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**Assistance to
Resource Institutions
for Enterprise Support**

**Foster Parents
Plan International**

A Joint Evaluation of Foster Parents Plan Income-Generating Projects

Sponsored by the

**U.S. Agency for International
Development**

Contract DAN-1090-C-00-5124-00

and

Foster Parents Plan International

December 1986

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EXECUTIVE SUMMARY

Background

Foster Parents Plan/USA is a registered non-profit child sponsorship agency committed to assisting needy children, their families, and communities in developing countries through programs in health, education, community development, and resource and skills development. Overseas programs are administered by PLAN International, which coordinates international programs for all seven member nations: Belgium, the Netherlands, the United Kingdom, Canada, Japan, Australia, and the United States. With programs directly benefitting an estimated 1,225,000 families in 22 countries in Africa, Asia, Latin America, and the Caribbean, PLAN's expenditures on field programs in 1985 were about \$49 million.

In August 1984, the AID Office for Private and Voluntary Cooperation awarded PLAN a Matching Grant totalling \$3.23 million over three years to support income-generating projects (IGPs), primarily in Asia. The purpose of the Matching Grant was to assist PLAN in shifting from a social welfare strategy to one of economic self-sufficiency and project sustainability.

The present evaluation was undertaken jointly by Robert R. Nathan Associates, Inc., through the ARIES project and PLAN, to (1) evaluate the viability of IGPs assisted to date and (2) review present and future strategies for IGP promotion. The evaluation team paid particular attention to lessons learned over the course of the Matching Grant Agreement that will influence these strategies.

Before preparing the final report, a final draft version was circulated to the field offices in Bali and Bicol for comments. These are included in Appendix H.

Major Findings

Two sites were selected for field visits: Bicol, Philippines and Bali, Indonesia. A variety of IGP activities have been supported in these locations to date, including agriculture, animal husbandry, fisheries, and small business. A summary of conclusions and recommendations regarding these IGPs appear in Table ES-1.

The two years completed under the Matching Grant agreement have been fruitful for PLAN in terms of re-orienting staff away from social welfare in the direction of income generation and small business development. Staff training and regional workshops supported under the Agreement are primarily responsible for this.

Because its program is older, PLAN/Bicol has gained a better understanding than PLAN/Bali of what constitutes a successful IGP. The lessons learned by Bicol, however, have not transferred to Bali. Sharing of project-specific experiences and strategies will be essential for an expanding PLAN effort in IGP promotion.

Table ES-1. Summary of PLAN Evaluation:
Conclusions and Recommendations

Conclusions	Recommendations
<p>1. Field offices are not providing adequate training and technical assistance to IGP participants in essentials of running a small business.</p>	<p>1. Restructure village-level offices to better delineate the IGP program. Create community centers that can better provide the requisite expertise for supporting IGP activities.</p>
<p>2. Planning strategies for designing IGP need to be more detailed and based on business feasibility rather than client need. Bicol is implementing operating guidelines that should help overcome this problem.</p>	<p>2. Make greater use of sectoral studies, base-line surveys for measuring employment and income impact, market analysis, and individual IGP feasibility studies.</p>
<p>3. Training carried out under the Matching Grant has improved staff understanding and appreciation of IGPs and positively reinforced the shift away from social welfare in favor of project sustainability and economic self-sufficiency. However, staff capability in business management and financial analysis still needs upgrading.</p>	<p>3. Focus staff training more strongly on developing skills in financial analysis, business management, market analysis, and product development. Consider hiring or contracting proven business experts to provide TA and assist in financing schemes.</p>
<p>4. Bali credit unions are viable financial institutions reaching both PLAN and non-PLAN communities. PLAN/Bicol has yet to achieve this goal through its community associations.</p>	<p>4. Intensify PLAN/Bali's work with credit unions, seeking to link more PLAN families into the credit union system. Restructure and provide greater guidance to Bicol's associations, making them viable financial and technical assistance intermediaries serving non-PLAN clients as well.</p>
<p>5. There is no formal system of entrepreneurial identification; resources presently provided are insufficient for expanding ongoing successful businesses.</p>	<p>5. Implement a system for identifying successful entrepreneurs. Make resources available to help them expand their operations to achieve increased income and employment impact in target areas.</p>

Impact on employment and income in Bicol has been minimal. This determination is supported by (1) conversations with field staff, (2) a separate, extensive evaluation being undertaken by a locally contracted research institution, and (3) observance of non-repayment and failure of several IGPs. In fact, PLAN/Bicol put its lending and technical assistance program on hold for the past 18 months to retrain staff and assess future directions. Corrections have been made, and the new program should realize positive effects on both income and employment.

PLAN/Bali began its IGP program in mid-1986. The evaluation team concluded, however, that future benefits would be minimal if current program practices continue. PLAN/Bali still has a strong social welfare orientation; in-kind grants are given on the basis of need rather than IGP viability and entrepreneurship. The current program is also deficient in its use of feasibility studies, marketing studies, and training and technical assistance to IGP recipients.

On the other hand, PLAN/Bali has a good opportunity to improve incomes and employment through its credit unions; one aspect of Bali's IGP program is a recapitalization scheme for credit unions working in PLAN communities. The evaluation encourages ongoing work with credit unions to strengthen financial and technical assistance services to their members. Because of their success, credit unions could also serve as an example for PLAN/Bicol in its efforts to make village-level associations financially viable.

LIST OF ACRONYMS

PLAN	Foster Parents Plan
IGP	Income Generate Projects
LCO	Location Community Office
SAGE	Situational ASsessment and Goal Establishment
LCW	Location Community Workers
PDC	Project Design Outline
CUCO	National Credit Union Association .[Bali]
ILB	Interlending Body

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I. INTRODUCTION AND BACKGROUND

Description

Foster Parents Plan (PLAN) is an international child sponsorship agency dedicated to improving the lives of children, their families, and their communities in developing countries. Founded in 1937 in response to the need for food, shelter, and education for children suffering as a result of the Spanish Civil War, PLAN now has programs in 22 countries in Africa, Asia, Latin America, and the Caribbean. PLAN's annual operating budget for field programs in 1985 was about \$49 million.¹

PLAN has two related goals. One is to provide a development assistance program through which both tangible and intangible resources can be transferred between people. The second is to provide an opportunity for dialogue through which concern and understanding can be expressed between people of different cultures.² Income generation is one of the main vehicles for achieving the first goal.

1. Programs and Services Worldwide Annual Report 1985, pp. 30-31.

2. A Proposal to Extend the (PLAN) Income Generating Matching Grant Agreement, October 17, 1986, p. 4.

PLAN operates in four main program areas: (1) health, (2) education, (3) resource and skills development, and (4) community development. Income Generating Projects (IGPs) fall into the last two categories. IGPs are pivotal in PLAN's strategy to shift from a social welfare approach to an approach of economic self sufficiency and project sustainability.

The AID Matching Grant Agreement

The AID Matching Grant Agreement being evaluated here³ has sought to strengthen and encourage PLAN's initiative in IGP promotion.⁴ Under this agreement, ten of PLAN's field offices have implemented IGP programs: Egypt, Kenya, Bombay, H.D. Kote/Madakasira, Bali, Yogyakarta, Nepal, Mindoro, Bicol (Naga), and Sri Lanka. Until its closing in mid-1986, a Bangkok regional office was funded to provide overall coordination and support to the field locations.

Following is a summary of goals and objectives for the first year of the PLAN project (the contract was awarded in August 1984):⁵

- (1) Establish and staff a centrally located project office to provide technical and administrative support to field offices.

3. The Matching Grant evaluated in this report is the first one for IGP promotion, but actually the second USAID Office for Private and Voluntary Cooperation (PVC) matching grant. The first MG was for health projects.

4. Foster Parents Plan Income Generating Project Annual Report, Year One, p. 1.

5. Foster Parents Plan Income Generating Project Annual Report, Year One, pp. 4-6.

- (2) Establish a roster of local technical resources.
- (3) Implement an evaluation and monitoring system in Naga (Bicol), Mindoro and Yogyakarta.
- (4) Train field staff in Naga, Mindoro and Yogyakarta, and sponsor a general workshop for all field offices interested in Matching Grant funds.
- (5) Develop a plan and timeframe for bringing other field offices within the Matching Grant.
- (6) Implement at least two innovative projects in agriculture or manufacturing at each of the participating field posts.
- (7) Develop a plan for strengthening local institutions.
- (8) Conduct a thorough review of PLAN field office policies and objectives affecting income generating projects.

Objectives for the second year can be summarized as follows:⁶

- (1) Promote, more aggressively, feasibility studies to increase product quality and create viable neighborhood markets.
- (2) Seek out and encourage forward and backward linkages among businesses.
- (3) Promote staff retraining and create a cadre of small business extension workers.
- (4) Increase and improve services for production marketing.
- (5) Improve evaluation capability, always documenting and sharing methodology with all PLAN field offices.

6. Annual Report, Year One, p. 7.

- (6) Survey handicraft production and, where possible, support PLAN/USA in its handicraft marketing efforts.

Evaluation Methodology

In November 1986, an evaluation of the first two years of the IGP Matching Grant was undertaken by a team composed of two specialists provided by Robert R. Nathan Associates under the ARIES Project and one Field Project Manager contributed by PLAN. Russell Webster, RRNA Associate, was the Team Leader. He conducted the institutional analysis and program evaluations from the organizational perspective. Linda Markey McCabe, RRNA Managing Associate, served as the team economist and financial analyst. Bachrun Nawawi, Assistant Director, PLAN/Liberia, was the Field Project Manager. Mr. Nawawi has extensive knowledge of PLAN programs and expertise in the implementation of IGP programs, particularly credit union schemes in Indonesia.

The evaluation took place between November 4 and November 30, 1986, with the following distribution of time:

- . November 4-6 at PLAN International Headquarters in Providence, Rhode Island
- . November 10-19 at the PLAN/Bicol field office, Naga, Philippines
- . November 20-30 at the PLAN/Bali field office, Denpasar, Indonesia

Bicol and Bali were chosen as evaluation sites to make a comparative analysis between a relatively established IGP program and a newer program. Bicol has been lending to PLAN families for IGPs since 1982. Because of non-payment and

the need to reassess the direction of the Bicol IGP program, however, PLAN/Bicol stopped lending in 1985. The program is now being refueled, with the stipulation that target groups achieve 60 percent repayment on outstanding amounts.

PLAN/Bali's IGP program began in July 1986, when PLAN/Bali stopped giving direct financial assistance to the Foster Child Families. The Bali IGP program has two main components. One provides in-kind grants to PLAN families for agricultural production, fruit tree cultivation, livestock, cottage industries, etc. The other provides grants to credit unions for recapitalizing their loan funds.

The evaluation is based on information drawn from three sources: project and administration files, interviews with clients and delivery institution officers, and interviews with the administrative and field staff.

Both PLAN/Bicol and PLAN/Bali were very open with their information, giving the team access to all files at both the office and the field stations. From these sources, the team drew information from program budgets, in-house evaluations, and planning documents.

Case study interviews with recipients of IGP assistance were the principal source of information for the chapter on IGPs. The interviews were based on a detailed questionnaire for IGP owners (see Appendix B); each interview lasted one to two hours.

The team visited IGPs -- 28 in Bicol and 19 in Bali -- devoting four days to field visits in each location. Fewer IGPs were visited in Bali because the sites were further

apart and more difficult to reach; the original target was 20 per location. The sites for the field visits were selected at random. However, the team was careful to visit at least one IGP of each type being funded by the program.

Because the sample of IGPs visited at each site is very small relative to the total number of IGPs in each program, the team was careful to supplement case study information with information on other, similar IGPs from the field site files. In addition, conclusions drawn from case study interviews were discussed at length with staff members to eliminate any unfair or inaccurate findings from the biased sample. Other sources of information were used to substantiate each conclusion drawn.

A writeup of each case study is presented in Appendix A. The team also conducted case study interviews with five credit unions in Bali (see questionnaire in Appendix C). This questionnaire was only used in Bali, because the Bicol IGP lending program has been inoperative for about 18 months.

At each field office, the team interviewed the following personnel:

- Field office director
- Assistant director(s)
- Training officer
- Evaluation officer
- Field station manager
- Field station workers
- Local community leaders

The people interviewed were generally very open with their impressions of the program. Many of the insights in the evaluation were drawn from these interviews.

II. ORGANIZATION AND MANAGEMENT

The following sections discuss institutional characteristics of the Bicol and Bali programs, focusing on their organizational design, technical skills, and strategies for implementation of IGPs. Specifically, this chapter covers:

- . Organizational Structure
- . Staff Training and Development
- . Planning, Monitoring and Evaluation Strategies
- . Program Cost Effectiveness

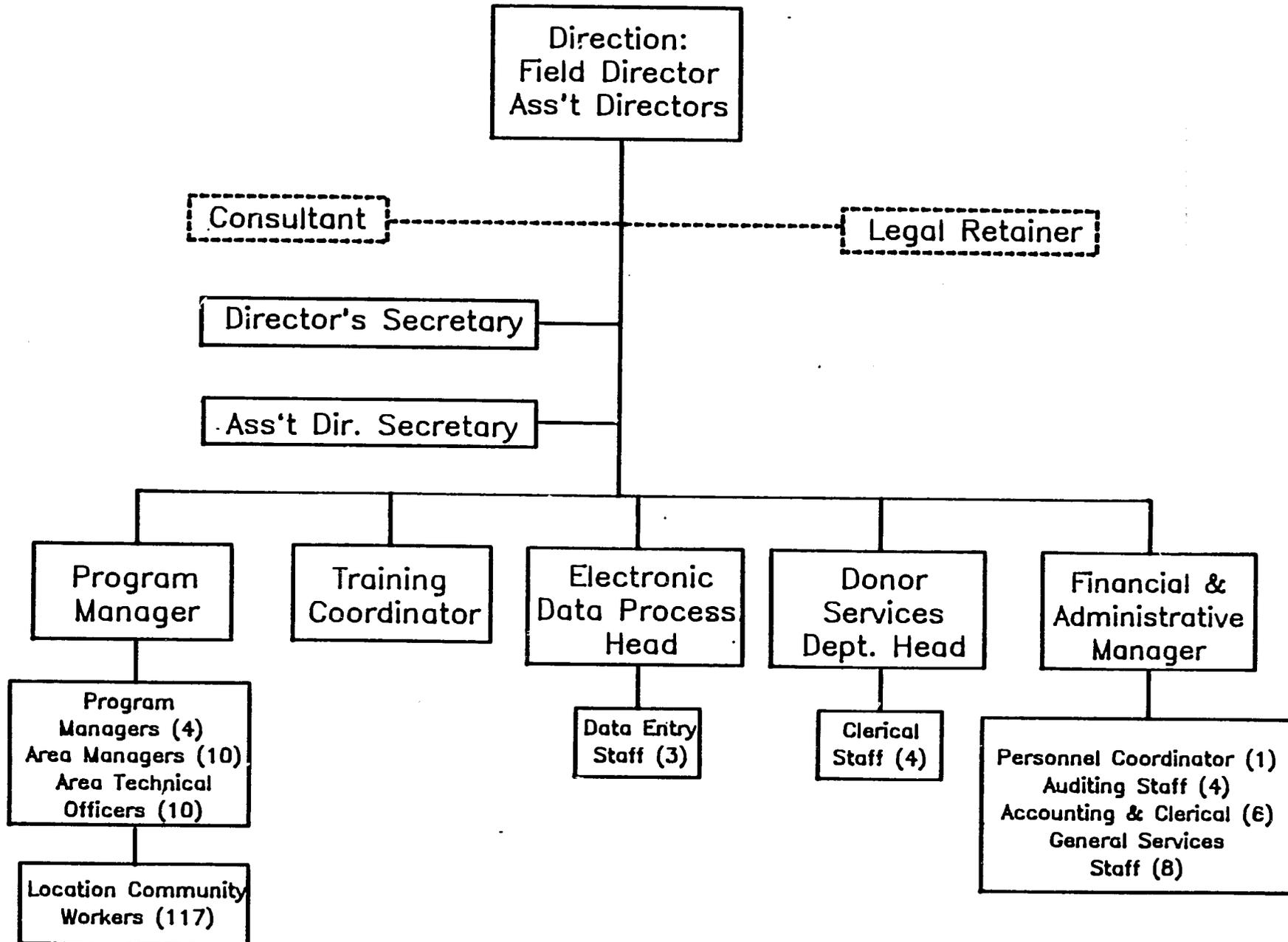
Organizational Structure

Bicol

The organizational structure of the Bicol program is depicted in Figure 1. Overseeing the PLAN/Bicol operations is a group called Direction, made up of the Field Director and Assistant Directors, of which there are presently two. Working under their management in the Bicol central office are four administrative/program departments:

Electronic Data Processing - maintaining computer services for program management and databases for program monitoring and evaluation

Figure 1. PLAN/Bicol Organizational Chart



- . Training - staff training programs, organization and coordination of training programs for the target group
- . Donor Services - coordinating communications between Foster Parents and Foster Children, and maintaining records on families and communities and the PLAN services provided to them
- . Financial and Administrative Management - accounting and personnel management

Three provincial offices, under the supervision of program managers, report to the Central Office. These offices in turn oversee activities of the location community offices (LCOs), which interface directly with participating families.¹ LCOs are given management and technical support by area managers and area technical officers working out of the Provincial Offices. Ten area managers and ten area technical officers are divided among the four provinces where PLAN is working.

Throughout PLAN/Bicol, about 117 location community workers (LCWs) work typically in teams of three per LCO. Each LCW handles a case load of approximately 85 families.² PLAN families are organized into associations, typically one per LCO. These associations are the primary point of contact between PLAN and its target group.³

1. Throughout this report, "participating families," "PLAN clients," and "target groups" are used interchangeably.

2. Based on a total number of 9,750 families as reported in the 1986 Revised SAGE, p. 27.

3. The associations and their functions are described in greater detail in Chapter III. They are critical to PLAN/Bicol's community development efforts.

LCWs are responsible for PLAN donor services and the coordination of technical assistance and training. Donor services include coordinating letters between foster child and foster parent, preparing periodic Social Welfare Indicator sheets on each foster child family to determine need and progress, and completing regular reports to PLAN and the foster parent on the development of the community in which the foster child lives.

The role of the LCWs, area technical officers, and area managers in technical assistance and training is largely to link participating families with community and regional resources as needed. PLAN's goal is to strengthen local resources -- both governmental and non-governmental -- rather than to hire a large staff of technical experts.

Three committees provide policy input to Direction. The Management Committee, made up of Direction, department heads, and program managers, is responsible for day-to-day review and administration of procedures and policies. The Personnel Policy Committee is made up of elected members from among the departments. This group recommends personnel policy to the Management Committee. The Coordinating Committee includes Direction and 25-30 elected members from the departments and each Province. This group meets every two months to review program policies and activities and make recommendations to Direction.⁴

4. The Coordinating Committee has strong input into the SAGE Document (Situational Assessment and Goal Establishment) described under "Planning, Monitoring and Evaluation" in this chapter.

Bali

The organizational structure for PLAN/Bali is presented in several figures. Figure 2 covers the central office located in Denpasar, where seven departments are responsible for program activities and administration: General Services, Donor Services, Accounting, Direct Financial Assistance, Administration, Health, and Social Services. In addition, there is a credit union program, supervised by one of the expatriate assistant directors and a locally hired training coordinator (see Figure 3).

Three regional offices report to the main office. Each is supervised by a regional supervisor who oversees regional Donor Services, Accounting, Social Services, Direct Financial Assistance, Community Development, and General Services. Within each region there are several local offices staffed by three to six social workers and an office head. As with Bicol LCWs, Bali social workers are responsible for identifying and coordinating PLAN services to the target group. A representative regional office organizational chart is shown in Figure 4.

In Bali there are two main channels for IGPs: (1) direct in-kind grants to PLAN clients and (2) recapitalization for credit unions serving communities in which PLAN works.⁵ Because most of the grant programs are in agriculture, PLAN/Bali provides technical support through local agricultural extension agents. Social workers are

5. This is discussed more fully in Chapter III. Recapitalization of selected credit unions took place only in July-August 1986, although PLAN/Bali has worked with credit unions for several years, encouraging PLAN clients to join. PLAN/Bali also facilitates training of members and upgrading of services through CUCO, a national group supporting credit unions throughout Indonesia.

