

## **Do 'Best practices' for managing development projects help or hinder?**

Many have raised concern about the effectiveness of development projects, both on a macro-level (e.g. Easterly 2006) and on a micro view (e.g. Dichter 2005). One often quoted problem is ineffective project implementation.

In response, funding agencies / donors use a range of procedures to increase project effectiveness. These include donor coordination, target group definition, tight project budgeting, logical frameworks, etc. These standard procedures have now become a requirement for many funding agencies, who believe all effective programs can comply.

This short paper shows how, in some cases, these procedures can distort project design and lead to good projects being rejected. It proposes a more flexible mind-set and more selective application of project management tools. This mind-set is more consistent with 'searching' for good development projects as proposed by Easterly (2006).

The paper uses the example of re-capitalisation of SANASA micro-finance cooperatives in Sri Lanka, following the Tsunami. SANASA is a network of approximately 8,000 thrift and savings cooperatives. 390 of these cooperatives, with a membership of 70,000, were in areas impacted by the Tsunami. Societies suffered from high levels of bad-debt and many were bankrupt. To survive, they needed a capital injection (a grant) equal to the losses incurred - a total of approximately \$1.5m.

SANASA agreed a re-capitalisation program with the Canadian International Development Agency (CIDA) in August 2006. As of March 2007 the program had been implemented in the South of Sri Lanka and was underway in the East where conflict made implementation more complex. Overall, the program has been a success. It led to 380 MFIs being re-capitalised, ensuring the long-term delivery of micro-finance services to a