

# Research on the Application of Project Evaluation Method in NGO Financing

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**Abstract:** Non-governmental organizations (NGO) are a “third social sector” different from governments and enterprises. They not only bear huge social responsibilities, but also play an increasingly important role in various fields such as charity and environmental protection. Social work as a professional subject to improve the overall social environment and promote a more harmonious and stable society coincides with the goals of some NGOs. Therefore, a large number of NGOs guided by the social work profession have been established. Most of the goals of these organizations are Facing certain disadvantaged groups in society, with the purpose of helping and solving the problems faced by the disadvantaged groups. This paper takes the application research of project evaluation methods in NGO financing as an example to examine the NGO fund acquisition and operation mechanism under project evaluation.

**Keywords:** Project evaluation; NGO; Financing

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## 1. Introduction

Project appraisal has a long history and can be “dated back to China in 2200 BC.” At the beginning of the 20th century, systematic project evaluation methods had been produced. In the late 1970s, the shortage of social welfare funds made project evaluation more important. El Babbie believes that social work evaluation is a kind of applied research, which studies the effects of social intervention <sup>[1]</sup>. The specific development of social work is usually carried out in the form of projects, so evaluation research is sometimes called project evaluation. American scholar Luo Xi and others believe that project evaluation is the use of social research procedures, in a certain organization and social environment, to investigate the performance of social intervention projects aimed at improving the social environment and conditions <sup>[2]</sup>. There are different opinions on the method of project evaluation, but no matter how it is divided, it depends on practice and runs through all the processes from investigation to completion of the entire project. The evaluation is usually divided into three categories: pre-service evaluation, in-service evaluation, and post-service evaluation according to the entire stage of practice. The pre-service evaluation is mainly to determine the needs of the service objects, determine the most important needs of the service objects, make a number of corresponding plans for the needs of the service objects, compare various plans, and select the best plan to meet the needs of the service objects At the same time, it is necessary to produce the maximum benefit as much as possible and consider the NGO’s own financial and other factors, and select the feasibility of the plan, and the most suitable plan that meets both the comprehensive feasibility and the maximum output. In-service evaluation is a supervision of the service process, collecting information in a

timely manner during the service process, and modifying the plan to ensure the operation and service quality of the entire project. Post-service evaluation is a final evaluation of the project. It determines the output performance of the entire project by comparing the changes in the service target before and after the project, judges whether the project goal is achieved, analyzes the input resources, and judges the operation efficiency of the project; the end of the project The subsequent impact should also be analyzed to understand whether social benefits have been obtained and whether relevant practice areas have been expanded. Project evaluation can better plan the use and efficiency of funds in the project. Through the project evaluation, it can be discovered that the project can run and obtain funds from the project during the operation of the project, so as to meet the NGO's own financing needs. The author takes a city in Longzhong area as an example to investigate the fund acquisition and operation mechanism under project evaluation.

## **2. Pre-service evaluation**

### **2.1. Needs assessment**

The city is located in Longzhong region, 98 kilometers away from Lanzhou. It is known as the “gateway to Lanzhou” and has six counties under the jurisdiction of a city. As it is located in the Loess Plateau region and in the northwest, the city's economic development is far from the eastern coastal area. The city does not have any large-scale factories. The entire city's industrialization industry is lagging behind. In order to maintain household expenditure and obtain more income, most of the city Young and middle-aged people choose to go out to work to get more income. Most of the urban areas and counties are left-behind middle-aged and elderly people. Many of the left-behind middle-aged and elderly people have a lot of land in their hands. After the young population goes out to work, all the land that belongs to them is also given to the middle-aged and old people who stayed there. However, the middle-aged and elderly people are not physically strong enough to cultivate tens of acres or even hundreds of acres of land. They need to purchase agricultural machinery and other mechanized facilities to cultivate the land, but the entire city is underdeveloped and does not have sufficient funds to purchase agricultural machinery. When applying for bank loans, because farmers themselves do not have a stable source of income, it is difficult to obtain approval for bank loans. Even if approval is obtained, the long period of approval is enough to miss some planting periods. The survey also found that the city is one of the cities with the highest net population outflow. The entire Gansu Province has gradually fallen behind economically in the development of recent years. In 2017, even the provincial capital Lanzhou's economic output value was overtaken by Urumqi, resulting in stagnant economic development. The population loss of Gansu Province to developed coastal cities or neighboring provinces is particularly serious in Gansu. During the investigation of the city, it was found that the entire prefecture-level city had only one urban area, the infrastructure was quite backward, and the urban roads had not been closed for a long time. The local left-behind middle-aged and elderly people themselves have the need to change the status quo and increase their income. They want to cultivate abandoned land, but the purchase of agricultural machinery has become their primary problem. Solving their financial needs is the social need of the local left-behind middle-aged and elderly population.