Figure 2. PLAN/Bali Head Office Organizational Chart

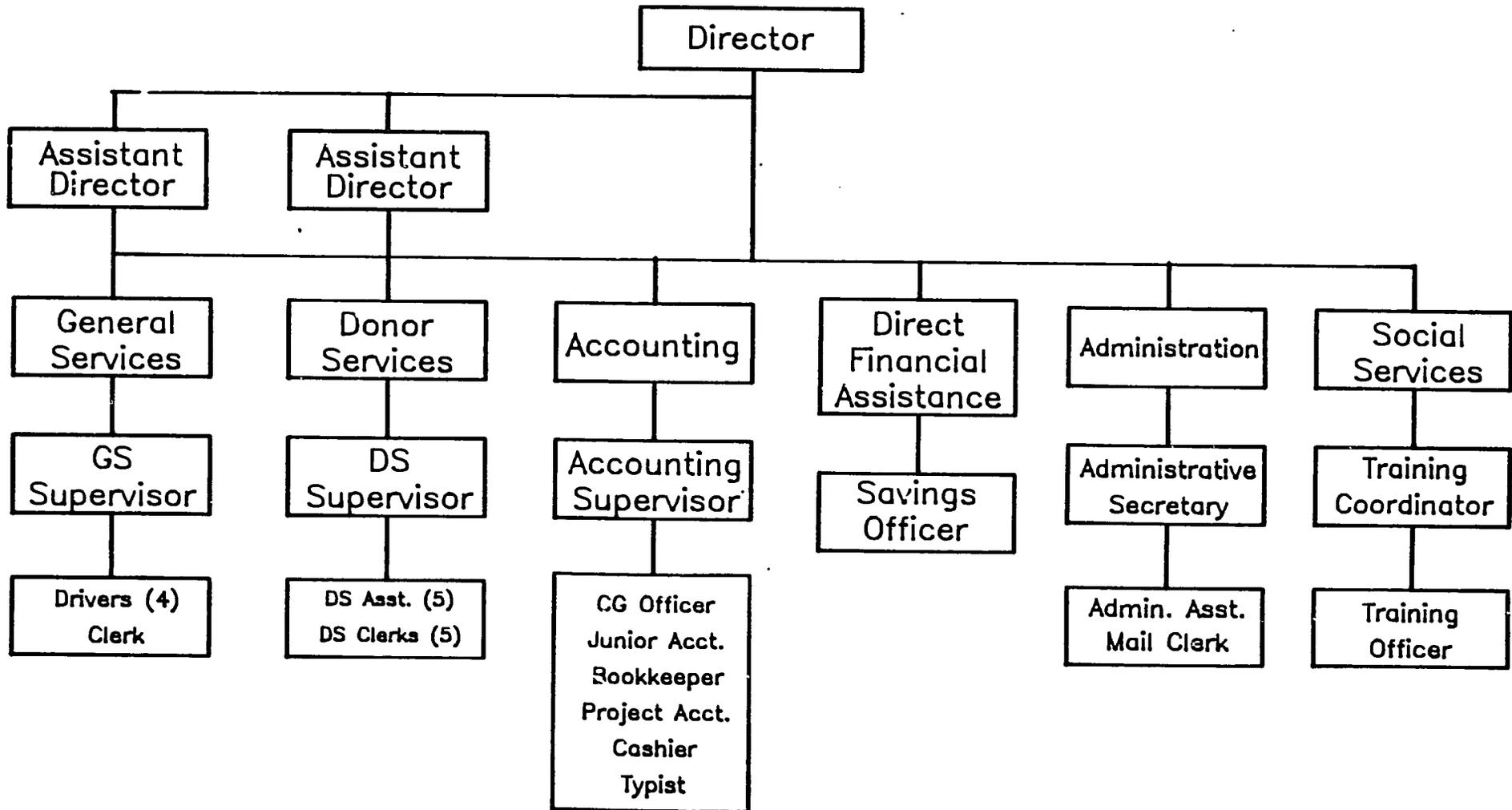


Figure 3. Bali Credit Union Organizational Chart

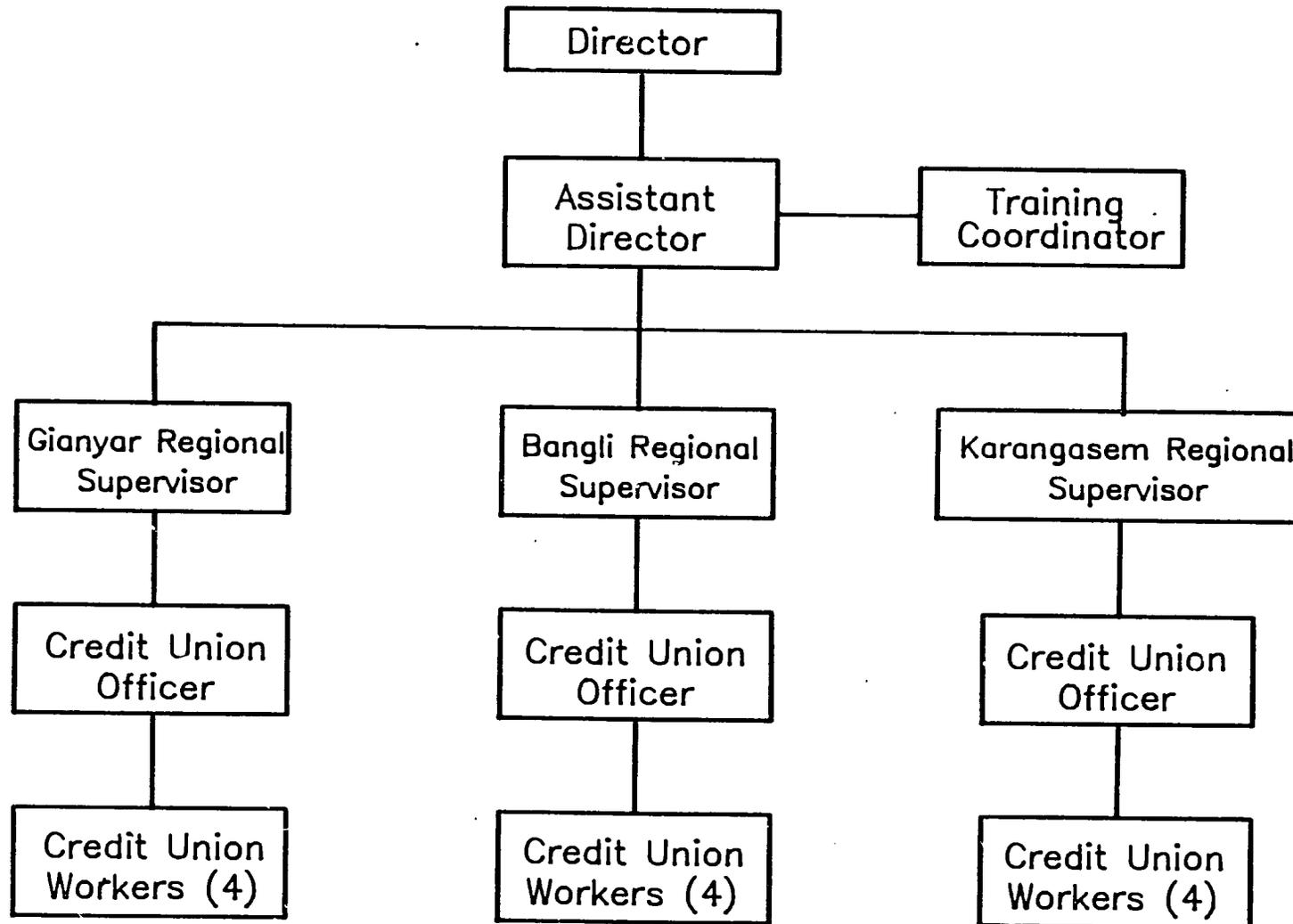
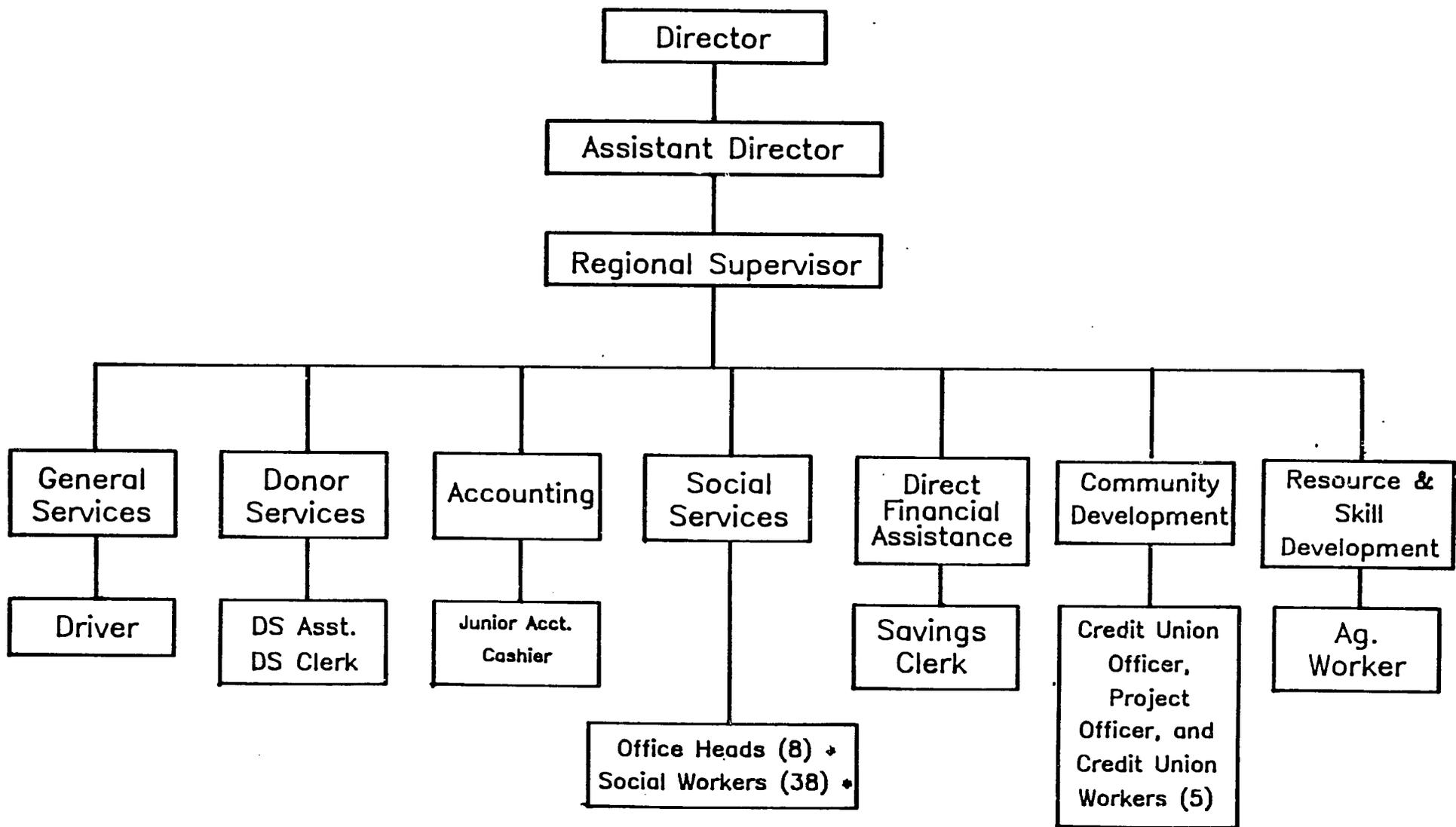


Figure 4. Karangasem, Bali Regional Office Organizational Chart



Note: * Eight sub-offices report to the Regional Office, each supervised by an Office Head and staffed by generally four to six Social Workers

then responsible for monitoring and reporting on progress. They receive some technical assistance and support from PLAN agriculture workers, which are assigned one per Regional Office.

Technical support to the credit unions is coordinated by credit union workers. Four or five are assigned to each Regional Office (see Figure 4). The credit union workers (1) monitor the use of funds provided for recapitalization, (2) help identify technical assistance needs, and (3) train credit union members and officers to upgrade credit union services to the community. The regional credit union workers are supervised by one credit union officer in each Regional Office, who reports to the regional supervisor.

Discussion

Both PLAN/Bicol and PLAN/Bali are organized to provide a variety of development services to participating families. However, both locations need better technical response at the community office level, where interactions with IGP participants should be the greatest.

Under the present structure, front-line staff -- those interacting on a day-to-day basis with IGP recipients -- are largely responsible for monitoring and coordinating, rather than providing immediate technical response. LCWs in Bicol often expressed their frustration at trying to strengthen IGPs while performing administrative work for Donor Services.

The emphasis given to IGPs would seem to warrant a business specialist in each field office to focus on the

financial, production, and marketing needs of IGP participants. Although an integrated program may be desirable from a resource allocation standpoint, it can weaken the impact of specific services for the target group. LCWs in Bicol and social workers in Bali perform largely an oversight and monitoring role. As a result, they are constrained in both time and skills in assessing technical assistance, financial, and training needs of IGP participants.

In Bali there is a further problem. IGP program management tends to overlap several departmental areas. Social Services monitors IGP in-kind grant activities; the Credit Union Department monitors the re-capitalization scheme; and the Regional Resource and Skills Development Departments provides technical assistance to agriculture-based IGPs. It is recommended that management and technical support of the IGP program be consolidated into a single department.

Staff Training and Development

Staff Training Activities

During the second year of the Matching Grant Agreement, PLAN has focused on evaluating programs and training staff.⁶ Staff training to support IGP activities has been perhaps the greatest benefit gained by both Bicol and Bali under the grant agreement. Both field offices participated in the 1985 and 1986 PLAN regional workshops held in Bangkok. More recently, staff from Bali attended an IGP workshop in Sri Lanka facilitated by World Education, Inc.

6. Foster Parents Plan Income Generating Project Annual Report, Year II, p. 4.

Bicol

As mentioned earlier, PLAN/Bicol has put its IGP program on hold for the past 18 months in order to re-evaluate its strategy and future direction. This provided a good opportunity to strengthen staff skills in supporting IGPs. Several workshop/courses were held in 1986 for senior staff and LCWs in such areas as community development, IGP promotion, and training of trainers. While the evaluation team was in Bicol, selected senior staff of PLAN/Bicol attended a PLAN Philippines-wide workshop in Cebu. The PLAN/Bicol training coordinator recently attended a three-month intensive course in Entrepreneurship Development.

Bali

Because its IGP program is much newer, PLAN/Bali has held fewer internal IGP-specific training activities for its staff. The training provided has focused on the community development program, monitoring and evaluation systems, and technical aspects of agricultural production.

Discussion

It was clear from discussion with senior- and mid-level managers that participation in the regional workshops had strongly influenced their enthusiasm for IGPs as vehicles for sustainable development. It was not apparent, however, that staff in general had gained the financial and business managerial skills necessary to run small business programs and, more importantly, assess the technical assistance and financial needs of their clients. Both Bicol and Bali are

moving in this direction, but their efforts should be more aggressive and should concentrate on small business promotion.

Not all PLAN staff in Bicol and Bali will have the desire or skill to facilitate these services for entrepreneurs, just as not all are inclined to be health workers. Those staff -- particularly LCWS and social workers -- who demonstrate an aptitude for small business development should be encouraged and given more responsibility to strengthen IGPs in their communities. This implies some degree of specialization, which the evaluators feel is necessary for a successful program.

Staff Skill and Experience

To assess the skills and experience of staff, the evaluators drew a random sample of field staff from both Bicol and Bali. This information is summarized in Tables 1 and 2. Staff sampled were those with front line responsibility for implementing and monitoring IGP-related programs.

Bicol, on average, has more highly educated staff than Bali. This reflects national averages for both countries. However, a larger percentage of those sampled in Bicol had previous work experience (55 percent vs. 15 percent). As might be expected, average number of years with PLAN was greater in Bali than in Bicol (5.29 years vs. 3.75). Whereas no Bali staff sampled had previous experience or education in business, four of the 20 sampled in Bicol had degrees in business. One had worked as a bank bookkeeper.

Table 1. PLAN/Bicol: Educational Background and Experience of Randomly Sampled Field Staff

Position	Educational background	Previous experience	Number of years with PLAN
Location Committee Worker (LCW)	B.S., Social Work	----	3
LCW	Midwifery Graduate	Nursing Aide/Midwife, Miranda General Hospital	5
LCW	B.S., Business Administration Major - Accounting	----	5
LCW	B.S., Agriculture Major - Agronomy	Researcher/Statistician Municipal Development Staff	5
LCW	B.S., Commerce Major - Management; M.B.A.	Foreign Bookkeeper, Associated Bank	1
LCW	B.S., Social Work	Clerical Aide; Census Enumerator, Provincial Office	5.33
LCW	A.B., Philosophy; Pre-med background	----	4
LCW	B.S., Social Work	----	7.5
LCW	B.S., Agricultural Education Major - Agronomy	----	5
LCW	B.S., Psychology	----	1
LCW	B.S., Social Work	Motivator - Family Planning Clinic	2.75
LCW	A.B., Political Science	Community Development; Resettlement Coordinator, Provincial Action Center	1
LCW	B.S., Social Work Science	----	6.5

(Continued)

Table 1 (continued)

Position	Educational background	Previous experience	Number of years with PLAN
LCW	B.S., Social Work	----	5
LCW	B.S., Social Work	----	5
LCW	B.S., Business Administration Major - Economics	Field Interviewer; Research Officer/Trainer, Social Action Center	1
LCW	B.S., Nursing	Medical Secretary/Assistant, private clinic	3
LCW	A.B., Economics	Research/Trainer, FARMER	1
LCW	Secretarial Course Graduate; B.S., Business Administration Major - Economics	Assistant Secretary, PMD/BRBDP; Census Field Worker, NCSO-BFAR	3.5
LCW	B.S., Nursing	Hospital Staff Nurse; Assistant to Branch Manager, Philamlife	4.33

Table 2. PLAN/Bali: Educational Background and Experience
of Randomly Sampled Field Staff

Position	Educational background	Previous experience	Number of years with PLAN
Office Head	Agriculture High School	----	9
Office Head	High School	----	9
Office Head	High School	----	10
Social Worker	High School	----	6
Social Worker	High School	----	10
Social Worker	High School	----	8
Social Worker	High School	----	1
Office Head	High School	----	10
Office Head	High School	----	6
Social Worker	High School	----	1.5
Social Worker	Agriculture High School	----	4
Social Worker	High School	----	5
Social Worker	Agriculture High School	----	6
Office Head	B.A. Law	----	13
Office Head	B.A.	----	3
Social Worker	B.A.	----	2
Social Worker	B.A.	----	3
Social Worker	High School	----	3
Social Worker	Agriculture High School	----	8

(Continued)

Table 2 (continued)

Position	Educational background	Previous experience	Number of years with PLAN
CU Officer	High School	----	6
CU Worker	High School	----	11
CU Worker	High School	----	2
Agriculture Worker	Engineer of Animal Husbandry	----	2
CU Officer	High School	----	8
CU Worker	High School	----	5
CU Worker	High School	----	4
Agriculture Worker	Engineer of Animal Husbandry	----	1
Architect	Technical High School	Contractor, Architect	5
CU Officer	Technical	Temporary Jr. High School Teacher	7
CU Worker	Agriculture High School	Tarakanita Library; Part-time clinic work	1
CU Worker	High School	Part-time Jr. High School Teacher	1
Agriculture Worker	Engineer of Agriculture	----	1
Engineer	Engineer of Irrigation	Public Worker	2

These figures suggest that PLAN/Bali may have a more difficult time recruiting qualified staff to run its IGP programs. However, experience and aptitude, not educational qualifications, are the key to entrepreneurial success. Several credit union workers in Bali, for example, were previously credit union officers. Both Bicol and Bali could benefit by recruiting more staff with demonstrated entrepreneurial talents, regardless of their education.

Discussion

The general approach taken by both Bicol and Bali has been to train existing field staff rather than bring in small business experts to run their IGP programs. Although staff training has been valuable, the requisite skills for small business technical assistance and credit facilitation should be more fully integrated into both PLAN operations.

This can be done through a combination of (1) training selected staff members with demonstrated aptitude and interest, and (2) recruiting or contracting business experts. Small business TA and credit skills must be present in staff working with entrepreneurs, not only those involved in program management.

Planning, Monitoring and Evaluation

Planning, monitoring, and evaluation are priorities for both Bicol and Bali; this reflects PLAN International's attitude that these aspects of project management are synonymous with accountability and effectiveness. This section describes the general planning strategies used by Bicol and Bali in their community, resource, and skills development

programs, which incorporate IGP activities. Chapter IV focuses on planning, monitoring, and evaluation at the IGP-specific level.

Bicol

Both Bicol and Bali are implementing "bottom-up" planning systems. These begin with client families as a planning unit, move to community goals and objectives, and finally formulate specific project proposals. In Bicol, the association of PLAN families plays an important bridging function in this process. In cooperation with each association member, the LCW prepares an annual family development plan which identifies objectives and strategies for achieving them in such areas as income, employment, health, nutrition, living conditions, education, vocational skills, recreation, and community participation.

Based on feedback from its members, the Association Project Committee then prepares a Project Design Outline (PDO) with help from the LCW for submission to PLAN. The PDO contains the following information:

- . Objectives
- . Number of PLAN and non-PLAN beneficiaries
- . Major activities
- . Progress indicators
- . Minor activities and their schedule
- . Time frame, i.e., beginning and completion dates
- . Budget

Once completed, the PDO is passed to the area manager, the program manager, and finally the head office in Bicol for final approval. In this process, the PDO becomes integrated into what is known as the SAGE document (Situation Assessment and Goal Establishment). The SAGE is essentially a joint product of PLAN and participating families that establishes medium- and long-range objectives in the four program areas.

PLAN/Bicol recently developed a set of specific guidelines for preparing IGP PDOs: (1) recommendations for formulating lending policies and procedures, (2) IGP loan applications and promissory note procedures, (3) preparation of business plans, and (4) training needs identification.⁷ This was a necessary and positive step for Bicol. Earlier IGPs suffered from inadequate feasibility studies of financing, production, marketing and TA requirements. The usefulness of the new operating guidelines is discussed in Chapter IV.

Over the past several years, PLAN/Bicol has gathered an abundance of socio-economic data on participating families. LCWs complete Social Welfare Indicators for each family annually to determine progress and whether the family is ready to be graduated from PLAN assistance. Information requested during the evaluation at the location community offices on past and current IGP loans was, however, inadequate. LCWs frequently had to look through several files to determine what amounts were outstanding for each family. Monthly repayment schedules, although established at the

7. Foster Parents PLAN/Bicol Resource and Skills Development Program, Operating Guidelines.

time of lending, were not monitored or reported in a comprehensive and regular manner. Implementation of the new operating guidelines should remedy this situation.

Bali

Bali has just begun implementing a community development planning strategy based on lessons learned at the World Education Inc. workshop held in Sri Lanka. Through group participation, social workers and PLAN client families develop a map of village resources and a list of project priorities. Specific projects are selected and put into PDO form for approval by Denpasar. This becomes the basis for making in-kind grants to participating families for IGPs.

Monitoring of IGPs is fairly simple and straightforward. Because most are in agriculture, fruit trees, or fisheries, social workers report any harvesting, sale price on the market, what was consumed rather than sold, and what technical problems arose indicating a need for training or other types of assistance. In the case of in-kind tool grants to craftsmen, social workers monitor business activity and estimated income levels after one, six, and twelve months. However, baseline information on income, employment, etc. is inadequate. Impact measurements are difficult. Feasibility studies are over-generalized and non-specific to individual families.

Monitoring of the Bali credit union re-capitalization scheme is likewise straightforward. On a monthly basis, credit unions must prepare statements which identify each borrower, his/her loan amount, purpose of the loan, monthly installment, whether repayments are current, balance, and reason (if any) for not paying installment.

Discussion

Planning systems in both Bicol and Bali are adequate for community development purposes. The evaluation team was impressed with the degree of involvement in the SAGE process by target group and field staff. PLAN/Bali has begun to focus on resource identification and project selection at the community level.

PLAN/Bicol is in the process of implementing a new set of operating guidelines, which should improve the use of feasibility studies and the monitoring of business performance. PLAN/Bali has made a good start in keeping its monitoring system simple. However, PLAN/Bali should implement IGP-specific feasibility studies and baseline data gathering to measure future impact.

Program Cost-Effectiveness

Cost-effectiveness analysis, as defined in terms of PVOs, generally requires some comparison of program costs and benefits. The analyst determines if the costs of the program have been reasonable in comparison to the benefits. In the case of the PLAN/Bicol and PLAN/Bali matching grants, it is too early to measure the benefits of the programs. It is possible, however, to review the current budgets of the programs, both for use as benchmarks in future evaluations and as a general source of information.

Bicol

To date, the PLAN/Bicol program has spent P1,103,123 (\$55,157) of its allocated matching grant funds, as shown in

Table 3. These funds have been used primarily for the following purposes:

- . Partnership for Productivity/Asia was hired as a technical consultant to provide guidance in the redesign of the IGP program. The organization has produced a program evaluation, training workshops for staff, an operating guideline for future IGPs, and two concept papers. Its work has contributed significantly to the program redesign.
- . Two new experimental projects -- one for a raw materials and marketing center and the other for an upland farming cooperative (discussed in detail in Chapter IV) -- were funded. These programs, if successful, will serve as models for future IGPs.
- . Local staff were trained in IGP design and administration.
- . Ateneo de Naga University's Research and Evaluation Unit conducted an extensive survey of the IGP program. This survey is still ongoing.
- . Other costs were incurred, including international travel for staff training, technical assistance, and the production of a catalog of local goods.

These expenditures can best be thought of as investments in the future of the IGP program. At \$6.11 per family beneficiary, these expenditures seem reasonable. True cost-effectiveness will only be known in several years when the impact of future IGPs on income, employment, and social welfare can be measured.

Table 3. PLAN/Bicol: Use of Matching
Grant Funds, FY 1986

Item	Pesos	Dollars	Percent of total
Partnership for Productivity consultancy	118,375	5,919	10.7
Experimental IGP projects	260,000	13,000	23.6
Staff training	59,582	2,979	5.4
Evaluation of Ateneo de Naga University	549,450	27,473	49.8
Other costs	115,716	5,786	10.5
Subtotal	1,103,123	55,157	100.0
Overhead expenses	89,018	4,451	
Total cost	1,192,141	59,608	
Number of family beneficiaries	9,750	9,750	
Cost per family beneficiary	P 122.27	\$6.11	
Number of labor days equivalent to the cost per family beneficiary: 4.89			

1. Number of families that will eventually benefit.
2. This may be calculated by dividing the cost per family beneficiary by the average daily wage, i.e., P 122.27 ÷ 25.

Source: Budgetary information, FY 1986, PLAN/Bicol.

Bali

Most of the IGPs in the PLAN/Bali program are no more than six months old. It is, therefore, difficult to compare the benefits of these IGPs to the costs of the program.

The FY 1986 actual budget and the FY 1987 projected budget for matching grant funds can be reviewed, as shown in Table 4. The cost per family goes down from FY 1986 to FY 1987. This is a good sign. As a program progresses, costs should decline as (1) the staff becomes more efficient in delivering services and (2) more costly, less effective IGPs are weeded out. In the PLAN/Bali program, duck and rabbit distributions, which provide lower returns to participants, have been dropped from the FY 1987 budget. Less productive seedlings, such as mangoes and cashews, have been replaced by clove and vanilla tree seedlings in the FY 1987 budget. This positive trend is reflected in the decreasing labor-day equivalent ratio. However, only after the impact of the IGPs has been measured, in several years' time, will the true cost-effectiveness of the program be known.

