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ARIES

Assistance to
Resource Institutions
for Enterprise Support

Sourcebook for Income-Generating Projects

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Submitted to:

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The views and interpretations in this publication are those of the author(s) and should not be attributed to the U.S. Agency for International Development.

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ARIES

Assistance to Resource Institutions for Enterprise Support

The ARIES project is designed to strengthen the capabilities of support organizations in developing countries to implement small-scale and micro-enterprise development programs. ARIES builds on the work of the Agency for International Development's former Program for Investment in the Small Capital Enterprise Sector (PISCES) and Small Business Capacity Development projects. It works with intermediary support organizations that provide services to small and micro-businesses and industries, such as private voluntary organizations (PVOs), banks, chambers of commerce, management training centers, business people's organizations, and other developing country government and non-governmental organizations (NGOs).

The contract for this five-year project has been awarded to Robert R. Nathan Associates, Inc. (RRNA) with subcontractors Harvard Institute for International Development (HIID), Control Data Corporation (CDC) and Appropriate Technology International (ATI).

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The ARIES project has three major components -- research, training, and technical assistance -- designed to cross-fertilize each other. The applied research component focuses on economic, social, and organizational issues surrounding intermediary support organizations to inform AID missions and host country actions in this subsector. The training component includes design, testing, conduct and follow-up of training programs in such areas as finance, management and evaluation for PVO and NGO personnel. The technical assistance component provides short-term technical assistance to AID missions and intermediary organizations to assist small and micro-enterprise development.

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I. INTRODUCTION

This Sourcebook provides information on income-generating projects (IGPs) in the Philippines. It is intended for use by organizations such as private voluntary organizations (PVOs), foundations, and private enterprises that are currently sponsoring or wish to sponsor an IGP program.

Definition of An IGP Program

An IGP program is an economic development activity that provides assistance to individual small entrepreneurs and groups of small entrepreneurs. By helping these people to operate and maintain successful small businesses, the IGP program seeks to generate income and employment for beneficiary communities, improving the quality of life for all community members.

IGP programs concentrate on entrepreneurs in the informal sector of the economy, including limited resource farmers, artisanal fishermen, sari-sari store owners, producers of handicrafts, curbside vendors, and a wide variety of other limited resource business people and workers. These business people, who have been excluded from the services provided to

businesses in the formal sector, are given access to credit, training in business management and other related skills, and technical assistance in using new and better technologies.

Entrepreneurs assisted by IGP programs generally have businesses in the cottage industry and micro-enterprise categories, with assets valued between ₱100 and ₱250,000. The businesses reached by IGP programs take one of several configurations: (1) family-owned and operated, (2) employing up to five non-family members, or (3) consisting of a single individual. The entrepreneur is, therefore, intimately involved with all aspects of his/her business. The technologies employed by these entrepreneurs are labor-intensive, with low capital and operating costs relative to their output.

The chief goals of IGP programs are to (1) introduce the entrepreneur to formal credit markets, (2) create informal community groups that are self-sustaining and provide credit to other small entrepreneurs, and (3) convince would-be entrepreneurs who lack the required talents and skills that they are in the wrong field.

Contents of the Sourcebook

The IGP Sourcebook will provide specific information drawn from a review of successful IGP programs throughout the Philippines and guidance on the design and implementation of an IGP program. Chapter II looks at characteristics of IGP programs. Chapter III describes the major components of IGP programs, while Chapter IV presents economic and financial techniques and guidelines necessary for their success. Chapter V presents case studies of successful agricultural and

non-agricultural IGPs. Finally, Chapter VI provides guidance in the design, implementation, and evaluation of IGP programs.

II. CHARACTERISTICS OF SUCCESSFUL IGPs

The Setting

The setting in which an IGP takes place is an important factor in its success or failure. An unfavorable government policy on exports, inadequate roads, or limited access to raw materials could defeat the project before it is even designed. Therefore, it is necessary to examine the setting, at both the national and local levels, before the program begins.

National Level

Government policies at the national level can have a powerful impact on an IGP. For example, a policy requiring all street vendors to buy expensive licenses will discourage participation in a large, informal sector activity. An IGP designed to provide training and credit to these vendors would fail through no fault of the project implementors or beneficiaries. Likewise, subsidizing fuel prices for large manufacturers of coconut oil will lower their operating costs and, ultimately, make them more competitive. Limited resource entrepreneurs who also manufacture coconut oil will be at a disadvantage unless they have access to the same subsidy. Without this, no amount of credit or training will help them to retain their businesses. It is, therefore, important to be

aware of government policies that affect IGP-sponsored businesses, as well as the impact of changes in these policies.

In general, government policies favorable to IGPs are those which support a free market system, such as market interest rates, floating foreign exchange rates, market-determined prices on agricultural products, and market prices for both inputs and outputs. When these policies are pursued, a system is created that offers equal opportunities to everyone with special favors to no one.

Local Level

Local conditions are even more important to the success or failure of an IGP program. First, the local economic situation must be conducive to the development of new enterprises. Among other things, there should be readily available supplies of raw materials, a population with increasing incomes, and easily accessed markets. In addition, the potential entrepreneurs should come from a free enterprise tradition and be open to outside assistance. Finally, the political environment should be stable, with little unrest. Before starting an IGP program, the implementing agency should determine that these basic conditions prevail in the beneficiary community.

Selection of Beneficiaries

Above all else, beneficiaries of IGP programs must be entrepreneurs. Entrepreneurs are disciplined, hard-working, self-sufficient, and driven to be successful. Not everyone who wants to be an entrepreneur can become one. A vital part of every successful IGP is identifying those individuals who

have the gifts, skills, and talents necessary for running a successful business.

The following ten characteristics are good indicators of the presence of entrepreneurial spirit in an individual:[1]

> The need to achieve. An entrepreneur may demonstrate this quality through a personal standard of excellence and success in performance.
>
> Risk taking. Entrepreneurs are inclined to take calculated risks. They tend to avoid both extremely easy and extremely risky situations.
>
> Positive self-concept. An entrepreneur exudes self-confidence, self-efficacy, and a positive image of his/her abilities and achievements.
>
> Initiative and independence. Entrepreneurs like to act on their own rather than following directions of others.
>
> Problem solving. Entrepreneurs will approach problems with solutions rather than trying to avoid them.
>
> Hardworking. An entrepreneur is willing to work long hours to make his/her business a success.
>
> Leadership. A successful entrepreneur is able to persuade others to follow plans he/she has developed.
>
> Hope about the future. Entrepreneurs tend to be dissatisfied with the present but confident that they can change things to make the future better. They believe that they can control their own destinies.

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1. Taken from Dr. V. G. Patel, Integrated Entrepreneurship Development Programs: The Indian Experience, Entrepreneurship Development Institute of India.

Environment scanning. Entrepreneurs can identify a current need and find a profitable way to satisfy it.

Goal setting. Entrepreneurs can set goals and fulfill them in a set time frame. Successful entrepreneurs are good at long-term planning.

A cost-effective and easily implemented method of identifying entrepreneurs is the checklist of indicators of entrepreneurial characteristics presented in Table 1. The objective of this method is to ensure that candidates for IGP programs have the qualities of a good entrepreneur. It uses the personal experiences of candidates to judge whether entrepreneurial characteristics are present. By conducting an interview with a candidate, contacting six references who know the candidate well, or having the candidate fill out a bio-data sheet, IGP sponsors can collect information to answer the questions in Table 1. A positive answer indicates the presence of an entrepreneurial characteristic. For example, a candidate who has a good idea for a business shows an interest in "environmental scanning." A "Yes" response to more than half of the questions is evidence that a candidate may be a good entrepreneur.

The questions and characteristics given in Table 1 are illustrative. Each organization can develop its own list of indicators applicable to the specific circumstances of its IGP program.

Regardless of how they are selected, entrepreneurs who will be successful project beneficiaries are involved in a broad spectrum of activities throughout the Philippines. The

Table 1. Checklist of Indicators of Entrepreneurial Characteristics

	Question	Indicated entrepreneurial characteristic	Response: Yes/No
1.	Is the candidate willing to contribute personal resources to the project?	Risk taking	
2.	Has the candidate initiated a plan for receiving project assistance?	Environmental scanning	
3.	Has the candidate approached project sponsors on his/her own initiative?	Initiative and independence	
4.	Is the candidate open to new ideas and ways of doing things?	Hope about the future	
5.	Has the candidate repeatedly attempted to start businesses which have failed for reasons beyond his/her control?	Need to achieve	
6.	Does the candidate plan to start his/her business with or without the support of the IGP program?	Positive self-concept	
7.	Is the candidate a recognized leader?	Leadership	
8.	Does the candidate have a reputation for hard work in his/her community?	Hardworking	

man in Cavite who runs a small rattan factory employing five of his neighbors and the Visayan woman who crochets tablecloths at home as she watches her children are both entrepreneurs who may qualify for IGP program assistance. Project beneficiaries may be male or female, engaged in agricultural or non-agricultural activities, individuals, or members of organized groups. The important factor they all share is an entrepreneurial spirit.

The Management of a Successful IGP Program

Efficient management of an IGP program is critical in the development of successful IGPs. A well-run program will make the best use of its scarce resources and, therefore, will be able to reach the maximum number of beneficiaries. Good management practices will also set an excellent example for the IGPs. Furthermore, when choosing which organizations to finance, sponsors will naturally prefer those with a reputation for doing what they set out to do. Rarely do poorly administered organizations reach their initial objectives.

The well managed IGP program will exhibit the following characteristics.

Flexibility. The first priority of the PVO should be to serve the beneficiaries' needs, even when this means deviating from the original program design or changing the way services are delivered. Plans that seem practical during project planning may, in practice, prove unworkable. For example, requiring collateral of credit recipients may greatly diminish the numbers of applicants for loans. Faced with this situation, a good manager will find an alternative method for

securing client loans. A flexible manager may even drop a component from a program if it is not working as planned, releasing funds to be used to expand the successful components.

If beneficiaries respond negatively to a training program which they find irrelevant, program staff should first try to make the program more relevant. If redesign fails, the training component may be dropped and funds transferred to the credit and technical assistance components, which are more successful. A well-run program may constantly change its ways of operating in order to serve its clients.

