likewise, the distribution of materials obtained outside the community may curb the development of a local market, since potential local suppliers face unequal competition. Consequently, it must be recommended that free or subsidised material support be confined to exceptional cases, over a limited period, and always with a clearly defined purpose.

In NGO circles, the issue of subsidies is quite sensitive. A great deal of NGOs prefer giving free or heavily subsidised support to a relatively small group of recipients, instead of charging the users of services (in the case of lending: market-based interest rates) and thus reach a wider target group. The argument in favour

of this strategy is that many within the potential target group will be excluded, when user's fees/market interest rates are charged. The reply to this line of reasoning is that, as previously mentioned, there is little evidence that small-scale firms receiving free or heavily subsidised support have a higher success rate measured over a longer period. In addition, it all adds to the difficulty of overcoming the problem of sustainability.

4.3 **Training**

The aim of training is to develop the target group's knowledge and skills in administration, business management, marketing or technical fields (vocational training), as well as more general areas such as literacy, as indicated in the table at the beginning of this chapter.

The perception of training differs widely, partly as a result of different target groups' needs and abilities. Some claim that target groups who barely manage to scrape a living have no use for skills in book-keeping, marketing or technical innovation, since these needs only arise as the individual firm starts to grow. Others argue that the benefits of, say, lending to a target group with few resources are greatest when credit is combined with training, since the target group needs more insights and skills to make the most of their money. Another widespread view is that obligatory training in connection with credit serves the useful purpose of weeding out the less-than-serious applicants.

Experiences of training point to some major principles set out below.

Training must be planned in accordance with the target group's needs

The following questions are important to ask. What are the needs of the target group, and what should this mean to the design of the training programme? Which capacity does it take to deliver the training required? How can the training be monitored and evaluated.

Moreover, charging a (small) fee for the training should be considered, based on the principle that the target group will feel more committed if the service provided has been paid for. People are usually willing to pay for what they consider to be of value. At the same time, such charges may help to make the training activity more sustainable. The main argument against this is that charges will exclude the poorest groups from taking part, and that many societies have an ingrained tradition of free training. The assessment in each case must take account of the target group's situation, including its ability to pay.

Training as part of financial support

Training is frequently an obligatory supplement to, for instance, credit, as part of one package. It is claimed that training is strictly necessary for certain target groups in order to increase the chances of the IGA's financial sustainability and secure a low default rate. However, it may have the drawback that people take

part only to gain access to credit. Making lending conditional upon training can also bar access to credit originally intended for those who, as it turns out, lack the resources, time and energy to take part.

It is generally perceived as an unfortunate mistake if the same people within an NGO are in charge of assessing the applicants' seriousness and of training (or generally advising) potential borrowers. Experience shows that the lender tends to assess applications in the light of the borrower's training performance rather than the economic undertaking's viability. However, there are plenty of examples in which the same organisation takes care of training and lending, but as separate services with different people responsible. Therefore, if an NGO wishes to offer both credit and training, it is recommended that these two components be kept apart in the organisational set-up, thus getting a clear picture of the costs incurred through each activity.

What training and how?

It is difficult to measure the effect of training. This is also why opinions differ so strongly as to its usefulness and most appropriate form.

Apparently, particularly in the case of group-based lending, there are advantages associated with wider, overall training activities, such as literacy programmes and general awareness-raising concerning basic rights, which are practised, for instance, by the Grameen Bank.

There is a widespread perception that product duplication bears much of the blame for the poor financial gains of small firms. Many small-scale tradespeople have the same product line as the shop next door, or produce the same furniture, tin pails, etc. as their neighbour. This is usually attributed to lacking knowledge of alternatives, which, in turn, stems from insufficient technical skills and understanding of the market.

Consequently, some organisations have tested the introduction of so-called intermediate technology as a way of spurring more varied (and advanced) production. The idea is to use training and technical assistance to encourage a firm's owner to enhance his or her production technique, or to expand into new, more sophisticated products. Experiences of this type of training are mixed. It takes a great deal of sympathetic insight to get small-scale producers to accept new techniques and products, and many attempts have never come to fruition. Moreover, it is costly to carry out such training and follow it up through technical assistance.

In sum, the best results are achieved when training is in the hands of specialised institutions with great knowledge of the field concerned, and implemented by people with considerable insights into the target group's situation.

4.4 Checklist

- Choice of support modality (credit/savings, material support, information, and various types of training/technical assistance) must be adapted to the target group's needs.
- Flexibility is important. Poor communities typically need small loans, on short notice, and with pay-back in small but frequent instalments.
- Procedures to apply for, and grant, credit must be simple in order to minimise administrative costs.
- Organisation in credit groups can motivate members to pay back the loans, but it is important to examine local organisational traditions, and to continuously assess the group's internal dynamics and influences from the surrounding society.
- Credit schemes can be targeted, for instance by setting a loan ceiling, which is only attractive to the poorest. When targeting the support, it is important to estimate the implications for women's participation. Targeting a particular (productive) purpose cannot be recommended.
- Assess the needs —and the support options— for access to savings facilities, which often have the same priority as credit opportunities.
- Consider concentrating the support on procuring rather than delivering financial services.
- Estimate the long-term consequences of free or subsidised material support in relation to the IGA's sustainability and the target group's dependency.
- Training should be carefully adapted to the target group's needs. If an NGO wishes to provide both training and credit, it is recommended that these two components be kept apart in the organisational set-up, thus getting a clearer picture of the costs of each of these two activities.
- Before setting up a credit scheme, examine the repayment culture in the area and the implications thereof.

5. Typical pitfalls

The implementation of NGO projects has a number of recurrent pitfalls¹², which apply to IGA-focused projects to varying degrees.

- **Analysis of the context, in which the IGA is to take place**

Here, the pitfall consists of a propensity, when planning a project, to skip a systematic analysis of needs, resources, market, capacity, potential conflicts (social, cultural and political), alternative strategies etc. Put together, these factors make up the framework upon which the IGA's success is depending. Without a thorough analysis prior to the launch of activities, there is a risk, firstly, that the project does not 'fit into' local conditions or is not the best way of generating income; secondly, that it becomes hard to understand *why* this is the case.