Table 4. PLAN/Bali: Use of Matching
Grant Funds, FY 1986 - FY 1987

Budget item	FY 1986			FY 1987		
	Rupiahs	Dollars	Percent of total	Rupiahs	Dollars	Percent of total
Animal husbandry	28,250	17,121	41.9	34,785	21,082	47.9
Fruits and vegetables	16,545	10,027	24.6	24,000	14,545	33.1
Small business	21,051	12,758	31.3	-	-	-
Evaluation	1,500	909	2.2	-	-	-
Technical assistance	-	-	-	5,696	3,452	7.9
Fisheries	-	-	-	6,460	3,915	8.9
Demonstration plot	-	-	-	1,550	939	2.2
Sub-Total	67,346	40,815	100.0	72,491	43,933	100.0
Overhead	7,047	4,271		7,595	4,603	
TOTAL	74,393	45,086		80,086	48,536	
Total number of families	3,229	3,220		6,862		
Cost per family	23,029	14.00		11,671		
Number of labor days equivalent to cost per family ^a	46.1 labor days			23.3 labor days		

a. This may be calculated by dividing the cost per family by the average daily wage (Rp 500).

Source: Budgetary information, FY 1986 - FY 1987, PLAN/Bali.

III. INDIGENOUS DELIVERY INSTITUTIONS

Strengthening local institutions to achieve project sustainability is one of PLAN's goals and a necessary requirement for any IGP program. PLAN/Bicol has encouraged participating families to form associations since its program began in 1976. In 1982 PLAN decided these associations should be formally organized and registered with the Government and become the vehicle for their community development strategy.¹

In Bali, PLAN has assisted in the establishment of several credit unions through cooperation with the National Credit Union Association (CUCO) over the past six years. Originally regarded as a vehicle for direct financial assistance to its participating families,² selected credit unions now, on a select basis, receive grants from PLAN for recapitalizing their loan funds.³

1. PLAN Bicol SAGE: July 1986 - June 1993, p. 27.
2. Direct financial assistance in Bali was stopped in July 1986.
3. Peter Hagul, The Evaluation of Credit Unions: A Case Study in Bali, p. 1.

Organization & Management

Associations (Bicol)

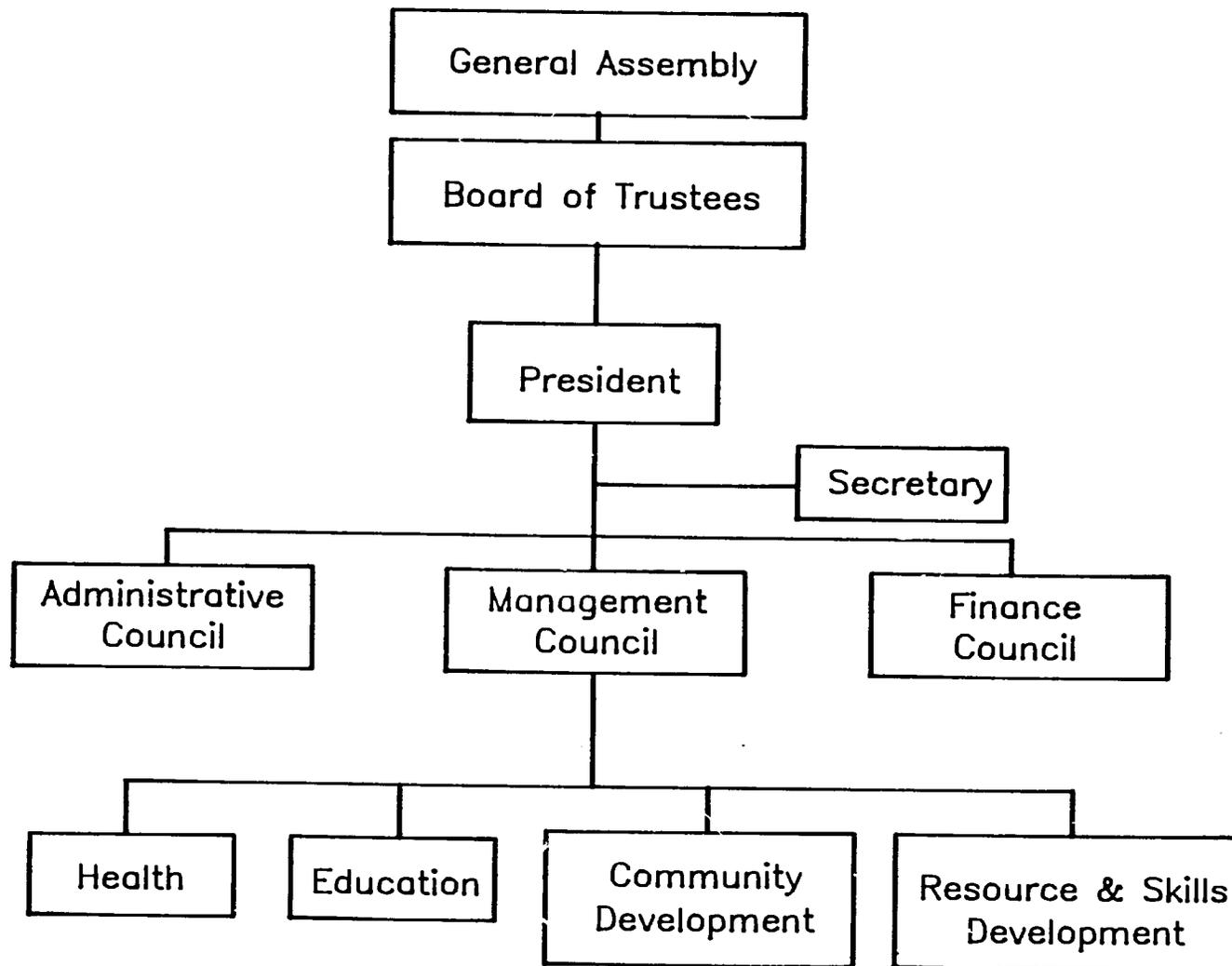
Associations, like credit unions, are village-level organizations. However, unlike the credit unions, whose primary purpose is to lend money to their membership, the associations play several roles in delivering PLAN/Bicol's resources and services to the target group. Another important distinction is that the associations are exclusively comprised of PLAN families, although PLAN/Bicol is encouraging them to open membership to non-PLAN families as well. Both factors can be attributed to the fact that whereas credit unions in Bali are largely an indigenous movement, associations were established by PLAN in Bicol to facilitate its program.

The organizational structure of associations is presented in Figure 5. Under the new operating guidelines prepared by PLAN/Bicol, the management council will be responsible for planning and administering IGP activities.

One problem noted by the evaluation team was the lack of financial and business management expertise to support IGP lending and technical assistance. At a minimum, as discussed in Chapter II, the associations should train or contract the requisite financial and business management expertise to strengthen loan approval and monitoring.

The associations could also restructure to separate other development objectives from their lending programs. At present, the Management Council is responsible for several programs, and does not have the staff skill or

Figure 5. PLAN/Bicol Association Organizational Chart



experience to run a lending and technical assistance program for IGPs. The evaluation team, in fact, felt that this was happening.

Credit Unions (Bali)

Credit unions in Bali are village-level organizations made up of members (both PLAN and non-PLAN families) who pay regular savings amounts and take out loans according to regulations established by the credit unions' officers. For the most part, these policies are standardized and patterned after a model developed by CUCO. (Financial policies are discussed in a later section.) Credit unions are basically "solidarity groups." The only requirements for membership are the ability to pay into savings on a regular basis and approval by the larger membership.

Credit unions receive outside support from two agencies other than PLAN. One is CUCO, which offers training courses in credit, leadership, and group dynamics to credit union officers. The other is an Interlending Body (ILB) made up of credit union representatives. The ILB hopes to help sustain credit unions through intra-regional transfer of loan funds. PLAN/Bali and CUCO are working together to improve credit union training programs and their impact. The ILB's role is still maturing, so it is too early to tell what impact it is likely to have.

Credit union members meet monthly to pay into savings, make loan repayments, and take out new loans. They also meet annually to discuss policies and regulations governing the credit union. Management is handled by several boards

and committees selected by the general membership: the Management Committee, Education Committee, Supervisory Board, and Advisory Board. The Chairman, Vice Chairman, Secretary and Treasurer typically make up the Management Committee.

PLAN/Bali credit union workers visit the credit unions about once a month to monitor progress and provide support.

Financial Performance

Financial performance is a critical measure of the efficacy of a delivery institution. The key to sound financial performance is effective financial policies. Adherence to these policies provides a strong foundation for financial sustainability.

General financial performance trends for the credit unions and the associations are quite different. The credit unions, supported by excellent financial policies, have strong financial performance records. The associations, however, have shown poor financial performance in the past, due in part to inconsistent and poorly administered financial policies. PLAN/Bicol is in the process of converting the associations into sound financial institutions.

Financial Policies

The financial policies of a delivery institution determine the efficiency with which clients are served and provide the foundation for institutional financial sustainability. Critical financial policies address the criteria for selecting loan recipients and determining IGP

feasibility, repayment standards, interest rate assessment, and capitalization. An inventory of standard policies of the credit unions and policy guidelines recently developed for the associations is given in Table 5.

The Associations (Bicol)

In theory, financial policies are determined by a general meeting of all members of an individual association. To date, the associations show little evidence of sound financial policies. Associations are still essentially social welfare delivery institutions. Practically, their transition to sound financial institutions is just beginning.

One aspect of the transition is the preparation of operating guidelines to assist association officers in developing financial policies. These guidelines are very general; in places, they are too general to be of much use. For example, associations must decide for themselves who is eligible to receive loans, what are appropriate late repayment penalties, and whether or not to charge interest. These critical financial decisions, in most cases, should not be left to the discretion of untrained association officers and members. Rather, the associations should receive hard, practical guidance similar to that supplied to the credit unions by CUCO.

One positive aspect of the guidelines is that they provide excellent IGP selection criteria. Associations are advised to consider both the technical and financial feasibility of IGPs being considered for funding. Standardized forms facilitate preparation of cash flow and income

Table 5. An Inventory of Financial Policies of Delivery Institutions:
Credit Unions, PLAN/Bali and Associations, PLAN/Bicol

Policy	Bali credit unions	Bicol associations
Selection criteria for the client	<ol style="list-style-type: none"> 1. The client must have been a member of the credit union, making minimum monthly deposits, for at least three months. 2. If seeking a repeat loan; the client must have paid off any prior loan. 3. The client can only borrow up to a set multiple of his savings account, which varies from 2 to 5 times his savings depending on the credit union. 4. There is an absolute ceiling on loan size, which varies from Rps. 100,000 to Rps. 400,000 depending on the credit union. 	<p>While specific policies are to be set by each association, the guidelines suggest that:</p> <ol style="list-style-type: none"> 1. The client must have the skills and knowledge necessary to the business venture for which he is seeking a loan. 2. Non-PLAN members who meet the other criteria should be eligible to receive loans.
Selection criteria for the IGP	<ol style="list-style-type: none"> 1. The loan should be for a productive activity rather than for consumption. 2. The loan must be for an activity which will be profitable (the definition of profitability is left to the judgment of credit union officers who draw on their own experiences with past projects as a knowledge case). 3. The loan must be backed by collateral worth between 2-3 times the loan amount. 4. Typical types of loans include: working capital for buy/sell 	<ol style="list-style-type: none"> 1. The guidelines suggest that loans of P1,000 or less should: <ol style="list-style-type: none"> a. be short-term and used for working capital, b. have daily or weekly repayment, c. be processed in one to two days, and d. require minimal information. 2. The guidelines suggest that for loans of more than P1,000, the applicant should: <ol style="list-style-type: none"> a. provide detailed information including cash flow and income statements,

(Continued)

Table 5 continued

Policy	Bali credit unions	Bicol associations
	<p>operations, agricultural input loans, loans for the purchase of livestock, and loans for small business.</p>	<p>b. have an interview with the loan committee to discuss his/her background and experience in the field of the proposed venture, c. provide collateral, and d. where appropriate, receive loans in kind.</p> <p>3. Typical loans of P1,000 or less include working capital to small vendors, farmers, and fishermen. Typical loans of more than P1,000 include loans for equipment like fishing nets and rice threshers. Capital loans for livestock, and working capital loans for larger ventures.</p>
Repayments	<ol style="list-style-type: none"> 1. Repayments are usually divided evenly over a period of 10 to 20 months. 2. The usual policy is to allow no grace period except for agricultural loans where repayments can be made seasonally. 3. A fine varying from .5 to 2 percent of the outstanding principle is assessed on late loans. 4. Loans are distributed in a lump sum. 	<ol style="list-style-type: none"> 1. Repayments are scheduled based on the business cycle of the venture receiving the loan. Businesses with fast turnover like vendors and restaurants pay daily or weekly. Businesses with cyclical turnover pay by the cycle like farmers who pay at harvest time. 2. There is no suggested policy for late repayments.
Interest	<ol style="list-style-type: none"> 1. Credit unions charge 2 percent per month for all loans. The effective rate is slightly higher. 	<p>There is no set policy for interest rates on loan funds.</p>

Table 5 continued

Policy	Bali credit unions	Bicol associations
Capitalization	<p data-bbox="701 360 1266 612">2. Savings holders receive a share of the profits of the credit union annually. Typically, 50 percent of the profits are distributed at year end based on the size of the saving account and the amount of time it has been held.</p> <p data-bbox="657 636 1100 662">Sources of capital include:</p> <ol data-bbox="685 685 1214 1070" style="list-style-type: none"> 1. New member fees, which vary from Rps. 500 to Rps. 2,500 2. Obligatory monthly savings, usually Rps. 200 per month 3. Loan fees; the credit unions retain between 1 to 1.5 percent of each loan disbursed 4. Voluntary savings 5. Interest on loans 6. Fines for late repayments 7. Grants from PLAN/Bali 	<p data-bbox="1343 690 2024 811">To date, PLAN/Bicol has been the principal source of capital, with some monies generated through repayments (see Table 6).</p>

statements. Marketing and pricing analyses are encouraged. In general, the guidelines introduce good policies for the identification of viable IGPs.

The Credit Unions (Bali)

The Bali credit unions receive policy guidance from the National Credit Union Association (CUCO). CUCO assists in the start-up of every credit union in the PLAN/Bali area. It sets very firm policies on client selection, loan size, interest rates, and other specific areas. For example, the interest rates charged by credit unions cannot be below 2 percent per month; obligatory monthly savings must be at least Rps. 200; and no individual client can borrow more than 10 percent of the credit union's capital base.

Individual credit unions present these minimum specifications to their members at organizational meetings. At these meetings, the standard policies may be made more stringent if the members wish. For example, required monthly savings can be increased to Rps. 400 per month or monthly interest rates can be increased to 4 percent. However, credit unions usually adhere to CUCO's minimum standards, which have proven an excellent basis for sustained financial viability.

Financial Sustainability

In general, the achievement of financial sustainability means that a delivery institution can continue to operate without the regular infusion of outside funds. In most cases, the credit unions pass this test. The associations, however, have a long way to go before they will be able to stand on their own financially.

The Associations

The financial sustainability of the associations is questionable. The major source of capital for most associations is PLAN/Bicol, which, until recently, made annual contributions to each association (see Table 6). The few associations with other sources of income could not afford to stay in operation if they relied only on those sources. The associations' repayment record has been very poor, a combined rate of only 30 percent. Nonpayments drain the limited financial resources of these groups. To date, none of the associations has charged interest on its loans. Even with 100 percent repayments, withdrawals to pay operating expenses and inflationary pressures would erode the associations' capital base. Until the poor performance records are reversed, the associations will have little chance to sustain themselves financially.

The Credit Unions

As mentioned above, the financial sustainability of the credit unions depends on sound financial policies. One important outcome of good financial policies is an excellent repayment record. The client selection criteria used by the credit unions connect savings account performance and lending by ensuring that the client is a good saver before giving him/her a loan. This minimizes the chances that a loan will not be repaid. It is reinforced by requiring borrowers to put up collateral. The credit unions also impose penalties for late repayments, such as a monthly fine equal to 1 percent of the loan principal. Because of these policies, the combined repayment record for all PLAN/Bali credit unions is nearly 95 percent. This guarantees the

Table 6. Association Receipts and Disbursements for FY 1986
as a Percentage of Total (PLAN plus Association)
(Pesos)

Location	Beginning balance	Receipts			Association as percent of total	Disbursements			Association as percent of total	Ending balance
		PLAN	Association	Total		PLAN	Association	Total		
Camarines Sur 1	45,129	286,827	33,282	320,109	10	284,869	15,053	299,922	5	65,316
Camarines Sur 6	75,056	166,348	23,746	190,094	12	158,950	50,699	209,649	24	55,501
Camarines Sur 8	56,731	210,152	23,754	233,906	10	222,514	36,685	259,199	14	31,438
Camarines Sur 11	56,362	242,540	33,699	276,239	12	239,573	31,048	270,621	11	61,980
Camarines Norte 4	84,741	88,873	20,506	109,379	19	86,664	37,901	124,565	30	69,555
Camarines Norte 5	71,720	53,466	17,589	71,055	25	51,899	23,303	75,202	31	67,573
Camarines Norte 11	145,496	45,417	61,571	106,988	58	43,327	121,930	165,257	74	87,227
Albay 3	72,847	98,471	12,156	110,627	11	93,003	28,164	121,167	23	62,307
Albay 5	70,326	114,971	17,985	132,956	14	122,189	17,458	139,647	13	63,635
Albay 9	60,411	151,414	22,666	174,080	13	125,673	27,300	152,973	18	81,518
Average percent:					18				24	
Average leaving out CN 11:					14				19	

Note: FY 1986 is July 1985 - June 1986.

sustainability of each credit union's capital base. Table 7 presents profit/loss and balance sheet information on a few credit unions in the Bangli region.

The primary source of capital for the credit unions interviewed by the evaluation team was members' savings, both voluntary and obligatory. In other words, the credit unions do not depend on outside sources for capital funding. Saver incentives come from the easy access to loans enjoyed by good savers and the share of profits which each saver receives at the end of each year.

The Bali credit unions have sustained their financial bases over the 15 years they have been in existence. One proof of this is the record of twelve credit unions in one region that have been phased out of the PLAN program. Of the twelve, eight are still in operation. The four credit unions that went out of operation were in good financial shape at the time they disbanded. Their common problem was a lack of trained people to replace officers as they retired.

Another proof of sustainability is that only 21 of the more than 180 credit unions assisted by PLAN have received monetary assistance. The others have maintained their own capital funds without outside assistance. The financial viability and sustainability of the credit unions is well established.

Table 7. Financial Position of Representative Bangli Credit Unions, December 1985
(Indonesian Rupiahs)^a

	Credit union ^b					
	Bira Karya	Swartha	Ad Bi Yasa	Lami Karya	Loka Sari	Karva Sari
<u>Income</u>						
Interest	376,400	268,850	1,397,530	434,960	403,000	382,150
Membership admin. fee	500		6,000	400	17,800	16,400
Fines	15,700		74,725	900	60,200	24,425
Transaction Fees	<u>17,750</u>	<u>22,100</u>	<u>132,300</u>	<u>44,300</u>	<u>34,150</u>	<u>30,900</u>
Total income	410,350	290,590	1,610,555	480,560	515,150	453,875
<u>Expenses</u>						
Operating costs	19,600	38,125	224,775	45,185	89,400	114,950
Other	<u>106,400</u>		<u>258,160</u>			
Total expenses	126,00	38,125	482,935	45,185	89,400	114,950
Error	(400)					
Net profit (loss)	283,950	252,825	1,127,620	435,375	425,750	338,925
<u>Assets</u>						
Cash on hand	68,790	16,235	1,321,305	530,365	417,900	155,425
Bank	224,000		278,300		145,000	
Loans out	1,724,900	1,373,500	6,933,600	1,829,000	735,100	905,500
Inventory	<u>41,520</u>	<u>19,845</u>	<u>110,635</u>		<u>44,500</u>	<u>35,500</u>
Total assets	2,059,210	1,409,580	8,643,840	2,359,365	1,342,500	1,096,425

(continued)

Table 7 continued

	Credit union ^b					
	Bira Karya	Swartha	Ad Bi Yasa	Lami Karya	Loka Sari	Karva Sari
<u>Liabilities</u>						
Membership fees	188,000	180,000	830,000	202,000	177,000	166,000
Obligatory savings	589,200	342,400	547,000	387,800	447,300	447,600
Voluntary savings	585,180	552,835	4,046,330	1,178,105	292,450	143,900
Reserve funds		24,010	149,725	46,730		
Education fund		12,000	28,360	13,395		
Social fund		12,000	74,860	13,395		
Local development		12,000	74,860	13,395		
Retained dividends	7,880	21,510	35,085	18,680		
Other	405,000		1,730,000	50,490		
Profit	<u>283,950</u>	<u>252,825</u>	<u>1,127,620</u>	<u>435,375</u>	<u>425,750</u>	<u>338,925</u>
Total liabilities	2,059,210	1,409,580	9,643,840	2,359,365	1,342,500	1,096,425
<u>Statistical Information</u>						
Date of establishment	8/5/83	8/12/82	8/13/82	9/1/82	6/1/83	6/13/83
No. of male members	80	40	73	99	83	72
No. of female members	<u>10</u>	<u>5</u>	<u>10</u>	<u>2</u>	<u>6</u>	<u>11</u>
Total	90	45	83	101	89	83
PLAN clients	41	43	N/A	65	80	N/A
Borrowers since beginning	195	187	338	306	210	193
Amount loaned since beginning	4,834,000	5,735,000	21,299,000	9,650,000	3,330,000	3,030,000
Average loan amount	24,790	30,668	63,015	31,536	15,857	15,699

a. Rp. 1,630 = US\$1.

b. Names are best guesses based on hand-written statements.

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IV. THE INCOME-GENERATING PROJECTS

The most critical measure of an IGP program's success is the change it makes in the lives of its beneficiaries. It is important to measure, where possible, the impact of the IGP program on the income of beneficiaries, on employment in beneficiary communities, and on the social welfare of the beneficiaries and their communities. This chapter describes the IGPs assisted by PLAN/Bicol and PLAN/Bali, discusses the beneficiary impact of the two IGP programs, and recommends some changes in the programs.

Description of the Income-Generating Projects

Types of Projects

Both PLAN/Bicol and PLAN/Bali assist a variety of IGPs. These include projects in agriculture, animal husbandry, small business, and fisheries.

PLAN/Bicol

Table 8 shows the breakdown of types of loans administered by PLAN/Bicol. The animal husbandry loans are primarily for the purchase and upkeep of carabaos (the local draft animal), for both breeding and field work. Other livestock

Table 8. Composition of PLAN/Bicol IGP Loans
as of November 1986

Type	Number	Percent of total
<u>Individual loans</u>		
Agricultural credit	246	19.2
Small business	416	32.4
Livestock	324	24.2
Fishing	298	23.2
Total individual loans	1,284	100.0
<u>Group loans</u>		
Farm equipment #1 2 Threshers 1 Tractor	14	3.6%
Farm equipment #2 6 Threshers 6 Tractors	250	64.8%
Farm equipment #3 1 Threshers 1 Tractor	2	0.5%
Upland farming	60	15.5%
Raw materials & marketing center	60	15.5%
Total group loans:	386	100.0%

Source: List of Income Generating Projections by Type, Bicol Field Office, November 1986.

loans were used, for the purchase and upkeep of pigs. Small rice farmers are the primary beneficiaries of agricultural loans used, as working capital for the purchase of inputs. Small business loans provide working capital for owners of food processing businesses, sari-sari stores (small community general stores), and handicraft consortia. Ocean fishermen receive equipment loans for the purchase of large nets.

