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Technical Report

Completion Report: Design and Manage Technical Assistance Activities for Microfinance

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Prepared for and Submitted for review to

**Department of Finance,
National Credit Council Secretariat
and the
Office of Economic Development and Governance
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Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-03-00020-00, Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

USAID asked EMERGE to evaluate the performance of its Credit Policy Improvement Program (CPIP), which ran for a period of ten years, ending in 2006. The results of the assessment, as reported earlier, identified second generation policy and regulatory reforms needed to deepen further private sector participation in the delivery of financial services. With USAID approval on June 26, 2006, EMERGE hired Mario B. Lamberte, Ph.D., to design a micro-finance program to pursue the second generation reforms that could facilitate financial services to micro and small enterprises, and once the program was in place, to supervise its implementation. Dr. Lamberte worked closely with Mr. Gil S. Beltran, Undersecretary, Department of Finance (DOF), and concurrently Executive Director, National Credit Council (NCC) Secretariat, and Mr. Joselito Almario, Director of Fiscal Policy and Planning, DOF, and Deputy Executive Director, NCC Secretariat, to develop a comprehensive program to enhance the capabilities of the Cooperative Development Authority (CDA) with several discreet activities, and this is his final report of those efforts.

The views expressed and opinions contained in this publication are those of the author and are not necessarily those of USAID, the GRP, EMERGE or the latter's parent organizations.

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) PROJECT**

Completion Report
August 19, 2007

**Task 4.2.1.2(b). Design and Manage Technical Assistance Activities for
Microfinance**

Consultant: Mario B. Lamberte

1. Introduction

The results of the performance evaluation of the Credit Policy Implementation Program (CPIP), a technical assistance to the National Credit Council (NCC) which ended in April 2006, showed that said TA was generally successful in meeting its objectives. The evaluation, however, identified second generation policy and regulatory reforms that can deepen further the private sector participation in the delivery of financial services to all sectors of the economy including the basic sectors. These are: (a) making the NCC itself a knowledge center for the improvement of credit environment; (b) strengthening the supervisory and regulatory capacity of the Cooperative Development Authority (CDA); (c) rationalizing government financial entities' involvement in microfinance; (d) improving the policy and regulatory environment for the private banks' participation in wholesale microfinance operations; (e) re-assessing the regulatory framework for microfinance, specifically for NGO-MFIs; (f) addressing the missing market (i.e. financial services to support graduation from micro-enterprise to small enterprise); and (g) reviewing existing government specialized credit programs and seeking other ways to facilitate credit services to small enterprises.

Based on these findings, the NCC requested USAID through EMERGE for a follow-on activity. Mario B. Lamberte was contracted by EMERGE as a part-time consultant to design and manage the follow-on technical assistance. This terminal report presents the accomplishments of the consultant.

2. Scope of Work and Deliverables

The **Micro-finance Task Designer and Manager** was expected to perform the following tasks:

1.1. Task Design

- a. In coordination with the DOF and other NCC members,
 - (i) Prioritize policy and regulatory reform objectives of the NCC.
 - (ii) Identify the technical assistance activities needed in support of these objectives.
 - (iii) Determine the resources required to carry out the technical assistance activities.
 - (iv) Identify alternative packages of TA activities in pursuit of the above objectives.

- b. Working with the Technical Director and the Chief of Party, identify the most responsive and doable package of TA activities for NCC in a way consistent with EMERGE resources and contract duration.
- c. Identify the experts and resources needed to implement the above package of TA activities.
- d. Draft the terms of reference of the above package of TA activities for USAID approval.
- e. Undertake related activities needed to seek USAID approval of the above package.

1.1. Task Management

- a. If and when USAID approves the proposed package of TA activities for NCC, the Micro-finance Task Designer and Manager shall:
 - (i) Orient and oversee the services provided by short-term specialists.
 - (ii) As an expert himself/herself, he/she may participate directly in task teams as senior technical assistance provider.
 - (iii) Cultivate counterparts and reform partners and act independently and innovatively on opportunities for task team assignments within the approved policy agendas and framework of desired reform results.
- b. Write weekly and monthly performance reports on the implementation of the program.
- c. At the end of the program, write a completion report summarizing the accomplishments of the program, any recommendations for follow on activities, lessons learned in the course of implementation, and other information that may be relevant to the NCC and USAID.