- **Supervising the project's implementation and the attainment of its objectives**

Project supervision is often perceived as an additional burden, whose primary purpose is to collect data for reports to Danida. However, the rationale behind project supervision should not be reporting requirements, but rather an understanding that poor people with scarce resources can end up even poorer and more vulnerable after being involved in a poorly functioning economic activity. Botched IGA projects can inflict severe damage on the target group, so supervision is not about satisfying the donor's reporting requirements, but about being responsible towards the target group.

- **Systematising experiences**

Along the same lines as the case of supervision, another common pitfall is the absence of sufficient and useful systematisation of IGA experiences. The aim of such an exercise is to improve future IGAs, and thus ensure that projects produce the desired effect in favour of the target group. Following up the experiences may consist in a more or less systematic description of the successes and failures, and an explanation of the causes. Moreover, the exercise may compare the pre-IGA to the end-of-IGA situation, assessing each activity's relevance, efficiency, impact, cooperation between the parties involved, and, not least, the project's sustainability.

- **Human resources: capacity of the NGO in the South and the North**

NGOs in the North tend to concentrate their professional expertise in areas like anthropology, humanities and linguistics, whereas it is much rarer to find knowledge and hands-on experience of economics and business. This may be felt in IGA planning, in which familiarity with market research, sales, consumption patterns, price mechanisms, transport costs, etc. is crucial to determine whether

¹² See *The Danish NGO Impact Study - Synthesis Report*, Danida 1999 (available in English and Danish).

the goods or services to be produced can find buyers at all, and hence generate the necessary income. At the same time, the capacity of the NGO in the South, with regard to these areas, is pivotal, because this is the main organisation in charge of preparing, implementing and, not least, securing the sustainability of activities after the support has ended.

- **Micro versus macro perspective**

Yet another pitfall is the tendency to think of the project at the micro level only, without formulating a long-term strategy as the project's overall framework. Many IGAs and microcredit schemes target women in particular, because they make up more than 70% of the poorest people, giving rise to talk about a 'feminisation of poverty'. Moreover, microcredit is associated with women, because men are usually seen as the family's full-time breadwinner. And since microcredit and IGAs are rarely based on long-term thinking and opportunities for expansion, the result is that women end up getting 'stuck' at the micro level.

- **Ownership and sustainability**

A most typical pitfall is the failure to determine, in due time, how to ensure that the activity takes root locally, enabling systematic efforts towards this goal before phase-out. Once this mistake has been made, local ownership is virtually impossible. Another sustainability problem arises when the cost of running an IGA (and the project) is disproportionately high in relation to the target group's gains¹³.

¹³ Annex 12 outlines a method to follow up on whether the IGA is fulfilling its objective of raising the incomes of the target group concerned.

6. Literature and other references

General project guidance

- *Retningslinier for private danske organisationer om støtte til udviklingsprojekter* [Guidelines for private Danish Organisations on Support to Development Projects], Danida.
- *Guide til formulering af NGO-projekter*, [Guide for the formulation of NGO projects], the Project Counselling Service 1998.
- *Program for løbende halvårslige seminarer og fyraftensmøder* [Programme for Continuous Half-Yearly Seminars and After-Work Sessions], the Project Counselling Service.
- On Danida's behalf, the Project Counselling Service administers a Fund for Small Pre-Appraisals.

Gender analysis

- *En køn udvikling - Kønbevidste tilgange til udviklingsamarbejde* [gender-conscious approaches to development] KULU, 1999.
- *Køn det bliver man altid - Retningslinier til analyse af kønsaspektet i udviklingsprojekter* [Guidelines for gender analysis in development projects] KULU, 1999.

Microcredit

- Johnson, Susan & Ben Rogaly, *Microfinance and Poverty Reduction*, Oxfam, 1997.
- Hulme, David and Paul Mosley, *Finance against Poverty (Vol I + II)*, Routledge, 1996.
- Krysiak, Susanne, *Mikrofinansiering og fattigdom i Tanzania – en analyse af SACCOerne (Savings and Credit Cooperative Societies)* [Micro-Finance and Poverty in Tanzania: an Analysis of the Savings and Credit Cooperative Societies], thesis from the Institute of Political Sciences, University of Copenhagen, 1999.

Training manuals

- Harper, Malcolm, *Empowerment Through Enterprise - A Training Manual for non-government organizations*, Intermediate Technology Publications, 1996.
- Kraus-Harper, Uschi and Malcolm Harper, *Getting Down to Business - A Manual for Training Business Women*, Intermediate Technology Publications, 1992.
- *Rural Women in Micro-Enterprise Development, A training manual for extension workers*, ILO, 1997.

Websites

<http://www.soc.titech.ac.jp/icm/icm.html> - **“The Virtual Library on Microcredit”**: links to, for instance, suppliers of training in microcredit; references to, or summaries of, research results; features on women and microcredit; capacity-building in micro-lending and other issues

<http://www.alternative-finance.org.uk> - **Intermediate Technology Publications Alternative Finance Website**: contains a series of documents (with a search engine), including a useful list of links to other relevant websites.

<http://www.bellanet.org/partners/mfn/> - **The MicroFinance Network**: is a world-wide association of organisations involved in microcredit schemes. The site offers various publications and links to other relevant Internet pages.

