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## Fact Sheet number VI: After the money comes

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### Introduction

When you know your proposal has been approved, congratulate yourself and have a little party, but don't think you're done now. This is only the beginning! You have to keep the donor(s) informed on all stages of the progress of the project. You should include the donor(s) in the address list of people receiving your magazine or newsletters. And don't hesitate to inform the donor in case there are difficulties.

Both ENDS assists NGOs and local communities in finding finances for their environmental projects. But we also inform groups on what to do after the money has come. It's really a pity if you succeed in raising funds, but getting problems because you do not adequately report back to the donor, or your bookkeeping appears to be inadequate. With this sheet, we intend to give you some tips and reminders.

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### The practical side of things

#### 1. Changes

It might take some time for a donor to decide about financing the project you presented to them. Sometimes a donor is interested, but requests you to reformulate parts of the proposal. This might be because of lack of information, or because they are interested in the initiatives but feel it is too ambitious. It is also possible that a donor can not finance the full project-budget and suggest you to present a reduced version. Even though these changes may increase your chances for a positive decision, you should be careful and watch out during this process, since the project ultimately has to fit your needs and not theirs.

#### 2. Approval and contract

Once a donor approves the project you presented to them, they will usually inform you through an official letter.

Following this letter they will send you a contract for signature. It is very important to read the contract very thoroughly before signing it, because it contains all the conditions regarding implementation of the project and use of the funds. And this might be different from your plans and expectations.

In the contract you can find precisely the total budget the donor will provide and in how many instalments.

The contract also contains the exact dates for interim and final reporting.

Be aware of exchange rates. The contract can indicate a maximum amount in the currency of the donor country and if the exchange rate changes a lot during the project period, this can result in less money for the last instalment.

It is important to know before the project starts what the donor requirements are for the financial report. Sometimes bills and tickets need to be sent in, in other cases a donor only needs copies or not even that.

You should inform yourself whether there are special requirements or formats concerning the final reporting.

So, go through the contract carefully before you sign it, and make sure there are no conditions you can't fulfil.

Don't forget that it usually takes some time before the money actually comes in. When it comes, write a thank-you letter.

#### 3. Work plan

After you know the donor is going to finance the project start writing down an operational work plan in which you make an overview of the following information for all the people participating in the implementation of the project:

- who will be involved in the implementation
- who will be responsible and do what and when
- how much time will each person spend on it
- what will be the results and the quality of the results
- who will monitor the implementation
- when should you report (interim report, final report, financial report)

Make an overall and individual work plans. Work plans should be known to everybody in the organisation and closely related to all the other activities you are involved in.

#### **4. Keep the donor informed.....**

Keep the donor up-dated about your activities.

If appreciated by the donor, mention them in your publications, on your website, and during meetings or activities that are financed through the donor's grant.

Invite the donor to attend conferences and seminars or to visit the project site, preferably by appointment.

Ask the donor for a list of other organisations of which they finance project in your own country or region and concerning the same issue.

Any project may have its problems. In case you have to make major changes in your work plan, or activities, inform the donor beforehand and present possible solutions. You can also ask the donor for advice. Don't wait to long with this. Hiding problems can bring trouble later on.

Planning must be based on an organisations' expected capacity to translate its ideas into concrete actions. However, without sound financial management, the situation of any organisation will be precarious, no matter how good things may look. It is essential to have a long term financing strategy, without loosing sight of present financial needs.

Keep in touch with your donors. Include them in your mailing list and send them information about the ins and outs of your organisation every now and then. Ask for information from their side: policy

documents, annual reports, etc. Build up strong relationships, so they will support you again. Invite your donors once a year for a chat and a drink. If you have the possibility, always visit the donor. Another advice: never stop investigating potential donors.

#### **5. Bookkeeping**

After your project has been approved, start collecting the bills for all the money you spend. Make sure that your bookkeeping is OK. Make very clear who can use the bank account, who has the right to sign documents, bills etc.

After approval new costs may appear. For instance because the contract requires you to register as a legal person, or you to have an independent bookkeeper or accountant. If you did not include this in your proposal, discuss with the donor how to solve this problem.

Money is not as stable as it seems. You can have inflation, you might loose or win money on a hard currency account, changing money in different currencies may cost money, and of course you can get interest on your account, or the bank wants money for its work. Make sure to make very clear appointments on how to deal with this.

There are NGOs who use a double bookkeeping system. One is meant for the donor and the other is the 'real' one. We would like to warn you since this is a very bad idea!! In the end this might urine an NGO, as it will come out sooner or later. Mixed experiences exist with creating "black cash". This is normally a small amount of "free money" for which there is no need to account to any donor. In some cases this kind of money can help you to pre finance a project and keep things running.

Be sure to watch your budget and compare constantly what you (intend to) spend with the budget items you agreed with the donor. Be sure what the donors policy is concerning using less or more money per item. In most cases it is allowed to have a 10% difference, as long as you don't spend more than the overall budget. If you intend to have larger changes, you will have to ask approval of the donor beforehand.

## 6. Before finishing the project

For some reason, it may appear to be difficult to implement all the planned activities before the end of the project period. If this is the case, inform the donor in time and ask for an extension of the original project period. This does not imply you will receive more funds, just that you ask for more time to implement the project with the same amount of funds. Wait until an approval of the donor before you actually change your planning. If it is really necessary, ask the donor for additional funds to complete the project. It is however, not common to approve such a request.

Be sure that a few month before the project finishes to think about how to continue your work. It might be that the project concerns a round off activity, such as a meeting or several capacity building workshops. But even then you can discuss with the donor about funding another project.

Some projects do not make any sense if there are no follow-up activities. In that case discuss with the donor, a few month before the end of the project, about the possibility to send a new proposal to continue the activity (let's say a second phase). If the donor indicates it is not possible to give another grant, look for other potential donor agencies. You have some experience now in how long it takes to conclude negotiations with a donor.

The book "Manual of Practical management"<sup>1</sup> is a very good help if you want to learn more about financial administration of a starting NGO.

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<sup>1</sup> Manual of practical management for third world rural development associations, volume II: Financial management, Fernand Vincent, Ired, Geneve, Switzerland, 1989.