Efficient administration. The staff should be concerned with reaching the maximum number of beneficiaries at a minimum cost. This means keeping project start-up costs as low as possible and ensuring that ongoing costs tend to go down as the numbers of beneficiaries increase. The best method for achieving this objective is good financial planning. Standard management practices such as using cash flow analysis to identify the timing of major expenditures and maintaining accurate and up-to-date financial statements, will help the organization run more efficiently. Chapter IV presents some simplified techniques for keeping track of the organization's finances.

The staff must understand the importance of avoiding delays in servicing the beneficiary's needs. This will mean, among other things, designing efficient systems for administering credit programs that minimize paperwork, being able to deliver loans on time, and conducting training programs to suit the schedules of busy entrepreneurs.

It is important for PVO staff to understand that there is a cost associated with delays and inefficient administration. The old adage "time is money" definitely applies to IGP programs. Inefficient use of staff time means that fewer clients can be reached, ultimately resulting in a higher per beneficiary cost of the program. For beneficiaries, delays may mean the difference between a business that succeeds and one that goes bankrupt. One organization came up with a novel way of teaching both its staff and client about the cost of delays. When clients were late with repayments or paperwork, they were charged interest for each day past the due date. On the other hand, when the organization was delayed in dealing with its clients, it charged itself interest. It ended up owing more than it took in.

Dedicated staff. In the first place, it is important that the PVO staff be committed to the objective of the project; in other words, they want to help beneficiaries run successful IGPs. The staff must be familiar with the beneficiary community and its problems and needs. They must be able to communicate with both the beneficiary community and donor organizations.

Once committed staff members are in place, it is important to keep them. Successful organizations should have the same staff throughout the life of the program. This may be difficult since PVO salaries are often low and private sector organizations may be willing to pay more to attract dedicated and experienced workers. One method that has been used to keep good workers in place is creating a system of non-monetary rewards such as new titles, more responsibilities, and periodic awards for outstanding service.

A network of contacts for problem solving and support. PVOs and other organizations in the Philippines running IGP programs are more fortunate than their counterparts in other countries, because there is a well-established network of organizations that have run similar programs for many years. This history of successful intervention provides a solid base of experience for new organizations entering the field. The network should be drawn on for advice and help in problem solving. Appendix A lists some of the many organizations involved in IGP programs in the Philippines.

III. COMPONENTS OF A SUCCESSFUL IGP PROGRAM

Training, credit, and technical assistance are three essential components of every successful IGP program. Training should be the first step for beneficiaries of an IGP program. It fills the gap for entrepreneurs who may have good moneymaking ideas but lack practical knowledge of how to run a business. Training programs may cover management skills, marketing information, legal procedures for starting a business, and community institution building.

Even when armed with a good idea and business know-how, many entrepreneurs have difficulty starting a business because they lack financing. The credit component of an IGP program finances those with no other formal source of funding. A well designed credit program has good procedures for identifying worthy recipients, disbursing loans, and collecting repayments.

Technical assistance gives IGP program beneficiaries an opportunity to learn new technologies or improve old ones. These technologies should be labor-intensive, require low investment and maintenance costs, and take advantage of raw materials and other inputs locally available to beneficiaries. Technical assistance may include business counseling of entrepreneurs by their successful peers. Either type of

technical assistance may be provided to a group of entrepreneurs or to individuals.

When designing an IGP program, a PVO must consider how these three components will fit into its program, how each will be run and managed, and how each can best complement the others. Good planning for training, credit, and technical assistance can make the difference between a successful program and one that fails to meet its objectives.

Training

Judy, a woman in a village on Bohol, has made baskets for her family for years. Her baskets are of excellent quality and admired by her neighbors. Judy knows that other villagers would be willing to buy her baskets and that she might supply some to a merchant who sells baskets to tourists in Manila. However, she has no idea of how to keep financial records, obtain financing, or perform any other tasks necessary to start her own business. Targeted training can be the first step in changing her from a skilled worker into an entrepreneur.

A well designed training component of an IGP program can meet the needs of potential entrepreneurs like Judy. A first step in designing a successful training program is knowing the audience. An assessment of potential beneficiaries' needs, based on site visits and interviews, should help identify training needs. Next, to ensure the efficacy of its program, an implementing organization must pay close attention to the design and contents of the program. Where possible, the organization should draw on the expertise and training materials of Philippine organizations with years of experience in

entrepreneurial training. Finally, after training has been delivered to the beneficiaries, it is important to get feedback on training effectiveness.

Training Needs Assessment

If a training program is to mean more to beneficiaries than just a requirement to be met in order to receive credit, it must address a need common to many beneficiaries. One good way to assess training needs is by observing potential beneficiaries in their day-to-day routines and identifying skills that may help them increase their efficiency. Common training needs of limited resource entrepreneurs are bookkeeping and management skills. Another method is to share information with other organizations that have worked in under similar circumstances. In addition, a PVO may make a trial run of its program and observe any training needs that emerge. Even after training needs have been identified, it is important to consider the wishes of the potential trainees. If they express no interest in training and show no desire to learn new skills, a training program will not be practical.

Design and Contents of the Training Component

Training programs for IGPs can include:

> Orientation. Trainees will be introduced to the mechanics of the credit project, how to monitor and evaluate business activities, the importance of being a good borrower, and the principle of capital build-up.
>
> Entrepreneurship. Trainees will be taught how to start a business, including conducting feasibility studies, identifying sources of funding, projecting cash flows, and long-term business planning.

Business Management. A good business management course will teach the preparation of financial records, bookkeeping, marketing techniques, pricing of output, and production planning.

Technical Subjects. Examples include fruit and vegetable processing, food processing and drying, mushroom growing, miracle hole fishing, cropping techniques, and more.

Philippine organizations involved in IGP projects have developed a wealth of relevant training material for every type of IGP. In addition, many organizations sponsor training programs at both the implementing agency and beneficiary levels. Appendix B lists some sources of training information and materials.

When designing the training component, the PVO must consider the following critical questions:

Who will administer the training?

What materials are appropriate for the targeted audience?

When should training be presented?

How should the training be presented?

The Trainer

The most important element in a successful training program is the trainer. He/she must serve as a teacher, motivator, and counselor to the trainees. The trainer's credibility in these roles is crucial; the successful trainer will be skilled in the subject area. Ideally, he/she will be an entrepreneur who has made business plans, solved problems when the plans went awry, and made critical business

decisions. He/she will know how to manage a business and make business decisions.

A skilled trainer will also know how to start and operate a business in the area. He/she will know the extent of available resources, the legal procedures necessary for starting up, the problems that will be encountered along the way, and local business conditions. Finally, the trainer must be a strong leader. He/she must be able to inspire others with confidence, make creative suggestions, and communicate a desire for achievement.

While it may seem difficult to find an individual with all of these qualities, a PVO should strive to find such a trainer. Otherwise, the unasked, but always present, question from the trainees will be "If you know all of this, why aren't you running a successful business?" Starting a business is often an intimidating prospect for the potential entrepreneur. A credible and experienced trainer-motivator can help beneficiaries overcome their fears and start on the road to a successful business.

Training Materials

The design and presentation of training materials is another important element of every training program. Training materials should be geared to the level of the targeted audience. For example, trainees with low literacy levels may be presented with audio-visual presentations supplemented with printed materials at a very basic level. More sophisticated audiences may make use of textbooks. The contents of the materials, wherever possible, should be relevant to local experience. Case studies may be an appropriate teaching

device. Materials should be presented in the language with which the trainees are most familiar.

Schedule

The training schedule should be designed to fit around the schedule of trainees. If most of the trainees are employed, training sessions should be held at night or whenever trainees have free time. For unemployed groups, day sessions may be most appropriate. A well-scheduled training program will yield maximum trainee participation.

Techniques

Trainees should make use of training techniques that complement classroom instruction, for example:

- Meeting with graduates of this or related training programs
- On-site visits to successful businesses
- Group discussions
- Individual counselling sessions
- Case studies
- Role playing

These techniques will enhance the learning experience of trainees.

Training Course Evaluation

Trainee feedback is an important part of any training program. With this information, the organization can determine if the program was worthwhile and may identify ways of

improving future programs. An evaluation of the training course at its end will provide trainees with an opportunity to tell what they liked about the course and what they would change. This input can be used to redesign the training course to ensure greater relevance for participants.

Another way of evaluating the training course is by soliciting feedback from participants at least one year after they have completed training. At this stage, participants will know whether or not the course helped them in their business activities. In each type of evaluation, the implementing organization should adapt its method to the targeted audience. Examples of appropriate methods are personal interviews and questionnaires.

The Credit Component

A common component of all IGP programs is the provision of credit to project beneficiaries. In essence, the implementing agency takes on the role of a bank. In other words, project implementors must identify worthy recipients of loans, set terms for loan repayments, collect repayments, handle bad debts and, in some cases, set interest rates. Since the expertise necessary for running a credit program may be outside the usual skills of PVO personnel, hiring a person experienced in this area is essential if the implementing organization is to assist beneficiaries. Following the example of several successful IGP programs will help in establishing of a credit program. Table 2 summarizes some of the important factors in running a successful credit program.

Table 2. Guidelines for Managing A Credit Program

General

1. The borrower's business should be located in the IGP program's area of operation.

2. The borrower's business should be an activity in which the PVO has expertise.

Borrower Eligibility

3. The borrower is willing to repay the loan (good record with past loans, character reference, good motivation).

4. The borrower has the capacity to repay the loan (collateral, savings, good health, frugal spending habits, outside source of income).

5. The borrower has the skills necessary for running the business.

6. The borrower is unable to borrow from a formal financial institution.

Business Viability

7. The existing business must make enough money for the borrower to both draw sufficient income and repay the loan.

8. If the borrower is starting a new business, his/her plan must be technically and financially feasible.

Terms of The Loan

9. The frequency and timing of loan repayments are consistent with the projected cash flow of the borrower.

10. The scale of the loan is consistent with the size of the business and consistent with project needs.

11. Where applicable, loans are made in kind.

Guidelines for Developing Credit Programs

Four common factors link successful credit components in IGP programs. First, the geographic area wherein assisted businesses operate should be limited. By confining a program to well established geographical boundaries, the PVO can make frequent site visits, allowing staff members to identify businesses that may have trouble repaying loans while there is still time to help. A limited geographic area also means that the expense of repaying loans, both for borrowers and the PVO, is reduced.