PLAN/Bicol also gives IGP assistance to community groups that have formed collective businesses. Two experimental programs, currently being undertaken in the same sub-office, are good examples of this type of lending. One, a community handicraft project, produces abaca (a straw-like material) placemats for export. The community group has made arrangements for a large exporter to purchase a large quantity of placemats. The exporter provides the raw materials, which are distributed and sold by the organization to community members. They make the placemats and sell them back to the community organization, which delivers the placemats to the exporter. The arrangement guarantees a steady source of raw materials and a market for the output. Nearly 120 community families have benefitted from this arrangement.

The other experimental program assists 128 farm families. The program provides the community, located in a remote, upland area, with standard services usually provided by development assistance programs. These services include technical assistance for the introduction of perennial crops, financial assistance, and marketing assistance.

PLAN/Bali

PLAN/Bali has two delivery mechanisms for assistance to IGPs: grants and credit unions capitalization. The grant program provides assistance in animal husbandry, fruits and vegetable cultivation, small businesses, and fisheries, as shown in Table 9.

Animal husbandry grants assist individual beneficiaries in the purchase of cows, ducks, goats, and rabbits. Grant recipients must provide adequate housing for the animals as their share of equity. Furthermore, they are supposed to give the first offspring of each grant animal to another community member.

Recipients of fruits and vegetable grants receive seedlings of fruit and spice trees, including lichee nut trees, clove trees, and vanilla trees. Each recipient receives only one type of tree. The trees will bear fruit in five to eleven years.

Small business owners use PLAN/Bali grants to purchase equipment. In the past, these grants have provided sewing machines, wood carving tools, and silversmith tools to local craftsmen.

PLAN/Bali's other method of IGP assistance is capitalization of local credit unions which, in turn, lend the money to members for their IGPs. The IGPs receiving assistance in this way are similar to those receiving grants.

Table 9. PLAN/Bicol: Distribution of IGP Grants

Type	FY 1986: Actual		FY 1987: Planned		Total	
	Number	Percent	Number	Percent	Number	Percent
Animal husbandry	490	20.4	752	23.3	1242	22.0
Fruits and vegetables	1,350	56.1	1,779	55.0	3,129	55.5
Fisheries	-	-	682	21.1	682	12.1
Demonstration plots: onion seedlings	-	-	20	.6	20	.4
Small business	<u>564</u>	<u>23.5</u>	<u>-</u>	<u>-</u>	<u>564</u>	<u>10.0</u>
Total	2,404	100.0	3,233	100.0	5,637	100.0

Source: SPO Summary: #16 Resource & Skills Development, Bali Field Office, September 1985. SPO Summary: MG II IGP, Bali Field Office, 1986.

Client Profile

In both the PLAN/Bicol program and the PLAN/Bali program, almost all IGP clients are members of families with foster children. Therefore, they meet the same basic criteria for involvement in the larger PLAN program. They are the poorest members of their communities.

Table 10 presents a socio-economic profile of the clients visited by the evaluation team.

The Impact of the IGP Programs

Constraints Affecting the Measurement of Program Impact

Because of a variety of constraints, conventional methods of IGP impact analysis were not appropriate for this study. Both programs are relatively new; it is too early in the project cycle to judge the impact. Although the PLAN/Bicol IGP program began in 1982, it undertook a major change in direction over the past year, resulting in entirely new criteria and methods for distribution of IGP assistance. The Bicol field office staff acknowledged that the old program had almost no success in raising the income of clients or creating new employment. A further indicator of program failure was the poor repayment record (30 percent) of PLAN/Bicol's clients. Loan administration is just beginning under the new program.

The PLAN/Bali field office only began administering its IGP assistance during 1986. Many of the clients visited by the team had only received assistance in the past 4-5

Table 10. IGP Client Profile: PLAN/Bicol and PLAN/Bali

Item	Bicol	Bali
Number of IGPs visited	28	19
Sex of owner:		
Male	10	15
Female	18	4
Education: ^a		
None		2
Attended elementary school	2	11
Elementary school graduate	13	5
Attended high school	5	1
High School graduate	5	
Attended college	1	
Average number of children	6.8	3.7
Number of cases IGP assistance for household's primary economic activity	16	8
Average monthly income	P1707 ^b	N/A ^c
Number of cases receiving other FPP assistance	28	13
Average age	41.5	40
Average size of loan ^d	P1392	Rp. 140,746
Average years of operation in the IGP activity	9.8	
(PLAN grant)		1.8
(Credit union loan)		8.4

Note: The information is reflective of the case study participants.

a. For PLAN/Bicol, based on the answers of 26 case study participants.

b. Based on the answers of 14 case study participants.

c. The majority of the Bali case study participants were subsistence farmers who were not certain of the value of their monthly income.

d. P20 = \$1; Rp 1,630 = \$1.

Source: Survey questionnaires.

months; one had received assistance only two weeks before the team's visit.

Neither program has kept adequate baseline information for measuring the income, employment, and social welfare benefits of the program.

The economic environments in both Bali and Bicol have undergone drastic changes in the recent past that make it difficult to measure any impact on the regional economies, either now or in the future. The Philippine economy has been depressed over the past several years due to political unrest and dropping world prices for its principal exports. Bicol has been particularly hard hit, and its communities are worse off than they were five years ago. In Bali, the economy has undergone a recent boom as tourism grows. The benefits of this growth have reached even the remote villages of the island, through better public infrastructure and increased incomes from relatives working in tourist areas.

Because of these constraints on analysis, the discussion of IGP impact is based on impressions formed during conversations with field staff, information gathered during the case study interviews, and secondary reports provided to the evaluation team. It focuses on predicting the probable future impact of the IGP programs.

Impact on Income

PLAN/Bicol

According to conversations with field staff and an extensive evaluation conducted for the field office by

Ateneo de Naga University, the PLAN/Bicol IGP program, during its first few years, did not increase the income of its clients. These findings are supported by the poor repayment record for loans: only 30 percent of the total amount loaned has been repaid. At least 60 percent of the IGPs failed.

The principal reason for this failure is that, in its early stages, the IGP program was handled like a social welfare program rather than an economic development effort. Money was lent to clients based on their need, rather than the financial viability of their IGPs.

Standard practices followed by sponsors of successful IGP programs in the Philippines and elsewhere were not used by the Bicol field office:

- . The feasibility studies required of clients applying for loans often did not consider the true costs of the activity. They often excluded labor costs, loan repayments, replacement of capital goods, and transportation expenses. Revenue estimates were unrealistically high. Furthermore, they did not clearly show how the loans were to be used.
- . Clients were not given training in fundamental management skills. Few of the clients visited by the team had any record of their costs or revenue, despite the fact that all were literate and many were high school graduates. Consequently, several of those interviewed were surprised to discover that they were not making much money.
- . The program provided no guidance or assistance in either procurement of raw materials or identification of markets.

- . Loans were not monitored after they were distributed. Field staff had no way of knowing whether a loan had been used as intended or whether the business was succeeding or floundering. As a result, no counseling could be given to clients who were in trouble.

These shortcomings were accentuated by the absence of any trained financial experts on the staff and the lack of training for field staff.

In the past two years, PLAN/Bicol has changed the direction of its program; making it more financially viable. As described earlier, it now requires a detailed financial analysis of each IGP and a check on the reliability of the client before loans are distributed. Raw material procurement, the availability of basic infrastructure, and market availability are taken into consideration. A system for periodic monitoring of loan recipients has been established. These changes should improve the generation of income for IGP clients.

A review of the impact of assistance on IGP owners' income supports this conclusion. Table 11 categorizes the IGPs visited by the team by income impact, measured in terms of daily wages accruing to family members working in the business full time. (See Appendix F for a more detailed description of the methodology used.) IGPs in the first two groups generate income; IGPs in the second two groups are either breaking even or losing money. The IGPs in the latter category have the types of problems that should be corrected by the new policies. PLAN staff can either point out problems and solutions to the clients or steer clients away from unprofitable activities before a loan is made.

Table 11. PLAN/Bicol: Impact on Income in Case Study IGPs

Performance of IGPs	Average number of IGPs	Average number of family workers	Number of businesses with non-family workers	Average years in operation	Types of activities ^a
Earn twice or more the average daily wage for each full-time family employee—IGP factor is greater than or equal to 2.0.	5	1.2	4	13.0	Duck raising (9), handicrafts (12), boat building (18), fisherman (17), bread making (14)
Earn between the average daily wage and twice the average daily wage for each full-time family employee—IGP factor is less than 2.0 and greater than or equal to 1.0.	5	1.8	4	11.2	Broom-making (2), flowers (3), foodstand (5), rice and vegetable farm (16), fisherman (19)
Earn between less than the average daily wage for each full-time family employee—(IGP factor is less than 1.0 and greater than 0).	6	1.5	1	11.8	Buy/sell (1, 13), handicraft (4, 6), fisherman (8) pig-raising (10)
Break even or lose money for each full-time employee—IGP factor is less than or equal to 0.	2	1.0	1	7	Sari-sari store (7), ricecake factory (11)

a. Numbers in parentheses correspond with case numbers in Appendix F.

Source: Appendix F.

For example, a sari-sari store that is losing money is located near eight other stores carrying identical products. Since the community served includes only 80 families, the supply is far greater than the demand. A visit to the neighborhood of the client before approving the loan would have identified this problem before the loan was distributed.

A fisherman who is barely breaking even, though other fishermen in his neighborhood are making money, would benefit from financial counseling. When distributing his daily profit evenly among his laborers and himself, he fails to set aside an adequate portion of the day's profits for maintenance and replacement of his capital equipment. While he thinks he is making money, he has no provisions for the eventual breakdown of his boat and motor. He is not charging the men who fish with him for the use of the equipment, despite the fact that they receive a share of the profits equal to his.

The owner of a basket-making business believes she is making money because she has a small profit after paying her laborers and for her raw materials. However, she fails to consider her own labor or her transportation costs as real expenses. Another fundamental problem is that she prices her products far too low, compared to producers of similar baskets in her area. A careful pre-loan investigation would have revealed these problems.

The first two groups of IGPs represented in Table 11 represent the types of activities that will be selected for funding under the new program. Two of these IGPs were funded within the last two years. One produces flower

garlands. The technology is simple and inexpensive. The market is limitless since devout Catholics buy the garlands daily to decorate statues of their patron saints. Furthermore, the price of the garlands is high in comparison to the costs. The other recently funded, high-income IGP is a bakery. The baker is the only one in his town, so there is a high demand for his products. He keeps careful records to ensure the continuing profitability of his business. His income has more than doubled over the past two years.

As Table 11 shows, over half the projects visited by the evaluation team are making money. While there is no clear evidence that the past IGP program has contributed to this, the PLAN/Bicol staff is aware of the factors that differentiate successful and unsuccessful IGPs. The foundation of a successful program is in place. It is likely that IGPs funded in the future will generate income.

PLAN/Bali

As mentioned earlier, it is too early to comment on the income impact of the PLAN/Bali IGP program. However, it is possible to observe the general direction the program is taking and compare this to the direction taken by PLAN/Bicol and other successful programs.

First, PLAN/Bali is starting off in much the same way that PLAN/Bicol did in its early stages. In other words, the program still has a strong social welfare orientation. Project clients are chosen on the basis of need rather than the viability of their IGPs. For example, the livestock program gives goats and cows to poor families unable to afford them any other way.

Another potential problem with the PLAN/Bali program is its emphasis on grants. Livestock, fruit trees, and tools are given to recipients without any expectation of repayment. This creates a false sense of profitability in the IGP clients. The recipient of a grant sewing machine had no sense of its cost and no plans for saving money to replace it when it broke down. She felt she was making a good profit from her sewing business. However, if she had to make monthly loan repayments on the machine, she would be losing money.

Though PLAN/Bali requires some recipients to provide a share of the equity in the business in return for the grant, this share is usually very small. For example, the recipient of two goats had to provide a stable. The stable cost him one-tenth the value of the goats. The system of giving the first offspring of grant livestock to a neighbor is supposed to be a way of "repaying" the loan. However, none of the livestock recipients interviewed had any intention of doing this, especially when PLAN/Bali is expected eventually to provide livestock to everyone. There is no similar system in effect for fruit tree and tool grants.

PLAN/Bali has none of the systems in place that usually accompany a successful IGP. No pre-grant feasibility study assesses the costs of an IGP versus its revenues. The clients, while given some limited skill training, receive no training in business management. There is no formal system for looking at the market potential of individual IGPs. Though most of the field staff understand that there must be markets for products produced by IGPs, they do not know how to analyze marketing potential or give marketing assistance to IGP owners. Finally, while the field staff regularly

monitors the progress of each IGP, they do not collect financial information. For example, the monitoring of a seamstress showed how much revenue she took in each month. However, because her monthly costs were not recorded, the field staff was not aware that she was losing money.

Table 12 estimates the future income impact of the PLAN/Bali program, based in part on the speculation of recent grant recipients interviewed for the case studies. Some of the IGPs represented in the table are also recipients of credit union loans. These IGP owners have been in operation longer than the grant recipients, and thus know the potential of their business.

The first two groups of IGPs in Table 12 are generating income. Two-thirds of these are recipients of credit union loans. One of these is the umbrella maker who makes tall umbrellas used for shading religious shrines. His business is very good; he enjoys a steady, sure market with an increasingly high price for his product.

In general, the credit unions, which have a vested interest in the profitability of their loan recipients' businesses, select good projects. Since credit union officers are also members of the community, they know which members can make money and which cannot. They know the local markets: what will sell and at what price. Though they do not perform formal feasibility studies, they know from experience which businesses will succeed and which will fail in their community.

Table 12. PLAN/Bali: Impact on Income in Case Study IGPs

Performance of IGPs	Number of IGPs	Average number of family workers	Number of businesses with non-family workers	Types of Assistance		Average years in operation	Types of activities ^a
				FFP grant	Credit union grant		
Earns twice or more the average daily wage for each full-time family employee--IGP factor is greater than or equal to 2.0.	5	1	1	1	4	7.9	Shoemaking (41), livestock (40), store (43), buy/sell (44), umbrella maker (46)
Earn between the average daily wage and twice average daily wage for each full-time family employee--IGP factor is less than 2.0 and greater than 1.0.	1	1	0	1	0	8	Clove trees (31)
Earn less than the average daily wage for each full-time family employee--IGP factor is less than 1.0 and greater than 0.	9	1	0	8	1	1.3	Livestock (29, 30, 38) sewing (32,34), woodcraft (33), fruit trees (36,37)
Breaks even or loses money for each full-time employee--IGP factor is less than or equal to 0.	1	1	0		0	1	4.5 Buy/sell grains (35)

a. Numbers in parentheses correspond to case numbers in Appendix A.
Source: Appendix F.

The best example of a business making good use of a PLAN/Bali IGP grant is the shoemaker whose project falls into the first category in Table 12. His non-family employees produce high-priced sandals for the tourist trade. The demand for his product is far greater than he can meet. However, the money he needs for expansion is beyond the loan ceiling of his local credit union. His operation is too small to be eligible for a commercial bank loan. PLAN/Bali has given him a grant of nearly Rps. 1 million to buy equipment necessary for expansion.

The IGPs in the last two groups of Table 12 appear to have limited potential for generating large amounts of income for their owners. While livestock projects may have more potential than the table indicates, most owners view their cattle as a form of savings to be sold in an emergency. Furthermore, not all livestock grant recipients have the technical skills for raising livestock.

The fruit trees will not prove profitable for 5 to 11 years. In the meantime, they require intensive care. Again, not all of the recipients of fruit tree seedlings exhibit the necessary skills for their cultivation. Despite the fact that several thousand families have received trees, no PLAN/Bali staff member has researched the potential market for this fruit; no cooperative has been formed for the care of trees and future fruit marketing.

The businesses receiving loans for tools seem to have limited potential for income generating. For example, the woodcarver who received wood carving tools showed little evidence of financial planning. He was not sure how many wood statues he and his cousins could produce in a month.

He was competing in a market where an oversupply of wood statues was driving his price down. He kept no records and could not recall how much he had spent or received in the past month. More careful selection of project recipients is necessary to ensure the maximum income-generating effect.

Impact on Employment

PLAN/Bicol

According to the PLAN/Bicol staff and the evaluation prepared by the Ateneo de Naga University, little employment has been generated as a result of the IGP program to date. This follows logically, since businesses that do not increase income usually do not take on extra employees. As the new IGP program increases income for clients, increased employment should follow.

Table 13 looks at the employment generated by the IGPs visited by the evaluation team. Slightly more than half of these projects generated a minimum of two full-time family jobs. Projects with the greatest potential for employment are those that produce large quantities of output, such as flower garlands and baskets. These types of projects have been recently favored by PLAN/Bicol. In the case of baskets for export, the IGP owner, who must guarantee a high volume supply to attract exporters, recruits local families to make the products. The owner distributes the raw materials and collects the finished products for delivery to the exporter. Such projects can generate employment for 50 families. PLAN/Bicol has adopted this model for use in one of its community centers.

Table 13. PLAN/Bicol: Employment Impact in Case Study IGPs

Performance of IGPs	Number of IGPs	Economic status				Types of activities ^a
		Profitable	Marginal	Loss	N/A	
Employ one or more full-time non-family employee plus one or more family members	12	8	2	1	1	Handicraft (3, 4, 12) food stand (5, 25), fishermen (8, 17, 19), livestock (9), food processing (2, 14), farm (16)
Employ more than one family member and no non-family members	3	1	2	0	0	Buy/Sell (1), handicraft (2, 6)
Employ one family member and no non-family members	13	1	2	1	9 ^b	Livestock (10, 15, 20, 23, 26, 28), carpentry (18, 22), store (7, 21), buy/sell (13), food processing (24), farm (27)

a. Numbers in parentheses correspond to case numbers in Appendix F.

b. Information not available for estimating economic viability.

Source: Case study interviews.

Another type of project reflected in Table 13 creates secondary employment through backward and forward linkages. A good example is a flower garland-making project, which creates employment for growers of flowers, producers of garlands, and distributors of the garlands, who work on commission. This type of project is being actively supported by PLAN/Bicol.

PLAN/Bali

As with income generation, it is too early to judge the employment impact of the PLAN/Bali IGP program. However, informed speculation indicates that there will be a minimal employment effect as the IGPs mature. This is primarily because the types of projects sponsored by PLAN/Bicol have fairly low labor requirements, as seen in Table 14. Live-stock require only a few hours a day for collecting feed and cleaning the animals and their stalls. Fruit trees, although they require steady care, also require a few hours of care a day. In both cases, the work is often done by the children of the family. As long as the PLAN/Bali IGP program focuses on these types of projects, there is little likelihood of a large employment effect.

One method to increase the employment impact of the program is to extend it to other types of IGP activities. The small business activities that were phased out of the FY 1987 programs had potential for employment. However, the field staff seems reluctant to get involved in small business projects.

Table 14. PLAN/Bali: Employment Impact in Case Study IGPs

Performance of IGPs	Number of IGPs	Economic status				Types of activities ^a
		Profitable	Marginal	Loss	N/A	
Employ one or more full-time non-family employee's plus one or more family members	3	1	1	1	1 ^b	Shoemaking (41), buy/sell rice (15) embroidery (32)
Employ more than one family member and no one-family members	1		1	0	0	Woodcraft (3)
Employ one family member	16	5	7	1	3 ^b	Livestock (29, 30, 38, 40, 47, 48); fruit trees (31); sewing (34, 39), buy/sell (35, 42, 45) store (43), handicraft (46)

a. Numbers in parentheses correspond to case numbers in Appendix F.

b. Information not available for measuring economic viability.

Social Impact

PLAN/Bicol

The primary impact of the old IGP program of PLAN/Bicol was the economic empowerment resulting from the cases in which loans were made to community members who had not previously been involved in any business. Running an IGP gave them experience in dealing with the business life of their communities. Whether their businesses succeeded or failed, these individuals have been brought into the mainstream economy.

PLAN/Bali

As with the other categories of impact, it is too early to measure the social impact of the PLAN/Bali IGP program. One obvious impact is the prestige associated with owning fruit trees and livestock. Since wealth is measured by possession of these commodities, the social status of grant recipients in these areas has increased dramatically. Also, many of the IGP activities, as with Bicol, will provide recipients with a means for entering the mainstream of the economy. This is particularly true of the tool grants.

V. CONCLUSIONS AND RECOMMENDATIONS

The following sections summarize points discussed in earlier chapters and present recommendations for PLAN's and AID's consideration.

Organization and Management

Conclusion

The organizational structures of both PLAN/Bicol and PLAN/Bali are designed to incorporate IGPs as one of several community development services offered to the target group. Consequently, field staff who meet with participating families on a day-to-day basis carry largely administrative and coordinating responsibilities. Technical resources for IGP development are not immediately available at PLAN's village level office. Bicol has recognized this program, and is seeking ways to overcome it. Bali's program is still in an early stage, and its management structure is largely carried over from the structure designed to provide social services to the target group.

Recommendation

IGPs can best be served if the technical resources for finance, production, marketing, and business development are readily available locally. PLAN should restructure its village-level offices in order to better delineate the IGP program and create a center offering the requisite expertise to support IGP activities. Bicol's objective of creating this capability within the associations is commendable; however, interim measures to strengthen technical support to the associations are strongly recommended.

IGP Program Planning

Conclusion

Program planning systems in Bicol and Bali are bottom-up strategies that focus on community development priorities. Although excellent for strengthening indigenous project design and management capabilities, these planning strategies at present lack some of the essentials for IGP programs: sectoral studies, baseline information for measuring employment and income impact, market identification, and production requirements.

A second concern is that the IGP programs at present are primarily based on clients' needs rather than their entrepreneurial ability or business potential. In other words, those same clients who in the past received direct financial or material assistance are now receiving loans or grants for IGPs. More thorough studies of business feasibility and entrepreneurship should be undertaken on a case by case basis before loans are made.

Bicol is taking positive steps to solve this problem by preparing guidelines for IGP implementation and undertaking economic and sectoral analyses such as the studies in upland cropping and exports of hand-made placemats done recently by Partnership for Productivity for PLAN/Bicol.

Recommendation

Sectoral studies should be implemented in Bali to give PLAN/Bali's IGP program a clearer direction and set of objectives. While the PLAN/Bicol office has a good sense of what is possible in the area, PLAN/Bali should improve its assessment of which IGP activities to support. Sectoral studies need not be elaborate nor sophisticated, but should ask the following questions:

- . What are the market opportunities in the village and region, as well as for export?
- . What are the major economic activities of the region? What percentage of the labor force is employed in these activities?
- . How does government policy encourage or constrain IGPs in the region? Are businesses aware of these policies? Do they know how to deal with them?
- . What are the forward and backward linkage opportunities?
- . What other agencies can PLAN draw on for small business technical assistance and training?

The experiences of Bicol should provide some instruction in this area.

Staff Training and Development

Conclusion

Staff in both Bicol and Bali are enthusiastic and committed to implementing IGPs. Regional workshops in Bangkok have had a positive impact on staff attitudes. Bicol has expanded this training for its own staff in-country; Bali has done less because of the newness of its program.

Although training to date has reinforced staff appreciation for IGPs, in-house business management and financial analysis capability still needs upgrading. This is partly due to constraints on the time and skills of front-line staff. Because of their administrative duties, they cannot devote the appropriate resources to IGP participants. Given the opportunity, front-line staff could become effective small business extension agents and/or financial analysts.

Recommendation

Staff training for promotion should focus sharply on financial analysis, business management, market analysis, and product development. In addition to training existing staff, Bicol and Bali could hire or contract business experts to provide technical assistance to clients and advise PLAN on the management of its lending schemes.

Strengthening of Local Delivery Institutions

Conclusion

Both sites visited have good opportunities for institutionalizing their project development efforts, in Bicol through the associations and in Bali through credit unions. A difficulty in Bicol is that the associations carry a broad mandate in several program areas, and are not really structured as financial lending institutions. In Bali, the credit unions are doing an effective job of lending small amounts, but are looking for ways to increase their activities to help members expand their businesses.