1.3. Design of Related TA Activities

- a. Working with the Technical Director, the Micro-finance Program Designer and Task Manager shall:
 - (i) Identify TA activities of the EMERGE 2006 work plan that complement the TA provided to the NCC.
 - (ii) Draft Terms of Reference for the above related TA activities.

Reports and deliverables of the **Micro-finance Task Designer and Manager** are:

- 1.4. Draft terms of reference for the follow on Micro-finance program*
- 1.5. Weekly and monthly performance reports.*
- 1.6. Completion report of the entire program.*
- 1.7. Draft terms of reference for other TA activities related to micro-finance.*

2. Package of Technical Assistance

2.1. Background

Lamberte prepared a concept paper outlining major activities that might be included in the TA for NCC (see Annex A). These activities were mainly based on the results of the CPIP performance evaluation and further discussions with NCC officials and other key stakeholders in the microfinance markets. The proposed major activities are:

- a. NCC as a knowledge center for the improvement of credit policy environment
- b. CDA institutional strengthening
- c. Credit Information System
- d. Re-assessing the regulatory framework for NGO-MFI
- e. Addressing the missing market for financial services
- f. Assessing existing government specialized credit programs for certain sectors of the economy

Lamberte discussed the concept paper with NCC officials, more specifically NCC Director Joselito Almario and DOF Director Teresa Habitan. Given the limited time and budget to implement this task, EMERGE and NCC agreed to focus first on providing technical assistance to the Cooperative Develop Authority (CDA), which is item b above. More specifically, NCC requested a technical assistance that will help CDA improve its capacity to supervise and regulate cooperatives with savings and credit services so that these cooperatives can play a better role in the microfinance market.

Lamberte conducted several meetings with NCC, CDA and BSP officials to define more specific activities that will address NCC's main objective for this TA. What EMERGE from the series of discussions were the following:

First, CDA must relieve itself of less essential functions so that it can focus on its more important function of regulating and supervising financial cooperatives. CDA for many years has been involved in settling many inter- and intra-cooperative disputes which should have been done by cooperatives themselves.

Second, to effectively regulate and supervise financial cooperatives, CDA must have the necessary information infrastructure similar to that of the Bangko Sentral ng Pilipinas (BSP) that can be used to monitor and analyzed performance of individual cooperatives. CDA's existing information infrastructure has been incomplete (i.e., so many cooperatives have not been providing reports to CDA on a regular basis) and inadequate for that purpose.

Third, CDA staff must have the necessary expertise to regulate and supervise financial cooperatives. Since CDA has in the past been focusing on its developmental function, consequently its staff has not developed such capacity. As a whole, CDA has not developed a track record of regulating and supervising financial cooperatives.

Fourth, to effectively manage the Authority, the CDA Board of Administrators who come from the cooperative sector but have different work experience and limited exposure to board functions must have exposure to and knowledge of current good governance approaches and practices especially those of government regulatory agencies.

EMERGE received two separate letters from DOF Undersecretary and NCC Executive Director Gil S. Beltran, the first dated 25 September 2005 and the second, 5 February 2007, requesting TA based on the above-mentioned emerging issues.

2.2. Technical Assistance Package to CDA

In response to NCC's request, Lamberte developed a TA package with specific terms of reference for each component and identified consultants to assist CDA in implementing the various activities. The TA components are briefly described below.

2.2.1. Task 4.2.1.2.d: Promoting and Instituting Alternative Dispute Resolution mechanisms for the Cooperative Sector

The general objective of this TA is to support CDA's efforts to strengthen its capacity to supervise and regulate cooperatives by downloading a significant portion of its workload on mediation and conciliation of intra-cooperative disputes to the primary, secondary and tertiary cooperative levels. The specific objectives are:

- a. to formulate an alternative dispute resolution (ADR) framework for the settlement of intra-cooperative disputes;
- b. to develop and finalize a set of implementing rules and regulations to be issued by the CDA in order to institutionalize ADR mechanisms for the cooperative sector based on the established framework; and
- c. to advocate the adoption by the cooperative sector of the Framework and the subsequent IRR through consultation workshops.