7. List of annexes

Annex 1	Target-Group and Gender Analysis
Annex 2	Market Survey
Annex 3	Developing and Comparing Scenarios
Annex 4	Logical Framework Approach
Annex 5	Cooperation Matrix
Annex 6	Responsibility Matrix
Annex 7	Process Flow Chart
Annex 8	Context Scan
Annex 9	Checking Project Assumptions
Annex 10	Inter-Institutional Chart
Annex 11	Outline of Major Credit-Scheme Models
Annex 12	Calculating the Costs and Benefits of IGA

Annex 1

Method	Target-Group and Gender Analysis
Aim	To incorporate the gender dimension systematically into the analysis of the target group's existing activities, resources, needs and interests.
Limitations	
Step by step	<p>1. Prepare an activity profile, which distinguishes between women's and men's use of time on:</p> <ul style="list-style-type: none"> ◆ reproductive work such as housekeeping and taking care of family members, including child-minding, collecting fuel wood, cooking, livestock-rearing, etc.; ◆ productive work (i.e. creating services and goods tradable for money, barter or for use in the household economy), including agriculture, fishing, wage-earning and self-employment; ◆ socially relevant tasks, such as voluntary work for the community, helping to organise social and cultural events, and participation in local political activities; ◆ drawing up a calendar/timetable to illustrate how the tasks are spread across the year/day, thus pinpointing the most appropriate time to carry out the IGA. It may also be worth looking into where the work is being done (the home, the market square, close or far away) in order to get a more precise picture of the time spent; ◆ based on the activity profile and the calendar, assessing how the prevailing division of labour affects the objectives' attainment, and whether the project may challenge and bring about change in this division of labour. <p>2. Through observation, interviews or brainstorming in groups, prepare a resource profile, which distinguishes between men's and women's:</p> <ul style="list-style-type: none"> ◆ access to, ◆ control over, and ◆ gains from <p>existing resources, such as land, tools, manpower, money, education, health services and media. This resource profile can substantiate an assessment of how the distribution of resources affects the project, and, conversely, how the project may possibly cause a change in the distribution of resources.</p> <p>3. Collect information (e.g. through interviews and focus-group sessions) on social factors, which influence and change gender</p>

	<p>relations, the division of labour and the distribution of resources in the community. This may involve environmental, economic, political, legal, educational, demographic, developmental and socio-cultural factors, which have contributed to shaping gender roles in the area. Against this background, it is possible to assess the limitations and opportunities with regard to changes in gender relations.</p> <p>4. Pay attention to the fact that projects easing women's workload right away do not necessarily leave them better off in the long run. Therefore, it is important to identify and discuss the target group's basic gender needs versus strategic gender interests.</p> <ul style="list-style-type: none">◆ Identify and discuss basic gender needs based upon the activity profile and observations.◆ Identify and discuss strategic gender interests through meetings in women's and men's groups, respectively, providing a chance to raise problems, expectations and visions concerning the participants' own situation, as well as the options available.◆ Assess how the IGA may contribute to meeting the target group's gender-related basic needs and strategic interests.
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Annex 2

Method	Market Survey
Aim	To collect information on patterns of consumption/demand and on the competition.
Limitations	Even thorough market research does not guarantee the success of the IGA concerned. In this, other factors play an important role, such as management experience, technical know-how, and stable access to raw materials.
Step by step	<ol style="list-style-type: none"> 1. Consider whether the survey should be carried out as a formal analysis (through questionnaires, checklists for group interviews) or more informal observations and discussions. The choice depends, for instance, on who is to collect the information, and what background he/she has for that. 2. The data collection may be structured according to the four P's: product, price, place and promotion. 3. Information in relation to the product must answer these questions. <ul style="list-style-type: none"> ◆ What are the (potential) customers' needs and demands for, and knowledge of, the good/service? ◆ Which type of product and quality is required? ◆ Which production method can be applied? ◆ Which tools and skills are required to produce the good/service? 4. Information in relation to the price must answer these questions. <ul style="list-style-type: none"> ◆ What costs are associated with the production? ◆ How much profit is required? ◆ What price are customers willing to pay? ◆ What is the price of possible competing products? ◆ Are prices government-controlled? 5. Information in relation to the most appropriate place to locate production and/or sales (such as a shop). 6. Information in relation to promotion: how to call attention to the good/service, where and when to sell it, and how to make customers prefer the planned product.

Annex 3

Method	Developing and Comparing Scenarios
Aim	To draw up a variety of alternative project approaches, and, by comparing them to each other, to choose one overall IGA project strategy.
Limitations	The method only provides a superficial idea of available options, and the outcome largely depends on the use of comparison criteria. The method is often applied in connection with the logical framework approach.
Step by step	<ol style="list-style-type: none"> 1. Assess the results from the initial identification stage with a view to finding possible project alternatives. 2. If a goal-tree has been drawn up, identify the tree's main branches, which may possibly describe the project's key approaches. 3. List 2-3 alternative scenarios by defining possible project objectives for each scenario. 4. List major activities and essential resources required to carry these out, thus getting a clearer picture of what it takes to attain these alternative scenario objectives. 5. Identify relevant criteria for comparing the scenarios. 6. These criteria can be laid down according to the conclusions of the analytical stage. For instance, the following aspects may be central to assess each scenario's comparative merits: <ul style="list-style-type: none"> ◆ the target group's experiences and resources in relation to the IGA's implementation; ◆ the target group's problems and models of solution; ◆ the target group's costs (time/money/other resources) incurred by doing the IGA; ◆ socio-cultural factors' influence on the IGA. ◆ the gender implications of the IGA; ◆ market opportunities; ◆ organisational and institutional capacity to launch, carry out and maintain the IGA. 7. Subsequently, alternative scenarios are compared within a matrix, weighing them against each of the listed criteria. 8. This gives rise to a simplified picture of each scenario's comparative merits, enabling a choice of the most relevant and realistic scenario for further formulation. 9. The next steps thus consist in carrying out more detailed planning of the scenario selected.