Second, successful PVOs limit loans to those areas in which the PVO specializes. For example, a PVO specializing in small-scale industries would not make agricultural loans. By limiting the activities for which it will make loans, the PVO has a better chance of identifying viable businesses. Furthermore, when a business runs into problems, the PVO will have the expertise to help solve them.

Third, successful PVOs have excellent sets of criteria for evaluating potential beneficiaries and their businesses. The objective of establishing beneficiary criteria is to minimize the risk that the money will not be paid back and to ensure that the beneficiaries will use loans for their intended purpose. Beneficiary selection criteria of successful IGPs include:

> Determination of the beneficiary's willingness to pay. The IGP staff looks at the applicant's past loan record, character references from leading members of the community, and the applicant's motivation and aptitudes.

Determination of the applicant's capacity to pay. When possible, some form of collateral should be required of applicants. The applicant's health, past payment records if they exist, level and sources of income, spending habits, and skills should be examined.

Lack of access to credit market. Applicants to IGP credit programs should be those community members who do not qualify for loans from formal institutions.

Beneficiary selection criteria used by several successful IGPs are listed in Appendix C.

In addition to examining the creditworthiness of beneficiaries, the successful IGP should examine the viability of the proposed activity. In cases of micro-enterprises such as limited resource vendors, this analysis may be minimal, including only a site visit to determine that the activity exists and a comparison of the vendor's costs to his revenues. Small-scale industries may require a full-blown feasibility study. In all cases, the lender should determine that the borrower has the skills necessary to run the business for which the credit is extended. Credit should be granted to enterprises exhibiting profitability and long-term viability.

When establishing terms of credit, successful PVOs show maximum flexibility and creativity. The frequency and timing of loan repayments should be consistent with the projected cash flow of the borrower. For example, an ambulant street vendor may pay back his loan every day, while a manufacturer may pay every cycle. Farmers may be given two to three crop seasons to pay back the loan. As incentives, IGPs may offer rebates for early payments and penalties for late payments.

The size of the loan should be consistent with the size of the business and adequate to meet business needs. For example, a loan request for P20,000 to be used as working capital for a business with assets of P5,000 should be questioned, though it may be justified. On the other hand, a new business may need a relatively large loan to become viable. Loans need not be made in cash. Some PVOs have provided in-kind loans with great success. When using this method, the borrower should count the cost of procuring and delivering commodities as part of the loan. Appendix D presents the credit policies of several successful IGP programs.

Other Issues in Credit Programs

Interest Rates

One of the primary objectives of IGPs is to provide credit at competitive rates to members of the informal sector who have no access to formal credit institutions. Sometimes PVOs must determine these rates. In general, subsidized interest rates do not help beneficiaries reach self-sufficiency, since they artificially lower the actual cost of their business activities, making activities not sustainable at market interest rates seem viable. Furthermore, subsidized interest rates encourage fraud as borrowers who are ineligible for the program try to get cheap credit.

It is more difficult to sustain a credit fund when money is lent at subsidized rates that do not cover administrative cost. In most cases, the IGP interest rate should be set at the prevailing market interest rate or, in the case of cooperatives, at the minimum rate that will encourage membership contribution.

Administrative cost should be included in the interest rates. For cooperatives, all financial costs should be included. For PVOs, beneficiaries should gradually work from initially paying zero administrative costs to full recovery as outside assistance is phased out. An additional percentage should be included to cover business risk.

Community Credit Structure

In many IGPs, an important component of the project is establishing a sustainable community credit structure which will take over the role of the implementing agency after the project is completed. This is particularly true of cooperative projects, which usually place a top priority on achieving this objective. A first step in this process is the creation of a community group willing to work together toward this goal; members of the group will usually be project beneficiaries. The group may receive organizational and leadership training. Another necessary step is capitalizing the organization. This can be done by allocating some portion of members' loan repayments to this purpose. Institutionalizing credit programs is important if the IGP activity is to be sustained beyond the life of the project.

Technical Assistance Component

Technical assistance in IGP programs means providing long-term support to project beneficiaries as they establish and run their IGPs. It is an ongoing activity, occurring after beneficiaries have graduated from training programs, after credit has been provided and, in some cases, even after the IGP program is completed. Technical assistance in IGP

programs can take three forms: business counseling, essential services, and the introduction of production technologies.

Business Counseling

Business counseling is an important way of ensuring project success. As part of an IGP program sponsoring small-scale enterprises, a counselor may be assigned to each entrepreneur. The counselor should be an expert in business management and familiar with the local problems facing small entrepreneurs. By paying periodic visits to an individual entrepreneur, he/she can help with problem solving and spot potential problems before they threaten the existence of the enterprise. IGP programs which supply this form of counseling often have much higher rates of success than those which do not.

Essential Services

Technical assistance can include providing essential services that increase IGPs' chances of survival -- for example, marketing assistance or organizational services such as collective marketing. These services link project beneficiaries to buyers who can offer better terms for their products. Summarily, procurement services can help guarantee small entrepreneurs a steady supply of vital inputs for their businesses.

New Production Technologies

Another form of technical assistance is the introduction of new production technologies to project beneficiaries. These technologies, which may be agricultural or industrial,

are usually labor-intensive, with low investment and operating costs. The IGP program of the Filipinas Foundation develops appropriate labor-intensive technologies and teaches them to interested entrepreneurs. These include limited resource mushroom growing and labor-intensive coconut oil processing. Table 3 gives examples of technical assistance for different types of IGPs.

The provision of technical assistance augments the more formal training and credit component of an IGP program. It provides an ongoing link with project beneficiaries.

Table 3. Forms of Technical Assistance for IGP Programs

1. Limited Resource Enterprises

   Individual counseling for training-graduated and credit recipients

   Provision of marketing services

   Large-scale input procurement packages

   Introduction of labor-intensive technologies such as soap making from coconut oil by cold process and papermaking

2. Agriculture

   Introduction of high-yielding varieties of traditional crops

   Provision of extension services

   Training in the use of new cropping techniques

   Introduction to specific appropriate technologies developed in the Philippines, such as mechanical feed mixer, improved raw seeding, use of a peanut sheller, making fish protein concentrate

   Training in marine harvesting of oysters and mussels

   Introduction to modern aquaculture technologies

IV. THE IMPORTANCE OF ECONOMIC AND FINANCIAL MANAGEMENT

The IGP Program

Successful IGP programs adopt good economic and financial management practices. An IGP program should be run like a business, despite the fact that implementing organizations are often non-profit and rely on outside sponsors for funding. An IGP program manager who thinks like a business person will:

> Consider items purchased with funds donated by sponsoring agencies as costs rather than "free resources"
>
> Examine alternative methods for achieving program objectives and use the most cost-effective method
>
> Operate according to a budget which is reviewed frequently
>
> Employ standard economic and financial tools for planning and implementation of the program

At the outset, it is important to understand the difference between economic and financial analyses. Economic analysis focuses on the contribution an activity makes to the national economy. The purpose of this type of analysis is to ensure that an activity contributes more resources to the economy than it uses and that its positive contribution is greater than that of alternative activities -- in other words,

that the program is doing its best. Financial analysis focuses on the expenditures and returns of a particular activity. Its purpose is to be sure that the cash flowing in is greater than the cash flowing out and that sufficient cash will be available to pay expenditures as they occur.

Assessing the Economic Costs and Benefits of The IGP Program

An important part of designing an IGP is assessing its economic costs and benefits. Development funds in the Philippines are scarce relative to the need that exists for them; for an IGP to be viable, its benefits should far outweigh its costs. To make this determination, the project planner must first understand what is meant by economic costs and benefits.

Economic Benefits

The primary economic benefit of an IGP is increased income to the project beneficiary as his/her business expands. While it may seem that only individual entrepreneurs will enjoy these benefits, their increased income can benefit their communities.

An entrepreneur with increased income will usually pump this money back into his/her business to expand the scope of the operation. The entrepreneur may create new jobs and draw more heavily on the goods and services provided by other community members. This increased economic activity can, in turn, lead to more jobs and more opportunities for other entrepreneurs. These "multiplier effects" can lead to an economic boom for a community if enough entrepreneurs are successful in expanding their businesses.

Linkages to the community are another important economic benefit of IGPs. For example, a sari-sari store merchant will go outside his community to purchase coca cola, cigarettes, and other goods which he sells. This creates a "backward linkage" to the middlemen who provide these goods and the producers who make them. Similarly, a producer of capiz products uses the services of the middlemen who sells his/her product to retail merchants or exporters -- a "forward linkage." Forward linkages can introduce beneficiary communities to new market information, sources of credit, and technologies. Linking a community to the larger national economy opens the door to further economic expansion.

In addition to job creation, increased income, stimulation of the local economy, and linkages to the national economy, an additional economic benefit of IGPs is increased productivity as new technologies are introduced that make more efficient use of labor and other production factors.

Socio-Political Benefits

Secondary effects of IGPs are the socio-political benefits to the local community. The principal social benefit is in terms of equity. Small entrepreneurs from poor communities who lack the opportunities available to their richer counterparts are given a chance to improve their economic condition. Street vendors in Manila who are unable to borrow in capital markets are given access to relatively low interest loans. Poor farmers are introduced to new technologies that can help increase yields.

Other socio-political benefits may include:

Increased leadership capabilities

Political linkages to local and national elite groups

Improved standards of living for the entrepreneurs and their communities

An increased capacity to develop and sustain local institutions

To the extent that these benefits exist, they should be secondary in importance to both the beneficiary and the IGP program. The primary measure of a successful IGP is the creation and sustainability of financially liable businesses, which generate increased income and create employment.

Economic Costs

The economic costs of an IGP program are the resources used in procuring economic benefits. These resources include standard items which appear in the program budget, such as training facilities, office equipment and supplies, salaries of program staff, and vehicular expenses. They also include items contributed free to the project, such as the time of volunteer workers or donated supplies. Both categories or items are costs to the program because they are "used up" and thus are not available for any other use in the economy.

$$\frac{\text{Total Program Costs}}{\text{Number of Beneficiaries}} = \text{Per-beneficiary cost}$$

Comparing Economic Costs and Benefits

Once the economic costs and benefits of a program have been identified, it is time to assess them in relationship to each other. In general, this type of economic analysis

compares the value of benefits to the value of costs and determines whether the benefits are large enough to justify the costs. However, because the benefits of IGP programs are difficult to value, such straight-forward analysis is not possible. Putting a value on employment and other more nebulous benefits, such as political linkages and quality of life, is something that even trained economists may avoid. Therefore, methods other than standard benefit-cost analysis should be used.