The detailed TOR approved by USAID is shown in Annex B.

The Selection Committee composed of NCC, CDA and EMERGE representatives solicited bids from nine service providers. Among the six service providers that submitted their bids, the Committee selected the CoRe Group Foundation as the consultant for this activity.

2.2.2. Task 4.2.1.2.f: Promoting and Instituting Alternative Dispute Resolution Mechanisms for the Cooperative Sector - Phase 2: Development of Training Modules and Conduct of Training

The general objective of this TA is to assist CDA implement the three newly issued ADR Implementing Guidelines. The specific objectives are to:

- d. widely disseminate CDA-approved ADR framework and Guidelines;
- e. develop standardized forms and reports required in the Guidelines; and
- f. develop a conciliation-mediation capacity of the cooperative sector through the conduct of training programs appropriate for the CDA and cooperatives.

Considering that there are almost 30,000 operating cooperatives as of CDA's latest count, this TA provides a special training program for ADR trainers who will in turn train more mediators at the coop level.

The detailed TOR approved by USAID is shown in Annex C.

Because of their good performance in the previous TA, experience and expertise, the CoRe Group Foundation was again selected as the consultant for this TA.

2.2.3. Task 4.2.1.2c: Evaluation and Assessment of the Database for Cooperatives with Savings and Credit Services

The objective of this task is to improve the capacity of CDA to regularly monitor performance of cooperatives with savings and credit services in the Philippines. The specific objectives are:

1. To establish a reliable database for cooperatives with savings and credit services which can be used by CDA for supervising and regulating cooperatives; and
2. To develop capacity of CDA to collect reliable and consistent set of data for its database system.

The detailed TOR approved by USAID is shown in Annex D.

Dr. Ma. Piedad Geron and Dr. Gilberto M. Llanto were selected as consultants for this activity.

2.2.3a. Task 4.2.1.2c-1: Evaluation and Assessment of the Database for Cooperatives with Savings and Credit Services-Amendment: Pre-testing of the New CDA Data Collection Instrument

Upon NCC's request, an amendment to the original task order on developing CDA's database to include the pre-testing of the data collection instrument that will be developed by the consultants. Under the amended task order, the consultants are tasked to pre-test the new CDA data collection instrument for supervision and regulation of cooperatives in 3 primary cooperatives (small, medium and large) under each of the following CDA regional extension offices: Calamba; Cagayan de Oro City; Davao City; and Iloilo City.

The detailed TOR for this activity approved by USAID is shown in Annex E.

2.2.4. Task 4.2.1.2.e: Basic Training Courses on Supervision and Regulation of Cooperatives with Savings and Credit Services

The general objective of this task is to prepare CDA undertake its function of supervising and regulating cooperatives with savings and credit services. The specific objectives are:

1. To introduce CDA to the basic elements of and "best practices" in supervision and regulation of cooperatives with savings and credit services; and
2. To institutionalize basic training programs on supervision and regulation of cooperatives.

The detailed TOR for this activity approved by USAID is shown in Annex F.

Mr. Wilfredo Domo-ong and Mr. Ramon Reyes, who are both former BSP officials, were selected as consultants for this activity. They were assisted by two BSP bank examiners in the conduct of the training programs on supervision and regulation of cooperatives.

2.2.5. Task 4.2.1.2g: Corporate Governance Seminar for the Board of Administrators of the Cooperative Development Authority

The objective of this TA is to enhance and hone the BOA members' understanding and skills in refocusing CDA's strategy, developing directional policy and setting up parameters that would gauge management performance through attendance in a corporate governance course.

The detailed TOR for this activity approved by USAID is shown in Annex G.

The Selection Committee composed of NCC, CDA and EMERGE representatives invited service providers to submit their bids. It selected the De La Salle Professional Schools, Graduate School of Business (DLSPS-GSB) from among the four firms that submitted their bids to assist CDA implement this activity.

