



Practitioner's Guide:

Development Funds



Small Grants Funds (SGF) for Poverty Reduction and Conflict Transformation in Mindanao, Philippines



Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung

gtz

Deutsche Gesellschaft für
Technische Zusammenarbeit
(GTZ) GmbH



Small grants funds for poverty reduction and conflict transformation

Example:



Background:

The roots of the conflict in Mindanao can be traced back to the marginalization of the Muslim and Lumad (Indigenous People) populations from mainstream Filipino Christian society. Over the years, government policy to relocate Christians from the northern islands to Mindanao has served to exacerbate the conflict. This conflict in Mindanao has caused great insecurity, affecting human survival, well being and social and economic development for the majority of the population. As a consequence, today Mindanao is one of the poorest regions in the country. Following decades of conflict, radical and violent measures are often chosen over peaceful methods when attempting to overcome social and economic problems. This is particularly true for young people. Therefore, it is essential to support the building an environment that allows men and women, old and young, to seek peaceful and productive approaches and solutions to creating a stable and increasingly peaceful Mindanao.

After 9/11 the German government allocated so-called Anti-Terror Funds to support various peace initiatives by civil society, which also prompted the concept of the GTZ supported Poverty Reduction and Conflict Transformation Project in Mindanao (PRCT-M). The PRCT-M project aimed to assist selected government, non-government organizations, people's organizations and other institutions to improve their services and support measures in the areas of conflict transformation, peace development and poverty reduction. Among the key technical cooperation instruments to be adopted was the provision of a Small Grants Fund (SGF).

Development funds have been commonly applied in developing countries with regard to poverty reduction strategies, but very rarely in the context of peace building and conflict transformation. The experience of using a Small Grants Fund in the Mindanao context has shown that such a funding facility can be an appropriate instrument to support particularly innovative measures and approaches in support of peace building and conflict transformation. Moreover, the SGF significantly differed from other donor supported initiatives in being able to react very flexibly to the needs of small organizations and target groups, and in financing innovative approaches.

As a result, through the Small Grants Fund the PRCT project was able to support its partner institutions (LGU, NGO, PO, etc.) in providing improved services to their target beneficiaries in the pursuit of sustainable peace and development activities in conflict affected areas in Mindanao. Moreover, partner communities were capacitated and empowered to respond to poverty and conflict situations they are immersed in and to improve their living standards.



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Principle Steps for establishing the SGF

To establish the Small Grants Fund, initial steps had to be taken to ensure its efficient operability and a transparent structure for all those involved. It was of utmost importance to begin by creating a manual which highlighted the concept and strategy of the SGF, but also determined the administrative and financial requirements and procedures for those interested in receiving grants from the SGF. An application form had to be created, approval and selection criteria as well as the contract guidelines had to be determined to ensure transparency. Once a project had been approved, the implementation would be monitored closely and assessed. The last few steps include monitoring, evaluation and post assessment of completed projects. In the following, those steps are described in more detail.



Step 1: Create a manual

First and foremost, it was essential to define the concept (what is the overall objective? what type of activities will be supported and why?), the eligibility criteria (who is qualified for assistance, when, where?), and the organizational procedures (how can assistance be received?) of the SGF. Furthermore, the target group of the SGF was defined. Having a clear concept and strategy would positively affect both the impression partners have of the SGF and the administrative processing of projects proposals due to higher transparency.

1.1 SGF concept & objective:

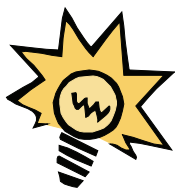
The Small Grant Facility was a financial instrument to contribute to poverty reduction, peace development and conflict transformation by financing small-scale projects that benefitted its target beneficiaries including Muslims, Indigenous People and Christians in Mindanao who were affected by conflicts, particularly children, youth and women. To that end, the SGF aimed at establishing partnerships with local government units, government agencies, NGOs and POs, and the academe to jointly assist in the pursuit of sustainable peace and development activities in conflict affected areas in Mindanao.

The Small Grant Facility would:

- ▶ support the exchange and networking of different institutions
- ▶ facilitate training activities and workshops,
- ▶ support mutual learning and sharing of experiences, and
- ▶ support capacity building for service providers and target groups (both potential and technical), income generating activities, peace development and conflict transformation activities, promotion dialogue, emergency assistance, advocacy and improve the provision of basic social services.