Recommendation

PLAN/Bali should intensify its work with credit unions, making them the primary mechanism for delivering financial assistance to IGP clients. (This implies closing down the grant program that is discussed further below; the provision of in-kind grants for IGPs is not seen as a sustainable project effort.) Credit unions can also be assisted by linking them to technical assistance agencies and small business experts who could advise their membership on business and financial management.

PLAN/Bicol should consider restructuring the associations to make them more effective as financial and technical assistance intermediaries. Present lending policies should be changed to generate recapitalization funds. Staff capabilities of the associations also need upgrading to manage lending and business development services for members. Associations should be opened to non-PLAN families; small

business services could be provided to the larger community while other development efforts could continue on a select basis.

Entrepreneurship Identification

Conclusion

Current client selection criteria used by the programs do not consider whether the potential client has the qualities necessary for running a successful business. The field staffs do not understand the qualities that make some people more likely to succeed in business than others. During the interviews, while it was obvious to the evaluation team who was or was not an entrepreneur, accompanying field staff had a hard time understanding the difference. In some cases, field staff seemed prejudiced against clients who had been very successful in business.

Recommendation

A system of entrepreneurship identification should be introduced into each program. This will require several steps. First, the staff will need training. Second, as mentioned above, PLAN's IGP programs should be open to a larger population than just Foster Child Families. By focusing only on client groups, staff often miss the opportunity to assist worthy entrepreneurs whose business could have significant employment impact on their communities. PLAN/Bicol is making changes to reach this goal; while it is too early to measure the result, they should greatly benefit the IGP program.

Business Training for IGP Clients

Conclusion

Business and financial management training is currently not available to IGP participants. Bicol has offered pre-loan orientation training (PLOT), but it has not focused on skills necessary to run a good business. Consequently, very few clients -- in both Bicol and Bali -- keep books; even those who do need advice on what information is important.

Recommendation

Business training for IGP clients should be a requirement for both loan programs. Simple methods of bookkeeping have been developed and are currently being employed by other successful IGP programs. PLAN/Bicol and PLAN/Bali should be introduced to these methods, and should teach them to their clients. Recordkeeping will help clients run more profitable businesses and help staff in the monitoring of IGPs.

Business Feasibility Studies

Conclusion

Whereas Bicol has recently introduced a basic feasibility study requirement for loan approval, Bali still does not have a satisfactory system of looking at project feasibility.

Recommendation

Each client should be required to prepare a rudimentary feasibility study before receiving a PLAN loan. The format used can be elementary, and should address the following topics:

- . Social feasibility: Is the project acceptable to the community? Does it produce something the community needs?
- . Financial feasibility: Are the revenues from the IGP greater than the costs? Are raw materials readily available at a good price? Is there a market for the final product?
- . Management: Is the client capable of running the project? Can he manage other employees?
- . Technical: Does the client have the technical skills necessary for producing the product? If not, can he be trained in these skills? What would be the cost of training? Who would bear it?
- . Timing: Does the client understand the importance of timing to his IGP? For example, does he know when to plant the crops?

These studies could be easily administered by field staff.

Technical Assistance for IGP Clients

Conclusion

Ongoing technical assistance for both Bicol and Bali target groups is presently insufficient.

Recommendation

When a client is late in repaying a loan or shows other signs of being in financial difficulty, financial counseling should be provided. As mentioned earlier, this capability needs to be upgraded through staff training or hiring special staff for IGP promotion. A change in organizational structure would allow field staff more time to focus on needs of IGP clients. In the Philippines, some programs use the services of successful business people in the community who volunteer as business counselors. Unsuccessful IGPs can become viable if the problems are addressed soon enough.

Grants vs. Loans

Conclusion

Both IGP programs include some grants. In the PLAN/Bicol program, loan repayment was not enforced. Consequently, there was a high demand for loans, which were perceived as free money. When PLAN/Bicol cracked down on delinquent loans, showing that it was serious about repayments, many IGP applicants who were only interested in a handout lost interest in the program. PLAN/Bali has the potential for the same kind of problems.

Recommendation

The give-away of free resources in PLAN/Bali should be stopped. Since no repayments to PLAN/Bali are required for grants of cattle, fruit, trees, and tools, many non-entrepreneurs are involved in the program. Requiring

repayments would weed out those IGP clients who are not serious business people. Furthermore, grants give recipient business a false sense of profitability.

The Regional Office

Conclusion

Field directors in both PLAN/Bicol and PLAN/Bali felt there was a need for a regional PLAN office to serve and support their IGP programs. Because Asia is fertile ground for SSE development, each PLAN location can learn a great deal from other organizations, not to mention other PLAN locations. The evaluators felt this type of cross-fertilization opportunity was not sufficiently exploited.

Recommendation

PLAN should strongly consider re-establishing a regional base for coordinating its IGP programs in Asia and linking PLAN with other regional and international resources. A regional office could also be instrumental in drawing together lessons learned in Asia that can be applied in PLAN offices in Africa and Latin America.

· APPENDIX A: IPGs Visited

Number: 1
Location: Bicol
IGP Activity: Buying/Selling Fresh Fish
Description: Mr. and Mrs. Aquino are retailers of fresh fish. They buy the fish early every morning from local fishermen and sell them in the town, usually before 10:30 am.

In 1984, they borrowed P1,200 from FPP/Bicol to purchase styrofoam containers for preserving the fish and to add to their working capital. They claim that their loan has been repaid in full; however, according to FPP/Bicol records, they still owe P300.

The Aquinos began their business in 1975 when they would daily purchase a basket of fish from local fishermen on credit. They used the PLAN loan to help expand their operation.

The Aquinos have a stand in the central market which they rent from the government and share with two other fish vendors. Mr. Aquino claims to do better than his competitors because he has regular customers to whom he always sells fresh fish of good quality.

The fish vendor business is seasonal; the off months are November through January. During the high season, the couple makes profits of P900 to P1000. Monthly profits drop to P500 to P600 during the off-season.

Number: 2
 Location: Bicol
 IGP Activity: Broom Making
 Description: Mrs. Quicay, aged 46, has been making brooms for twenty years. The loan from FPP/Bicol was actually an agri-credit loan to her husband, a tenant farmer, but Mrs. Quicay saw the loan as also helping her IGP by contributing to crop production, thus, producing income which helped her purchase materials for making brooms. Mrs. Quicay is also engaged part-time in the making of native goods which she sells in the village community. According to Mrs. Quicay, her income from the native goods is minimal.

Mrs. Quicay's husband and children assist her in making brooms. Materials for the brooms is available once each year, during October and November; thus, broom manufacture is seasonal. A constraint to expansion of the operation is capital; Mrs. Quicay must borrow from a local money lender each year to buy materials. Because the lender is a godparent to one of her children, she is not obligated to pay any interest on the loan. Mrs. Quicay has fourteen children; the two children who help with making brooms were in grades seven and four, but are no longer attending school because of work that must be done at home.

Ten other families comprise her competition. Marketing is done "door to door" by Mrs. Quicay and her husband. She keeps no records of her business, but has an annual production of 3,000 brooms which are made during the months of October and November. Mrs. Quicay and her husband are able to make up to 100 brooms per day. The brooms are of two grades, "A" and "B". "A" brooms sell for P15 each, "B" for P10 each. Average material cost for all brooms is P7. There were 7 brooms in her inventory during the time of the home visit.

Number: 3
Location: Bicol
IGP Activity: Sampaguita Flower¹ and Garland Making
Description: Judy started growing sampguitas on 40 square meters of her family's rice land in 1983. She received an IGP loan of P850 which she used to buy chemicals and fertilizer. While Judy and her husband tended the flowers, other family members made the garlands. In 1985, she doubled the land under cultivation and hired additional workers to help with flower picking and garland making. Currently, twenty families are involved in the process. On average, about 500 garlands a day are produced and sold to young vendors on a consignment basis.

Sampaguitas are tiny white flowers which are made into garlands and used by devout Catholics to adorn the statues of their favored Saints.

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Number: 4
Location: Bicol
IGP Activity: Basket Making
Description: Auring makes beautiful bamboo purses and attache cases which are sold for export to the U.S. and Europe. Twenty other families also make baskets for her. She distributes raw materials to each of these families and collects finished baskets at the end of each week. In April 1985, FPP/Bicol extended a P2,000 loan to Auring with which she purchased raw materials in bulk. Both the raw materials and finished baskets are stored in her home. She uses her husband's motorcycle as her principle form of transportation between basket producers, raw material suppliers and the exporters.

Number: 5
Location: Bicol
IGP Activity: Food Stand
Description: Noel and Glenda have a food stand which is open from 6:00 am to 9:00 pm seven days each week. Noel cooks the food, and Glenda serves it. Their customers are the shoppers at the town's central market where their stand is located. In 1983, FPP/Bicol provided the couple with a P600 loan which was used for buying plates and a frying pan. Their initial loan, used to purchase a stove and a refrigerator, came from a family friend. They employ a laborer who is paid P150 per month plus room and board. The stand is the sole support for their family of nine children.

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05

Number: 6
Location: Bicol
IGP Activity: Production of Straw Slippers
Description: Edna has been producing straw slippers for 30 years. She was taught the skill by her mother and has passed it on to three of her daughters. Together, the family produces up to five dozen slippers per day. The weekly production is sold on Saturday in the local market to local consumers and wholesalers from Manila. At least four other families produce similar slippers in the village, making it increasingly difficult for Edna to sell all the slippers that she can produce. FPP/Bicol loaned Edna P500 in 1983 to be used for purchasing raw materials. Edna would like another loan so that she may replace her 15 year old sewing machine.

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Number: 7
Location: Bicol
IGP Activity: Sari-Sari Store Owner
Description: Mrs. Candelaria runs a sari-sari store which sells a variety of products including fresh fruits and vegetables, fresh bread, beer, soft drinks, thread, soap and aspirin. She buys her stocks daily at the large stores in the neighboring town and then sells them to her neighbors at mark-ups ranging from 11 to 44 percent. While her best selling item is bread, she makes the most money on fresh vegetables.

Mrs. Candelaria, who at 43 still has all of her nine children living at home, receives extensive FPP/Bicol assistance in all areas. Her small business loan of P700 in 1982 was used to buy additional stock for her store. To date, she has repaid P268.

The sari-sari store has been in operation since 1979 when Mrs. Candelaria started it with her own savings of P50. In 1983, when she was resettled under another FPP/Bicol program, she remodelled her shop, adding benches for customers and a glass cabinet for storage of sugar.

Although she keeps no written records of her daily transactions, Mrs. Candelaria estimates that she spends P200 per day for store supplies. Mrs. Candelaria's store is open from 6:00 am until 8:00 pm. Her children tend it when she is in town buying supplies or when she is attending to other household chores.

The daily fate of her store depends on the fate of the fishermen who live in her tiny settlement. When fishing is good, so is her business. Her business is also affected by the eight other sari-sari stores which serve her community of 50 families.

Number: 8
Location: Bicol
IGP Activity: Fishing Equipment Loan
Description: Mr. Tan has been a fisherman for 15 years, fishing off the coast of Camarines Norte. He owns his own boat, engine and nets. He fishes only when the seas are calm: 25 days per month during the good season, February to April, and ten days per months during the bad season, November to January.

Mr. Tan has two loans from FFP/Bicol. The first, for P1,000 in 1982, was used to purchase netting materials. He claims to have fully repaid the first loan. The second loan of P1,200 borrowed in 1984 went for the repair of his nets. He has an outstanding balance of P300 on the second loan.

Mrs. Tan proudly showed the records of the family business. Each day she keeps track of the payments for the catch which is sold to a broker from Manila. Payments range from P1,000 to P100. She also records the daily expenditures on gasoline and oil for the boat.

Mr. Tan has three helpers who fish with him each day. They work for a share of the daily profits from each day's catch, after deductions for gasoline, oil and ice. On days when the sea is rough, Mr. Tan's helpers work at repairing the nets.

Number: 9
Location: Bicol
IGP Activity: Duck Raising
Description: The Pielago family keeps 275 ducks from which they collect and sell eggs. They have been raising ducks for the past ten years.

In 1983 they received a loan from FPP/Bicol of P900 which they used to purchase laying ducks. To date, they have repaid P200 of the loan despite the fact that their business has been thriving.

The initial investment for duck raising is the purchase of 3-day-old ducks which must be carefully fed and maintained for one month. Additional capital investments include a hut for the duck tender and a net for fencing in the ducks at night. Operating costs of maintaining ducks are low since ducks eat rice bean in recently harvested rice fields at the rate of one hectare per day. The Pielago's neighbors let the ducks run free through their recently harvested fields. The ducks are transported by truck on occasion to find recently harvested fields. The major recurrent cost is the salary and food of the 17-year-old duck tender who, in total, receives P600 per month.

Mrs. Pielago estimated that she clears P3,480 a month from the sale of duck eggs. She sells weekly to retailers in Nago and Goa who provide a guaranteed market for as many duck eggs as she can supply. Her daily egg collection averages over 150 eggs per day.

The Pielagos plan to add to their stock of ducks annually in order to increase their supply of eggs.

Number: 10
Location: Bicol
IGP Activity: Pig Raising
Description: Mrs. Reyes runs a piggery as a side industry which supplements her family's annual income. The piggery is a form of family savings which is drawn on in emergencies and annually to cover certain school expenses.

She has received two loans from FPP/Bicol, each for P200, one in 1983 and one in 1984. The loan money was used to pay for food and to purchase one pig. To date she has paid back P400.

Pig raising requires few operating and maintenance costs since they generally eat the garbage from Mrs. Reye's own restaurant.

Mrs. Reyes sells two pigs a year, usually in June when school starts unless there is a family emergency. She usually receives P2,000 per pig. Her neighbors also raise pigs; however, she does not feel that this affects the price of pigs.

Number: 11
Location: Bicol
IGP Activity: Rice Cake Production
Description: Rose runs a rice cake production factory out of her home. She is an enthusiastic 34-year-old mother of seven who has completed one year of high school. She supports herself and her family on P1,000 per month.

Rose has received two loans from FPP/-Bicol: one for P800 in 1982 and one for P1,000 in 1983 or 1984 (she could not remember the year). She is paying back her loan little by little. Rose used the first loan to buy sesame seeds, and the second to buy chocolate and rice.

Rose has run a food preparation operation since 1979, when she began by making sesame seed candy and cocoa balls, used for flavoring hot water at breakfast and melted as a sauce for rice. In 1983 she diversified to include rice cakes, now her primary product.

The technology she is using for rice cake production is on a very basic level. Two part-time helpers who each work 5 hours a day (at the rate of P2.50 per hour) pound rice into a lumpy flour. Rose then combines the flour with sugar and other spices to make a batter. The batter is poured into molds and baked for one minute on a metal can over a wood fire.

Rose sells her rice cakes to four retail stores in Naga once every three months. She also runs a rice cake stand at the local market.

Rose's revenues vary from P50 to P100 on an average day. Her profits on a good day are P30.

Number: 12
Location: Bicol
IGP Activity: Handicraft Production
Description: Pando Garcia and his wife, both in their early forties, run a handicraft production operation. They produce baskets, pot holders, belts and purses from seagrass and bamboo. Their products which are of very high quality are exported to the United States.

The couple has been in business for four years. Their capital funds of P4,200 came primarily from private savings and loans from relatives. FPP/Bicol provided P700 of this amount.

The Garcias capitalize 50 neighborhood workers, who then purchase the raw materials and equipment necessary for making the products. The workers are paid by the piece for their production. The payment of the initial capital advance is deducted from the payments.

Pando and his wife sell the products to a large exporting firm in Legaspi City. They may provide the exporter with as many as 80,000 pieces in a single month. The exporter guarantees quality by sending a sample for the workers to use as a model.

The quality of Pando's products is high because, he says, he pays his workers well. The Garcias have done extremely well with their business. In four years, their family income has increased from P600 per month to P5,000 per month. The family has moved into a large, well-furnished home, has purchased a car, and now owns a TV and stereo. Despite this comparative wealth, the family claims it needs more capital to expand the business.

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Number: 13
Location: Bicol
IGP Activity: Buying/Selling of Fruits and Vegetables
Description: The project participant, Maria, is a 38-year-old woman who has been pursuing her trade for the past ten years. Her fruit and vegetable stand, in combination with her midwifery practice, currently provides the bulk of her family's income of P600 per month.

Maria received a small business loan from FPP/Bicol for P600 in 1982. While she recalls paying back P300 in four installments over the last four years, FPP/Bicol has records showing that she has paid back only P100.

Maria began her business with her own savings as the initial capital funds. The FPP/Bicol loan was used to increase her working capital; she added oil and salt, high price items with a good profit margin, to her inventory of fruits and vegetables. Her gain from the loan was lost when she had to use her working capital to pay for an operation for her husband. She subsequently dropped oil and salt from her inventory. She buys fresh products, which include bananas, tomatoes, eggplants, spices and coconuts twice weekly from the wholesale market in the next town. She journeys to the market on a tricycle, paying an additional baggage fee on her return trip.

Her profits on a good day are P25 to P30; on a bad day, they are P10.

Maria rents the stand in the local market, which she runs 12 hours a day, 7 days a week. In 1983, she purchased the large display table and storage bin which fill her rented space. Her only assistant is her teenage son, because she has no money to pay employees.

Approximately thirty other local people have stands similar to Maria's in the market. Despite the competition, she claims she could sell twice as much produce as she now sells if she had additional capital.

Maria often sells food on credit to her relatives and neighbors who are too poor to pay.

Number: 14
Location: Bicol
IGP Activity: Bakery
Description: Mr. Sendon, aged 45, has been a baker most of his life. He was previously employed by another shop owner, but has been running his own business since 1982. He capitalized his business by taking loans from various local resources, including a small loan from FPP/Bicol for purchases of supplies. He is one of three bakers in the area and markets his goods to a total of 24 small variety shops (sari-sari stores) and a handful of individual consumers in the immediate neighborhood. He owns a boat for transporting his baked goods to a few shops on an island nearby. Aside from the electric kneading machine, Mr. Sendon made all of the other equipment himself, including the oven, baking pans and trays which were manufactured from the tin of empty lard cans. It is a family business in which Mrs. Sendon and the children participate on a regular basis, Mrs. Sendon assisting with the management and the children helping with the packaging of goods during the evenings after school. One son, who is married and living away from home, works at the bakery and gets 10 percent of the sales. Four other workers, ranging in aged from 23 to 30, are employed. The bakery operates year round, seven days per week; Sundays are occasionally half days. Mr. Sendon's constraint to expansion is primarily capital; however, with a larger oven which he could presumably build himself, he claims that he could easily increase production because the electric kneader is under-utilized. The demand is good, and the market is regular. Mr. Sendon claims to have about 25 percent of the market, the other 75 percent split between his two primary competitors. The electric kneader should last another 20 years or more.

Number: 15
Location: Bicol
IGP Activity: Carabao Raising¹
Description: Mr. Chevez is a farmer who received a loan from FPP/Bicol in 1983 to purchase a carabao which he uses to cultivate his own land and also to rent out with his labor to plow other rice plots. In addition to farming he works part-time as a carpenter for P35 per day; the previous year he spent a total of 20 days helping to build houses. He also receives occasional assistance from three of his children who are working in Manila. During rice planting, his wife works other fields for some additional income. Besides the loan from FPP/Bicol -- which has not been repaid -- he also took another loan for P700 from MASANGA-99, a Government loan service. This loan has been repaid.

¹ Carabao are the principal cattle of the Philippines.

Number: 16
Location: Bicol
IGP Activity: Rice Farming and Vegetable Cultivation
Description: Mr. Natividad, aged 40, is president of the local Association and has been a tenant farmer for the past twenty years. He also works as a laborer in the fields of neighboring farmers on a "work-share" arrangement in which they pool their labor resources during planting and harvest time. According to Mr. Natividad, the number of days he spends in this fashion is minimal. He also employs daily laborers during planting and harvest time for rice. Mr. Natividad has received two loans from the Association, one to purchase inputs for vegetable production in 1982, and a second for rice production in 1983. His wife and children assist in the working in the fields. Besides the rice, he cultivates cabbage, string beans, and bok choy. The rice is kept for his own family consumption, while the vegetables are sold on the local market to approximately ten vendors. As payment for use of the land, he must give up approximately four bags of rice form each harvest (two per year) to the landlord: income from the vegetable production is completely his own. Farming is the family's only source of income.

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Number: 17
Location: Bicol
IGP Activity: Fishing
Description: Mr. de los Angeles, aged 37, has been fishing since the age of fifteen, an occupation which provides his only source of income. He is the sole owner of a boat, motor, and fishing net and employs one skilled laborer to assist him with the fishing. Fishing is normally done at night, about eight months out of the year, seven days per week, weather permitting. His wife is not employed outside of the home, but occasionally assists him with the fishing, arranging the catch, etc. The fish is sold on the beach to one of three brokers, going to the highest bidder. His competition consists of 80 other fishermen, and the price of fish fluctuates depending on the overall supply and variety of fish caught on any given day. The fishing season is typically January to April and August to November. Mr. de los Angeles keeps no records of his business, but has a bank account earning 7 percent interest per annum and is saving towards the purchase of a new boat and motor, which will be necessary in three and five years respectively. The net is under continuous repair. He claims to be saving P3000 per year toward the new equipment. Mr. de los Angeles bought his boat and motor in 1971 on an installment basis from a Chinese merchant: the cost of the boat was P300; the cost of the motor, P350.

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Number: 18 and 19
Location: Bicol
IGP Activity: Fishing and Boat Building
Description: Mr. Paday, aged 53, has been a fisherman since the age of fourteen and has been building boats for eight years. He is the sole owner of one boat which he build one year ago, two motors, and a 2,000 meter net. He also owns hand tools for boat building, which he does at his home. He and his son fish together about nine months out of the year. He employs no one to assist him with the boats he builds (currently, he is building approximately 17). Each boat averages 15 days for construction. One boat was under construction during the interview. Mr. Paday fishes in the same area as Mr. de los Angeles, so market and competition is similar.

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Number: 20
Location: Bicol
IGP Activity: Duck Raising
Description: Mr. Mabini has raised ducks since June 1984 when he received a P5,000 loan form FPP/Bico for this purpose. He currently keeps 200 ducks. He generates revenue through selling duck eggs and old ducks for meat. He supports his three children solely from the proceeds of his duck raising.

Number: 21
Location: Bicol
IGP Activity: Sari-Sari Store¹
Description: Josefina operates a small sari-sari store. Her supply of goods comes from her husband who works as a middle man. For this reason she is not certain of how much her goods costs or what she stocks. She also feels that the price she receives for selling the good is 100 percent profit. A visit to her store showed a variety of products for sale including bread, candy, noodles, soft drinks, cigarettes and mosquito coils. In the immediate vicinity of her shop are five other sari-sari stores selling similar goods. For this reason, she averages only 7 to 9 customers per day. Her biggest problem is the fact that her children regularly eat the inventory. Josefina used a FPP/Bicol loan to set up her store.

¹ A sari-sari store is a small community general store.

Number: 22
Location: Bicol
IGP Activity: Carpenter
Description: Silvestre Bolagot is a carpenter, specializing in furniture making and house construction. In 1984 FPP/Bicol gave him a contract to make 9,200 wooden savings boxes for which he was paid P64,000. To purchase some of the raw materials, he borrowed P10,000 from FPP/Bicol. Although he paid back all of his loan, he failed to make money from the savings box contract. He has since abandoned furniture making because he lacks the capital to buy raw materials. He now works as a day laborer for an exporter, carving wood for furniture. Silvestre feels that if he had been given management training he would have been more successful in running his own business.