Annex 4

Method	Logical Framework Approach
Aim	To develop the IGA project's overall plan through a coherent formulation of objectives, outputs, activities and assumptions relevant to the project's implementation.
Limitations	A logical framework matrix only reveals the main elements of the IGA project, being 'merely' an enhanced index or illustration of the project. Consequently, this approach needs to be supplemented by tools of more detailed analysis and planning in order to give a realistic and elaborate picture of the project's contents.
Step by step	<ol style="list-style-type: none"> 1. Based upon information from the stages of analysis and comparative strategy formulation, draw up proposals for the project's 'immediate objective'. This should express the target group's changed situation after the project has been completed, and hence why the target group needs the IGA project. 2. Formulate the project's 'development objective', which is what the immediate objective should contribute to attaining. The development objective may express why society, and not just the target group, needs the IGA project, and hence the social change brought about at the project's completion. 3. Formulate the outputs to be produced by the project in order to fulfil the project's immediate objective. Outputs refer to the goods and services to be delivered by the project throughout its lifetime. 4. Formulate main activities required to enable the IGA project to deliver its outputs to the target group. 5. Outline major inputs needed to carry out the main activities. 6. Formulate preconditions and assumptions needed to start and carry out the IGA project. 7. Examine the logical consistency between inputs, activities, outputs, immediate objective and development objective, as well as the assumptions on which the logic is based. <p>For further information on the use of logical framework approach, please, see the Project Counselling Service's "Guide for formulering af NGO-projekter" [Guide for the formulation of NGO projects].</p>

Annex 5

Method	Cooperation Matrix
<p>Aim</p>	<p>To uncover possible problems of cooperation between the target group and various organisations involved in the IGA project, in addition to planning the cooperation by assessing cohesive and divisive elements.</p>
<p>Limitations</p>	<p>The assessment of cohesive and divisive relations between the target group and the organisations involved in the project is based on subjective estimates.</p>
<p>Step by step</p>	<ol style="list-style-type: none"> 1. Specify, on the basis of initial analyses (e.g. of gender, resources and target group), who forms part of the IGA project's target group. 2. Select two organisations. These could be: <ul style="list-style-type: none"> ◆ an NGO from the North and another from the South, who cooperate to implement the IGA project; ◆ two NGOs from the South, both taking part in the IGA project; ◆ the target group and one of the organisations involved. 3. Determine the criteria for analysing and assessing the cooperation between the two parties. Examples are: <ul style="list-style-type: none"> ◆ general factors; ◆ common relations with the target group; ◆ services exchanged between the two organisations; ◆ exchange of information between the two organisations; ◆ exchange of technical, administrative or developmental competence and experience between the two organisations; ◆ exchange of money between the two organisations; ◆ exchange of development views and strategies between the two organisations. 4. Describe cohesive and divisive elements affecting cooperation between the two organisations. 5. Describe the effect of these cohesive and divisive elements. 6. Assess further opportunities for cooperation between the organisations. 7. Assess the risks of cooperation risks between the organisations.

Visualising the use of a cooperation matrix

Analysis of cooperation between two NGOs involved in delivering services to the same target group				
Criterion	Cohesive elements	Assessment	Assessment	Divisive elements
Relations to the target group	Existing cooperation	←		
Services for the target group			→	Competition between the two NGOs
Exchange of information	Existing exchange of information	←		
Monetary transfers			→	Both NGOs have financial problems and seek to raise funding for themselves

Annex 6

Method	Responsibility Matrix
Aim	To analyse how different organisations deliver services to the target group, and to assess possible overlaps and gaps in the IGA assistance to the target group.
Limitations	It is hard to estimate the quality and extent of services delivered to the target group by different organisations.
Step by step	<ol style="list-style-type: none"> 1. Define which IGA area needs to be analysed. This could be, for instance: <ul style="list-style-type: none"> ◆ a target group within a given geographical area (e.g. women in 10 villages), ◆ a credit schemes within a given area, ◆ IGA training, ◆ IGA technical assistance. 2. List 5-10 major activities within the area. 3. List organisations delivering such services within the area. 4. List activities in order of priority to the target group. 5. Indicate the degree of different organisations' involvement: <ul style="list-style-type: none"> ◆ 0 = not involved ◆ + = little involved ◆ ++ = fairly involved ◆ +++ = deeply involved 6. Assess the scope for expanding or redefining areas of responsibility among the organisations involved. This may happen through, for instance: <ul style="list-style-type: none"> ◆ increased cooperation; ◆ redefined division of responsibilities; ◆ building a referral practice, so that the organisations refer individuals from the target group to other organisations according to an assessment of each person's needs and each organisation's core competence <p>Note: if the responsibility matrix is referring to the target group (step 1), the subsequent step 2 should be to list 5-10 sub-groups within the target group.</p>