One very good indicator of the economic viability of a PVO program is the "per-participant cost" measure. This measure looks at the unit cost of sponsoring an entrepreneur by dividing the program costs by the number of participants in the program. It is important to remember that all costs other than monetary expenses to the program, such as volunteer labor, should be valued at their cost if they were purchased.

This relatively simple form of analysis has many useful variations:

> Annual per-beneficiary costs as a planning and monitoring tool. As part of the project design, IGP planners can determine the annual per beneficiary cost. These figures can be used to monitor the project; the actual cost per beneficiary can be compared to the projected cost per beneficiary. The cost per beneficiary should decrease from one year to the next after adjustments for inflation.
>
> Per-beneficiary cost as an evaluation tool. The per-beneficiary cost indicator can be varied slightly as an evaluation tool. For example, a PVO may wish to know the cost per beneficiary who successfully completed training or who established a business remaining in operation for three years or more.

Per-beneficiary cost as a comparative tool. If a PVO runs more than one IGP program, it may wish to compare the per beneficiary cost for each program as a measure of program efficiency. When using per-beneficiary cost in this way, it is important to consider other factors that may influence costs, such as the added expense of getting supplies and personnel to a remote village.

Financial Analysis Tools for IGP Programs

As mentioned above, the successful IGP program will be run like a business, with revenues and costs like any other business. However, an IGP program's revenues will include funding from outside donors, plus any fees charged to beneficiaries for services, instead of cash from sales of goods and services. When considering the revenues and costs of the IGP program, the program manager should employ three fundamental financial management tools: the cash flow, the balance sheet, and the income statement.

Many older successful PVOs have a full-time accountant, proficient in the use of financial management tools. For organizations that cannot afford a full-time accountant, there are many sources of information on financial planning, including a series of case studies prepared by The Business Resource Center at the Notre Dame of Dadiangas College. Though these materials were designed for IGPs, they will also be useful to organizations sponsoring IGPs. These and other sources can be accessed through the USAID Mission.

Cash Flow

Inflows will include funding and fees from project beneficiaries. Outflows are the costs of the program. A cash

flow is used for planning to ensure that cash will be on hand when expenses must be paid. Projected inflows for a given period, usually a year, are compared with projected outflows. A cash flow can also be used for evaluating the program's cash-on-hand situation. At the end of a year, cash expenditures are compared to cash inflows; the remainder is tabulated. By analyzing the cash flow, the program manager can see when the program is running low on funds, identify expenditures that may contribute to the shortage, and find solutions before the program is jeopardized.

To complete a cash flow analysis, the following steps must be followed:[1]

1. List cash inflows. These include funds from donors, money borrowed from other sources, sales of any assets of the organization, and fees from beneficiaries. In credit programs, repayments of loans by beneficiaries plus interest are an inflow.

2. List cash outflows. These include expenses and purchases of assets. In credit programs, loans made to beneficiaries are an outflow.

3. Identify when cash flows come in or go out.

4. Examine timing: cash inflows minus cash outflows at specific times.

5. Identify any consequences of current cash flow patterns.

6. Identifying constraints -- cash inflows and outlows that cannot be changed.

7. Identify those cash flows which can be changed.

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1. From A Cash Flow Case Study, prepared by The Business Resource Center Marist Brothers, Notre Dame of Dadiangas College, General Santos City.

8. Establish a plan for positive cash flow.

Table 4 shows an example of a cash flow statement.

The Income Statement

An income statement is a financial report that summarizes the revenues and expenses of a program during an accounting period (i.e., monthly, quarterly, or annually). It shows the results of the program's operations during the period. Net income is left over after expenses incurred in delivering beneficiary services have been deducted from the revenues earned. Table 5 shows an example of an income statement.

The Balance Sheet

The balance sheet shows assets and liabilities at the end of each accounting period -- usually a year. It indicates the financial condition of the program during the period. Table 6 shows an example of a balance sheet.

Financial Planning for IGP Beneficiaries

The successful IGP program sponsors limited resource businesses that make profits, and in time, become self-sufficient, no longer needing special help from an implementing agency. It is the responsibility of the IGP program to impart to beneficiaries those technical skills necessary for running a profitable business.

The tools needed by entrepreneurs will be somewhat different from the tools outlined above for IGP programs. First, while the IGP program's objective is economic development, the entrepreneur is primarily concerned with making a profit. He/she does not need to be concerned about the effect

Table 4. Example of Cash Flow Statement

J. De Vega Trading
Cash Flow Statement
For Year Ending December 31, 1983

Sources of Cash:		
From Operation:		
Cash Inflows -		
Collections of Accounts Receivable -		₱330,000.00
Cash Outflows -		
Payment of Accounts Payables	₱250,000.00	
Payment of Wages and Salaries	50,000.00	
Payment of Interest on Mortgage	6,000.00	
Payment of Miscellaneous Expenses	18,000.00	324,000.00
Net Cash Inflow from Operation		6,000.00
Investment by Owner		25,000.00
Proceeds of Loan		75,000.00
Total Sources of Cash		106,000.00
Uses of Cash -		
Purchase of Facilities		120,000.00
Net Decrease in Cash for 1983		₱ 14,000.00

Source: A Cash Flow Case Study, prepared by The Business Resource Center, Marist Brothers, Notre Dame of Dadiangas College, General Santos City.

Table 5. Example of an Income Statement

Dela Cruz Store Income Statement For the Month Ended August 31, 1985		
Sales		PXX.00
Less: Cost of Sales		XX.00
Gross Profit from Sales		PXX.00
Less: Operating Expenses	PXX.00	
Salaries	XX.00	
Rent Expense	XX.00	
Electricity	XX.00	
Telegram and Telegraph	XX.00	
Taxes and Licenses	XX.00	
Supplies	XX.00	PXX.00
Net Profit from Operation		PXX.00
Add: Other Income	PXX.00	
Interest Income	XX.00	XX.00
Net Income/Loss		PXX.00

Source: Financial Statements. Prepared by The Business Resource Center, Marist Brothers, Notre Dame of Dadiangas College, General Santos City.

Table 6. Example of a Balance Sheet

Dela Cruz Store
Balance Sheet
August 31, 1985

Assets: (Arranged according to Liquidity)		
Cash		P XX.00
Accounts Receivable		XX.00
Inventory		XX.00
Store Equipment and Furniture		XX.00
Building		XX.00
Land		XX.00
Total Assets		PXXX.00
Liabilities and Capital:		
Liabilities		
Accounts Payable		P XX.00
Notes Payable		XX.00
Loans Payable		XX.00
Total Liabilities		PXXX.00
Capital		
Dela Cruz, Capital	PXX.00	
Add: Income for the Period	XX.00	PXXX.00
Total Liabilities and Capital		PXXX.00

Source: Financial Statements. Prepared by The Business Resource Center, Marist Brothers, Notre Dame of Dadiangas College, General Santos City.

of his/her activity on the larger economy. Therefore, economic planning tools are not a necessary part of the entrepreneur's financial arsenal. Second, since most entrepreneurs aided by IGP programs already have experience running their own businesses, they will usually have an intuitive sense of cash flow needs and the profit-loss situation of their enterprises. Learning how to use formal financial tools may not be a top priority for them. For example, the man who sells newspapers at an intersection in Makati knows that he must pay P20 every day to purchase his supplies. He knows at the end of the day he will have earned back his original P20 and made an additional P20 to cover his costs and profit. While he may sometimes need a loan to cover the initial P20, he does not need to write down a formal financial plan.

As micro-enterprises expand operations, entrepreneurs may develop a need for more formal financial planning. At this point, it becomes appropriate to train entrepreneurs in cash flow analysis, financial statements, good bookkeeping techniques. If the newspaper man employs other curbside sellers, he must keep track of his cash outlays and revenues. At this stage, formal planning must become part of his operation.

Other Financial Planning Needs of IGPs

While many micro-entrepreneurs may not need formal financial tools, they nevertheless need to be aware of some of the underlying tenets of formal analysis. Awareness of these principles may make the difference between businesses success or failure.

One of the reasons businesses use financial analysis techniques is to be sure that they are getting the maximum

return on the money they invest. Micro-entrepreneurs should also be aware of alternative investment opportunities. The newspaper merchant knows that each day he invests ₱20 and earns ₱20, leaving a ₱20 profit. However, it may be possible to invest ₱20 and, using the same skills, earn ₱60 if he changes some aspect of his operation; for example, selling magazines instead of newspapers or selling at a different location.

Micro-entrepreneurs must also be aware that their assets depreciate over time. The tools of a shoe repairman will eventually wear out and need to be replaced. At the time of replacement, the entrepreneur will have to make a relatively large outlay of cash, which may not be readily available. Therefore, he/she must learn to put aside funds to be used for replacing equipment, as well as for maintenance and repairs. Establishing this type of fund is a necessary part of doing business. Not planning for these expenditures can lead to problems or business failures.

Marketing

Attention must also be paid to marketing concerns of limited resource entrepreneurs, such as pricing, identification of potential buyers, and quality control. While program beneficiaries who are experienced business people usually will have good marketing instincts, those entrepreneurs with less experience may need training in marketing their products to the greatest advantage.

Market Research

An enterprise must have an outlet for its product. Usually, with limited resource entrepreneurs, the principal

market will be in the local community. For these entrepreneurs, the proper location of operation may be the major marketing concern. However, in some cases, such as oyster harvesters and producers of decorative baskets, the market will be outside the local community. The producers must be certain that sufficient buyers exist for the product and that reliable transportation exists for gaining access to them. In cases where many limited resource entrepreneurs produce the same product (oyster harvesters are a good example), they may wish to form a marketing organization for market identification and distribution. This is particularly important when the products are for export.

Pricing

Most experienced entrepreneurs will have a good sense of what price they need to charge to make a profit. Business people who are starting out for the first time must understand the concept of pricing and its importance for the financial viability of their operations. In particular, the new entrepreneur must ensure that the prevailing price of his/her goods is higher than the cost of producing it.