2.3. Results

2.3.1. Task 4.2.1.2.d: Promoting and Instituting Alternative Dispute Resolution mechanisms for the Cooperative Sector

The CoRe Group Foundation prepared a draft ADR Framework which was approved by the CDA Board of Administrators (BOA) during the 15 January 2007 presentation. The report outlines three basic foundations of the ADR Framework: the principles behind the framework, enabling laws that support it, and distinct elements that make up the structure.

The CoreGroup Foundation conducted consultation workshops on the draft framework for instituting ADR system for the cooperative sector in Baguio (120 participants), Pampanga (about 150 participants), NCR (70 participants) covering cooperatives of all regions in Luzon, Cebu City (70 participants), Cagayan de Oro City (140 participants) and Davao City (100). The results of the workshops prompted the CoRe Group to make major revisions in the framework.

Based on the revised framework, the CoRe Group prepared implementing guidelines, which were then discussed in workshops in Baguio (130 participants), Pampanga (57 participants), NCR (135 participants), Cebu (87), Cagayan de Oro (119) and Davao (126). A CDA-created Technical Working Group reviewed the draft guidelines with CoRe GRoup. Their outputs were further reviewed by CDA technical staff and endorsed the draft guidelines to the CDA BOA for approval. The BOA subsequently approved the following implementing guidelines:

1. *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT THE PRIMARY COOPERATIVES*
2. *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT UNIONS/FEDERATIONS*

3. *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT CCOOPERATIVE DEVELOPMENT AUTHORITY*

The main point in these guidelines is to ensure that most of the disputes will be settled at the coop level and that only a few cases will be sent to CDA for mediation.

2.3.2. Task 4.2.1.2.f: Promoting and Instituting Alternative Dispute Resolution Mechanisms for the Cooperative Sector - Phase 2: Development of Training Modules and Conduct of Training

The CoRe Group Foundation developed a *Basic Mediation Training* Course and conducted three training batches. The first two training batches covered participants coming from the Cooperative Sector. A total of 85 trainees completed the two-week course. The third batch consisted of 37 CDA staff who will be managing and monitoring the ADR program and conduct mediation of those disputes that will be sent to CDA for settlement.

The CoRe Group also designed and conducted a special 2-day *Training of Trainers* program to develop future Coop Sector ADR Trainers. Sixty scholars from the 3 batches were given advanced courses that equipped them with skills necessary to propagate trained ADR practitioners across coop sectors nationwide.

Other outputs delivered by the CoRe Group are:

- a. ADR Primer;
- b. Standard templates for the forms and reports needed for each of the three ADR Implementing Guidelines approved by CDA: Agreement Form, Agreement to Mediate, Evaluation, Tracking Form;
- c. 3-year mediation development and training program;
- d. 250 units of multimedia training materials (in Video CD format); and
- e. Draft Code of Standards and Ethical Practice for mediators.

2.2.3. Task 4.2.1.2c & Task 4.2.1.2c-1: Evaluation and Assessment of the Database for Cooperatives with Savings and Credit Services

The Consultants for this activity delivered the following outputs:

- a. An evaluation and assessment of the existing database for cooperatives with savings and credit services;
- b. Cooperative Annual Performance Report (CAPR);
- c. User's manual for accomplishing the CAPR and validating submitted information; and
- d. Conduct of training of 70 Cooperative Development Specialists on accomplishing and validating the information submitted using the CAPR. This was done in lieu of training only a few trainers.

The Consultants pre-tested the draft CAPR in 12 primary cooperatives in 4 regions of the country and discussed it with CDA staff before submitting it to the CDA BOA for approval. The BOA approved it in April 2007.