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1.2 Eligibility criteria:

The Small Grant Facility would promote and finance activities geared towards poverty reduction, sustainable peace and conflict transformation. Proposals would be evaluated along the following criteria:

1. Targeting conflict areas: The proposal provides a conflict/relationship profile of the prospective beneficiaries, clearly stating how they are affected by the conflict/s and their expected roles and tasks in the project. The process of how the beneficiaries were identified and selected should also be discussed.
2. Addressing Poverty Reduction / Good Governance / Peace / Education: The proposal clearly addresses at least two out of the four components and show the expected changes in the social/economic and/or educational development of the beneficiaries with and without the activity. It illustrates how the activity enhances opportunities for beneficiaries to move on.
3. Project Sustainability and Viability: Four areas are to be reviewed when considering the viability of the proposed activity: a) a comparison of the expected costs and benefits of undertaking the activity, b) an assessment of the activity's cost recovery potential, c) an analysis of the social acceptability and environmental sustainability of the activity and d) the local resource mobilization.
4. Participatory Development Process: The identification and design of the project must have been done in a participatory manner with the beneficiaries and the other project stakeholders.
5. Counterpart Funding: The proponents that put up counterpart funds for the proposed activity would be assessed favorably. The grant requested shall not exceed PhP1,500.000 per proponent. A counterpart contribution of at least 30% of the project investment cost, of which at least 10% had to be in cash was required from the proponent.
6. Approach: The proposal would also be evaluated in terms of the innovative features as well as replicability.
7. Project Duration: Each project was expected to cover a maximum period of 12 months.
8. Target Groups: Special attention was given to activities aimed at children, youth, women and indigenous people.

1.3 Organizational procedures:

- ▶ The SGF was open to NGOs, academic institutions with focus on peace building and poverty reduction activities, LGUs, government agencies with existing program/plan on poverty and peace building, and People's Organizations.
- ▶ The "Project Review and Approval Committee, which was made up of a representative each from civil society, the government, GTZ and PRCT, screened, approved or rejected submitted proposals that had passed through the PMO's initial screening.
- ▶ The PMO handled the administrative and financial processing of approved projects through the SGF and was the first point of contact for its partners.



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Step 2: Capacity Building

Alongside the SGF, the PRCT project also provided a capacity building scheme with a strong focus on conflict sensitivity (Do No Harm) and Management for Development Results (MfDR), which was mainly targeted at various state authorities and government.

Local actors, NGOs, government institutions but also international development organizations need to be aware of the existing conflict dynamics in which they operate, not only to make sure not to exacerbate the situation but also to ensure that their interventions are well planned and implemented in order to be effective in a highly crisis-prone environment. The Do No Harm approach was developed specifically to address the need for additional sensitivity in these situations. Thus, the capacity building component of the PRCT project aimed to introduce conflict sensitive planning, monitoring and evaluation from the barangay to the municipal LGU level. In the end, targeted intermediaries were capacitated to adopt trainings, hand-on workshops to develop concrete outcomes such as local plans and monitoring schemes, on-the-job training and coaching as well as lobbying and support for the harmonization of policies on local as well as national levels (GTZ 2008).

Partners from civil society also benefitted from these capacity building workshops and some received further training on project development, which enabled them, for instance, to write project proposals for international donor organizations, including the setting of clear indicators that allowed for monitoring. Writing appropriate project proposals was one of the key weaknesses of many NGOs. Therefore, capacity building in the area of project development was essential for NGOs to qualify their proposals for SGF funding.

Training for NGOs was also provided in the area of financial management, especially for newly established NGOs that lacked the capacity to deal with financial transactions on their own, yet conformed to all other requirements that made them eligible for funding from the SGF.



Step 3: Project selection and assessment

- ▶ A general call for proposals was issued three times a year (April, August, and December) by the Project Management Office (PMO), which would outline what kind of poverty reduction and conflict transformation outputs were preferred, based on the stipulated project impacts and outcomes. Unsolicited proposals which were not in line with the call were not entertained.
- ▶ The initial screening of proposals was conducted by the PMO based on administrative and substantial requirements. A month after the end of the period to be stated in the call for proposals, all applicants were informed through formal letters whether they had met the requirements or not.



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- ▶ The Project Review and Approval Committee (PRAC), which was composed of a representative of civil society, of the Mindanao Economic Development Council (MEDCo), the GTZ Senior Project Advisor and the PRCT Project Manager, screened, approved or rejected submitted proposals by the PMO.
- ▶ The PRAC assessed project proposals and prioritized them according to 1) defined criteria in the manual, and 2) the budget of the PRCT project and its priorities. Projects up to an amount of EUR 2,500 could be fully approved by the PMO. Projects exceeding that amount required the PRAC's approval.
- ▶ Proposals approved by PRAC received further communications from the PMO. Should the PRAC have further questions to the partner organization, these would be contained in the letter.