Quality

Another important concept, which experienced entrepreneurs will know, is that of quality control. Quality, in both service and product, assures the return of a customer. The merchant who sells a customer a bad fish or shortchanges him may never again see that customer. Consistency in quality is important for producers of a good, particularly for the export market. Handicrafts going to the United States must meet the standards of that market.

Good marketing practices can be an important factor in the success of limited resource entrepreneurs. For those beneficiaries who need assistance in any of the marketing techniques described above, appropriate training and technical assistance should be provided.

V. TYPES OF IGP PROJECTS

Agricultural IGPs

Description

Rural IGP programs provide assistance to limited resource farmers or farm workers, introduce agro-forestry projects to upland regions, sponsor small livestock projects, and help limited resource fishermen with purchases of equipment, harvesting, and marketing their catch. IGP programs in the rural areas work primarily with cooperatives, moshavim, or other groups, rather than individuals. There are two reasons for this: (1) products are more efficiently processed and marketed by a group than by individuals, and (2) not all fishermen and farmers are entrepreneurs, but usually one of two individuals with entrepreneurial skills will emerge as group leaders. IGP programs in rural areas usually have a technical assistance component; for example, teaching limited resource farmers to improve production techniques. The rural IGP will also have a marketing component, which may include improved techniques for processing output and help in identifying marketing channels. Credit is frequently provided to help beneficiaries in their productive activities.

Case Studies

The Cooperative Rural Bank of Negros Occidental, Inc. (CRB)

Among its many activities, the CRB works with samahang nayons, marketing and trading cooperatives whose members are small farmers with average holdings of one or two hectares. The services offered by the CRB include farm management services, production credit, and marketing of palay. Under the farm management component of the project, each samahang nayon takes over the direct management of farmlands, training owners in management and planning. The credit component provides each member with cash for land preparation, family subsistence, and in-kind provision of supplies. Upon harvest, the samahang nayon liquidates its members' rice harvest immediately, allowing each farmer to pay back his/her loans. This helps free farmers from the high rates of interest and delayed payments often experienced with traditional marketing and credit arrangements.

The samahang nayon serves as the intermediary between the farmer and the CRB. It takes over functions, such as credit management and marketing, that individual farmers cannot perform efficiently. The overall purpose of this IGP program is to help organize farmers into self-sufficient and profitable cooperatives.

Hog-A-Home Project: Livestock Production

In this IGP program sponsored by the PRIDE Program in Surigao Del Norte Province, qualified beneficiaries receive a gilt (female piglet). Each beneficiary must provide a pigpen,

attend a seminar in hog raising, and plant crops used as hog feed.

Project beneficiaries are expected to breed their hogs. They sell some hogs to pay the cost of raising them and to generate income for the family, and retain some for future breeding. Livestock projects of this type are usually a means of supplementing family income and training the responsible family member in entrepreneurial skills.

Non-Agricultural IGPs

Description

Non-agricultural IGP programs deal primarily with individual entrepreneurs who own and operate businesses, such as trading, services, and small industry. The IGP program identifies entrepreneurs in the community of operation, provides them with credit, trains them in management skills, and provides technical assistance in production techniques, marketing, and other relevant areas.

Case Studies

The Metro Manila Livelihood Program (MMLP)

The MMLP was developed and implemented by Philippine Business for Social Progress (PBSP). It seeks to meet the income and employment needs of urban slum dwellers through assistance to micro-enterprises located in slum areas. MMLP provides entrepreneurs with credit to create new enterprises or expand old ones. The program provides loans from ₱100 to

₱10,000 to local entrepreneurs as capital for income-generating activities. Entrepreneurs are given formal and on-the-job training in credit education, value formation, and small business management skills. Another goal of the program is to create a formal community structure in each of the four areas where the program is operating, which can continue and manage the program after PBSP phases out.

Tahanang Walang Hagdan(TWH)

This IGP program is run for and by the orthopedically handicapped. It is moving toward economic independence: only 30 percent of the operating expenses are paid by charity; the other 70 percent is earned. Handicapped employees, who receive salaries and a share of profits, work in the organization's factory, where they produce wheelchairs, needlecraft, and woodwork products for local department stores and export.

TWH, which began as a charity, has been able to move toward economic viability because of innovations that led to increased sales. First, the workers were taught the importance of quality control; their products became consistent in quality and met the standards of the high-priced markets. Second, concepts of costs controls were adopted by the plant management, allowing for strict adherence to the annual budget. Third, workers were given a say in management policy and a share in company profits.

TWH is an excellent example of an IGP program that has moved from dependence on outside subsidies to financial independence because of the adoption of professional management techniques.

Tulay Sa Pag-Unlad, Inc. (TSPI)

TSPI is a PVO with a mandate to transfer business knowledge, skills, and capital to enterprises with proven potential for employment creation and income generation, and to instill in its participants the values of entrepreneurship and accountability. TSPI focuses on limited resource enterprises using labor-intensive technologies or generating additional family income, that are located in Metro Manila and nearby provinces in Central and Southern Luzon.

TSPI offers the following services to its clients: credit for business expansion and income-generating projects; training in skill enhancement, attitude building, and small business management; and periodic consultancies by experienced business people. The types of business assisted include services, small industries, handicrafts, agriculture, and aquaculture. During its first three years, TSPI assisted 120 small businesses with technical training and expansion loans amounting to ₱4.8 million. These activities have resulted in the creation of 630 new jobs.

VI. THE DESIGN AND IMPLEMENTATION OF AN IGP PROGRAM

Program Design

An IGP program cannot be successful without a good program design. The implementing agency should plan in advance as many of the details of the program as possible. A good design will not only facilitate program implementation, but will also help attract donors.

Preconditions of Program Design

The implementing agency should conduct a needs assessment as a precondition to program design. The purpose of a needs assessment is to determine if, in a chosen program site, conditions are good for conducting an IGP program. Though many areas of the Philippines are in need of development assistance, not all will benefit from an IGP program. A needs assessment helps the donor organization ensure that an IGP program is the appropriate intervention for the beneficiary community.

A needs assessment starts with a site visit to the potential beneficiary community. Representatives of the implementing organization should meet with community leaders and assess the socio-economic conditions of the area. The

following conditions should be present for an IGP program to be successful:

> Access to basic infrastructure and services. Businesses with steady and reliable access to utilities and other services have a better chance of succeeding than those where services are sporadic. Of particular importance are good roads, which give entrepreneurs easy access to raw materials and markets.
>
> Markets easily accessible to project beneficiaries. An entrepreneur must have a market for his/her products. A good IGP program site will have well defined and easily accessed markets.
>
> A growing local economy with increasing incomes. As an economy expands, so does the demand for goods and services. Increased demand means growing enterprises and a good environment for starting new enterprises.
>
> Adequate provisions for basic human needs. Communities that have not adequately provided for health, nutrition, and education must make this their first priority in terms of development programs. Where these needs are not satisfied, other conditions for a healthy business environment may not exist.
>
> An entrepreneurial tradition. The community must encourage and support entrepreneurship for an IGP program to be successful.
>
> An openness to outsiders coming into the community. If program initiators must fight suspicion and distrust, the larger objectives of the program will only be met with great difficulty.
>
> Peace and order. Communities experiencing civil unrest frequently are not a good environment for an IGP program. The disruption and uncertainty associated with civil unrest do not foster new business development.

If most or all of these conditions exist, the community may be a good site for an IGP program.

The next step in assessing the need for an IGP program is identifying the target group. Meetings, initiated by local entrepreneurs, with community leaders, the local chamber of commerce, and other business associations will help to identify those who can best benefit from the assistance of an IGP program. Local banking facilities and existing credit programs should be reviewed.

Finally, the implementing agency must determine that there is a match between its skills and the needs of the community. The staff of the organization should be familiar with local problems and able to communicate with local people. Furthermore, the expertise of the staff should be appropriate to the community's needs. The PVO may wish to relocate some of its existing staff and secure new and appropriately trained staff. If no match is possible, there should be no project.

The results of the needs assessment should be summarized in a paper describing the local conditions, the community problems that could be solved by an IGP program, the characteristics of potential beneficiaries, and the approach of the organization to solving these problems. The paper should be circulated to staff members, knowledgeable outsiders, and potential donors for comments and suggestions.

Program Design Paper

After the needs assessment has been approved, the design of the project can begin. The design should be presented as a paper which should address the following issues:

1. Project objective, purpose, inputs, and outputs

Overall objective of the project, such as improving the socio-economic status of beneficiary communities

Description of project beneficiaries

Project goals (more specific), such as increasing beneficiaries' incomes and alleviating unemployment

Inputs necessary to achieve project goals

Outputs that will result from project activity

Indicators of attainment of project goals

USAID requires this type of analysis, which is called "project design summary: logical framework. Even if the project does not receive USAID funding, this way of thinking about the project will clarify the project objective and the way it will be achieved.

2. General description of the project

Project components

- Selection of beneficiaries
- Training
- Credit, including procedures for loan application and disbursement
- Technical assistance

Critical assumptions

- Degree of government involvement
- Availability of personnel and commodities
- Degree of local participation

3. Project management plan

Project activities

Where, when, and how implemented

Staff member(s) responsible

- Timetable of activities, by month
- Organization's chain of command
- Responsibilities of each staff member

4. Description of implementing agency

- History
- Mandate
- Principal sources of funding
- Relevant past experiences

5. Financial and economic feasibility

- Economic costs and benefits of the project
- Financial feasibility of the project
- Cash flow analysis of the project

6. Plan for monitoring and evaluation

- Who will perform these functions
- When they will be scheduled
- Indicators to be used for measuring project accomplishment

7. The budget

A budget should be presented for each year of the program's life showing a detailed breakdown of project expenses and the administrative costs of running the program.

Although a project design document will be required by donor organizations, that is not the only reason for preparing it. The exercise of writing down all of these elements will clarify project ideas and provide guidance during project implementation.

The Office of Food for Peace and Private Voluntary Cooperation provides Project Proposal Form and Proposal Writing Guidelines for implementing agencies applying for USAID funding.