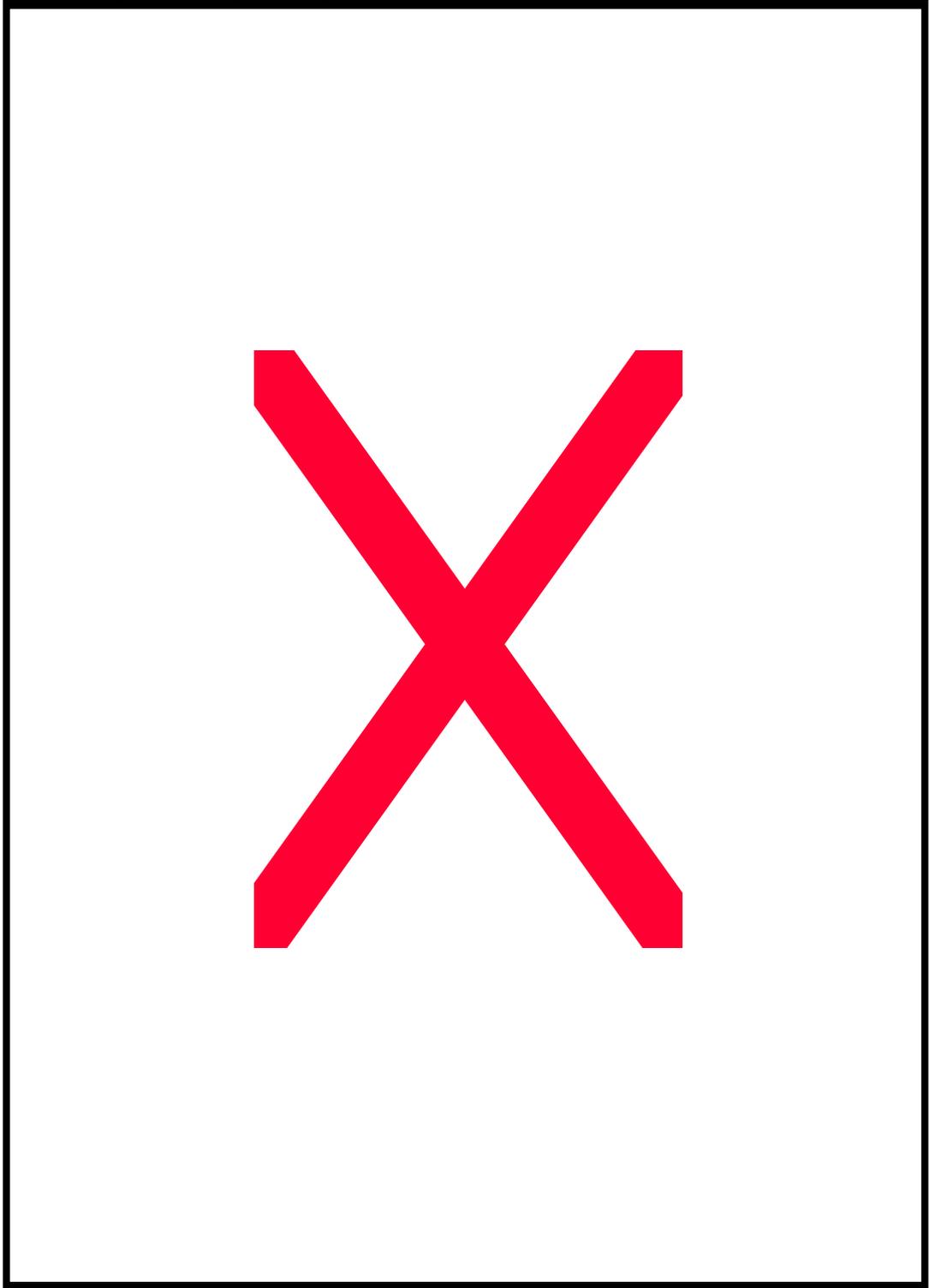
Visualising the use of a responsibility matrix

Analysis of IGA areas of responsibility in relation to different target groups				
Criterion	Women's groups	Young people	Landless peasants	Low caste
NGO 1	+++	++	+	+++
NGO 2	0	++	+	+
NGO 3	0	+	++	+
Municipal administration	0	0	+++	
Ministry of Agriculture	0	+	+++	++

Annex 7

Method	Process Flow Chart
Aim	To analyse and plan main activities, as well as to determine areas of responsibility and timing of decisions on central actions within the IGA project.
Limitations	Process flow charts only provide an overall picture of main activities. Moreover, it may be difficult to select what should be seen as ‘main activities’, since IGA projects tend to consist of a series of supplementary, mutually supportive activities.
Step by step	<ol style="list-style-type: none"> 1. Select a process central to the IGA project. This could be credit approval, repayment, production, training or technical assistance. 2. Define the starting point and finishing line of the chosen process. 3. Identify main activities of the process, and list them in a logical order. 4. Identify the persons or organisations responsible for each main activity. 5. Identify major points of decision with implications for the activities of the process. Insert these into the list, and indicate who is responsible for taking the decisions. Add other activities and responsibilities, if necessary. 6. Identify points within the process when information is needed or produced. 7. Identify problems —or critical bottlenecks— with regard to each major step within the process, and add the causes of the problems. 8. Ask how the process can be improved by addressing various questions. <ul style="list-style-type: none"> ◆ Can any activity, decision or information flow be dispensed with? ◆ Can these be combined or changed? ◆ Can they be simplified? ◆ Can areas of responsibility be changed? 9. Check the effect of possible changes in the process, such as: <ul style="list-style-type: none"> ◆ higher quality of services for the target group; ◆ spending fewer resources; ◆ spending less time; ◆ improving the working conditions of project personnel.

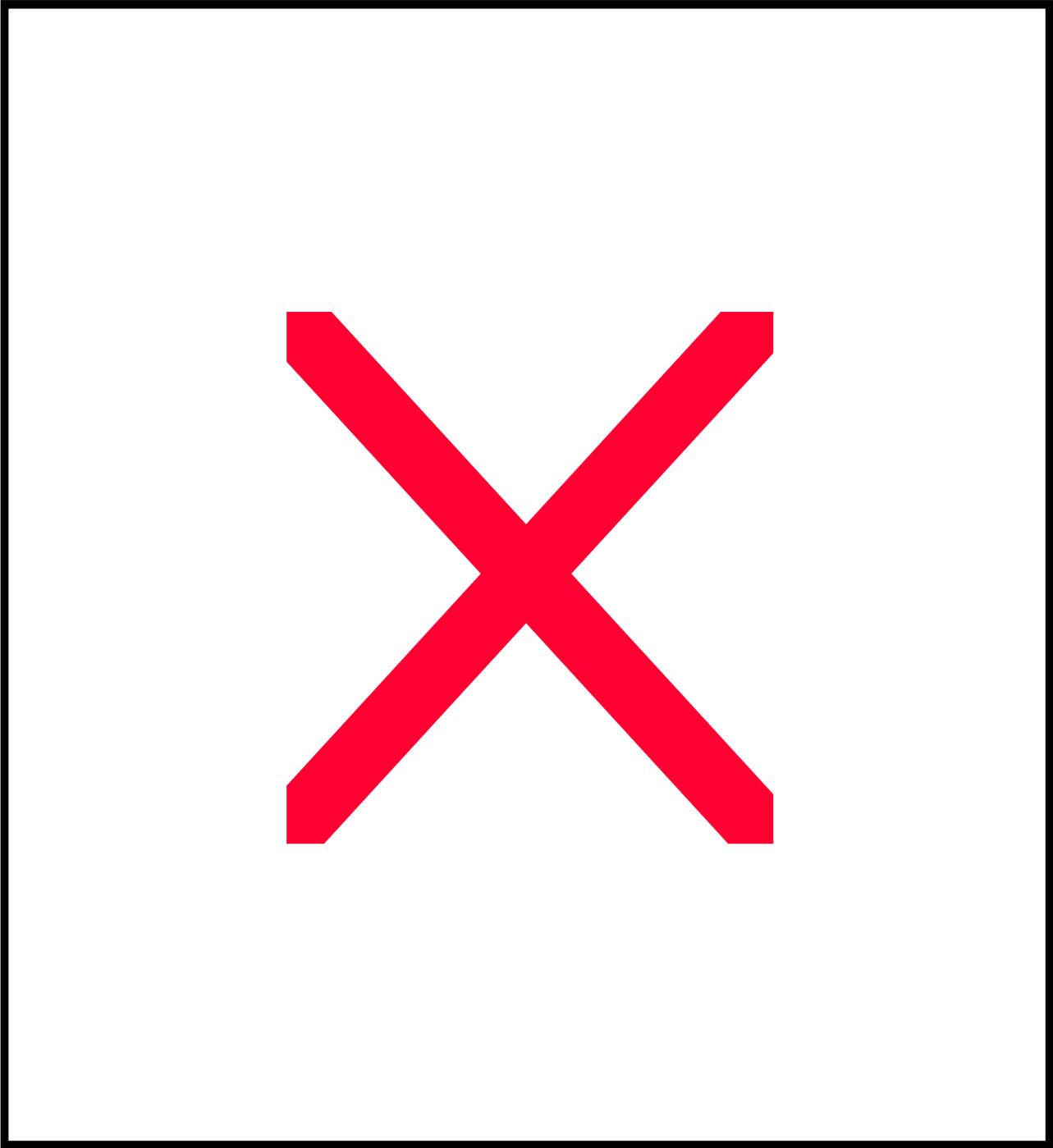
Visualising one example of a process flow chart for a credit scheme



