

Post project phase and microfinance systems

by Walter Schlaeppli¹

At some time each donor project comes to an end. But development is not completed with that. Self-propelled initiatives and self-help are vital in order to maintain, continue, extend and further develop project innovation. Well organised and functioning local microfinance systems are necessary to keep alive the ongoing development processes induced by donor projects.

The Grameen bank is one of the first microfinance systems and it is well known. Much has happened in this matter since its first appearance. There is a great potential for promotion of development through well functioning local microfinance systems.

The idea of financing self-help projects is as old as development cooperation. From my own experience I know the example of financing the Tuki system in the Integrated Hill Development Project (IHDP, from 1975 to 1990). The project had at its disposal a small budget allocated to supporting self-help projects of Tuki groups. In spite of being project managed, the system was functioning during the project time like a local microfinance unit. This happened before the political conflict in Nepal started.

Since 2006 and the beginning of the peace process in Nepal, I have new contacts to the Tuki associations, which were formed by the Tukis them-selves after the end of IHDP. The main message of the Tuki associations is: "Today, we are very limited in implementing our self-help projects with groups of villagers, as

The Tuki system – a farmer to farmer approach

Tuki is a Nepali word and means: oil lamp. A nice metaphor stands at the beginning of the Tuki system. The oil lamp is the light that was used by Nepali families in their houses and is used until today in most of the villages. The oil lamp is not a strong light. To make the room really bright people have to dye the walls with white colour so they reflect the light. Now, the word "Tuki" is used for progressive farmers, women farmers and entrepreneurs in the villages. They are the innovators. However, real development only happens, if there are individuals, families, groups and state institutions in the villages, in the region and at national level, who are reflecting Tuki innovations. They all must contribute, that real development happens in their houses, stables, fields and construction sites in the village and the region.

we were used to do, because there are no unassigned funds. That means funds which are not allocated in advance for certain purposes. We need funds available to us to complement the self-financing. We need that kind of funds for specific investments in many of our self-help projects. Nowadays we have to apply for our contribution in donor projects, but the purpose of project funds is already fixed in the project budgets."

The experience with Tuki associations and my observations in other projects in Kyrgyzstan, Albania and North Korea, countries, where I have been working,

Statement about Post Project Phase

During a limited time span donors of development cooperation are supporting projects with concentrated inputs and the purpose of introducing innovations. After their departure, local microfinance systems are missing in most of the project countries. Funds, that are necessary in order to maintain, continue, extend and further develop project innovation, are not available.

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draw my attention to the importance of local micro-finance systems. Innovation that has been developed over a number of years with concentrated inputs of project money can not be maintained afterwards without complementary funds from a local finance system..

That's a pity! Experience and specialists are available. Local project partners have learned a lot while the project lasted. To profit from the projects results, local small entrepreneurs could be enabled, motivated and promoted with micro credits. Small amounts of subsidies would support local owners of self-help infrastructure projects to maintain, continue, extend and further develop project introduced innovation. Micro credits would enable, motivate and promote local entrepreneurs. Such money would be well invested. Much less means would be needed than the project has invested before during the start-up period. Self-help proceeds in small steps, but continuously and over many years. Funds for self-financing are mobilized and invested. Thus it is possible to achieve broad and lasting development of project outcomes with very small amounts of funds.

My indication is simple: Pay more attention to the post project phase! This simple postulate answers the frequently expressed critics of outcome and sustainability in development co-operation. After the end of the project, innovations can not last and further develop without a supporting development policy in the project country and neither without decentralised micro-finance system. Without these two contributions projects can not have lasting outcomes. The following Diagram with three dimensions groups of role players, time and progress should illustrate the situation (See 'Diagram Post Project Phase').

I am going to tell more about the above introduced Tuki system as an illustration of the reality in the post project phase. The Tuki system has been strongly supported by the donor (SDC) during the project phase. Self-help projects of Tuki groups and the Tuki system have got complementary funds and expertise. After the end of IHDP (Integrated Hill Development Project), the same donor has even allocated limited funds available to support self-help projects in a first post project phase. This support ended after several years. When

Tuki - the bringer of light



donor support was stopped no functional local micro-finance system was in place and the Tukis were regretting no more being able to fulfil their function.

At the time and in the same area the same donor is supporting in addition to the Tukis the forest user groups (FUGs). He does it since the time of IHDP until today. Both the FUGs and Tuki groups are well conceived and successful self-help groups and both worth to be promoted. Unlike the Tukis the FUGs are still supported. During the last years the Tukis managed to maintain them-selves without project support. There is no experience yet how FUGs would survive without project help. Thanks to the still existing forest project, FUGs have access to project support and a strong lobby. Due to a missing access to unbound funds complementary to self-help the Tuki system cannot assume its function. Through the additional funds FUGs are functioning better than Tuki groups and seemingly donors are favouring FUGs.