Project Implementation

Pre-Implementation Phase

After the IGP has been designed, approved, and funded, a number of activities must take place before the implementing agency begins working with project beneficiaries. First, a promotional campaign must be initiated to inform potential beneficiaries of the project's existence and purposes. Local community leaders and implementing agency staff should be recruited for this task. The implementing agency also may run radio announcements or newspaper ads. A poster campaign in the area may be a good method for attracting attention to the program.

Second, materials and systems to be used during project implementation should be designed. Well-defined criteria for beneficiary selection and a credit policy on loan size and repayment methods should be developed and publicized. Training materials and course formats should be designed based on the needs and educational level of potential beneficiaries; if existing materials are to be used, they must be identified and assembled. Trainers should be selected, following the guidelines in Chapter III, and familiarized with the program. By paying careful attention to the design of program components before involving beneficiaries in the process, the implementing agency increases the chances for program success.

Third, staff members should be trained in the principles of community development and specific technical skills needed in the project. Staff members will need to understand the objectives of the program and what is expected of them in terms of program responsibility. They should also have input into the design of the program components as they are being developed. Involvement in all aspects of program design and development will motivate staff to make the best possible contribution.

Finally, a trial run using a sample group of beneficiaries should be made to see if all the systems and materials are functional. The organization should strive to make this trial run as successful as possible, since other potential beneficiaries will be watching to see what the program has to offer them. This is the time to correct any faulty systems or procedures and to pinpoint where budget cuts and economizing are appropriate. Feedback from the trial run can produce changes critical to a program's success.

It is important at this stage, as well as throughout the implementation process, to work slowly and plan well. Implementing agencies that hurry to dispense money and other services to beneficiaries may fail to reach objectives and discourage other potential beneficiaries.

Implementation

IGP monitoring consists of periodic gathering of data and information about the status of the project. It goes on at two levels: (1) monitoring the individual activities of project beneficiaries and (2) monitoring the IGP program itself.

During program design, a monitoring system should be developed that will be used throughout the implementation process. Baseline data on project beneficiaries and the community should be collected for comparison as the program progresses. Throughout implementation, periodic monitoring is a basic tool for measuring the attainment of project goals. It provides basic information for decisionmaking and an early warning system for possible implementation problems, allowing the IGP staff to correct the project's direction.

Monitoring of project beneficiaries should be kept simple. The easiest method is to closely supervise loan repayment. Late repayments may indicate other problems that can be solved with early intervention. Periodic site visits also can be helpful in monitoring beneficiary progress. A beneficiary who has little business or has other problems may be discovered and aided in this way. Table 7 includes indicators to be used in monitoring individual IGPs. It is important to collect the necessary information at regular, frequent intervals.

Table 7. Indicators for Monitoring of IGPs

1.	Increased net worth of the business
2.	Increased sales levels
3.	Longer hours of operations
4.	Expansion of the business
5.	Improved cash flow
6.	Job creation
7.	Purchase of new equipment and/or well maintained old equipment
8.	Timely repayment of loans

Monitoring of the IGP program should be frequent enough to spot problems before it is too late to correct them, usually quarterly. Like beneficiary monitoring, the process should be kept simple. Actual program results for a given period should be compared to results projected in the program design plan. Some indicators that can be used in this comparison include:

> The number of beneficiaries to be reached by a certain date
>
> The total amount of credit (in pesos) to be disbursed by a certain date
>
> The amount of total program budget to be spent by a certain time
>
> The total number of new businesses created by project beneficiaries by a certain time

When the actual output falls behind projected output, the problem should be analyzed and steps to correct problems should be taken.

The Office of Food for Peace and Voluntary Cooperation has published a booklet entitled "Monitoring and Evaluation of PVO Projects," which can assist IGP staff in structuring monitoring systems.

Evaluation of the IGP

Project evaluation studies the finished project in terms of goals and objectives set forth during the design stage. A thorough IGP evaluation will look at the performance of the implementing agency and the assisted beneficiaries in terms of

changes in income, employment, and quality of life. Indicators similar to those used for monitoring will help in the evaluation process. However, other indicators measuring the impact of the program on the larger economy will be useful. They include:

- The number of enterprises in operation three years after program intervention
- The number of new jobs created through program intervention
- Increased income in the beneficiary community due to program intervention

The objective of evaluation is to understand why changes have occurred, whether they are beneficial, and whether they are likely to continue. The evaluation also should examine the efficiency with which external resources were disbursed and absorbed by the beneficiary community. From this analysis, lessons can be drawn to help the implementing agency design future IGPs.

The evaluation should be conducted by an independent organization. While the staff of the implementing organization may provide information and act as a liaison with the beneficiary community, the final conclusions should be drawn independently by the outside observer. Funds should be allocated for the evaluation during program design; an independent contractor should be identified in advance.

Conclusion

This Sourcebook has presented information on critical elements in the design and implementation of an IGP program. It is intended to get the potential implementing organization

thinking about how it can most effectively establish an IGP program. More detailed information can be obtained from sources listed throughout the Sourcebook and in the appendices.

APPENDIX A

ORGANIZATIONS SPONSORING IGP PROGRAMS

APPENDIX A. ORGANIZATIONS SPONSORING IGP PROGRAMS

Organization	Address/Phone	Contact
1. CARE/PHILIPPINES	14th Floor, Victoria Bldg. U.N. Avenue, Ermita, Manila 521-0186	Orlando Abelgas Assistant IGP Manager
2. BENGUET CORPORATION FOUNDATION, INC.	16 Kisad Road, Baguio City 442-3049	Nelly E. Alabanza Executive Director
3. TULAY SA PAG-UNLAD, INC.	Suite A&B, Padilla Building Emerald Avenue, Pasig, MM 673-6452	Eliseo M. Lademora, Jr. Executive Director
4. PROJECT COMPASSION	Nayong Pilipino Mia Road, Pasay City, MM	PIO. P. Almodiel Deputy Director
5. IGOROT COMMUNITY ASSISTANCE PROGRAM, INC.	362 Magsaysay Avenue Baguio City	Rev. Jose N. Dangao
6. DEVELOPMENT OF PEOPLE'S FOUNDATION, INC.	P.O. Box 251 Bajada, Davao City 78-154	Sony I. Chin Administrator
7. PARTNERSHIP FOR PRODUCTIVITY PHILIPPINES	7-E, Vernida I 120 Amorsolo Street Makati, MM 89-14-70/89-14-16	Jovita D. Culaton General Manager
8. A. SORIANO FOUNDATION	A. Soriano Aviation Andrew Ave., Pasay City, MM 833-86-81	Joy C. Suan Executive Director
9. POPULATION CENTER FOUNDATION	South Super Highway Makati, MM 86-64-74/867-71-16	MA. Lourdes Quisumbing-Baybay Senior Project Officer

10. BUSINESS RESOURCE CENTER	Notre Dame of Dadiangas Col. Maust Avenue, Gen. Santos City 3252	Maria Luz Diaz Data Bank Chief
11. NEGROS ECONOMIC DEVELOPMENT FOUNDATION	Ana Go Building 6th Street, Bacolod City 28-953/23-005	Pacifico R. Burgos Assistant Executive Director
12. PHILIPPINE BUSINESS FOR SOCIAL PROGRESS	4th Floor, Yutivo Bldg. Dasmarinas, Binodo, Manila 49-82-23	Antonio R. Tegillos Program Officer
13. CATHOLIC RELIEF SERVICE	CBCP Building 470 Gen. Luna Street Intramuros, Manila 40-15-57/47-55-91	Hermeraldo R. Catubig Operations Manager
14. FOUNDATION FOR EDUCATIONAL EVOLUTION & DEVELOPMENT, INC.	3rd Floor, Valderrama Bldg. Esteban Street Legaspi Village, Makati, MM 85-44-71	Marietta Primicias Goco President
15. SAVE THE CHILDREN	San Jose Street Molo, Iloilo City 7-16-88	George V. Jover Project Director
16. SAINT LOUIS EXTENSION INSTITUTE FOR SMALL SCALE INDUSTRIES FOUNDATION	Saint Louis University Bonifacio Street Baguio City 442-3043	Erlinda T. Manapol Executive Director
17. SILLIMAN UNIVERSITY	University Residence Center Dumaguete City 23-97	Rowe V. Cadelina Director
18. RAMON ABOITIZ FOUNDATION, INC.	35 Lopez Jaena Street Cebu City 74-495	Esterlita G. Flores Loans Officer
19. MOTHER ROSA MEMORIAL FOUNDATION	Calle Liongson, San Jose San Simon, Pampanga	Illana V. Zamar Training Coordinator
20. MINDANAO BAPTIST RURAL LIFE CENTER	Box 94, Davao City 7-52-73	Harold R. Watson Director

21. SMALL ENTERPRISES RESEARCH AND DEVELOPMENT	Virata Hall, Jacinto Street U.P. Diliman, Quezon City 99-70-76 to 79	Arlene Eleanor Liberal Assistant Treasurer
22. TAHANANG WALANG HAGDAN	Aida Street, Marick Subd. Cainta, Rizal	Ruby Gonzales
23. PHILDHRRA	47 Matrinco Building Pasong Tamo, Makati, MM 85-82-32	Eduardo M. Pangan Luzon Regional Coordinator
24. NABUNTURAN ENTERPRISES COOPERATIVE	Nabunturan, Davao City	Fermin C. Gonzales General Manager
25. KAPWA UPLIFTMENT FOUNDATION, INC.	Ateneo de Davao University C.M. Recto St., Davao City 7-30-91	Alma Monica A. Dela Paz Director
26. COOPERATIVE RURAL BANK OF NEGROS OCCIDENTAL, INC.	Ponce Plaza, Araneta Street Bacolod City 8-13-71	Leo A. Dolloso Manager
27. DANSALAN COLLEGE FOUNDATION	P.O. Box 5430 Iligan City	Howard I. Towne
28. ASEAN FAO/UNDP	Small Scale Fisheries Development Project	Medina N. Del Mundo

