

## Executive Summary:

Background to thematic learning review on the use of project based grants and loans

In recent years, Disabled People's Organisations Denmark (DPOD) has noticed an increase in the use of **project-based grants (and loan) facilities** in projects funded through the Danish Disability Fund. The grants and loan facilities are seen by applicants as a flexible way to support the organisational development of partners in the Global South and build their capacity to independently manage funds and engage local branches and/or members in locally defined activities based on local needs and demands.

The overall purpose of the Thematic and Learning Review is to deepen the understanding of the role and effect of these funding facilities through an experience-based description and assessment of different types of project-based grants and loan facilities implemented by DPODs member organisations and their partners.

The review is primarily based on three case studies in Uganda (2) and Sierra Leone (1). These case studies cover projects implemented by DHF and DBS in collaboration with their partners. The projects differ greatly in size as do the grant and loan facilities. The report provides an outline the institutional set-up of the three facilities and their key features which show clear differences as well as the similarities in the approach to grantmaking. However, a key commonality in the facilities studied by the review is the use of a **participatory grantmaking** model, where the decision-making authority is delegated to the local partners in the Global South.

The participatory grantmaking is noted to form part of a new trend where the users of the facility are placed at the center of grant-making with the power to decide who and what to fund. As such the approach is an alternative to the traditional top-down funding mechanisms where funding decisions are made by paid professionals or donors, rather than by people directly affected by the decisions.

Overall, the review concludes that the participatory approach to grantmaking (practiced in all three subgrant facilities) constitutes a **best practice model** for stimulating local ownership, local leadership and accountability in a project.

Based on the detailed study of:

- the **engine room** of the grant-making mechanisms (i.e. the machinery behind the grant management and grant-making process),
- the **results** achieved relative to the expected project outcomes, the documentation of results and the sustainability of the results and the facility itself,
- as well as the overall **strategic objectives** of the grant facilities and their role in relation to strengthening the partners in the Global South and promoting ownership and local leadership,

the review has come to understand more about the role and effect of project-based funding facilities as well as their strengths and weakness.

### The engine room

As for the engine rooms of the grantmaking machineries studied in Uganda and Sierra Leone we have seen that:

- They are pieced together slightly differently relatively to the purpose and size of the facility.

- The facilities are generally well managed with clear guidelines describing the purpose and priorities of the facility, the grant/loan modalities, the application process, and the terms and conditions for the grants/loans.
- Participatory grant-making require attention to a) the operating procedures for grant/loan management and grant-making, and b) the grant-makers capacity to allocate grants/loans transparently and with a high degree of upwards as well as downwards accountability.
- None of the grantmaking mechanisms are based on detailed written descriptions of the organization and procedures for grant-making. This poses a number of risks, including the risk of insufficient checks and balances in the organizational setup and in the processing of applications, as well as a lack of common references in case of uncertainty or disagreement about procedures. Moreover, the limited descriptions of the set-up and procedures for grant-making leaves a very tenuous basis for the DPOD grant committee to assess the robustness of the project-based funding facility.
- The most effective grant/loan machineries are the ones accompanied by close support, training and feedback mechanisms. Thus, the more thoroughly trained and mentored, the better stewards the grant-managers and grant-makers are of the funds in the grant/loan facility and the better results.

At the level of results, we have seen that:

- The sub-granting facilities allow for flexibility in the planning of project activities and promote a demand driven approach within a project framework, meanwhile contributing to results relevant to the projects.
- The opportunity of having a grant/loan facility contained within a project allows partners to use the facility and the process of grant-making as a praxis-oriented "laboratory" to build capacity and deliver results within organizational development and livelihood.
- There are certain challenges in determining the magnitude of the results of the various grant/loan facilities at the outcome level.
- Not all sub-granting facilities are equally strategic in using capacity building elements to support the results of the grants/loans, but the more integrated the facility is with other project components (e.g. capacity assessments and trainings) the more effective and sustainable the results of the grants/loans.

At the strategic level we have seen that:

- The participatory grantmaking model is strategically contributing to shifting power and promoting agency and local leadership. Contributions which are aligned with the international agenda on localization as well as the Danish Strategy for Development Cooperation.
- Participatory grantmaking appears to encourage the partners agency, ownership of activities and results, and local leadership - especially when supported by capacity building interventions, as well as to nurture the sense of accountability and diligence in the management of funds.

- Although not all grant/loan facilities have fully developed checks and balances, and despite some few examples of mismanagement/poor administration of funds both in Uganda and Sierra Leone, there is no indication that the funds managed in the project-based funding facilities are more exposed to abuse - rather the opposite.
- The only major concern is for grant-managers/grant-makers to be cautious that the funding faculty does not end up as a service for a few members, but as a strategic service that benefits the many.

The findings/lessons learned from the review has led to a recommendation to consider actively promoting the use of project-based funding facilities in the Danish Disability fund as a means for nurturing local leadership as well as agency, ownership, and accountability structures in the OPDs in the Global South, while at the same time it is ensured that their capacity – including their strategic capacity – to manage such funding facilities is developed.