Number: 23
Location: Bicol
IGP Activity: Carabao Raising
Description: Socorro Bagote received a loan in June 1985 to purchase a caribou to be used to work her farm land and for breeding purposes. In November 1986, the carabao gave birth to a female calf valued at P1,000. After the calf has been fattened, it will be sold on the local market for P2,000. Socorro Bagote would like to expand her carabao raising activities, but would need more pasture land, capital, and management training.

Number: 24
Location: Bicol
IGP Activity: Coconut Wine Making
Description: Lilia Miyar has been a coconut wine maker since 1978. Her business is the main source of support for her family of seven children. She produces 20 gallons of wine per week with a selling price of P40 per gallon. Her raw material requirements are small, consisting of coconuts and firewood. Lilia sells her wine to seven local retailers who prize it for its potency. In 1983, FPP/Bicol loaned her P1,600 for the expansion of her business. Lilia would like to expand again, but says she lacks the capital.

Number: 25
Location: Bicol
IGP Activity: Small Restaurant
Description: Mrs. Gumba started a restaurant in March 1986 following a failure in her dried fish business. To capitalize the restaurant, she used P150 remaining from the FPP/Bicol loan of P800 which she obtained for her fish business. The money served as working capital for the daily purchase of food. The utensils and furniture used in the restaurant are borrowed from her home. Mrs. Gumba's restaurant is housed in an empty government building for which she pays no rent. She claims to average P30 per day in profit, a sum which she expects will grow in the future as her restaurant gains a reputation. Mr. Gumba serves as the cook; a neighbor washes dishes in return for meals.

Number: 26
Location: Bicol
IGP Activity: Carabao Raising
Description: Mr. Velasco, aged 58, is the president of the carabao raising group. The group started in 1979 with 27 carabao and now has 64, with 12 deaths and 3 losses reported. Mr. Velasco himself is not a member of an FPP/Bicol family.

Mr. Velasco is a well-to-do man with monthly incomes of P4,000 from his farming, P2,000 from his rice mill, and P2,000 from his piggery. The markets for his products are stable. He employs two persons, and all members of his family work in the business together. He wants to develop his business further and hopes to double his income.

Number: 26
Location: Bicol
IGP Activity: Small Business
Description: Mrs. Maranon, 45 yrs, is a farmer, who works on land owned by the government. She has been the Association President for four years. The first loan she received from the association was an agriculture credit in the form of fertilizer and insecticides worth P506. She repaid this loan. The second loan was a SBL Cash loan of P1,200. She bought a horse and repaid P300. When the horse died, she stopped repayments.

From the farming, the family harvests 60 bags of rice/year. They sell 22 bags, keep 4 bags for the seeds, give 14 bags to the landlord and keep 20 bags for their daily consumption. The yearly expenses on the farming include the purchase of urea, fertilizer insecticides and weed killer. Other sources of income include cutting hair and the sale of chemicals at a 20 percent commission. To expand the business of farming would be difficult because the family does not own any land.

Number: 28
Location: Bicol
IGP Activity: Pig Raising
Description: Ms. Maligat is 25 yrs and works as a dressmaker/tailor. She has been a tailor for 5 years and works 3 days a week for an income of P20 a day. From her savings she gave her mother capital to open a small sari-sari store (in the house). The mother earns P20/day with profit of P3. She sells duck eggs, sugar, salt soap, softdrinks, candies, cookies, coconut oil and soy bean sauce.

Ms. Maligat borrowed money from the Association to build a pig pen. The loan was P1,700 and the repayment schedule is one year, beginning June 1986. She will pay the first installment next December. Before the family borrowed the money, they looked after the pigs of one of their neighbor and received a piglet for it. This piglet was raised for breeding and currently has 5 piglets. The family bought an additional piglet in June 1986. They estimate that the additional outstanding portion of the loan is P1,500; the five piglets are worth each P1,000, and the pig they bought in June is worth P700.

Number: 29
Location: Bali
IGP Activity: Goat Raising
Description: The village carpenter received two goats from FPP/Bali in July 1986. He houses them in a well-constructed, clean stable directly adjacent to his carpentry shop. Since the carpenter is primarily occupied with his trade and the cultivation of his rice paddies, his sons care for the goats after school. They devote about an hour every evening to the task of collecting food and cleaning out the stable.

The carpente.. plans to breed his two female goats with a neighbor's goat. When he has ten goats, hopefully within 3 years, he will start to sell goats for meat in the local animal market. In this way, he hopes his goats will provide him with a regular income of Rps 108,000. per year.

Number: 30
Location: Bali
IGP Activity: Cattle Raising
Description: Mr. Sotie keeps two cows in a well-constructed shed behind his home. One of the cows is his, the other he keeps for his neighbor who will reimburse him for his services by giving him half the revenues from the sale of the cow. Mr. Stie financed his cow with a loan from his local credit union.

Mr. Sotie and his sons spend a total of 1 1/2 hours per day caring for the cows. Most of this time is spent collecting grass to feed the cows. Every third day, the cows are bathed in the nearby river. At present, the cows provide Mr. Sotie with a regular supply of manure for fertilizing his grove of clove trees. They also are used for the plowing and harvesting of his and his neighbors rice fields. In the future, after his cow has calved, Mr. Sotie will sell the animal if an emergency need for cash arises.

Number: 31
Location: Bali
IGP Activity: Clove Tree Cultivation
Description: Mr. Wati has 10 clove trees, 5 of which were donated to him by FPP/Bali. He grows the trees on a small square of land close to his home. The trees require approximately one hour of intensive care per day per tree while they are maturing, a process which takes four to five years. After the trees have matured, they each produce nearly 20 kilos of cloves annually. The current price of cloves in the local market is Rps 5,000 per kilo. The productive life of well cared for clove trees is a minimum of 30 years.

Number: 32
Location: Bali
IGP Activity: Embroidery of Women's Clothing
Description: Thirteen women formed a sewing cooperative in February 1986. FPP/Bali provided training and donated 13 sewing machines. The Indonesian Social Welfare Service provided the building facilities.

The women produce nearly 60 items -- embroidered dresses, skirts, and blouses -- a month. They sell their output to a single wholesaler who provides them with raw materials and patterns for the work. He, in turn, sells the clothes to local tourist shops and exporters. The women hope to supply more buyers as their business develops. They also hope to become capable of designing their own output.

Number: 33
Location: Bali
IGP Activity: Woodcraft
Description: Mansur and his cousins carve beautiful wood statues of Hindu mythological characters which are sold to tourists in resort shops. It took the young men two years to learn their craft, which has been a tradition in Bali for many generations. The woodcarving shop occupies in a small shed within the family compound.

In 1985, FFP/Bali gave Mansur a grant of Rps. 25,000 to purchase tools for his business. This purchase represents one-fifth of the tools used in the carving operation. The carvers, who are assisted by two younger brothers when they are not in school, carve between 8-20 pieces of sculpture per month depending on demand (highest during June-Aug., the high tourists season). They make enough to pay off sizeable loans undertaken to pay for their training and to augment the working capital of the business.

Number: 34
Location: Bali
IGP Activity: Seamstress
Description: The seamstress is the eldest daughter in a family of six children. She is unmarried and lives at home. For three years, she worked as a seamstress at a local sewing shop which produces clothing for the Bali tourist trade. After she received a sewing machine from FPP/Bali, she began taking garments home from the shop to make on her own machine. While she is still paid the same price per garment, on average Rps 1,000, she no longer pays the shop owner a fee for using his machine. In addition, she makes clothes for the neighbors and her family. She hopes someday to own her own shop and employ many seamstresses.

Number: 35
Location: Bali
IGP Activity: Buying/Selling of local crops
Description: The wife of a rice farmer runs a buying/selling operation; she buys peanuts, corn, cassava, and coconut sugar from neighboring farmers and sells them to a wholesaler from the city. Though she shells and roasts the peanuts before selling them, the other crops are not processed in any way. She employs two workers for 30 days each season to help her shell the peanuts. The buy/shell operation is not doing very well. Often the rice farmer's wife must sell her crops for less than her buying price plus expenses. She sold last harvest's peanut crops for Rps. 20,000 a sack; her costs were Rps. 22,500 a sack. One reason for her financial difficulties is her dependence on expensive public transportation for moving her wares. Another is that she keeps no record of any of her business transactions. Currently, the family is repaying a loan Rps 150,000 which is used as working capital for the buy/sell operation out of revenues from their rice crop.

Number: 36
Location: Bali
IGP Activity: Lichee nut tree cultivation
Description: Mr. Cedeo received a grant of 5 seedlings of lichee nut trees from FPP/Bali in January 1986. Since he currently derives the family's income from the cultivation of coconut, vanilla, and clove trees, the lichee nut trees will be an excellent complement to his primary income earnings activity. Although Mr. Cidero knew little about the care of lichee nut trees, he was happy to have them since they require for less daily upkeep than the other types of trees he has. He is assuming that the trees will bear fruit in 4 years and will continue to bear for 30 years thereafter. He anticipates annual income of Rps. 150,000 from the crop of his five trees.

Number: 37
Location: Bali
IGP Activity: Vanilla tree cultivation
Description: Mr. Nudo is primarily a rice farmer who keeps some clove trees as a source of ready cash. In June 1986, FPP/Bali gave him 100 seedlings for vanilla trees. Mr. Nudo has little knowledge about vanilla trees or the sole of the vanilla crop. However, he believes the trees will bear fruit within 5 years and that middle men from the city will buy his harvest.

Number: 38
Location: Bali
IGP Activity: Chicken Raising
Description: Two weeks prior to the interview, Mr. Gere was given 101 day-old chicks, five weeks worth of feed, and feeding plates by FFP/Bali. Mr. Gere provided the chicken coop and the land on which it rests. At the time of the interview, five chicks had died and ten were growing slowly. Mr. Gere was counting on selling 80 chickens as broilers when they matured (in five weeks time). He didn't know where he would sell them or what price should be. With the earnings, he hoped to double the number of chicks.

Number: 39
Location: Bali
IGP Activity: Dressmaker
Description: The eldest daughter is a farming family in Celuk recently received 7 months of training as a dressmaker, paid for by FPP/Bali which also provided her with a sewing machine. Miss Douh has been in operation as a dressmaker for only 3 months. Her customers are local women who need finery for religious celebrations. Since 6 other dressmakers already work in Celuk Miss Douh is finding it difficult to attract customers. So far she has make only Rps. 1,123 per month. She hopes more customers will be attracted by her fine work and good prices.

Number: 40
Location: Bali
IGP Activity: Cattle Breeding
Description: Mr. Goger recently borrowed Rps. 100,000 from his credit union and an additional Rps. 50,000 from his brother-in-law to purchase a cow. The cow provides his with manure for his fields and serves as a draft animal during planting and harvesting. Mr. Goger built a sturdy stable for his cow out of local materials. While he hopes to breed his cow and earn profits from the sale of the calves, he admits he would sell the cow if the need for cash arose.

Number: 41
Location: Bali
IGP Activity: Shoemaking
Description: The shoemaker makes women's and men's sandals for export and to sell to tourists. He saved the capital to start his business during his ten years as a bellhop at a large tourist hotel. His shoemaking business, started in 1975, now produces between 95 and 200 pairs of sandals a month and employs five non-family members. He and his wife live in a lovely, well-constructed home with electricity and running water, rewards of his business success.

The shoemaker owes his success to his skill as a maker of high quality shoes, his ability at bookkeeping, and his early identification of a market with unsatisfied demand. Since he is the only shoemaker in his village, he could easily double his business. He is constrained by the lack of capital. While FPP/Bali purchased a sewing machine and woodgrinder for him last year, no other organization is able to meet his capital needs which are too large for the local credit union and too small for commercial banks.

Number: 42
Location: Bali
IGP Activity: Buying/Selling Ducks
Description: Dews Ketut Giri has been a member of the local Credit Union since 1983; he is not a FPP/Bali client. Since 1971, he has been engaged in buying ducks from producers in his village and surrounding villages, and transporting them to three market locations where he sells them to customers. He has borrowed several loans, the most recent of which was Rp 150,000: this was a 10 month loan which he paid off in 4 months time. He is also a rice farmer. His major problem is transportation as he must rely on the public bus for getting to the market each day with his ducks.

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Number: 43
Location: Bali
IGP Activity: Warung (small variety shop)
Description: Desak Putu Puri has been the owner/
operator of a warung for the past 12
years. She is not a FPP/Bali client.
She has three children whom she supports
by herself since her husband is dead.
One of her children helps after school
in the shop. She has taken several
loans from the Credit Union since she
first joined in 1983; her most recent
was for an amount of Rp 200,000. The
items she sells include coffee, tea,
cakes, noodles, rice, school supplies,
batteries, kitchen utensils, etc. She
restocks her inventory every six days
from a larger market in a nearby
village.

Number: 44
Location: Bali
IGP Activity: Buying/Selling Rice
Description: Desak Made Atra is a member of the local Credit Union, but not a client of FPP/Bali. She purchases unhusked rice in her village, pays for it to be milled by her neighbor, then sells the processed rice and rice chaff (for livestock feed) to a total of 19 retailers at two separate market locations which she visits every three days. She works every day at this activity, and gets some assistance from her daughter. She has taken several loans from the Credit Union since she joined in 1983 and repaid them all on time. Her most recent loan was for Rp 150,000. She hires daily labor to bring the rice to her home. Desak Made Atra claims that there are no competitors in the same business in her village.

Number: 45
Location: Bali
IGP Activity: Buying/Selling Rice
Description: I Nyoman Berata is a FPP/Bali client and member of local Credit Union from which he borrowed a loan of Rp 50,000. This he used to increase his volume of buying/selling of rice, an activity which he has been engaged in for the past 3 - 4 years. He is also a tenant farmer, growing crops such as rice, maize, beans, sweet potatoes and cassava. His buy/sell operation is rather simple: he buys the processed rice in the village, stores it, then sells it on the market for a marginally greater price. He also sells soap, but on a very small scale on special occasions only.

Number: 46
Location: Bali
IGP Activity: Production of Temple Umbrellas
Description: I Nyoman Darma is not a FPP/Bali client, but is a Credit Union member and received a loan for Rp 50,000 to buy materials for making temple umbrellas. He sells the umbrellas at three different markets, one his local town, another in Denpasar, and a third in a region where his mother-in-law has a shop -- she is in fact the one who trained him in making the umbrellas. He also makes special tapestries for hanging in temples or around the eave of the home, but only a few per year. He has been engaged in this activity since 1975, but took a small break to work as a daily laborer on a roadworks project. It is interesting to note that he could borrow the materials on credit from a local supplier, and pay no interest, but he prefers working through the Credit Union because he gains savings, has ownership, and feels a sense of social community through participation. He would like to expand his operation and hire a few employees, but needs more capital and T.A. to do so.

Number: 47
Location: Bali
IGP Activity: Duck Raising
Description: Mr. Tantea was given 4 young ducklings by FFP/Bali in July 1986. He is not sure of the value of these ducks. He feeds them scrap leaves and corn from his farm. After the ducks have produced offspring, Mr. Tantea and his family will eat them.

Number: 48
Location: Bali
IGP Activity: Goat Raising
Description: Made Swasta, a divorced father with one child living with him, received two goats from FPP/Bali as a supplement to his income from tenant farming. He hopes to breed the goats and, then, sell their offsprings. Both goats are of an improved variety being introduced into his region of Bali. He collects food daily for the goats, such as grass and rice bean, from common village areas. He doesn't know where he will sell his goats when they have breed, or what price they will bring him.

APPENDIX B: Plan IGP Survey Questionnaire

APPENDIX B

PLAN IGP SURVEY QUESTIONNAIRE

Socio-Economic Characteristics of Participants

Sex: M F

Age:

Civil Status:

Educational Attainment:

Occupational Characteristics:

Family Income and Expenditure Patterns:

Household Size:

Type of Assistance Received from PLAN:

Characteristics of the IGP

Type of Activity:

Length of Operation:

Asset Size:

Number of Equity Holders:

Method of Capitalization:

Organizational Structure:

Lines of Authority:

Management Information System:

Technology Level:

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Access to Public Services:

Legal Status:

Financial Status of the IGP

Volume of Sales:

Number of Customers:

Variety of Goods Sold:

Price of Goods Sold:

Volume of Input Supplies:

Price of Input Supplies:

Reliability of Input Supplies:

Quality of Input Supplies:

Size of Initial Investment:

Fixed Assets:

Provisions for Maintenance and
Replacement of Capital Equipment:

Value of Profits and Method of Distribution:

Employment

Amount of Time Participant and
Family Members Devote to the IGP:

Imputed Wages of Family Members:

Number of Non-Family Employees
(Including Part-time & Seasonal):

Wages of Non-Family Employees:

Age Range of Non-Family Employees:

Skill Level of All Employees:

Marketing

Stability and Seasonality of Market for IGP Product:

Production Capacity of IGP and Utilization:

Potential Obstacles to Business Expansion:

Number of Competitors in Same Market:

Market Location:

Method of Transportation to Market:

Price Stability of Product:

Effective Demand for Product:

Method of Quality Control in Production Process:

Method of Distribution:

Market Share:

Financial Planning for the IGP

Principal Business Strategies of Participant:

Effect of Project Assistance on the Business Strategy:

Expectations for Future Growth of the IGP:

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Financial Condition

Review of Balance Sheet:

Review of Income Statements:

Calculation of Cash Flow Statement:

Applications of Ratio and Benefit
Cost Analysis:

APPENDIX C: PLAN/Bali Credit Union Survey

Survey for PLAN BaliCredit Unions

- I. Credit
 - A. Loan Criteria
 - B. Collateral
 - C. Extent of Project Feasibility
 - D. Types of Loans
- II.. Loan Repayment
 - A. Policy on Delinquency
 - B. Follow-up on Loan Repayment
 - C. Regular Reporting From Borrowers
 - D. Is Repossession of Collateral Practised?
- III. Interest Rates
 - A. Does the CU set Interest Rates?
 - B. What is the Interest Rate(s)?
 - C. Spread Between Interest Rates on Loans and Savings
- IV. Capital
 - A. Sources of Capital
 - B. Which Method is Most Profitable?
- V. Profitability
 - A. How is Profit Allocated?
 - B. What is Policy to Maximize Profit
 - C. Provision for Bad Debt Write-off
- VI. Liquidity
 - A. Cash on Hand
 - B. How is Cash Held?
- VII. Loan Conditions
 - A. Does Borrower Receive Full Value of Loan Immediately?
 - B. Are Costs Deducted From Loans?
 - C. Use of Grace Period
 - D. Method for Principle and Interest Repayment
 - E. Policy on Forced Savings
 - F. Penalty on Late Loans

VIII. Financial Statements

- A. Do they Exist?
- B. Can We See Them?

IX. Other

- A. Value of Loans Extended in One Year
- B. Number of Active Customers
- C. Value of Total Outstanding Loans
- D. Number of Outstanding Loans
- E. Operating Costs (Annual) of CU
- F. Number of Loans in Arrears over 1 month? 3 months? 6 months?
- G. Reasons for Loans in Arrears
- H. Other CU Member Benefits
- I. Dividend Policy and How Administered

APPENDIX D: Credit Union Case Studies

C.U. Name: Budi Arthanadi No. 2
 Location: Banjar Beluhu, Suter Village
 Age of C.U.: 5 years
 No. of Members: 64

Loan Criteria

- . Must be a member paying regularly
- . Must be currently engaged in activity for which loan is intended
- . Previous loans must be paid off
- . Allowed to borrow three times savings, but no more than Rp 400,000 (cow, for example, costs Rp 150,000)
- . Collateral must be three times value of loan amount in kind, e.g. if borrowed amount is one cow, collateral could be three cows

Use of Project Feasibility Studies

- . These are minimal; borrowers must submit a "proposal" form to the loan committee
- . The committee judges from knowledge about the applicant's ability and honesty
- . Recipient signs a promissory note

Types of Loans

- . Small business
- . Buy/Sell
- . Agriculture inputs
- . Livestock
- . Education

Policy on Delinquency

- . Fine of Rp 200 per month for late payment
- . Would allow two to three months allowed before would take action
- . Would collect collateral -- haven't yet had to because of high repayment rates
- . The Credit Union has done some rescheduling based on determination that business failure not fault of borrower (e.g. natural disaster)

Follow-up on Loan Repayment

- . Peer/social pressure of Banjar system helps assure repayment
- . Loan Committee members visit defaulting member to review problem
- . There is no regular reporting required from borrowers, other than making regular payments

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Interest Rates

- . Set by the Credit Union at 2% of outstanding monthly balance

Sources of Capital

- . One-time Entrance fee Rp 2,500
- . Obligatory savings of Rp 200 per month
- . Voluntary savings
- . Interest
- . Loan transaction fee of 1%
- . This CU also received Rp 500,000 from PLAN in July under the recapitalization program
- . Fines for late payment (Rp 200 for each month late)

How is Profit Allocated?

- . Dividends equivalent to 50% of interest income earned are distributed per annum according to each members percentage of total CU savings
- . 50% goes to recapitalization

Liquidity

- . Cash on hand at time of interview amounted to Rp 302,000 -- results of PLAN capitalization, apparently to be distributed at next monthly meeting
- . Try to keep little cash on hand, relending at same time repayments are made
- . What cash there is held by treasurer in a cash box at his home

Loan Conditions

- . Borrower receives full value of loan in one sum
- . 1% transaction fee is deducted from loan amount
- . Some agriculture loans have a four month grace period before first payments are due
- . Loans are typically for 10 months, at 2% interest calculated each month on remaining balance

Loan Information

- . From July '85 - June '86 Rp 3,257,000 loaned to 31 members
- . Total value of outstanding loans as of October '86 Rp 5,417,800
- . Annual operation costs for period July '85 - June '86 Rp 527,375

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Table 1: Budi Arthanadi C.U. Profit/Loss
Statement for YTD October 1986

Income	Rp
Interest	790,420
Fines	15,600
Membership Admin Fee	500
Transaction Fees	26,050

Total Income	832,570
 Expenses	
Operating Costs	151,775

Total Expenses	151,775
 Net Profit/(Loss)	 680,795

Table 2: Budi Arthanadi C.U. Balance
Sheet for YTD October 1986

Assets	Rp	Liabilities	Rp
Cash on Hand	302,195	Membership Fees	160,000
Loans Out	5,417,800	Obligatory Savings	685,800
Inventory	122,925	Voluntary Savings	3,262,500
	-----	Reserve Funds	274,100
Total Assets	5,842,920	Honorarium	
		Employee Fund	
		Education Fund	61,100
		Social Fund	99,100
		Local Development	99,100
		Retained Dividends	20,425
		PLAN Capitalization	500,000
		Profit	680,795

		Total Liabilities	5,842,920

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C.U. Name: Catur. Sedana Yoga 1
 Location: Banjar Triwangsa, Gianyar
 Age of C.U.: 2 years (established September 19, 1983)
 No. of Members: 54 (28 PLAN clients, 26 non-clients)

Loan Criteria

- . Must be an active, regularly paying member
- . Must be engaged in proposed activity
- . Must have adequate income to make repayments, however, no formal feasibility study is made by loan committee ¹
- . Member are allowed to borrow up to five times amount in savings
- . Collateral is generally two times value of the loan, in kind
- . Loan Committee works out what item(s) will be put up as collateral on a case by case basis; they seemed to be pretty flexible on the issue

Use of Project Feasibility Studies

- . Key issue is whether presently involved in activity to be financed
- . In the case of non-productive loans -- education, home improvement -- issue is whether borrower has sufficient regular income to repay

Types of Loans

- . Productive -- small business, agriculture, livestock
- . Welfare -- home repair
- . Education

Policy on Delinquency

¹. It should be noted that although the loan committee used no formal, written application process, they did seem well aware of the activities of their members in the banjar, or community. For small capital loans to sustain or slightly expand existing activities, this is probably adequate; however, to increase the level of lending for new businesses, or those which want to expand their marketing or production significantly, financial analyses and business plans are essential. In a closing conversation with the treasurer of the C.U., he expressed on behalf of his colleagues the desire to find new ways to increase their lending activity and income. This is the type of "entrepreneurial" C.U. which PLAN should channel technical assistance to in order to enhance economic development in the community.

