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Instructions: Project Proposal Design Guidelines

For fiscal year 2009 the new project application form, rather than the a formal "project paper", will be the primary document ADF uses to evaluate and determine if an ADF grant proposal will be awarded to the applicant. The application form contains detailed information about the applicant's organization, who will benefit from the grant, what is the primary problem that must be addressed, what the proposed solution is to the problem, and what activities and inputs are needed to implement the solution. The application helps ensure the project is community driven and has significant social benefits.

Once an application is received, the designated ADF field representative will do an initial screening of the application form, have discussions with the Regional Program Director (RPD) to determine if the application request meets ADF criteria (See Appendix 1) and warrants a site visit to gather additional information. With an RPD's concurrence, the field team will conduct a site visit, complete the site visit report form, and submit it along with the application form to the RPD.

The RPD will conduct an initial review of the original application and the site visit report form to determine whether or not the application fully meets ADF requirements. If RPD determines that the project application meets these criteria the RPD will formally authorize the Partner Organization to begin design work with the client. This formal step begins the timed project design period, and formally registers the project in the RPD's project pipeline. The RPD will ensure that the Partners Organizations follow project design guidelines and standards established in the this document. These guidelines replace the current project paper format. The Partner Organization will work with the applicant in a participatory manner in four areas:

A) Update the application to ensure that it is complete.
B) Conduct additional supporting analysis and update the application as needed .
C) Collect and review supplemental compliance information.
D) Develop project summary documentation.

The following sections provide information to guide the Partner Organization as they complete the four activities listed above. During these activities the Partner will work with the applicant to "update" the original application form. "Updating means adding information to the application form to make it complete and well thought through. Note, if the application is submitted in hand written form the Partner will convert the application to a Word document. The Partner is expected to complete all these activities within 120 days of authorization to begin.

Once the final project application package documents are complete and reviewed for quality, the RPD will submit a single package containing each component to business operations to begin the compliance review process.

A. <u>Updates to Original Application Form</u>

The Partner Organization should discuss the following topics with the client. Based on those conversations the Partner Organization works with the client to **<u>update</u>** various questions of application form.

1. Social-Economic Impacts

Discuss the following topics with the applicant.

Who are the targeted beneficiaries? How were stakeholders involved or consulted in the project design? Are the direct and indirect benefits to project participants described? Benefits may include the creation of new jobs; generation of better income for existing workers in the business. Are there any supply chain and market linkages that benefit other groups outside the project?

What other social benefits are associated with this project (such as greater social inclusion, increased equity, strengthened organizational capacity, promotion of social cohesion, and empowerment)? How would they be achieved and measured? In what ways did the beneficiaries participate in project design activities? How would the various stakeholders be involved in project implementation, monitoring, and evaluation?

Use the following guidelines in working with the client to ensure that application questions A-6, A-7, and C-5, C-6 are complete. The Partner will <u>update</u> these questions with additional relevant information as needed.

2. Production Capabilities

The production information is contained several different parts of the application form. Additionally, when the client defines the problem, solution, activities, and expected results there may be certain assumptions about production processes, outputs, and constraints. The discussions are intended to help the client think through production related issues and concerns.

Is the production process or activity accurately described in either A-3 or A-5? Has the problem/opportunity statement been correctly identified in C-1? Is the proposed solution in C-2 correct? Does it solve the real problem? If the solution problem and solution is production related are major production activities included in the application question (C-3). How will production levels increase if the solution is implemented (C-4)?

Using additional information gathered provide <u>updates</u> to the application form in A-3, A-5, C1, C-2, and C-3 as needed. If necessary, the Partner Organization may <u>insert</u> some more information about the applicant's production capabilities in between application questions A-3 and A-4, and make recommendations.

3. Management Capacity

The management related information is found in application questions A-8 through A-10. It is rare when a client includes any management related issues in the problem statement or the proposed solution. However, sometimes limited management capacity is the client's real problem. To assist the applicants consider these potential issues, the Partner Organization should discuss the following management topics with the applicant.

- For Enterprise Expansion Investments (EEI) discuss the management issues that were exposed by the financial assessment document (see Financial Assessment and Certification Questionnaire)?

- Use the table below to review the organization's capabilities (strengths and weaknesses) in the following key business functions.