Annex 8

Method	Context Scan
Aim	To analyse external factors affecting the IGA, and to assess the extent to which the IGA can, in turn, affect these external factors.
Limitations	A context scan requires abundant information on external factors and their influence, and on how the IGA project is able to affect these. The method may, however, supplement the check of project assumption.
Step by step	<ol style="list-style-type: none"> 1. Define the IGA area to be analysed, such as: <ul style="list-style-type: none"> ◆ the IGA project in general terms; ◆ cooperation between NGOs from the North and the South; ◆ inputs, e.g. training, technical assistance, raw materials or credit; ◆ market for IGA products. 2. List external factors which may affect the defined IGA area. 3. List the positive and negative influences of each external factor. 4. Assess the likelihood of each factor actually affecting the IGA area. 5. Assess the degree to which the IGA project may influence or control each negative and positive factor. 6. Categorise each factor with regard to: <ul style="list-style-type: none"> ◆ policies and regulations, ◆ supply/resource base/inputs, ◆ demand (outputs), ◆ cooperation and competition. 7. Place each factor from step 3-6 in the context scan format reproduced overleaf. The factors are placed according to whether they: <ul style="list-style-type: none"> ◆ can be influenced by the IGA project or not (inside or outside the ‘influence field’); ◆ are negative or positive (illustrated e.g. through colour coding); ◆ are associated with supply, demand or cooperation/competition. 8. Carry out a final analysis. <ul style="list-style-type: none"> ◆ How do the positive factors affect the project (project opportunities)? ◆ How do the negative factors affect the project (project risks)?

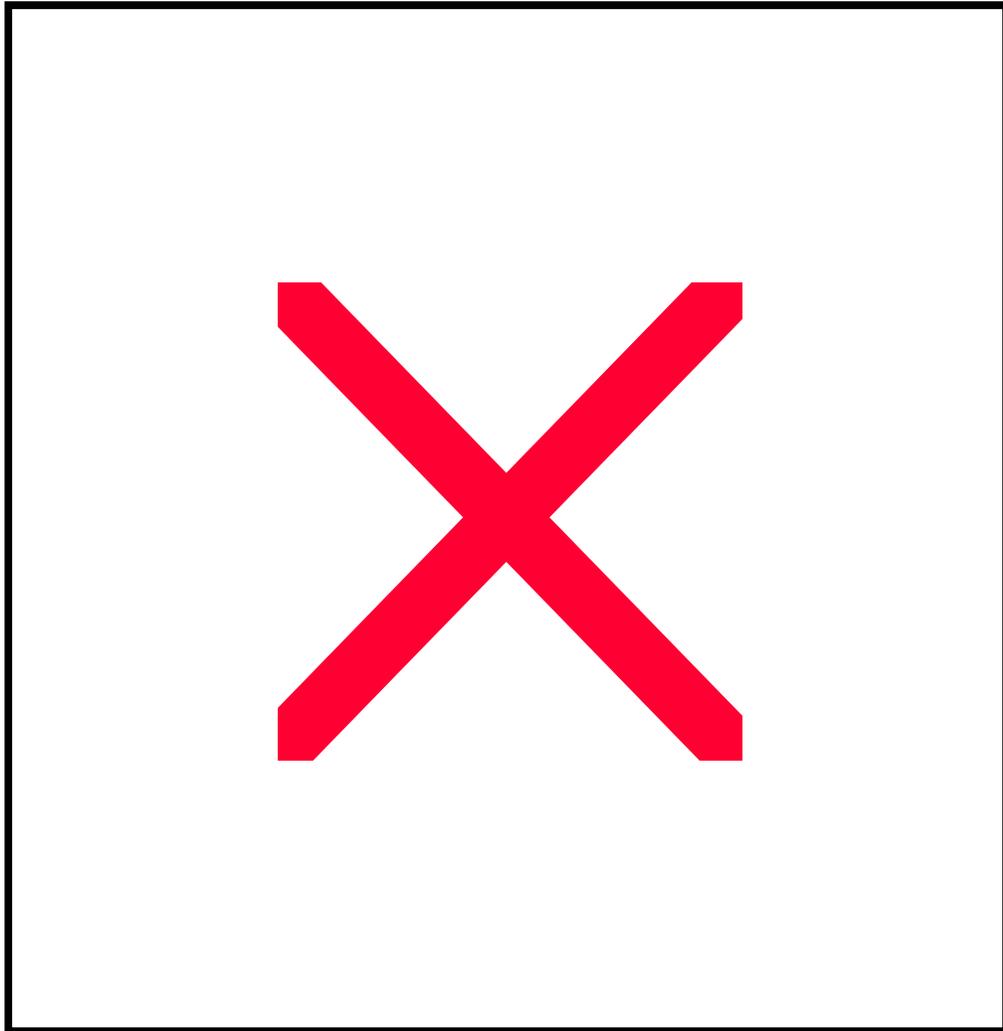
	<ul style="list-style-type: none">◆ Does any new factor concerning supply, demand, policy and cooperation/competition warrant a reassessment of the IGA project's fundamentals? <p>9. Can the IGA project be modified to incorporate positive factors and forestall negative ones?</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