2.2.4. Task 4.2.1.2.e: Basic Training Courses on Supervision and Regulation of Cooperatives with Savings and Credit Services

The EMERGE consultants for this activity delivered the following outputs:

- a. Basic Training Course on regulation and supervision of cooperatives;
- b. Conduct of three batches of Basic Training Course on regulation and supervision of cooperatives training for 90 CDA staff including the Chairperson, one member of the CDA BOA and 3 NCC staff;
- c. Trainer's Training Course on Regulation and Supervision;
- d. Conduct of two batches of the Trainer's Training Course on Regulation and Supervision for 61 CDA staff;
- e. Conduct of training on merger and consolidation guidelines for 29 CDA staff members; and
- f. Conduct of a seminar on merger and consolidation guidelines for the CDA Board of Administrators.

2.2.5. Task 4.2.1.2g: Corporate Governance Seminar for the Board of Administrators of the Cooperative Development Authority

The DLSPS-GSB developed a 3-day course on corporate governance suited to CDA BOA members and the seminar on Corporate Governance for the CDA Board. All except one member of the Board attended the seminar. Also present were Mr. Almario who represents the DOF in the Board and CDA Executive Director Niel Santillan.

2.4. Milestones Achieved

This activity has achieved the following milestones:

2.4.1. On the ADR TA

The CDA Board of Administrators (BOA) issued in March 2007 the following three memorandum circulars:

1. MEMORANDUM CIRCULAR No. MC 2007-05: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT THE PRIMARY COOPERATIVES*
2. MEMORANDUM CIRCULAR No. MC 2007-04: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT UNIONS/FEDERATIONS*
3. MEMORANDUM CIRCULAR No. MC 2007-03: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT CCOOPERATIVE DEVELOPMENT AUTHORITY*

The CDA BOA has also approved the primer and standard templates for circulation to the CDA staff and cooperatives.

The 23 graduates of the first 14-day training on mediation formulated on their own initiative and voluntarily signed an *Oath of Solidarity and Commitment* to address conflicts in a non-adversarial manner through the learned techniques in conciliation-mediation and to bind themselves into a cohesive group through the formation of a Conciliation-Mediation Service Cooperative to render preparatory trainings, member-development programs and camaraderie-development activities to themselves and to their installed members in the Mediation-Conciliation Committees now existing in primary cooperatives. This augurs well for the implementation of the ADR program for the cooperative sector.

2.4.2. On the CDA Database TA

After assessing CDA's three existing sources of data for cooperatives, namely the Annual Report (AR), the General Information Sheet (GIS) and the Inspection Working Paper (IWP), and consulting with cooperatives, EMERGE consultants found that the CDA does not have reliable information on the number of operating cooperatives and that it was difficult to trace cooperatives that have changed their names and addresses. To address this problem, EMERGE consultants assisted the CDA staff in developing a one-page information sheet which seeks to establish basic information about the cooperative and assigns each cooperative a unique cooperative identification number (CIN). The CDA BOA approved this proposal and launched the COOP e-Link, a cooperative identification system, during the 17th Anniversary Celebrations of the signing of RA 6938 (the Cooperative Code) and RA 6939, which created the Cooperative Development Authority Charter (CDA). The COOP e-Link establishes a master list of operating cooperatives that was started in the second quarter of 2007 and will be completed by the end of the year.

During its meeting in April 2007, the BOA approved the Cooperative Annual Performance Report (CAPR) prepared by EMERGE Consultants in consultation with CDA staff and primary cooperatives. The CAPR is a new data collection instrument that will replace existing data collection instruments of CDA. The accompanying user's manual prepared by EMERGE consultants and conduct of training of CDA staff also done by EMERGE consultants have prepared CDA staff in using the CAPR in the next round of inspection of cooperatives scheduled in early 2008.

2.4.3. On the Corporate Governance TA

During the 3-day seminar, the BOA produced two major outputs, namely:

- a. manual on corporate governance for the CDA, which is a 5-page document which contains and outlines the approach for institutionalizing the principles of good corporate governance in the entire organization and a provision designating a staff as a compliance officer; and
- b. a memorandum circular on completed staff work, which mandates CDA staff that such matters for decision shall undergo a thorough evaluation and analysis of the issue/s involved, including such factors which attendant to the

problem, the alternatives that may be adopted, and a recommendation by the concerned division/ unit involved. Further, such staff work shall also include the comments and further suggestions of other units/stakeholders involved in the possible course of action to be undertaken.