### **2.2. Case evaluation**

The city is facing population loss, backward road infrastructure, insufficient local industrial enterprises to provide many jobs, and left-behind middle-aged and elderly people do not have enough funds to purchase agricultural machinery. Among the many needs, the most priority is to help those who want to improve the status quo through their own work. The left-behind population needs to purchase agricultural machinery, so the core goal is to solve the funds for the left-behind middle-aged and elderly people to purchase agricultural machinery and solve the problem of part of the NGO's own financing while solving the financial needs for them. In 2016, the primary industry accounted for 23.8 of the city's three major

industries, and its output value increased by 5% year-on-year. The city's specialty agricultural product is potatoes, which is a famous "potato hometown." The population loss has caused a large number of laborers to go out, the agricultural population is insufficient, and the remaining middle-aged and elderly people do not have sufficient labor capacity to cultivate such a large amount of land. At this time, the demand for mechanization arises. Even if all the land cannot be fully cultivated, last year's output value can still grow at a rate of 5%, so if the provision of the land that may allow the local left-behind population to make full use of the land, it will not only increase the income of the left-behind middle-aged and elderly people, but also increase their income. NGOs can meet this demand while sharing the income gains brought by the full use of land. Using the method of project evaluation, we can preliminarily judge the feasibility of this program and whether it can solve the NGO's own financing problems in the process of running this program. The author tentatively set up an NGO to provide some farmers with short-term agricultural loans and the interest rate is 10%-20% higher than the benchmark interest rate. This idea originated from a concept called corporate responsibility, which believes that with the development of society, companies should not only pursue maximum profits but also shoulder their own responsibility for promoting social equity and overall progress. The purpose of the social work profession studied is to reconcile social conflicts and make social relations reach a satisfactory state. In some NGOs that take social work as their professional guidance, most of them have difficulties in raising funds, and some are even unable to sustain themselves because of lack of funds. Therefore, the establishment of NGOs on the spot combined with the business operation methods, under the framework of NGOs and the guidance of social work project evaluation methods, began a field practice.

Provide short-term agricultural loans to farmers who need to purchase agricultural machinery. Under the concept of social work, social workers need to help recipient groups link resources to help them get rid of the status quo, so as to obtain a better life or inspire hope in life. NGOs require operating profits not to exceed 50% of total revenue. However, the author tried to make some changes. Most domestic NGOs rely on government funding or government purchases as their main source of funding. The author abandoned this model. The author first established an NGO and told a farmer that he could provide him with a three-year loan of 30,000 yuan, but the interest rate was 10% above the benchmark interest rate, which is 5.39% (most of the bank's agricultural loan interest rate is 6%-8%). Under the propaganda of the farmer, many people came to understand that many farmers in the city have such needs. The author first recorded their contact information.

After conducting on-site inquiries and field visits to all farmers in need, the loan amount was divided into two levels of 20,000 and 30,000. At this time, the author needs to solve the problem of funding. In terms of fundraising, the first thing I found was some investors in the fund where I worked. If most people with sufficient assets have trust in you, they would be happy to spend a small portion of the money to do something to repay the society. As the assets become something similar to boring in their eyes, and they enjoy the pleasure brought by assets more. If they are made to realize that helping others can produce a sense of accomplishment and pleasure, these people are happy to spend some of the money Go for some charity. The initial fundraising was completed after part of the funds raised plus part of the author's own investment. However, for the sake of sustainable development, all the funds were not used to issue loans. 40% of the funds were allocated to purchase some currency funds, high dividend stocks and Commercial factoring products (the annual currency appreciation of this part of the investment is about 10%), which can provide a relatively stable and reliable source of funds in the future. The remaining 40% is used to grant loans to the farmers who applied for. Through the investigation of the family situation of the farmers and the consideration of the repayment ability, some farmers who have various bad habits among others are rejected. In our own circumstances, the interest rate has been appropriately raised and lowered, and the repayment period has been appropriately extended to 5 years. During the inquiry process, it was discovered

that many of the machines were purchased repeatedly, so the NGO paid for the purchase of this part of the machine for farmers to use in the form of lease, reducing their financial pressure. The entire loan issuance to farmers is completed within a week. After the loan is issued, a certain proportion of the NGO is organized to establish a mutual aid fund pool. This part of the fund pool is used to purchase currency fund appreciation. The purpose is When a household has difficulties, funds are drawn from the fund pool for assistance, and all the income generated by the fund pool is also owned by the mutual aid fund, which will be used to improve the production and living environment in the future.

### **3. In-service evaluation**

After receiving the loan, many farmers have purchased agricultural machinery and completed the cultivation of seeds. The quantity of agricultural products that can be provided by this group of farmers gathered is relatively large and stable, and in fact they have strong bargaining power. Under the leadership of NGOs, they changed the situation where people paid for them in the past, and proactively negotiated with local supermarkets for supplies and got a good price. In the estimation of some farmers, the first year's income is enough to pay off the capital provided by the NGO, and the farming income and agricultural machinery in the following years are the performance of their own hard work to change their lives. The idle land in the hands of farmers has also been used to the maximum. On the one hand, the waste of idle land is a waste of existing resources. On the other hand, in the process of making full use of the idle land, both NGOs and farmers have enjoyed benefits. NGOs have one more way of raising funds of their own, and farmers have realized income increase and solved the problem of labor shortage.