- . No bad loans as yet -- 100% repayment at regular schedule
- . Policy is to give two warnings, then collect collateral
- . Would consider rescheduling if justifiable in eyes of loan committee and membership

Follow-up on Loan Repayment

- . Two warnings (e.g. allow two month lapse)
- . Regular reporting from borrowers is not practiced
- . Repossession of collateral has not yet been necessary ²

Interest Rates

- . Set by the Credit Union at a fixed rate of 20% of total loan amount, payable in 2% installments with principle over a 10 month period
- . If the loan is paid off early, the borrower in effect reduces the interest rate; the 2% per month is fixed, and does not increase with larger principle payments; a loan paid off in five months, for example, would have cost the borrower 10% instead of 20% ³
- . The official government set bank rate is 1.75% per month, but members don't borrow because of long delays and paperwork
- . Local private banks, in contrast, charge 3% per month
- . A savings account held by the Credit Union in the local bank branch earns 1% per month

Sources of Capital

- . Loan interest
- . PLAN capitalization scheme of Rp 700,000
- . New member fee of Rp 500
- . Monthly obligatory savings of Rp 200
- . Voluntary savings

². The Monthly Financial & Statistics Report of C.U.s does not indicate which repayments, if any, are not on schedule. It is therefore not possible to determine how often the Loan Committee must issue warnings or make adjustments in repayment schedules. This information is important, however, for determining the "health" of a credit union, and should be introduced into the record keeping system. PLAN maintains this information for those C.U.s it capitalized, but in an aggregate form only. C.U.s should make this a part of their regular reporting on all borrowers.

³. For example, one of the C.U. members interviewed paid off a Rp 50,000 loan for buy/sell of ducks in four months, and already had his request in for another loan. As with the other two members interviewed, he had in fact been borrowing frequently -- and repaying -- since the founding of the C.U.

- . Loan transaction fees
- . Voluntary savings has exceeded obligatory
- . As with other C.U.s that have been running for a few years, annual earnings from interest is most profitable; in the case of this C.U. as of October 1986, year to date earnings from interest was Rp 355,100; obligatory savings Rp 127,400; and voluntary savings Rp 300,300 *

How is Profit Allocated?

- . Dividends equal to 50% of annual earnings from interest and transaction fees are distributed among members according to their share of total savings
- . 15% for honorarium to C.U. management
- . 25% recycled back into loan fund
- . 5% goes into education/training courses for members
- . 5% goes into social and community development funds

Liquidity

- . As of October 1986 Rp 4,925
- . Rp 60,000 held in bank for ILB (Inter-Lending Bodies, which are secondary organizations comprised of local C.U.s; their role is to promote the C.U. movement, and provide a vehicle for increased lending among C.U.s on a regional basis)
- . Very little cash is kept on-hand; C.U.s are actually money machines, continuously revolving funds on a monthly basis

Loan Conditions

- . A transaction fee of 2% is charged for each loan
- . All repayments begin one month after disbursement; grace periods of two months for late payments practiced
- . Principle and interest of 20% paid monthly over ten month period; e.g. a loan of Rp 50,000 would have monthly payments of Rp 5,000 (principle) and Rp 1,000 (interest); a voluntary increase in the amount of principle paid in any given month does not bring with it an increase in the amount of interest -- by paying

*. Amounts reported for voluntary and obligatory savings on the C.U. monthly statements are totals from beginning of the C.U.; thus, to calculate year-to-date earnings, amounts held as of December 1985 have been subtracted out. It should be noted that voluntary savings amounts in most cases include dividends paid out to members from interest earnings (50% of total interest earnings each year); therefore, earnings from interest and earnings from voluntary savings have a positive correlation.

off early, the borrower can reduce the total amount of interest paid

Loan Information

- . From July 1985 - June 1986 Rp 2,495,000 loaned to 66 members ⁵
- . As of October 1986, total amount outstanding was Rp 2,038,000

⁵. Note that this amount is greater than the total number of members, indicating that members had borrowed, repaid, and borrowed a second time within a one year cycle; the information does not indicate, however, whether all members were allowed to borrow at least one time within this year cycle, although there is also no evidence to the contrary.

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Table 1: Triwangsa Comparative Profit/Loss Statements (Rp)
(All Numbers are YTD)

	July '85	Oct '85	July '86	Oct '86
Income				
Interest	47,600	94,700	201,000	355,100
Transaction Fees	8,400	16,000	56,550	78,050
Total Income	<u>56,000</u>	<u>110,700</u>	<u>257,550</u>	<u>433,150</u>
Expenses				
Operating Costs	3,025	6,375	51,900	63,400
Total Expenses	<u>3,025</u>	<u>6,375</u>	<u>51,900</u>	<u>63,400</u>
Net Profit/(Loss)	52,975	104,325	205,650	369,750

Table 2: Triwangsa Comparative Balance Sheets (Rp)
(All Numbers are YTD)

	July '85	Oct '85	July '86	Oct '86
Assets				
Cash on Hand	5,725	6,775	11,325	4,925
Bank	0	16,000	48,000	60,000
Loans Out	488,000	579,000	1,935,500	2,038,000
Total Assets	<u>493,725</u>	<u>601,775</u>	<u>1,994,825</u>	<u>2,102,925</u>
Liabilities				
Membership Fees	27,000	27,000	32,000	32,000
Obligatory Savings	172,800	205,200	315,800	354,200
Voluntary Savings	174,100	198,400	456,510	522,110
Reserve Funds	16,700	16,700	52,500	52,500
Honorarium	10,000	10,000	0	0
Education Fund	3,300	3,300	10,400	10,400
Social Fund	3,300	3,300	10,400	10,400
ILB ⁴	0	0	125,000	50,000
Retained Dividends	33,550	33,550	1,565	1,565
"Local Town Money" ⁷	0	0	85,000	0
PLAN Capitalization	0	0	700,000	700,000
Profit	52,975	104,325	205,650	369,750
Total Liabilities	<u>493,725</u>	<u>601,775</u>	<u>1,994,825</u>	<u>2,102,925</u>

⁴ Inter-Lending Body

⁷. This is a translation of "Uang Desa"; the term appears as a hand written line item in the January - August 1986 Monthly Statements.

C.U. Name: Timbrah (Phased out from PLAN since 1981)
Location: Karangasem
Age of C.U.: 11 years
No. of Members: 66 (51 men, 15 women)

Loan Criteria

- . Must be a member for at least three months before receiving first loan
- . Allowed to borrow up to two times savings for first loan, three times for second loan, four for third, five for fifth, which is maximum
- . Collateral required

Use of Project Feasibility Studies

- . Must be currently engaged in activity for which loan is intended; a review is conducted to determine profitability and past experience with similar loans

Types of Loans

- . Buy/Sell
- . Agriculture inputs
- . Tools
- . Small shops

Policy on Delinquency

- . If payment is late, charge 2% of loan amount

Follow-up on Loan Repayment

- . Reasons for late payment are generally sickness, lack of money, oversight
- . Repayment rates are high because of 1) loyalty to CU, 2) moneylender alternative requires 200% collateral

Interest Rates

- . Two percent per month since 1976

Sources of Capital

- . One-time Entrance fee Rp 1,000
- . Obligatory savings of Rp 200 per month
- . Voluntary savings
- . Interest
- . Loan transaction fee of 1%
- . Since beginning, all capital has come from members

How is Profit Allocated?

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- . Dividends equivalent to 45% of profits distributed per annum based on amount of savings and length of time held by each member

Liquidity

- . Treasurer keeps some cash, rest is in ILB (Inter-Lending Bodies, which are secondary organizations comprised of local C.U.s; their role is to promote the C.U. movement, and provide a vehicle for increased lending among C.U.s on a regional basis)

Loan Conditions

- . Borrower receives full value of loan in lump sum
- . 1% transaction fee is deducted from loan amount
- . No grace periods
- . Principle and interest must be paid every month
- . Repayment within 20 months

Other

- . Office is open every Sunday
- . The ILB requires compulsory savings of Rp 2,000 per month; the CU voluntarily saves Rp 5000 per month
- . In October 1986 the CU made 2 loans valued at Rp 110,000
- . On balance sheet (Oct '86), cash in hand is high because the CU is preparing for dividend distribution and the expense of the annual assembly

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Table 1: Timbrah C.U. Profit/Loss
Statement for YTD October 1986

Income	Rp
Interest	585,210
Fines	12,830
Loan Fees	1,750
Other	26,445

Total Income	626,235
Expenses	
Operating Costs	28,950
Insurance	35,600
Other	184,500

Total Expenses	249,050
Net Profit/(Loss)	377,185

Table 2: Timbrah C.U. Balance
Sheet for YTD October 1986

Assets	Rp	Liabilities	Rp
Cash on Hand	429,340	Membership Fees	66,000
Loans Out	3,091,500	Obligatory Savings	1,011,300
Bank Deposit (ILB)	291,500	Voluntary Savings	1,658,175
Inventory	315,950	Reserve Funds	562,845
	-----	Honorarium	
Total Assets	4,128,290	Employee Fund	
		Education Fund	86,300
		Social Fund	116,010
		Local Development	43,475
		Other	207,000
		Profit	377,185

		Total Liabilities	4,128,290

C.U. Name: Sari Mirtha
 Location: Karangasem
 Age of C.U.: 5 years
 No. of Members: 165 (114 men, 51 women)

Loan Criteria

- . Maximum is five times saving of the individual
- . Absolute Max is Rp 100,000
- . Must have good repayment history
- . Savings serve as collateral

Use of Project Feasibility Studies

- . Loan must be used for business, and amount must be reasonable in relation to the business

Policy on Delinquency

- . Fine assessed when borrower skips repayment for one month; fine = .5% of loan amount
- . Three months is the longest someone has gone without repayment

Follow-up on Loan Repayment

- . Last year had to assess fines 107 times; represents approximately 25 people
- . In general repayments are good because 1) borrowers want to avoid the penalty, and 2) those who do not repay lose the trust of the village

Interest Rates

- . Interest rate is 2 percent per month; CU claims they can go no higher or else no one will borrow
- . Members decide the interest rate at the annual meeting

Sources of Capital

- . One-time membership fee of Rp 1,000
- . Obligatory savings of Rp 100 per month
- . Voluntary savings
- . Interest
- . Loan transaction fee of 1.5 %
- . Received Rp 1,000,000 from PLAN in June '86

How is Profit Allocated?

- . The annual profit is divided 1) among savings holders based on amount of savings and length of time held and 2) as retained earnings

- . 60% is distributed, 40% retained; retained earnings are used for the emergency fund, staff honorariums, social fund, and education fund

Liquidity

- . Cash on hand is held by the Treasurer
- . Currently he is holding Rp 495,630; this amount is high because nobody has taken a loan recently, and money is being retained for upcoming expenses of annual meeting

Loan Conditions

- . Borrower receives full value of loan in lump sum
- . 1.5 % transaction fee is deducted from loan amount
- . No grace periods
- . Principle and interest must be paid every month unless there is an emergency, at which time only the interest is paid
- . Usually require 20 even payments

Other

- . Financial records kept include: receipts for member's savings, receipts for loan disbursements, monthly financial reports, and loan repayment log
- . Office is open for the 1st, 2nd, and 3rd of every month
- . Operating expenses include buying forms, notebooks, pens, and other office supplies
- . In October 1986, 13 loans were disbursed worth Rp 1,070,000
- . In Dec 1985, 9 loans were disbursed worth Rp 500,000

Table 1: Sari Mirtha C.U. Comparative Profit/Loss Statement for YTD October 1986 and December 1985

	October 1986	December 1985
Income		
	Rp	
Interest	1,194,040	519,320
Fines	135,385	76,450
Loan Fees	118,495	51,350
	-----	-----
Total Income	1,447,920	647,120
Expenses		
Operating Costs	23,350	13,350
	-----	-----
Total Expenses	23,350	13,350
Net Profit/(Loss)	1,424,570	633,770

Table 2: Sari Mirtha C.U. Comparative Balance Sheet for YTD October 1986 and December 1985

	October '86	December '85
Assets		
	Rp	
Cash on Hand	495,630	155,005
Loans Out	5,158,250	3,425,000
Bank Deposit (ILB)	30,000	30,000
Inventory	138,700	138,700
	-----	-----
Total Assets	5,822,580	3,748,705
Liabilities		
Membership Fees	165,000	165,000
Obligatory Savings	926,900	796,900
Voluntary Savings	2,189,330	2,036,235
Reserve Funds	58,400	58,400
Honorarium	29,200	29,200
Employee Fund		
Education Fund	29,200	29,200
Social Fund		
Local Development PLAN	1,000,000	
Other Profit	1,424,550	633,770
	-----	-----
Total Liabilities	5,822,580	3,748,705

C.U. Name: Suarthe
Location: Bangli
Age of C.U.: 4 years
No. of Members: 49 (46 men, 3 women)

Loan Criteria

- . Must be saving regularly before first loan
- . Before second loan, must have good repayment on first
- . Loan amount based on amount of savings
- . Collateral required

Use of Project Feasibility Studies

- . CU officers prioritize loans on a monthly basis
- . All have been productive loans to capitalize members enterprises

Policy on Delinquency

- . Fine members when payment is late
- . All have paid on time
- . Reason for high repayment rate is social pressure

Interest Rates

- . Interest rate is 2 percent per month
- . Members decide the interest rate at the annual meeting

Sources of Capital

- . One-time membership fee of Rp 4,000
- . Obligatory savings of Rp 200 per month
- . Voluntary savings
- . Transaction fees of 1 % per loan
- . Received Rp 700,000 from PLAN

How is Profit Allocated?

- . The annual profit is broken down into 50% for dividends and 50% into fund for recapitalization and expenses
- . Dividends based on amount of savings and length of time held

Liquidity

- . Cash on hand is held by the Treasurer

Other

- . Office opens once a month on the 20th
- . Savings of any individual are limited to 20% of total

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CU savings

Loans are given out in one lump sum after deduction of
the 1% fee

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Table 1: Suarthe C.U. Comparative Profit/Loss
Statement for YTD Dec 1985 and May, October 1986

	Dec '85	May '86	October '86
Income			
Interest	268,850	146,500	364,550
New Member Fees			2,000
Loan Fees	22,100	13,250	34,350
	<u>290,950</u>	<u>159,750</u>	<u>400,900</u>
Total Income	290,950	159,750	400,900
Expenses			
Operating Costs	38,125	25,100	64,575
	<u>38,125</u>	<u>25,100</u>	<u>64,575</u>
Total Expenses	38,125	25,100	64,575
Net Profit/(Loss)	252,825	134,650	336,325

Table 2: Suarthe C.U. Comparative Balance
Sheet for YTD Dec 1985 and May, October 1986

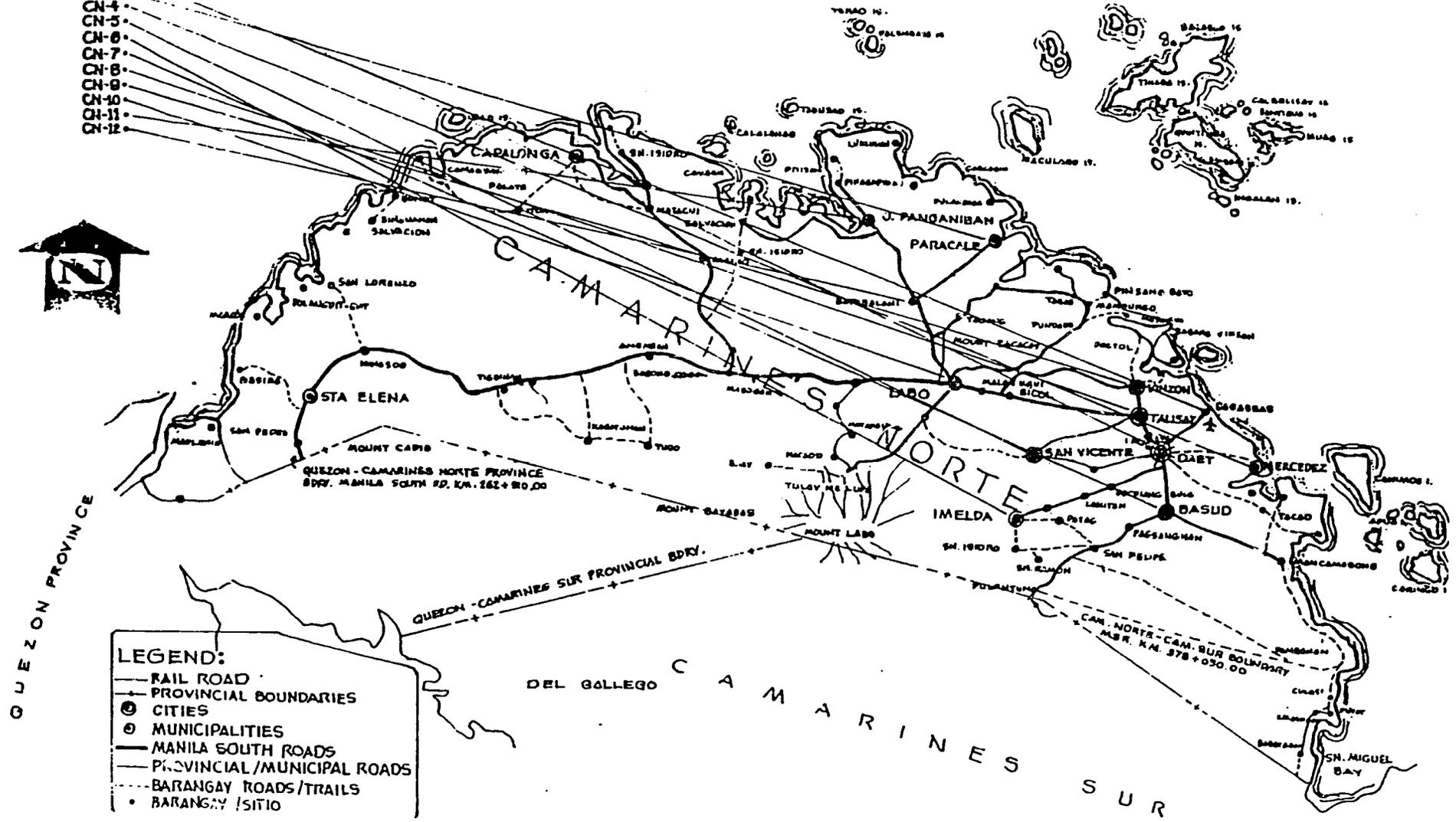
	Dec '85	May '86	October '86
Assets			
Cash on Hand	16,235	5,755	25,230
Loans Out	1,373,500	1,551,000	2,536,000
Inventory	19,845	17,865	17,865
	<u>1,409,580</u>	<u>1,574,620</u>	<u>2,579,095</u>
Total Assets	1,409,580	1,574,620	2,579,095
Liabilities			
Membership Fees	180,000	180,000	196,000
Obligatory Savings	342,400	387,400	435,600
Voluntary Savings	552,835	693,445	732,045
Reserve Funds	24,010	69,510	69,510
Honorary		11,375	11,375
Employee Fund			
Education Fund	12,000	23,375	23,375
Social Fund	12,000	23,375	23,375
Local Development	12,000	23,375	23,375
Retained Dividend	21,510	3,115	3,115
Other		25,000	25,000
PLAN			700,000
Profit	252,825	134,650	336,325
	<u>1,409,580</u>	<u>1,574,620</u>	<u>2,579,095</u>
Total Liabilities	1,409,580	1,574,620	2,579,095

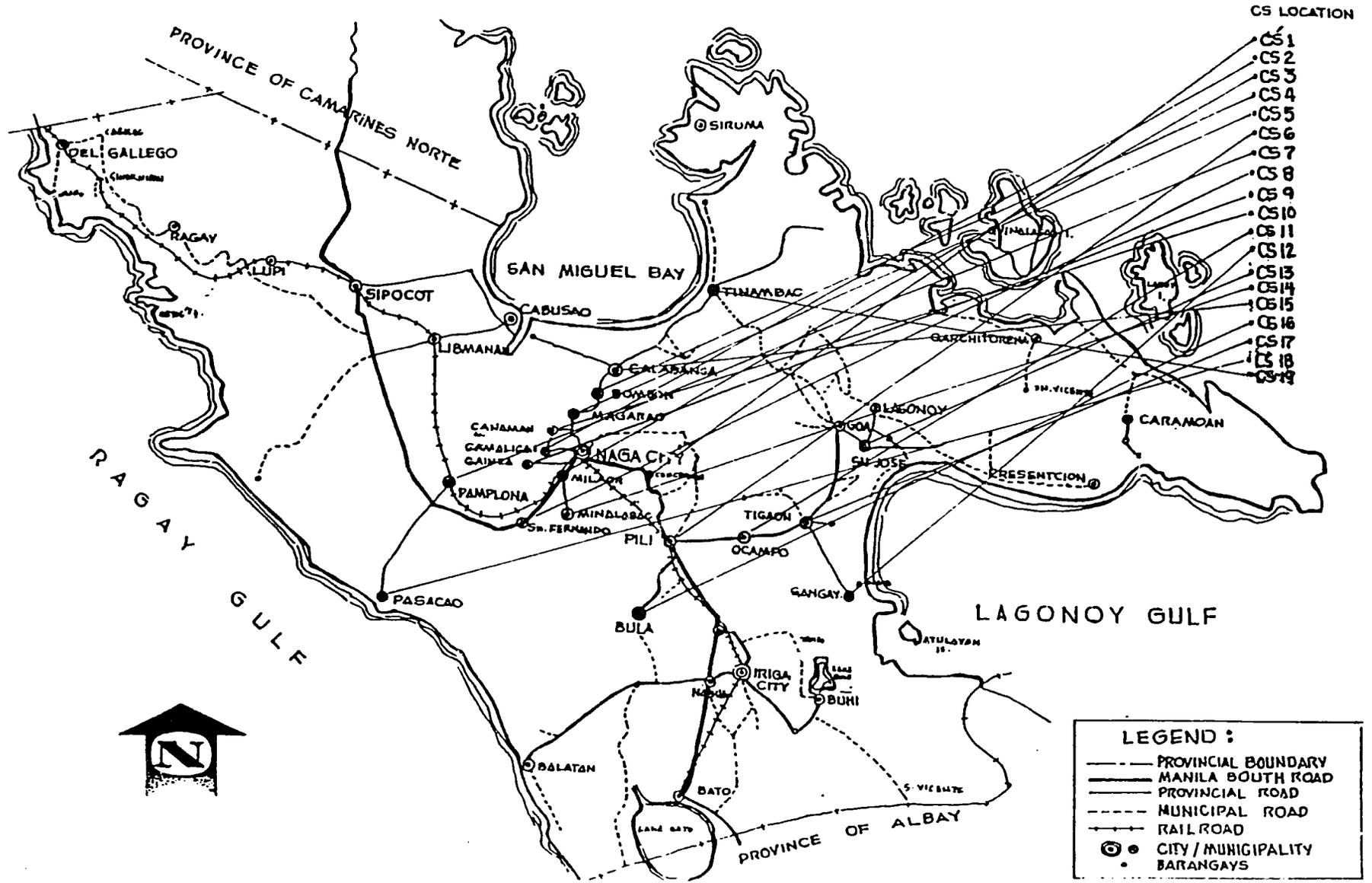
APPENDIX E: Maps of Bicol and Bali Region