APPENDIX B

SOURCES OF TRAINING MATERIALS

APPENDIX B. SOURCES OF TRAINING MATERIALS

	Types of Materials Available	Source	Contact
1.	TRAINING AND CONSULTANCY ON COOPERATIVES	National Association of Training Center for Cooperatives, San Dionisio Paranaque, MM	Romulo Villamin
2.	APPROACHES FOR IGP PROGRAMS	Partnership for Productivity 7-E Vernida 1 120 Amorsolo St., Makati, MM 89-14-70	Jovita "Peevee" Culaton
3.	AGRICULTURAL LAND TECHNOLOGIES	Mindanao Baptist Rural Life Center Box 94, Davao City 7-52-73	Harold Watson
4.	TRAINING FOR TRAINEES, TRAINING ON PROJECT DESIGN, IMPLEMENTATION, AND EVALUATION	Population Center Foundation P.O. Box 2065, MCPO 866-474	Antonio N. De Jesus
5.	DESIGNING TRAINING PROGRAMS	Bureau of Small and Medium Medium Industries 361 Buendia Ave. Ext. Makati, MM 817-5573 or 817-9687	Virginia Llamos
6.	SMALL BUSINESS MANAGEMENT, CREDIT EDUCATION, VALUE FORMATION	Philippine Business for Social Progress 4th Dasmarinas, Binondo Manila 49-82-17	Antonio R. Tegillos

7.	BUSINESS MANAGEMENT AND ENTREPRENEURIAL TRAINING	Saint Louis University SLU-Extension Institute For Small Scale Industries Foundation 8-13 Burgos Center SLU Campus, Baguio City 442-2793/2193/3043	Erlinda T. Manopol
8.	TRAINING FOR TRAINEES	Foundation for Educational Evolution and Development, Inc. 3rd Floor, Valderrama Bldg. 107 Esteban Street Legaspi Village, Makati, MM 816-0008 or 816-1409	
9.	COMMUNITY AWARENESS, MANGEMENT	Ilan International Center Tagbilaran City	
10.	UPGRADING SKILLS IN ELECTRIC, ELECTRONICS AND HEAVY EQUIPMENT	Benguet Corporation Foundation 16 Kisod Road, Baguio City 442-3049	Nelly E. Alabanza
11.	ENTERPRISE MANAGEMENT DEVELOPMENT PROGRAMS, HOW-TO GUIDES FOR SMALL SCALE ENTREPRENEURS, ENTREPRENEUR HANDBOOK	U.P. Institute for Small Scale Industries University of the Philippines U.P. Campus, Diliman Quezon City	
12.	TRAINING TRAINEES, PROJECT MANAGEMENT	Ugnayan Farmers' Training Center Mother Rosa Memorial Foundation San Simon, Pampanga	Mother Milagros Dayeet
13.	FINANCIAL MANAGEMENT FOR IGPS	Maust Brothers Notre Dame of Dadiangas College Business Resource Center General Santos City	

APPENDIX C

CREDIT SELECTION CRITERIA FOR BENEFICIARIES

APPENDIX C. CREDIT SELECTION CRITERIA FOR BENEFICIARIES

1. Criteria for Beneficiaries and Clients

From The Metro Manila Livelihood Program: A PBSP Urban Model, Philippine Business for Social Progress

The program is intended for the economically disadvantaged who cannot avail of loans from commercial sources (i.e., banks) simply because they lack the usual traditional securities required.

The program, though, is not for the poorest of the poor, but for the "opportunity poor." These are those who are above the hand-to-mouth existence segment of the poor and who are in a position to generate income source or economic benefits, not only for themselves, but for the other community members as well. Reaching out to the lower segments will, therefore, be made through existing entrepreneurs who can bring about a multiple effect by his provision of economic goods and services to the community or the generation of employment for neighbors.

One basic requirement of the program is that the loan will be used only for livelihood or income-generating purposes such as capital in a business.

The assistance is provided to two types of livelihood projects. These are:

> Level I - Those that require credit and minimum level of monitoring. They are usually the ongoing, small-scale trading types, such as vending of clothing and dry goods and cooked/processed foods for self-employed seamstress or tailor. They are simple and easy to manage types of business skills or know-how. They have capitalization of less than ₱5,000 and manpower is provided by the entrepreneur himself and members of his family.
>
> Level II - Enterprises at this level have capitalization ranging from ₱5,000 to ₱50,000. Participants at this level have better developed business skills, have strong entrepreneurial drive, and, generally, a more substantial enterprise base. They understand the basic principle governing their markets and are flexible enough to expand when opportunity arises.

They require other business related assistance aside from credit, like raw materials procurement, marketing, product diversification. The projects that fall under this category are new projects, small-scale production types, larger-scale service or trading types. Their manpower requirements are met by utilizing both family members and hired workers, at an average work force of 10.

The program's criteria for assisting the beneficiaries are:

Character Eligibility Criteria

A. The entrepreneur must have no previous record of bad debts with other institutions in the community.

B. The entrepreneur should have been residing in the area for no less than three years.

C. The entrepreneur must have no record of moral/social or legal misdemeanor with the police or barangay.

D. The family has other sources of income aside from the project and must have at least ₱350 per capita income per month.

E. The entrepreneur must be able to get a routine endorsement (recommendation) from the area screening committee after a character and credit investigation.

Project Eligibility Criteria

A. The project must have been in profitable operation for at least six months; the entrepreneur must have proven experience in that type of business.

B. The loan applicant is fully managing the business himself/herself.

C. The project is feasible at an interest rate of 12 percent per annum and an enforced capital build-up rate set by the group.

D. The project can generate additional net income of at least ₱15 per day for every ₱1,000 additional capital.

E. The borrower is capable of putting up a counterpart of at least 10 percent of total capital requirement of the business. This can either be in cash, equipment, or production materials.

F. The project has a funding requirement of ₱100 to ₱10,000.

G. The project is situated within the Metro Manila area.

2. Criteria for Selection of Borrowers

From the SLO-EISSIF Community Credit Program Extension Institute for Small-Scale Industries Foundation, Inc., Saint Louis University, Baguio City

The following criteria used in the screening and selection of beneficiaries:

Character Eligibility

A. No record of bad debts with institutions within the community.

B. Has capacity to pay and provide adequate guarantee to credit committee.

C. Recommended by area leader after character investigation.

D. Willing to participate in small business management training.

Project Eligibility

A. Loan applicant is managing the business himself.

B. The project must have been in profitable operation for at least six months.

C. The project is feasible at an interest rate of at least 20 percent per annum, as shown in the simple business plan.

D. The project can generate additional income of at least P6.00 a day.

E. The project has funding requirement of at least P500 to P50,000.

F. Project should be labor-oriented.

In addition to the two major criteria of character and project eligibility, qualified loan beneficiaries must agree to comply with the following:

A. To pay the interest, operating cost charges, surcharges (in case of default), service fees, and other fees as determined by SLU-EISSIF.

B. To establish adequate bookkeeping and recording system.

C. To provide loan guarantee as may be required.

D. To use financial assistance only for items appropriated.

E. To participate in training activities.

3. Priorities for Eligibility

From TULAY SA PAG-UNLAD, INC.

A. Entrepreneurs who have no access to credit from formal financial institutions.

B. Businesses which have the potential to create productive, full-time, and permanent employment, especially jobs for semi-skilled and the handicapped.

C. Business with potential to generate income for the entrepreneur and his workers.

D. Businesses which exhibit profitability, long-term potential viability, and loan repayment capability.

E. Capable entrepreneurs who desire to enhance their management skills and increase the productivity of their small business, yet lack access to formal training institutions.

4. Criteria for Eligibility

From the Credit Program of the Nabunturan Integrated Cooperative, Inc.

A. Member of good standing.

B. Has no external debt and has no outstanding loan with the coop.

C. Has the capacity to pay the loan requested.

D. Preferably with previous experiences with the venture.

E. Agrees to accept technical advice and inspection visits.

F. Gives true detailed reports of his production activities.

G. Assists in the capital formation by allowing 5 percent of each loan received to be credited to his share.

APPENDIX D

EXAMPLES OF CREDIT POLICIES

APPENDIX D. EXAMPLES OF CREDIT POLICIES

1. Credit Policy and Mechanisms

From the Metro Manila Livelihood Program: A PBSP Urban Model, Philippine Business for Social Progress

Policy on the Use of Loan

A. Maximum loanable amount is P10,000; minimum of P100; loan is payable for a maximum duration of 12 months.

B. The loan should not exceed the projects' working capital except for manufacturing and service-oriented projects which can generate additional jobs.

C. Loans to trading and vending types of project is for working capital use only; manufacturing and service-oriented project can avail of loan for both the working and fixed capital needs of the business, example, equipment.

D. Reloans will be allowed only to borrowers who maintain a good credit record with the program to serve as incentive for the borrowers to make good their loan.

Lending Procedures

A. A potential borrower approaches an area of ASC member; discusses his/her plan about his/her income-generating project.

b. The area leader or ASC member then

orients the potential borrower on the program and the groups' regulation

conducts initial character investigation

decides and presents recommendation to the groups' credit committee.

C. The area credit committee cross checks character investigation and recommends borrower to the PBSP loan officer.

D. The PBSP loan officer, together with the ASC member, conducts a visit of the project and an interview with the prospective borrower to assess the feasibility of the project.

E. If project is viable, potential borrower attends a one-day credit education and small business management session wherein he is trained to prepare a simple business plan with the assistance of the loan officer and the ASC.

F. The project plan is then presented to the credit committee for approval

for loans of ₱100-₱1,000, the group's credit committee with the loan officer

for loans of ₱1,001-₱3,000, the program staff and coordinator

for loans of ₱3,001-₱10,000, PBSP credit committee composed of the Executive Director and the Program Coordinator/Manager.

G. Upon approval of the assistance, loan documents are prepared by the loan officer.

H. Level II borrowers are assisted to be able to set up the books of businesses.

I. Loans are directly released to the borrower after the contents of loan agreements/documents are properly and thoroughly explained and discussed with and signed by him.

J. Borrower is issued billing coupons to remind him of the schedule of loan repayments.

Payback Scheme

The payback scheme is flexible and varies in accordance with the nature of the project. In drawing up the schedule of loan repayments, the following factors are considered:

A. the projected cash flow of the business

B. the projected earnings of the business

C. the projected household expenditures/usage of income from the business

D. The project's business cycle.

The following is the prescribed payback scheme in accordance with the nature of the project:

FOR WORKING CAPITAL LOANS

	Project Type	Payback Scheme	Loan Duration
A.	Vending or Trading Project with Quick Cash Turn-Over	Daily or at least weekly	Not to exceed three months
B.	Trading or Merchandising and Services which require Inventory and Receivable Collection	Semi-monthly or monthly	Maximum of six months
C.	Production Type/ Agri-Based Business with Certain Business Cycle	Full payment due at the end of each production cycle	Maximum of six months
D.	Production Types on Job Order Basis	Full payment due upon completion and delivery of order	

For fixed capital loans, payment will be based on the cash flow and earning of the business, but fixed installments should not exceed one year.