Regarding NGOs, although the initial investment was relatively large, in the three months so far, no farmer households have incurred interest arrears (interest first, then capital, farmer households repay the interest monthly, and the principal should be repaid at the end of the year). The calculated interest can also be used to help farmers who have such needs in the future. The value-added value of the funds used for value-added is sufficient to cover the cost of personnel, and the extra funds can also be used for loans to other farmers in need. The mutual aid fund established by farmers is advocated, and the value-added income can be used for the daily maintenance of agricultural machinery and the subsequent expansion of the secondary loan (because it is the farmers' own funds, there is no interest at all), and the repurchase rate of the NGO's early purchases Higher agricultural machinery with the promotion of the project, more and more farmers participate in the rental process. The rental rent can completely cover the purchase cost of agricultural machinery, and the later rent can also provide NGOs with a sum of money. As more and more farmers join, some of the funds can also be obtained from the supply of supermarkets to further solve the problem of self-funding.

In the entire operation of the NGO, it does not rely on traditional government funding or government-purchased projects. The goal of the NGO itself is to help farmers change their own living environment, in line with the concept of "helping others to help themselves" in social work. NGOs have given farmers support to change themselves. While farmers have changed themselves for a better life, NGOs have also obtained sufficient funds for their own development from their changes, and both sides have a win-win situation. With the progress of the service target, the whole fund-raising process forms a closed loop by itself to complete fund-raising. The surplus funds in NGOs are not used to distribute dividends or give back to donors. The surplus funds are used to issue agricultural loans to more people in need, which conforms to the framework of non-distribution of NGO profits. The only thing that does not comply with the internationally accepted NGO regulations is that NGOs' operating income must not exceed 50%. However, foreign countries have a good donation tradition, and civil society in China is weak. Donations alone may not be able to make NGOs solve their own problems. Funding requirements.

## **4. Post-service evaluation**

### **4.1. Results evaluation**

After granting small amount of agricultural machinery loans to farmers, most farmers have increased their enthusiasm for farming their land and are full of hope for higher income in the future. In the short term, although their income has not increased significantly, in the long run, the income of farmers is increasing steadily, because agricultural machinery has greatly improved their farming efficiency and land utilization has increased. After the short-term loan has been repaid, the agricultural machinery becomes its own, and the future growth output profits are also owned by its own; mutual aid funds can also well solve the funds needed for the maintenance of agricultural machinery in the later period and the improvement and improvement of infrastructure. The most important thing is that farmers can see that they can gradually change the status quo through their own efforts, thereby increasing their confidence and motivation in life. After the NGO has completed the first round of loan issuance, the subsequent interest rate and the funds obtained from the services that help farmers obtain bargaining channels with supermarkets are enough to solve the funds needed for loan issuance and the project goes on; idle; The capital gains cover labor costs, and the remaining surplus can also be used for other project development. NGOs have solved their own financing problems in the development process.

### **4.2. Project impact evaluation**

During the implementation of the project, more and more local left-behind middle-aged and elderly people paid attention to this project. After seeing the first batch of applicants obtaining loans, they began to apply to join the ranks of using their own idle land to obtain higher income. The project inspired their enthusiasm to change their status quo and gave them hope to increase their income. In this process, many left-behind populations have learned about social work for the first time, which has increased the population's understanding of social work in the region. During the implementation of the project, those high-net-worth individuals were attracted to participate in the initial stage. While helping others, they gained their own satisfaction and honor. During the implementation, through the publicity of the farmers who obtained loans, more and more people realized that, the influence of the project has been expanded and more people can increase their income by obtaining short-term loans, thereby increasing the city's per capita income level. After the funds are surplus, they can improve their lives and carry out some construction and construction of their related infrastructure. improve. The increase in income can also curb the continuous outflow of population and attract part of the population to return. For NGOs, it has improved the local influence of NGOs and gradually explored a financing solution suitable for my country's localized NGOs. Up to now, a total of 24 farmer households have been granted loans, with a total of about 700,000 yuan, with a per capita quota of about 30,000 yuan, with a term of 3 years. The main distribution groups are concentrated in Luochuan Village and Zhanggou Village, Lujia Town, Dingxi. The per capita cultivated land is about 50 mu. The per capita monthly interest payment is 137.5, and the monthly principal repayment is 833. After interest first, the annual principal could be paid off at a lump sum of 9996 after the agricultural products were sold at the end of the year. The current amount of the NGO's repayment is 69780, including the interest paid by 24 farmers for about 6 months and the principal paid off by 10 farmers every month. The interest and principal of the repayment plus the remaining funds, the interest can be considered. Pay for NGO administrative expenses; the return of funds plus the value-added of the remaining funds of the project can ensure the stable operation of the project and the gradual expansion of the scale.

In summary, combined with project evaluation experience, Chinese NGOs can develop a set of local NGO financing methods that suit China's national conditions.

### **Disclosure statement**

The author declares no conflict of interest.

### **References**

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