CN-LOCATION

MAD OF CAMARINES NORIE

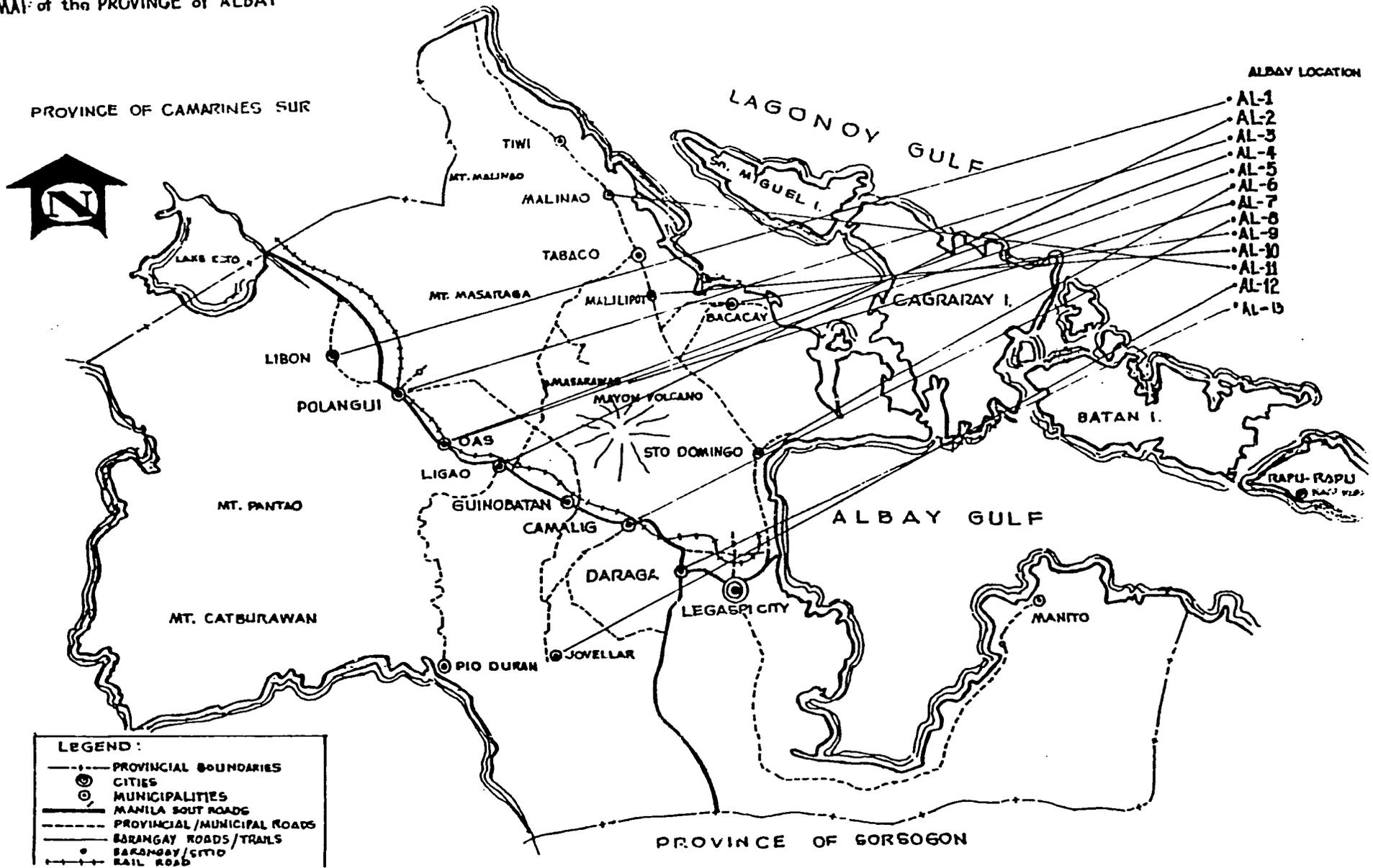
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- CN-11
- CN-12





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MAP of the PROVINCE of ALBAY



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APPENDIX F: IGP Income and Employment Impact Data

Table F-1. Analysis of Income Generation and Employment: Bicol

Activity	Daily income per full-time family employee ^a	Daily income as a percent of the average daily wage: the IGP factor ^b	Number of family employees	Number of non-family employees
	(Pesos)	(Pesos)		
Fish buy/sell (1)	15.22	.61	2	0
Broom making (2)	45.50	1.82	2	0
Sampaguita garland (3)	49.52	1.98	2	20
Basket making (4)	3.91	.16	1	20
Food stand (5)	31.38	1.26	2	1
Straw slippers (6)	2.74	.11	4	0
Sari-sari store (7)	23.27	(.93)	1	0
Fisherman (8)	0.00	0.00	1	3
Duck raising (9)	88.00	3.52	1	1
Piggery (10)	17.01	.68	1	0
Rice cake factory (11)			1	2
Handicraft factory (12)	67.31	2.69	2	50
Buy/sell fruits & vegetable (13)	10.46	.42	1	0
Bread making (14)	59.82	2.39	1	4
Carabao raising (15)	--- ^c	--- ^c	1	0
Rice & vegetable farming (16)	37.50	1.50	2	Field laborers for 20 days
Fisherman (17)	56.55	2.26	1	1

Continued

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Table F-1 continued

Activity	Daily income per full-time family employee ^a	Daily income as a percent of the average daily wage: the IGP factor ^b	Number of family employees	Number of non-family employees
Goat raising (18)	167.00	6.68	1	0
Fisherman (19)	37.00	1.48	1	1
Duck raising (20)	--- ^c	--- ^c	1	0
Sari-sari store (21)	--- ^c	--- ^c	1	0
Furniture making (22)	--- ^c	--- ^c	1	0
Carabao raising (23)	--- ^c	--- ^c	1	0
Wine making (24)	--- ^c	--- ^c	1	0
Restaurant (25)	--- ^c	--- ^c	2	1
Carabao raising (26)	--- ^c	--- ^c	1	0
Rice farming (27)	--- ^c	--- ^c	1	0
Piggery (28)	--- ^c	--- ^c	1	0

a. Daily income per family member is calculated in the following way. First, the costs of operating the IGP were calculated. These included raw materials, other production costs, wages of field labor, loan repayment, taxes, and any other operating costs except family labor. In cases where the IGP owner did not know the value of a cost item or it did think it had a value, the value was inputted. Added to these costs was the replacement value of all fixed assets. Total costs were expressed in daily value. Daily revenues were then calculated. Next, profit was calculated using the following formula:

Continued

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Table F-1 continued

Daily profit =	Daily - revenues	Daily costs
Since no value imputed for family labor, Thus:		
Daily income =	Value of family labor	Daily + Profit
Daily income per field time family = employee	<div style="display: flex; justify-content: center; align-items: center;"> <div style="margin-right: 10px;">Daily Income</div> <hr style="width: 80%;"/> </div> Number of full-time family employees	

b. Daily income per full time family employee was compared to the average daily wage prevailing in the project area. Average daily wage was used instead of the minimum wage to reflect the true value of labor in the area. For Bicol, the value of the average daily wage is P.25.00 per day; for Bali, it is Rps. 500 per day. Then, the following calculation was performed:

$$\text{IGP factor} = \frac{\text{Daily income per fulltime family employee}}{\text{average daily wage}}$$

c. The information on costs and revenues was not sufficient for calculating value.

Source: IGP Case Studies, Appendix __.

Table F-2. Analysis of Income Generation and Employment: Bali

Activity	Daily income per full-time family employee ^a	Daily income as a percent of the average daily wage: the IGP factor ^b	Number of family employees	Number of non-family employees
	(Rps.)	(Rps.)		
Goat raising (29)	205	.41	1	0
Cattle raising (30)	228	.46	1	0
Clove trees (31)	607	1.21	1	20
Embroidery (32)	212	.42	13	20
Woodcraft (33)	364	.73	3	1
Seamstress (34)	133	.27	1	0
Buy/Sell of crops (35)	(1336)	(2.67)	1	2 part-time
Lichee nut tree (36)	154	.31	1	0
Vanilla tree cultivation (37)	64	.32	1	0
Chicken raising (38)	200	.40	1	0
Dressmaker (39)	37.4	.07	1	0
Cattle Breeding (40)	825.9	1.65	1	0
Shoemaking (41)	3729	7.46	2	5
Buy/Sell duck (42)	--- ^c	--- ^c	1	0
Warung (small store) (43)	5542	11.08	1	0
Buy/sell rice (44)	--- ^c	--- ^c	1	1

Continued

Table F-2 continued

Activity	Daily income per full-time family employee ^a	Daily income as a percent of the average daily wage: the IGP factor ^b	Number of family employees	Number of non-family employees
Buy/sell rice (45)	2698	5.4	1	0
Umbrella maker (46)	1071	2.14	2	0
Duck raising (47)	--- ^c	--- ^c	1	0
Goat raising (48)	--- ^c	--- ^c	1	0

a. Daily income per family member is calculated in the following way. First, the costs of operating the IGP were calculated. These included raw materials, other production costs, wages of field labor, loan repayment, taxes, and any other operating costs except family labor. In cases where the IGP owner did not know the value of a cost item or it did think it had a value, the value was inputted. Added to these costs was the replacement value of all fixed assets. Total costs were expressed in daily value. Daily revenues were then calculated. Next, profit was calculated using the following formula:

$$\text{Daily profit} = \text{Daily revenues} - \text{Daily costs}$$

Since no value imputed for family labor, Thus:

$$\text{Daily income} = \text{Value of family labor} + \text{Daily Profit}$$

Continued

1
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Table F-2 continued

Daily income per field time family =	<u>Daily Income</u> Number of full-time family employees employee
--	---

b. Daily income per full time family employee was compared to the average daily wage prevailing in the project area. Average daily wage was used instead of the minimum wage to reflect the true value of labor in the area. For Bicol, the value of the average daily wage is P.25.00 per day; for Bali, it is Rps. 500 per day. Then, the following calculation was performed:

IGP factor = $\frac{\text{Daily income per fulltime family employee}}{\text{average daily wage}}$

c. The information on costs and revenues was not sufficient for calculation of the value.

Source: The IGP Case Studies, Appendix A.

APPENDIX G: Scope of Work

SCOPE OF WORK FOR JOINT PLAN/ARIES
EVALUATION OF PLAN INCOME GENERATING PROJECTS

Introduction

As an international sponsorship agency that has traditionally supported projects in health, education, and community development, PLAN has not had a great deal of experience in ways to provide project support that will increase the incomes of poor families. In 1983 and 1984, PLAN conducted three related studies on income-generating projects. These studies were used to design and implement a special Matching Grant from USAID. A proposal for an extension of the grant project will be considered by USAID in December 1986. As part of its consideration, USAID would like to have some, albeit limited, evaluation of the first two years of the Matching Grant. PLAN International Headquarters would concurrently like to understand more fully the lessons and experiences which have taken place during the first two years of the grant in order that it may be in a better position to administer the grant extension. Consequently, a joint evaluation by USAID and PLAN will be conducted.

Evaluation Issues

There are two major foci to this joint evaluation:

- . Degree of project success: Through the grant, PLAN has supported a variety of projects to enhance the income of client families. These have included the support of credit unions and cooperatives, projects to increase agricultural production, and ways to enhance small micro-economic enterprises. This evaluation will examine the extent to which new or established income-generating projects have enhanced their financial viability and increased the amount of income that they have been able to generate to client families.

- . Project management and technical assistance: PLAN has used grant funds to improve the viability of income-generating projects, as well as to increase their number. The evaluation team will consider the type of assistance that PLAN has been able to provide to Field Offices as a result of the grant. One major input that PLAN has provided during the grant is to train local staff and families in ways to enhance income. The evaluation will look at the technical assistance that PLAN has provided and the extent to which it has had an impact on the relative success of projects. Particular note will be made of the fact that a separate Project Office was established in Bangkok to provide this assistance. PLAN could benefit from understanding how the project, now administered from International Headquarters, can build upon the technical assistance already provided.

Purpose

The purpose of the evaluation is, therefore, two-fold. One is to measure the viability of PLAN's Income Generating Projects (IGPs), and, to the degree possible given time and data constraints, their impact upon incomes and employment

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opportunities of the PLAN target groups. A second purpose is to assess how effective PLAN has been in programming and managing its resources to expand activities in small and micro enterprise development.

To this end, a joint evaluation team will be assembled, composed of two specialists provided by Robert R. Nathan Associates under the ARIES Project, and one Field Project Manager contributed by PLAN with expertise in small and micro enterprise development.

Objectives

To realize the purposes stated above, the joint evaluation team will:

- . Identify the types of IGPs supported by PLAN
- . Assess the viability of PLAN-supported IGPs, i.e., examine their financial status, market potential, and employment impact
- . Determine the skills participants have developed from their involvement with IGPs
- . Evaluate PLAN's technical assistance, credit, and training interventions through the IGPs, with emphasis on (1) PLAN's use of grant and loan mechanisms, and (2) PLAN's assistance in developing production and market linkages
- . Assess PLAN's feedback mechanisms/practices for monitoring and evaluating IGPs

Methodology

The evaluation is to be carried out through a series of visits to between 30 and 40 project sites in Bicol, Philippines, and Bali, Indonesia. (Note: "Project" in the PLAN context refers to a single small or micro business, involving one or more participants from their target group.) Prior to the field trips, members of the evaluation team will meet with senior level management staff in both the U.S. and international offices in Providence, Rhode Island in order to review objectives and terms of reference, and finalize the evaluation methodology.

The purpose in choosing Bicol and Bali is to make a comparative analysis between a relatively established program (Bicol) and a relatively new program (Bali), giving particular attention to how well the new program has adapted to principles and project management techniques conducive to launching viable income-generating schemes. In order to optimize use of the consultants' time in the field, an attempt will be made by PLAN field staff to identify a sampling of projects for which some information is already available, i.e., business records, income data, quality-of-life information, etc. Recognizing that this priority could bias the evaluation, it is recommended that this be a determining factor in no more than 50 percent of the projects chosen. In the case of projects with insufficient or no data, the consultants will use information gathered from interviews with the project managers and participants.

Each team member will visit several project sites, basing their investigation upon a common set of questions and data requirements. In addition, one or two of the team members will take responsibility for interviewing field office staff and reviewing project management strategies at the national and regional level. The Team Leader will prepare survey sheets for review and approval by PLAN Headquarters before the mission goes to the field.

Reporting

The team will prepare a preliminary draft report for review by PLAN and AID/PVC by December 15, 1986. Three weeks after receiving comments, the Team Leader will prepare a Final Report and also make a formal presentation to PLAN and PVC for discussion. The team will also debrief PLAN offices in both the Philippines and Indonesia before leaving the country.

Staffing

Russell Webster, RRNA Associate and ARIES Project Coordinator, will serve as Team Leader. Mr. Webster has done SSE program evaluation work under ARIES in Bangladesh, and is presently assisting the Barbados USAID Mission through ARIES by providing project management training and consulting services to a major Small Enterprise Assistance Project it is funding in the Eastern Caribbean region.

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Linda Markey McCabe, RRNA Managing Consultant, is currently based in the Philippines and has done project design and evaluation work for the USAID Mission in Manila under the ARIES Project. She is also the primary author of a Cost Effectiveness Analysis Manual which was funded by AID/PVC.

Mr. Bachrun Nawawi, an Assistant Director for PLAN in Liberia, is an Indonesian national and has experience with PLAN in supervising their income-generating projects.

Scheduling

<u>Dates</u>	<u>Activity</u>
October 27, 1986	Webster begins preparation of survey questionnaire, data requirements
November 3-5, 1986	Webster and Bachrun Nawawi meet PLAN International and U.S. Office staff in Rhode Island
November 10, 1986	Team begins work in Bicol after meeting up with Markey-McCabe in Manila
November 20, 1986 (Approximate)	Team goes to Bali
November 30, 1986	Field work completed; Webster returns to Washington to begin preparing preliminary draft report
December 15, 1986	Preliminary draft report submitted to PLAN and AID/PVC
January 10, 1987 (Approximate)	Assuming comments in before Christmas, final report submitted, and presentation held for AID/PVC and PLAN

Budget

The following budget is intended to cover all costs except for the professional services provided by Mr. Bachrun Nawawi, which will be covered by PLAN.

APPENDIX H. COMMENTS FROM PLAN/BICOL AND PLAN/BALI



FOSTER PARENTS PLAN INTERNATIONAL

Inter-Office Memorandum

To: Russell Webster - Robert Nathan Assoc. Date: 9 February 1987

From: Meredith J. Richardson - FD, PLAN/Bicol Ref: RSEV/RESPRJ

Re: Draft of an Evaluation of Foster Parents
Plan Income-Generating Projects

1. General reaction is that the study continues to view IGP as the central focus of PLAN/Bicol's program and anchors its recommendations on that assumption. Whereas we (PLAN/-Bicol) view and operationalize Community Development as the integrating focus of PLAN/Bicol's program and therefore see some of the recommendations as inappropriate.

For example, P.24 - suggests that we recruit more staff with demonstrated entrepreneurial talents, whereas our focus is on trying to find people with community organization talents and look for entrepreneurial advice from entrepreneurs or government/non-government agencies.

P.38 - operating guidelines are general because they are meant to be a basis only for developing their own planning capacities in the IGP area. The hard practical guidance will come as their plans are reviewed and reworked. The objective is to assist them to learn to plan better and not to give them a prescription for a business venture that will pre-empt their developing their own planning capacities.

2. P. 79 - PLAN/Bicol sees the need for a regional PLAN office to serve and support the Field Offices generally and not just their IGP programs.
3. P. 34 - the Management Council is not responsible for planning and administering IGP activities. It may be responsible for a business concern that affects the whole Associations, but project committees, participating families, etc. manage other IGP activities pertinent to them.
4. One small point, there seems to be a contradiction in the conclusions regarding planning, P. 71. The first paragraph states: "Program planning systems in Bicol and Bali are bottom-up strategies that focus on community development priorities". In contrast the statement in paragraph 2 is that "both Bicol and Bali tend to direct IGP programs based on clients' needs". Could you clarify?¹

1. These issues were more fully addressed in the final draft.

1/16

5. Generally, and in detail the evaluation otherwise seems accurate and reasonable.

Good luck,

MJR/jpp

F: IGP

PLAN-Bali's Response to the Draft of the IGP
Evaluation Study of November 1986

By

Frans de Blocq van Scheltinga
Assistant Director - PLAN Bali
in absence of, but after consultation with
Peter Whiticar, Director PLAN Bali

General impressions of the report.

The report is professionally written, straight-forward and easy to read. Its recommendations are clear and very valuable for the further improvement of PLAN-Bali's IGPs.

On some places the report is going by on the fact that income generating is just part of PLAN-Bali's activities because the nature of PLAN as an organisation is basically a social welfare organisation in which IGP plays an important, but not the only role.

The whole study does not mention the "banjar" (hamlet) which is the strong body on which the Balinese society is based. Because it is so well organised and disciplined it is a major cause of the success of many of PLAN-Bali's projects.

Organisational structure PLAN-Bali

It is recommended to change the organisational structure of the Field-office. How exactly the change should be is not clearly indicated but it is understood that the evaluator suggests to have separate program staff and separate Donor Services staff working in the field.

This is an old discussion and for a variety of reasons it was decided in the past that is not the most desirable structure for PLAN-Bali.

Another point concerning the organisational structure of PLAN-Bali is that repeatedly in the report sectors, activities, and departments are mixed up. On Page 17 is suggested that IGP management is hindered by managerial areas which are not clearly separated. This is probably a result of a misunderstanding of the organisational chart on page 15.

Activities in a region are drawn with the people involved in this activities. They all report to the regional supervisor and are not different independent departments as indicated on page 17. In IGP projects the agricultural worker (booked administratively in sector 16, resource and skills development) assists the Office Heads and SWs (booked under social services) and all of them report to the regional supervisor. Practically this proved to be a workable structure without problems of organisational nature.

Social Worker (S.W.s)

The report recommends recruitment of business experts on village level by PLAN-Bali. To explain business, feasibility studies, marketing, etc. to PLAN-staff and project recipients this might be a good suggestion. But to find people who are willing and capable to do that will be hard. Successful entrepreneurs tend to live in the urban areas rather than in PLAN-Bali's rural working areas. To a certain extent the S.W.s can be trained but they are not selected on their entrepreneurial capacities. Now PLAN-Bali will select one person from the staff to become the IGP expert. He will be assisting the staff with their IGPs and receive and give training. In the future this should grow to a total of one IGP expert per region (PLAN-Bali works in three regions) but will never reach the amount of one per village as is recommended in the report. In this way there will be technical assistance on village level through the S.W. assisted by the IGP worker. This will be on the job training for the SWs thus steadily increasing in house expertise on IGP, which is necessary. IGP will remain just one aspect of a variety of developmental services of the S.W.s in their working communities and their activities are not plainly business oriented.

The evaluator recommends that before any IGP is granted, PLAN-staff should first collect base line information on income, employment and marketing possibilities. Impact measurements have to be established. The need for and the value of this information is clearly understood but collecting data is of little value if the analysis is not carried out properly. This again justifies not to burden all SWs with these tasks and make them responsible for work which they never were selected for and possibly are not capable to carry out. Some aspects like impact measurements and selection of recipients require experience, a certain amount of skill and might coincide with the S.W.'s aim to help the needest families in the community. A neutral business oriented advisor will then be an effective tool to come to the most efficient solution.

Credit Unions (CU)

PLAN-Bali's CU-staff are working independently from CUCO. They are inhouse experts on all aspects of CU. CUCO's experts visit Bali a few times per year and act as consultants. CUCO does not start up every CU and it does not set firm policies for new CU. Credit unions are cooperations of community members which are voluntarily set-up by these community members. PLAN-Bali CU staff guides them, motivates them and, if the CU chooses to, train them. All on a basis of voluntariness. In the past PLAN-Bali's CU-staff was trained by CUCO experts and the bulk of the training materials used during the courses for CU members still originates from CUCO. All new CU follow about the same procedure get the same extension materials and thus end-up more or less identically. Loan policies are decided by the CU-management and significant differences can be observed between different CU. Because voluntariness is one of the main principles of the CU, the recommendation to link more families into CU is conflicting with CU idiology, and will on the long run negatively affect the establishment of an enduring credit system in the banjar.

The statement in the report (page 36) that PLAN-Bali finds CUCO's training not satisfactory is not true.¹ There is a good working relation between PLAN-Bali and CUCO. The training programs are recently improved as a result of the following up of recommendations in the FY 86 CU-evaluation study. Language was simplified and the courses were adapted to Balinese circumstances in close cooperation with CUCO.

During the present Fiscal Year, recipients participation in IGPs already drastically increased. In FY 87 all IGPs and also some other MA and S projects will be implemented through CU. This will further weed-out participants in IGPs who are no serious business people. If this transfer of funds and responsibility from PLAN to CU becomes problematic for CU which are not (yet) strong remains to be seen. For very poor people who are no CU members counts the same.

Agricultural Projects.

Many of PLAN-Bali's IGPs are agricultural projects or livestock projects. The report correctly states that the recipients receive no training in business management. PLAN-Bali is presently investigating possibilities to improve

1. Note from report authors: This has been changed in the final draft report. The misunderstanding is regretted.

this. On page 6 is stated as well that "some limited skill training is provided". Skill-training is provided by PLAN-Bali's agricultural workers in cooperation with government extension workers. The limitations of these trainings are mainly determined by the cooperation and enthusiasm of these extension workers. In some areas these government extension workers do a very good job and there is limited possibility to improve the quality of these trainings.

With increased recipients participation and pre grant feasibility studies PLAN-Bali will weed out projects with low-benefit potential.

Indeed there is no formal system for checking market potential. For innovative projects this definitely is necessary. Most of PLAN-Bali's agricultural IGPs are the provision of seedlings of fruit trees which are promoted by the government in that particular area, and of which traditionally marketing is no problem. The risk for project failure if you do a marketing study followed by questionable analysis does not decrease significantly than if you would follow the extensions workers advises. Most of the fruit trees will only bear fruit within about 5 years and it is questionable if a marketing study now will clearly reflect the potentials at the time of harvesting.

Small Business Projects.

The report states that PLAN-Bali staff is reluctant to fascilitate these projects. Probably this is caused by a lack of knowledge of the technical aspects and possibilities of these projects resulting in very little confidence in these projects. With the assistance of a professional IGP worker next year this situation will improve.

101-