Loan Collection Mechanism and Remittance

The program utilizes the direct and personal collection by the community leaders and program staff. The group collec-

tors collect payments daily, which they remit to the program staff on a weekly basis. The procedure is as follows:

A. Daily repayments are collected by a group collector who issues a collection receipt.

B. The group collector remits her daily collections at the end of the week to the program staff.

C. The program staff consolidates all the daily collections and issues the PBSP provisional receipt to individual borrowers through the group collector. The former then remits the money and prepares a weekly collection report and submits these to the PBSP accounting department. The PBSP cashier issues an official receipt to the staff.

Control Measures

The following control measures are undertaken:

A. Approval of Loans are done by a higher body -- at the group level, the community board; at PBSP, the Executive Director.

B. Release of Loans - Whenever applicable, loans are released in the following manner:

- staggered in amounts corresponding to the projected usage of funds
- in the form of materials, tools, equipment which are directly paid to the suppliers
- all releases are accompanied by documents such as loan agreement and promissory note between the borrower and PBSP.

C. Delinquent Borrowers are sent written reminders, in addition to the routine follow-up of group leaders. Group/areas which have reached a delinquency rate of 20 percent are banned from further loan releases. Temporary suspension of the program in the area/-group is done until repayments of delinquent borrowers are remitted.

D. Records of each borrower thru individual loan ledgers are kept and monitored by the program staff and groups.

E. A monthly progress and status report is accomplished by the program staff and leaders. It shows the following information:

outstanding loan balance

status of loans and repayments (whether delinquent or up-to-date in payment) and delinquency aging/analysis

status of individual projects, problems encountered, and plans of action.

2. Credit Policy

From the SLU-EISSIF Community Credit Program Extension Institute for Small-Scale Industries Foundation, Inc., Saint Louis University, Baguio City

Guidelines in Determining the Amount and Nature of Loan

A. Maximum loan is P5,000 per borrower or depending on the project's actual need, whichever is lower (this applies to revolving funds from PBSP).

B. Beneficiaries can borrow an additional amount in excess of P5,000 based on twice their share capital.

C. The loan is for working capital only.

D. Priority will be given to loans for income-generating activities with high rate of return and cash turnover.

E. The project charges are as follow:

Interest Charge	18 percent per annum
Service Charge	2 percent
Share Capital Contribution	10 percent of loan
Application/Filing Fee	P10.00

Terms of Payment

A. Time and frequency of repayment of individual borrowers are based on their project cash flow, but not to exceed six months. The mode of repayment is as follows:

Market and ambulant vendors pay daily or weekly with two weeks grace period.

Those engaged in manufacturing pay every cycle.

B. Every time a repayment is made, simultaneous payment of interest charges and operating cost charges are made.

C. Delinquent accounts will pay a penalty fee of 1.5 percent per month, up to the liquidation of the loan.

Guidelines Governing the Processing, Releases, and Collections of Loans

A. Processing and Releases

1. The applicant must fill up the application form and submit it to the area leaders.

2. The project manager, together with the area leader, provide the necessary assistance to the applicant in filling up the application form and in preparing the business plan.

3. The applicant pays the filing fee.

4. The project manager and/or the area leader conducts the necessary character and credit investigation and verification of data stated in the application form.

5. The project manager submits the application with all necessary requirements and recommendations to the credit committee.

6. The credit committee meets to decide on loan application.

7. Once approved, the applicant:

   deposits the counterpart as additional share capital

   signs the loan agreement

   submits all other requirements that the credit committee may deem necessary, i.e., collateral

set up bookkeeping system with the assistance of the project manager.

8. All approved credit assistance are released only upon proper authorization of the credit committee and project manager.

B. Collections

Repayment is made through the area leader. A receipt is issued upon payment. These leaders shall then deposit the amount to SLU-EISSIF, who then deposits the said amount to SLU accounting department.

C. Guidelines Covering the Capital Build-Up Scheme

1. The individual's cash counterpart is deposited as member's share capital.

2. The member's share capital cannot be withdrawn until the credit cooperative is formed. The amount to be turned over to the credit cooperative would be the share capital and the corresponding interest earnings. There are only two instances wherein the share capital could be withdrawn: change of residence outside the project area of coverage and death of the member.

3. Dividends in share capital are added to the member's share capital within five years of project operation.

D. Guidelines Covering the Project Funds

1. The community credit funds will be deposited in a bank and will not be used for any other purpose except those stated in the program plan of action.

2. The proponent (SLU-EISSIF) shall submit to PBSP an audited financial report every year for as long as the payment has an unpaid financial advance to PBSP.

3. The beneficiaries' share capital can be used to extend credit assistance to qualified low-income beneficiaries.

3. Credit Policy

From TULAY SA PAG-UNLAD, INC.
Small, Cottage & Micro-Enterprise Loan Assistance and Development Program

Enterprise with total:

Micro	-	Asset Base of ₱50,000 and Less
Cottage	-	Asset Base of ₱50,000 up to ₱250,000
Small	-	Asset Base of ₱250,001 up to ₱2.5 Million

1. Purpose of Loan

   1.1 working capital
   1.2 acquisition of fixed assets

2. Terms and Conditions

   2.1 Amount of Loan

   maximum loan of ₱100,000

   2.2 Interest Rate

   20 percent per annum for loans of one year and less

   22 percent per annum for loans of more than a year up to two years

   24 percent per annum for loans of more than two years up to three years

   2.3 Geographical Consideration

   Projects within the Metro Manila area is preferred or a radius of 50 km. from the present office.

   2.4 Maturity

   The maximum term is up to three years.

   The term would be based on the business repayment capability.

   2.5 Mode of Payment

   Repayment would be based on the business cash flow.

2.6 Collateral

TSPI requires all borrowers to put up a collateral. One as a symbol of their commitment towards their project, and two as security for the loan.

All loans will be secured by real estate mortgage and chattel mortgage and/or pledge agreement and a co-maker/guarantor.

2.6.1 Loans of ₱50,000 above must be secured by a real state mortgage.

2.6.2 Loans of ₱20,000 up to ₱50,000 is secured by chattel mortgage and with a solvent co-maker/guarantor and the collateral amply insured against fire and loss in favor of TSPI. If a real estate collateral is available, the real property would be preferred.

2.6.3 Loans of ₱20,000 and below are secured by a pledge agreement on the collateral offered and with a solvent co-maker. Normally, borrowers under this category have only appliances and other equipments to offer as a collateral for their loan and most often than not, these are uninsurable collaterals (i.e., TV, radio, and others). Again, if a real estate collateral is available, this would be preferred. In cases where the collateral is a vehicle, a chattel mortgage will be executed and correspondingly be registered at Bureau of Land Transportation encumbered to TSPI.

2.7 Loan Values of Collaterals

For assets existing as of date of application and/or assets to be acquired out of the proceeds of the loan:

Assets	Loan Value
Titled land	70% of appraised value
Untitled land (covered by tax declaration only)	40% of appraised value
Improvements erected on titled land	70% of appraised value
Improvements erected on untitled land	50% of appraised value
Chattels	40% of appraised value

2.8 Equity Requirement

Must have at least 2:1 ratio of current equity to TSPI loan

2.9 Debt to Equity Requirement

Must have at least 1:3 debt to equity ratio

2.10 Penalty

Not exceeding 5 percent per annum small accrue over and above interest rate specified on any past due amount.

3. Paper Requirements

3.1 Loan Approval

3.1.1 TSPI loan application form

3.1.2 One 2x2 picture of applicant(s)

3.1.3 Two years balance sheet and income statement (preferably audited)

3.1.4 Xerox copy of TCT, vehicle registration, or special power of attorney

3.1.5 Official receipts of collateral offered or affidavit of ownership

3.1.6 Co-maker statement

3.1.7 Firm offer or quotation of proposed machine or vehicle to be purchased (only for those with capital acquisition)

3.2 Loan Disbursal

3.2.1 Promissory note (signed by the co-maker if required)

3.2.2 Real estate mortgage form

3.2.3 Original transfer certificate of title, together with the latest tax receipt and tax declaration

3.2.4 Chattel mortgage form or pledge agreement form

3.2.5 Vehicle registration, office receipt, or affidavit of ownership

3.2.6 Co-maker's statement

3.2.7 Letter of co-maker to TSPI

3.2.8 Insurance policies for personal and chattels (applies only to those w/o rem)

4. Insurance Coverage

4.1 Personal

4.1.1 Loans secured by rem will no longer be required life term insurance

4.1.2 Loans secured by non-real estate collateral shall be required life term insurance

4.2 Non-Life (Chattel, Building & Improvements)

4.2.1 All chattels provided they are insurable shall be insured against <u>fire and loss</u>

4. <u>Credit Policy</u>

From the Credit Program of the Nabunturan Integrated Cooperative, Inc.

Production Loan

A. Farmer-member

B. Amount to be determined by need of the project

C. Within the range of three to four times of the SD but not to exceed P20,000

D. Maturity

5,000 below	-	24 months
5,000-10,000	-	30 months
10,000-15,000	-	36 months
Crop loan, i.e., rice, corn, sorghum, soybeans	-	180 days

The maximum amount of a particular production loan is P20,000. Same as any other loan, this was treated according to its merit based on the need, credit standing, security, savings habits, capacity to pay, board policies, orientation, and availability of funds. Interest charge is 2.5 percent inclusive of all charges per month based on the diminishing balance.

Pre-Loan Analysis

A. The loan officer/technician shall assist loan applicants work out their projects, feasibility studies indicating each phase of the project, total estimated cost, and the manner in which the funds shall be disbursed by the coop.

B. Once the investigation plan is completed, the loan officer shall help the applicant fill up the application form.

C. Before the application is submitted to the credit committee, loan officer should check up the information given by the applicant and, if necessary, make inspection of the project. Then, he should make a brief report containing his recommendation, which will be submitted, together with the loan application, to the credit committee.

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APPENDIX E

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