Annex 9

Method	Checking Project Assumptions
Aim	To analyse how external preconditions and assumptions affect the IGA project, and to assess whether these are realistic to expect, or need to be addressed by the IGA project. The method can be applied as an extension of the context scan.
Limitations	The check of project assumptions relies on common sense, and it takes extensive information on the assumptions' nature to judge whether they are realistic.
Step by step	<ol style="list-style-type: none"> 1. Assumptions are expected conditions affecting the IGA project, but being beyond the project's control, such as the purchasing power of the IGA project's customers, the behaviour of competitors, and the economy's general development. 2. Identify external conditions affecting the IGA project. These can be deduced from, for instance, the logical framework approach (Annex 4) or the context scan (Annex 8). 3. Formulate the conditions as positive situations, which need to be present before the IGA project can succeed. 4. Estimate whether each condition affects the project's chances of: <ul style="list-style-type: none"> ◆ being implemented, ◆ delivering the outputs foreseen, ◆ achieving the project's immediate objective, ◆ achieving the project's development objective. 5. Assess the significance of each condition. If it is of marginal importance to the project, it may be ignored. Otherwise, proceed to step 6. 6. Assess whether the assumption can be expected to hold true. If the answer is "possibly not", it should be kept as an assumption to be continuously monitored throughout the project's implementation. If the answer is "surely not", it must be addressed by the project as an additional activity or output. If such an assumption's magnitude is too vast (e.g. related to the national economy) to be incorporated into the project, then it is a so-called 'killer assumption', whose importance is so great, and its realisation so uncertain, that its existence constitutes a very significant risk. <p>For more information on how to check assumptions within the logical framework, see the Project Counselling Service's "Guide for formulating af NGO-projekter" [Guide for the formulation of NGO projects].</p>

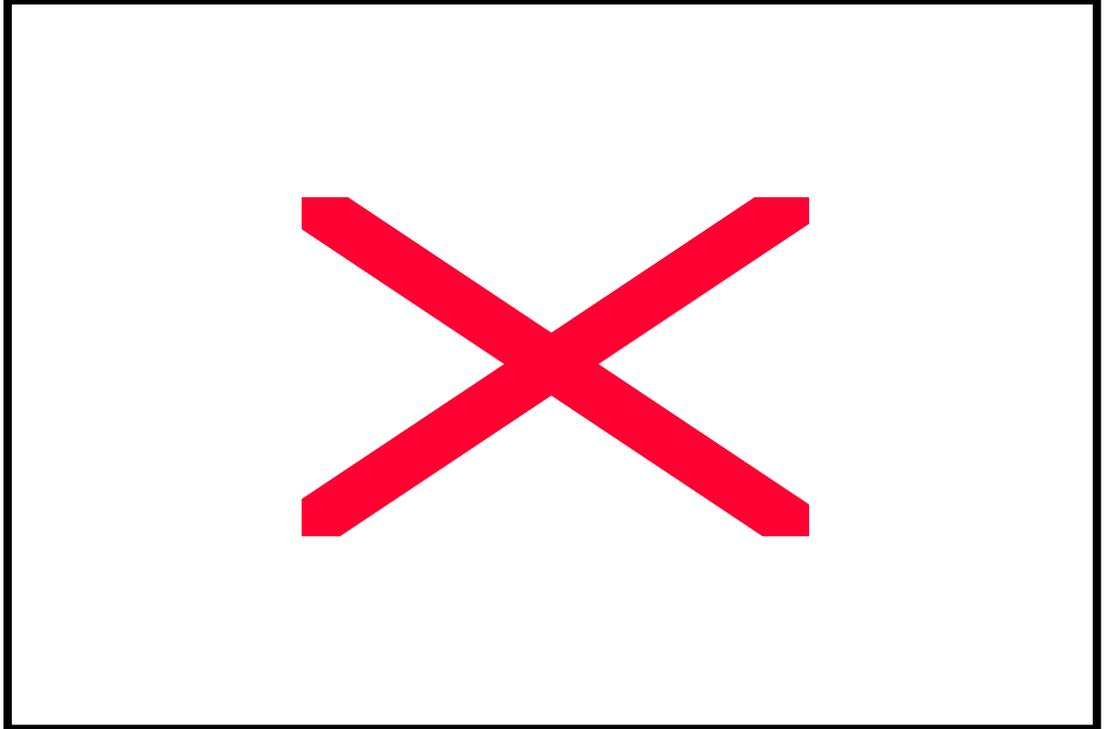
Visualising the check of project assumptions