Business Function	Current Strength	Weakness
PLANNING		
BUYING		
PRODUCTION		
DISTRIBUTION*		
SELLING		

* marketing or distribution channel, e.g. direct to the end user , to a broker, wholesaler, a distributor, etc.

As a result of this dialog with the client, the Partner Organization should <u>insert</u> a brief management assessment summary of recommendations and actions the organization needs to take to correct detected weaknesses. This summary paragraph is to be <u>inserted</u> between application questions A-10 and A-11. As a result of the this management capacity review the problem statement in C-1, the proposed solution in C-2, and the corresponding activities summary in C-3 may need to be updated.

4. Application Cover Sheet

The Partner Organization is responsible to ensure that the Application Coversheet is updated with all required information. Those areas noted by "NA" are **<u>required</u>** to be completed by the Partner. The application cover page must be signed by the applicant, the Country Coordinator (if applicable) and the Partner Organization before the final package is returned to the local ADF office. Note it is important that the partner fully explain the applicant certification statement to the applicant before the applicant signs off on the form.

B. <u>Supplemental Application Support Documents</u>

The Partner Organization uses this section as guidance to perform the necessary additional assessments needed to support the client's application. The project application form is the primary project proposal paper. However, the following reviews are to be included as separate **<u>attachments to the application form</u>**. Each review is intended to validate and further clarify the applicant's requests as described in the application form.

1. Market Review (EEI) / Summary (EDI)

The market review is used to support the identified opportunity and growth projections assumed in the application itself. The market review is a stand alone write up that should
(a) a discussion on who will be buying the applicant's product now and in the future,
(b) provide a summary of who else is providing the local product and implications on the applicant's plans,
(c) identify the primary market constraint faced by the organization how the project, and finally,
(d) describe how the organization will help over come the issue.

The market review section should be limited to 2-3 pages, and speak to the specific issues the organization will need to implement to successfully market its products. This review may lead to new information that could require more **updates** to the application form. The market review should be used to help focus and define the problem / opportunity statement in the application questions C-1 or modify the recommended solution in C-2. If there are major marketing activities needed they should be included in the application question C-3.

Note that the market review (parts a-d) is most appropriate for an EEI based grant applications. For EDI applications and social grants with an income generating component, the Partner is asked to provide a Market Summary only (part a). For graduating EDI applications the market assessment (parts a – d) should be included in the business plan being presented with the application.

2. Appropriate Technology Assessment (EEI) / Summary (EDI)

The Technology Assessment is a stand alone write up done by the Partner that discusses:
(a) what equipment and other technology options were evaluated, and why a specific option was chosen.
(b) The assessment should include other considerations such as infrastructure requirements, such as electricity supply, water, road and transportation access, expansion potential, local social conditions, the availability of input supplies, distances to markets, and labor constraints. Finally,
(c) summarize the key the evaluation criteria used to make the technology choice. Evaluation factors include sizing/capacity, cost, procurement, installation, training needs, and on-going maintenance.

The technology assessment must demonstrate that alternatives have been analyzed before making specific technology decisions. Click on the following link to view additional information on conducting a good technical assessment .

Note that the technology review (parts a-c) is most appropriate for an EEI based grant applications. For EDI applications the Partner is asked to provide a short Technology Summary about whether appropriate technology would be available for future expansion plans. For graduating EDI applications the technology assessment (parts a –c) should be included in the business plan being presented with the application. For social grants with a technology component may require a full (parts a-c) technology assessment.

3. Financial Review

The financial review and projections are stand alone write-ups done by the Partner that provide information about the financial viability and sustainability of the proposed project. The following list of required financial review topics must be provided as a separate attachment to the final project application form.

a. Assumptions page*
b. Base year and three year production forecast
c. Base year and three Year Profit / Loss Statement (Income Statement)
d. Three Year Cash Flow Projection (optional)
e. Three year Balance Sheet (optional)

*The assumptions page (see Appendix 1) must describe the key factors that drive the financial and production forecasts. The assumption page should include some level of justifications for projected growth rates, income levels, and profit margins. Include Discuss the expected changes production volumes by year, and annual changes in unit costs and unit sales prices.

For EDI applications, the Financial Review can be limited to review of the past years of financial performance and a two year profit and loss projection.

Tools: Business Plan Pro may be used to prepare these projections. Alternatively the forecasts may be reported using the financial model shown in Appendix 2 (this is also available online as an excel template). The Partner may also use a specific financial model to provide the list of requirements stated above.