Soon, the forest project will end as well. Do we have to expect the same destiny for FUGs as experienced by the Tukis? My question: Shouldn't that be avoided?

FUGs and Tukis have one thing in common: Both are successful approaches for self-help promotion! That is an important common asset! There is one difference: They are active in different fields! Still, they could support and complement each other and preferably

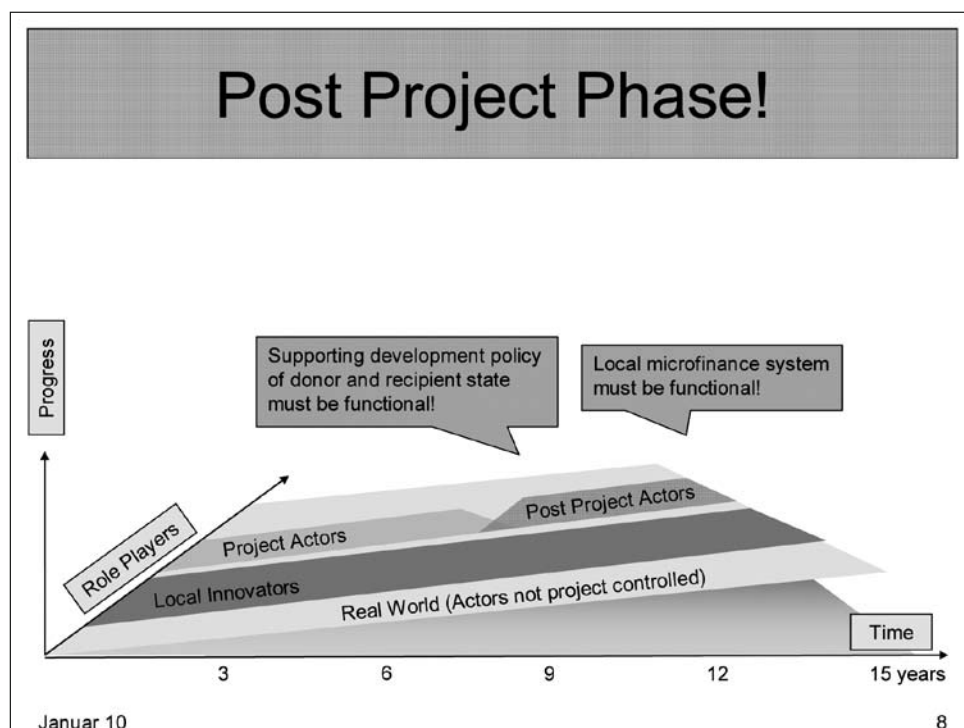
function side by side and produce synergies. However, both need after the end of their supporting projects unbound funds complementing their self-financing for their self-help projects. This is a precondition for any kind of sustainable self-help activities!

My conclusions

The post project phase is unfortunately of low interest for development agencies and has no lobby. The interest of both sides, donors and recipients, focuses on projects while they are lasting! Donor projects are connected with money and innovation. That's why they have a strong lobby in both donor's and recipient's institutions. Self-help has little chance to get access to unbound funds for small projects – except there is a functional local microfinance system in the project area.

Brief remark about policy

An adequate policy is one of the important preconditions for favourable post project conditions. Most projects can, as long as they are present, maintain an island of favourable frame conditions and thus temporarily create their own policy. However, project owners together with the donor and the recipient countries do usually not manage to introduce a minimum level of lasting favourable frame conditions. The political will of projects and governments is obviously not strong enough – even if it is clear that outcomes of projects remain punctual and timely limited without supporting policies from both donor and recipient countries. This lesson can be learned in Nepal as well as in many other countries.



The post project situation must be improved by financing continuous self-help activities

- Recipient countries must support the set-up of professionally managed local microfinance systems and cooperate with organisations, which have the experience and expertise. Donor countries must promote and support this action and make it a necessary precondition for starting development cooperation.
- Donor and recipient country together must negotiate already before starting joint development projects their development policies. The policies of both countries should enable, motivate and promote self-help development.
- National and international organisations for development and cooperation must contribute and lobby much stronger for supporting policy framework and local micro finance systems! These are two preconditions for sustainable outcomes of development cooperation!

Compare two earlier contributions to the same issue:

BeraterInnen News 1/2005, The Myth of Exit Strategies, By Tonino Zellweger, LBL

BeraterInnen News 2/2003, Sustainable Support – Sustainable Development, By Tonino Zellweger, LBL