Annex 10

Method	Inter-Institutional Chart
Aim	To get an overview of relations between actors/organisations/institutions within a given area.
Limitations	The method presupposes knowledge of formal as well as informal relations between the various actors/organisations/institutions to be analysed. Moreover, the estimate of these relations' qualitative nature is subjective.
Step by step	<ol style="list-style-type: none"> 1. Clarify whether the rationale for drawing up the inter-institutional chart is to identify: <ul style="list-style-type: none"> ◆ where the project should take place, ◆ the chances of strengthening cooperation between the various actors, or ◆ the opportunities for expanding activities. 2. Define the field to be analysed: <ul style="list-style-type: none"> ◆ the sector (in this case: IGA), ◆ geographical area, ◆ present or future activities, ◆ the target group. 3. Establish the approach of the analysis: <ul style="list-style-type: none"> ◆ project-orientated (focusing on the relationship between the project/main organisation and other actors), ◆ relationship-orientated (focusing on the relationships between all the actors). 4. Define which types of actors should be included, such as: <ul style="list-style-type: none"> ◆ organisations (public/private) and at which level, ◆ the target group (peasants, entrepreneurs, women, etc.) 5. Define which types of relations should be examined (hierarchical, communicative, cooperative, operational or financial relations). 6. Draw up a map of the actors involved (use colour coding or line types to indicate different sorts of relations). Draw actual, not just formal, relationships. 7. Indicate the intensity of relations (frequency, scope, importance). 8. Assess whether relations serve their purpose (take place when needed; with sufficient frequency, scope and quality). 9. Analyse the network. <ul style="list-style-type: none"> ◆ What relations are the trickiest? ◆ What relations can be developed, and which one can be given less priority? ◆ What can be done to boost the network?

Visualising an example of an inter-institutional chart



Annex 11 Outline of Major Credit-Scheme Models

<p>CREDIT-ONLY GROUPS</p> <ul style="list-style-type: none"> - Not integrated into other types of support. - No assessment of investment proposals. - Assessment based on references from the local community. - Credit source: funds are raised from, for instance, Northern NGO or donor. 	<p>SAVINGS-BASED CREDIT GROUPS</p> <ul style="list-style-type: none"> - Credit source: funding is raised through internal savings (an NGO may contribute an initial sum in order to make the pool available for loans substantial enough to start lending straightaway). 	<p>CREDIT GROUPS FOCUSING ON LIVING CONDITIONS</p> <ul style="list-style-type: none"> - Credit is only one of several components within a project/programme aimed at improving living conditions.
<p>Personal-integrity model</p> <ul style="list-style-type: none"> - Credit to individuals. 	<p>Solidarity-group model</p> <ul style="list-style-type: none"> - Members form small solidarity groups (maximum six persons). - Each group member underwrites the others in solidarity. - Demands for the <i>group's</i> savings are defined outside, while the group lays down its lending policy internally. 	<p>Community-development model</p> <ul style="list-style-type: none"> - See above. - The NGO undertakes transaction costs. - The project/programme is usually carried out by a development worker hired by the NGO.
<p>Umbrella model</p> <ul style="list-style-type: none"> - Credit to members with common interests. - The umbrella group gets credit from, say, an NGO. - Procures credit/sub-lends to individual members. 	<p>ROSCA model (<i>Revolving Credits and Savings Association</i>)</p> <ul style="list-style-type: none"> - Aim: to lend working capital to the members in turn, usually with certain intervals. - Members must save a certain amount with particular intervals (normally every week). - Compliance with repayment schedule is requirement to obtain credit in the 'following round'. 	<p>Mediator model</p> <ul style="list-style-type: none"> - Aim: to give otherwise marginalised people access to formal financial institutions. - Usually involves an agreement between the local bank and the NGO, in which the latter carries the increased transaction costs. - Is normally combined with other types of NGO-channelled support.
<p>Committee-run model</p> <ul style="list-style-type: none"> - Credit to individuals or groups. - A credit committee assesses loan applications. - Relies heavily on the committee's competence and commitment. 		<p>'Merchant' model</p> <ul style="list-style-type: none"> - The project delivers pre-defined materials, services etc. (but <i>not</i> credit in terms of liquidity) in accordance with an agreed price and repayment schedule.

Note : the main credit-group categories in capital letters are based on different objectives and assumptions with regard to the target group. The sub-groups are based on different ways of dealing with the so-called transaction costs of lending.

Source : Remenyi, Joe, Where Credit is Due. Income-generating programmes for the poor in developing countries, IT Publications, 1993.

Annex 12

Method	Calculating the Costs and Benefits of IGA
Aim	To examine whether the IGA is truly favourable to the goal of contributing to raising the target group's income.
Limitations	Although the method presented below can be refined, one should keep in mind that there is no 'correct' way. The method and its results are always open to discussion.
Step by step	<p>Take the example of an IGA project providing agricultural implements, fertiliser, seed grain and technical assistance. The project has set up twenty different production groups.</p> <ol style="list-style-type: none"> 1. Since it is usually not possible to visit all twenty production groups, a sample can be selected, for instance by asking the project's management to divide the groups into two categories: those doing well, and those doing less well. In order to get a better understanding of the problems, from the managers' point of view, they can be asked to explain why some groups are doing better than others. 2. If the project management categorise, say, fifteen production groups as doing well, and the remaining five as doing less well, and if it is realistic to visit three groups, then select at random (e.g. by throwing a dice) two of those running smoothly and one of those having problems. 3. The production group will typically have information on production volumes. This could be 800 kg of maize and 400 kg of cabbage, figures which may look impressive, but need a closer look. It is usually easy to work out the value of what has been sold. With regard to what the producers have consumed themselves, it is necessary to interview the group. 4. Say that each group member has received a bucket of cabbage a week throughout the harvest period, which lasted five weeks. It is then possible to calculate the total volume of production consumed by the group itself. This is multiplied by the market price of cabbage to get its monetary value. 5. Then look at the costs. If, for instance, the group has received seed grain, fertiliser or land made available by the project, it is possible to calculate the costs, if the group had had to buy/rent these inputs itself. 6. Finally, it should be worked out how much effort the group has invested in production. Perhaps there is a notebook with a register of who has showed up to work, or the number of man-days can be deduced from the amount of group members and rate of attendance.

	<p>7. Now it is possible to calculate the production value per man-day (the value of total production volume minus the costs, all of it divided by the number of man-days worked). This can be compared to a day labourer's wage. If it is significantly lower than an alternative daily wage, the IGA concerned does not contribute to the participants' total income.</p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------