C. Updates to ADF Compliance Documents

1. Environmental Screening Report (ESR)

The Partner Organization will update the environmental screening report (ESR) cover page and part one of the form. The initial ESR form should be returned to the RPD to forward to the Environmental Officer not later than 4 weeks after the project design activity begins. The Environmental Officer will make recommendations necessary for a particular project to be in compliance with ADF environmental policy. All project activities and expenses required for compliance with ESR recommendations should be included in the final project budget and activities list. Before the project package is submitted to ADF Washington for final review, the ESR form (page 3) must be updated by the acting ADF coordinator to summarize project activities or information required to meet initial ESR requirements. Note, as a result of the ESR activities the Partner Organization may need to **update** the activities list in question C-3 in the application form and associated budget line items .

For more information about the ESR read manual section 607 or view the video.

2. Financial Assessment Document

The Partner Organization and ADF field staff works with the client to complete the ADF Financial Assessment Questionnaire early in the design process. A completed assessment should be returned to the RPD not later than 4 weeks after the project design activity begins. The RPD will forward the assessment document on to the internal auditor for review while project design activities continue. Note, as a result of the assessment activities the Partner Organization may need to **update** the activities list in question C-3 in the application form and associated budget line items . (see Financial Assessment Review Questionnaire)

3. Due Diligence Documents

The Partner Organization works with the client to gather the complete set of due diligence documentation required to support the clients application. The final set of document should be returned to the RPD not later than 8 weeks after the project design activity begins. (see Site Visit Report Form for a listing of required Due Diligence documents.) Once the design activities are complete the Partner will obtain the applicant's signature on the Disclosure Document.

D. Project Summary Documents

1. Project Summary Document – Appendix A

This document is prepared by the Partner Organization in consultation with ADF Washington after the final project application form and the supporting analysis has been completed. This document will summarize the project application details to assist ADF / Washington in preparing the final grant agreement Appendix A documentation. Any questions should be directed to the RPD. Note, it is critical that Partner and ADF/W staff take sufficient care to ensure that output targets (section IV Appendix A) of are adequate to measure the progress of the intended project outcomes.

2. Project Activity and Performance Summary Document

This document is prepared by the Partner Organization in consultation with ADF Washington after the final project application form and the supporting analysis has been completed. This document will summarize the project implementation and performance measures used preparing the client quarterly report. Any questions should be directed to the Regional Program Analyst. (see Activity and Performance Document here) . This document helps the PA fill in the grantee quarterly report template. Since this document is not actually needed until grant start-up, this document may be produced later. The specific timing of when this document is produce should be a discussion with the RPD and PA.

3. Final Project Proposal Documentation Checklist

The following table summarizes the documents required by ADF for the final compliance review and grant authorization to be completed.

NEW EEI	GRADUATING EDI	EDI	SOCIAL[1]
Completed Project Application	Signed Project Cover Page	Completed Project Application	Completed Project Application
Site Visit Report Form (to include social and economic impact justifications)	EDI Summary Report	Site Visit Report Form (with recommendations and rationale for changing from an EEI request to an EDI)	Site Visit Report Form (to include social impact justifications)
Due Diligence Documents (see site visit report form)	Due Diligence Documents (see site visit report form)	Due Diligence Documents (see site visit report form)	Due Diligence Documents (see site visit report form)
Final Application w/ Signatures	EDI generated Business Plan per ADF standards	Final Application w/ Signatures	Final Application w/ Signatures
Market Review	(in business plan)	Market Summary (example)	Market Review
Technology Assessment	(in business plan)	Technology Summary (example)	Technology Assessment
Financial Review w/ Assumptions excel template (or BPP)	(in business plan)	Basic 3 year profit and loss projections (excel)	Re-occurring Cost Analysis
Completed ESR Form	Completed ESR Form	Completed ESR Form	Completed ESR Form
Financial Assessment Document	Financial Assessment Document	See questions in Site Visit Report Form	Use questions in Site Visit Report Form, or if over $100,000 use Fin Assmt Doc.
Award Letter Terms and Conditions Appendix A	Award Letter Terms and Conditions Appendix A	Award Letter Terms and Conditions Appendix A	Award Letter Terms and Conditions Appendix A
Budget and Narrative	Budget and Narrative	Budget and Narrative	Budget and Narrative
Disclosure Document	Disclosure Document	Disclosure Document	Disclosure Document
Activity and Performance Document	Activity and Performance Document	Activity and Performance Document	Activity and Performance Document

[1] Non income generation focus, all ADF grants are to contain elements of social impact such as training, nutrition, education, etc.

