

FRR



FRR – Fund Management

Development agencies and governments alike are now placing greater emphasis on 'fund' mechanisms to deliver and implement services. Five good reasons for this are:

- Funds can encourage a demand-led approach to assistance
- Local management builds greater national ownership – in theory at least
- Some funds offer mechanisms for sustained long-term financing of activities
- Funds can build capacity within national service providers – NGOs and consultants and accountants in particular.
- For donors, funds are a potential exit route or alternative to "old style" projects.

In all cases there is a vision to empower stakeholders.



Vietnam: Workshop to determine funding priorities

TYPES OF FUND

Funds vary in both their objectives and in their financing mechanisms. Some funds fill a gap in state service provision. Others have a more strategic focus such as: civil society and governance support funds, and environmental protection funds are examples.

Challenge Funds

Challenge funds are a powerful tool. They invite target groups to present their own development ideas and support those that will achieve the fund's objectives.

Accountable And Partnership Grants

Accountable or partnership grants may have an element of competition but often have strict guidelines for eligibility.



Malaysia: Environmental conservation

Trust Funds

Trust funds are special in that they use a large capital investment to provide sustained operating income. They are appropriate where operational and development initiatives must be maintained over longer periods than project funding normally allows for.

This is an approach that has been successfully used for biodiversity conservation initiatives for some time. They often have a strong operational element e.g. protected area management. Their long-term approach offers promise elsewhere. For example, civil society advocacy requires long term and sustained engagement in order to be confident of achieving durable institutional or policy reforms.

FUND DESIGN

Whatever the type of fund, there are critical structural and implementation issues that must be addressed early in the design stage.

Prioritising

The fund must maintain a clear vision of its objective and effectively target resources, otherwise a fund runs the risk of spreading itself too thin. However, funds often have multiple objectives. For example, conservation funds may manage protected areas and also include a "challenge" component to channel resources to local stakeholders.

Time Frame

One key issue is the time needed to address the fund's objective. More long-term commitment is required where the fund objective is large-scale institutional reform or sustaining long-term operations. 'Catalytic' interventions - such as purchase of commodities, resources or advice - may require a shorter period.

Institutional Arrangements

The legal form for a fund is usually a trust, a foundation, a society, NGO, or similar non-profit entity. The precise form will depend on national laws. It will also depend upon the time scale and nature of activities, and the level of independence from government. If the fund has advocacy 'watchdog' or governance functions, then the legal form must be robust and independent.

Selection of Board Members

Governing boards whose members are elected in their personal capacity, tend to develop a stronger sense of "ownership" and work more effectively to implement fund objectives. Board independence can also be encouraged through: establishing a clear legal status for the fund, staggered - but fixed - terms for individual members, open competitive recruitment on professional criteria, and realistic levels of remuneration.

Capacity Building

Civil society development funds commonly require significant capacity building resources simply to enable target groups to access funds. Some level of capacity building is often necessary. An explicit decision on the split between "activity" and "capacity building" is needed during fund design.

Fund Size

The absorptive capacity of fund beneficiaries and target groups will determine the size and number of activities that the fund will support. Too much funding can be as unhelpful as too little, especially where recipients are inexperienced in financial management.

FUND MANAGEMENT

Procedures

Care should be taken to avoid complex procurement or administrative procedures. These may prove obstructive to both the application for and disbursement of funds. An example would be requiring bank accounts for community-based organisations with limited access to financial institutions.

Fund Reporting

The credibility of a fund depends upon its transparency and accountability. Four or five levels of formal reporting are usually needed: management accounts, published and audited financial accounts, investment reports (for trust funds), grantee audits, and evaluation reports.



Cameroon: Community Forest Management

Performance Monitoring

Where the management of the fund involves investment of initial capital, the monitoring of investment performance and management charges is a commonly voiced problem; even when outsourced to international investment managers. Fund administrators may benefit from support and training to manage trust investments. They have to make informed and financially prudent decisions on annual disbursements and fund drawdowns, in the face of fluctuations in investment income.

Outcomes also need to be measured, which means early attention to the development of a monitoring and evaluation system. Clear performance indicators enable fund managers to measure progress towards fund objectives and strengthen management decisions.

WHY FRR?

Our fund management track record in Asia, Africa and Europe demonstrates our proven ability to design, implement, monitor and evaluate funds. We offer:

- Practical experience of the real world challenges of setting up and running funds
- A learning approach, oriented towards results and objectives, but maintaining the flexibility to make adjustments to meet the unique needs of each fund
- Constructive relationships with relevant government agencies, the NGO community, and international organisations that provide finance for funds.
- Specialist expertise that can be drawn on to provide technical support/capacity building as and when needed.



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