Step 4: Contract and accounting

Once a project had been approved, the contract between the parties was concluded. The partner organization had to present a detailed work and financial plan, which would be part of the contract. Furthermore, responsibilities for procurement, supervision and modes of payment were defined in the contract. GTZ guidelines were followed when entering a contract, which meant that depending on the partner organization's capacity to cope with the financial management of proposed project, either a financial agreement or a local subsidy contract was entered into.

If the partner organization lacked a sound financial management system, under a local subsidy contract the PMO would assist in dealing with financial matters (e.g. liquidations). In this way, the PMO built on the capacity of the partner organization. Otherwise, under a financial agreement the partner organization had proven capacity to handle its finances.



Step 5: Implementation monitoring

The technical staff of the PMO assessed the output produced after each phase/every activity and the progress with regard to achieving the main objectives. Key performance indicators had been developed for measuring the achievements and were included in detail in the work and financial plan, which was part of the contract. Furthermore, this monitoring activity had to be carried out diligently not only in order to be certain that funds were used as stipulated in the contract, but also to assess the cost efficiency of the projects.



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Step 6: Post assessment and evaluation

At least twice a year, a post assessment of completed projects was undertaken to determine which ones had been successful in achieving sustainable results, and what impact they had on the targeted beneficiaries and communities. This impact evaluation and the experiences made with each project were shared as part of a learning process including both the partner organizations and the target beneficiaries. The PMO organized a conference with all project stakeholders at least twice a year to provide for a networking platform.

In general, post evaluation was necessary to justify future decision making regarding the assessment of further proposals, and thus provided for more transparency.

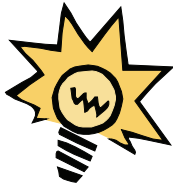


Overall Evaluation of Small Grant Fund for Peace Building and Conflict Transformation

- ▶ The SGF successfully funded a wide range of projects addressing such diverse topics as advocacy for women role and perspective in the peace talks between the Philippine government and the MILF, grassroots ceasefire monitoring, microfinance fund for Bangsamoro women, livelihood assistance for rebel returnees, rehabilitation of war-affected communities through livelihood assistance, peace and development planning at the community level, promoting the Muslim-IP-Christian dialogue, engaging indigenous peoples in the peace process, Sports for Peace and Peace Zones (GTZ 2008).
- ▶ In general, the SGF allowed for greater ownership, as it encouraged local actors and communities to develop the initiatives according to their needs. Besides, these tailor-made initiatives were more likely to be sustained beyond the limited funding period. Even though it was clear that the SGF would be unable to significantly reduce poverty which would have been a very ambitious outcome, it still proved to be an acceptable approach to address conflict transformation, and access a highly volatile and conflict-prone environment like Mindanao.
- ▶ A project progress review conducted by GTZ in 2008 also revealed the downsides of the SGF. Although all steps were followed as described above, the concept and strategy of the SGF was not sufficiently elaborated at step one, and therefore lacked accuracy and precision. In consequence, the SGF flexibly supported a wide range of initiatives due to its very vague guidelines. In other words, the generated manual was adequate yet it needs to be revised considerably if it is to be used for future interventions. In addition, the conclusion was made that although the SGF intended to provide immediate and efficient assistance, its administrative procedures seemed to be rather time consuming in relation to the short term support it provided.



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Some partners were tempted to start big projects despite receiving only limited short-term support, which put the SGF in danger of creating dependency. Moreover, it soon became quite obvious whether a partner organization lacked a sound accounting system, since it was usually very time consuming for the PMO to follow up on delayed liquidations.

- ▶ Due to a lack of solid processes with checks and balances, it was criticized that transparency and accountability could not be assured regarding the selection of partner organizations. At times, there were only little hard facts to prove to outsiders why some organizations might have been more deserving of SGF funding than others. To counter this problem, it is necessary to conduct external appraisals of completed projects, not only for decision making but also to justify the correctness of the SGF's funding decisions.
- ▶ After all, it is worth mentioning that the SGF was able to support innovative ideas that would otherwise not be funded through traditional technical assistance channels, such as the Sports for Peace and Peace Zones initiatives as well as those supporting indigenous conflict transformation mechanisms. The lessons learned, best practices and success stories of these initiatives were documented in order to be used in similar contexts.