Appendix 1 - Example Financial Assumptions

General Financial Forecast Model Assumptions:

1. Annual Inflation Rate %
2. Long Term Inflation Factor %
3. Current Commercial Interest rate %
4. Long term Interest rate %
5. Sales on credit %
6. Payroll Tax Rate %
7. Corporate Tax Rate %
8. Current Exchange Rate
9. Unit cost growth rate or annual changes in COGS
10. General Expense cost growth
11. Salary Growth rate
12. Unit sales growth rate
13. Changes in selling prices
14. Increases in production capacity

Discuss of justifications for projected growth rates, income levels, and profit margins:

Discuss the expected changes production volumes by year, and annual changes in unit costs and unit sales prices:

Appendix 2 - Financial Projections

BPP may be used to prepare these projections. Alternatively the forecasts may be reported using the financial model shown in Appendix 2 (this is also available online as an excel template), or a partner specific model may be used with the approval of the Regional Program Director.

Whenever BPP is NOT used this section must also include a summary of the assumptions used to model revenue, expense and income levels. Discuss production volumes by year, and annual changes in unit costs and unit sales prices. Describe justifications for growth rates and profit margins..)

Organizational Financial Statement		Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Currency: XXX							
I. Income Statement							
A.	Sales Revenues						
B.	Cost of Goods Sold						
C.	Gross Margin (A-B)						
D.	Other Incomes						
E.	Costs Associated with Other Income Earned						
F.	General and Selling Costs						
G.	Net Profit Before Income Taxes and Depreciation (C+D-E-F)						
H.	Depreciation						
F.	Income Taxes						
	Net Income After Income Taxes and Depreciation (G-H-I)						
II. Cashflow Statement							
A.	Cash on Hand (beginning of year)						
B.	CASH RECEIPTS						
C.	Cash Sales						
D.	Collections from accounts receivable						
E.	Loans / other cash (Grant Funds, etc)						
F.	TOTAL CASH RECEIPTS (C+D+E)						
G.	Total Cash Available (before cash out, A+F)						
H.	CASH PAID OUT						
I.	Purchases (raw materials)						
J.	Purchases (specify)						
K.	Purchases (specify)						
L.	Gross wages (exact withdrawal)						
M.	Payroll expenses (taxes, etc.)						

Organizational Financial Statement		Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
N.	Outside services						
O.	Supplies (office & oper.)						
P.	Repairs & maintenance						
Q.	Advertising						
R.	Car, Truck, Lorry, delivery & travel						
S.	Accounting & legal						
T.	Rent						
U.	Telephone						
V.	Utilities						
W.	Insurance						
X.	Taxes (real estate, etc.)						
Y.	Interest						
Z.	Other expenses (specify)						
AA.	Other (specify)						
AB.	Other (specify)						
AC.	Miscellaneous						
AD.	SUBTOTAL						
AE.	RIC payment						
AF.	Loan principal payment						
AG.	Capital purchase (specify)						
AH.	Other costs (specify)						
AI.	Reserve and/or Escrow						
AJ.	Owners' Withdrawal						
AK.	TOTAL CASH PAID OUT						
AL.	Cash Position (end of quarter, G-AK)						
III. Balance Sheet							
A.	Cash and cash equivalents						
B.	Accounts Receivable						
C.	Inventory						
D.	Total Current Assets (A+B+C)						
E.	Long-Term Assets						
F.	Accumulated Depreciation						
G.	Net Long-Term Assets (E-F)						
H.	Total Assets (D+G)						
I.	Accounts Payable						
J.	Other Current Liabilities						
K.	Total Current Liabilities (I+J)						
L.	Long-Term Liabilities						
M.	Total Liabilities (K+L)						

Organizational Financial Statement		Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
N.	Owners' Equity (Paid-in Capital)						
O.	Retained Earnings						
P.	Earnings						
Q.	Total Capital (N+O+P)						
R.	Total Liabilities and Capital (M+Q)						
S.	Net Worth (H-M)						