During its regular monthly meeting immediately following the seminar, the BOA officially confirmed and approved the two outputs of the seminar on corporate governance. Thus, currently, the CDA has now a manual on corporate governance for the agency and a clear policy on completed staff work.

3. Other Accomplishments

Aside from designing and managing TAs for the CDA, Lamberte actively participated in the execution of the various TA activities by attending technical meetings, meetings with the CDA BOA and consultations with various stakeholders.

3.1. ADR Regional Consultations

Lamberte attended several regional consultations to discuss the ADR framework and guidelines and assisted the CoRe Group in clarifying issues such as the importance of the ADR reform measures to the performance of CDA as a regulatory and supervisory body and how it relates to other reform initiatives of the NCC, in general, and CDA, in particular.

3.2. Database TA: Cooperative Annual Performance Report

Lamberte had several meetings with the consultants and CDA in the course of assessing the existing CDA data collection instrument and in designing the CAPR. He participated in pre-testing of the draft CAPR and discussed his observations and recommendations with EMERGE consultants and CDA staff.

3.3. Basic Training Course on Supervision and Regulation of Cooperatives

Based on his knowledge of CDA staff's capacity and requirements of CDA, Lamberte provided inputs to the team in designing the training modules. He participated in some training sessions and assisted the team in responding to questions from participants pertaining to general direction of reforms taking place in the financial sector and how CDA reform initiatives fit into this general direction.

3.4. Coordination with other TAs for CDA

Aside from EMERGE, CDA is also implementing three other highly related TA projects supported by ADB under the Microfinance Development Project and the Japan Fund for Poverty Reduction (JFPR) and CHF International. Lamberte attended coordination meetings to ensure that no TA would overlap with another and that all three TA activities would complement each other. He also briefed other donors about EMERGE TAs to CDA.

3.5. Contribution to the 2007 Work Plan

Lamberte developed new activities which had been incorporated in the 2007 Work Plan.

4. Reports

Lamberte submitted to EMERGE the following regular reports:

4.1.	Weekly reports	-	47 reports
4.2.	Weekly highlights	-	9 reports
4.3.	Monthly reports	-	11 reports
4.4.	Quarterly reports	-	4 reports

5. Lessons Learnt and Possible Follow-on Activities

The TAs for CDA have been developed and implemented with very few problems encountered along the way. This can be attributed to three factors:

- a. NCC has played a key role in designing and implementing the TA. It seems to have a clear idea of which sector within the microfinance sector be given utmost importance when it comes to allocating technical assistance to support reform initiatives. While CDA has received several support programs from various donors, NCC has played a key role in ensuring that each TA complement each other by regularly meeting with project managers of these TA activities and also seeing to it that their execution is properly sequenced. For instance, EMERGE consultants frequently met with CHF International, which is developing CDA's automated information system, to discuss the CDA database system so that EMERGE consultants' outputs can be used as inputs into the CHF's activities. NCC also closely scrutinized proposals for TA coming from various CDA staff to see to it that they fit into the general framework of enhancing CDA's capacity to regulate and supervise financial cooperatives.
- b. The reform-minded leaders at the CDA, who subscribe to the idea of strengthening CDA's regulatory and supervisory function instead of focusing only on CDA's developmental function, played a big role in identifying and prioritizing specific TA for CDA. Ownership of these TA activities was thus assured, which greatly facilitated their execution. For instance, the BOA informed the EMERGE task manager for this activity that it is ready to call special Board meetings if needed to discuss and decide on important activities or outputs of the TA. It likewise required EMERGE consultants to brief them of their major accomplishments and subsequent activities that need their intervention, such as asking regional CDA offices to invite stakeholders to regional consultation meetings or training as in the case of the ADR and database TA.
- c. Virtually all CDA staff support the reform initiatives of the BOA such as those of EMERGE TA. There are two reasons for this. One is that the

reforms coincide with the CDA staff's preference. For instance, most of the CDA Cooperative Development Specialists have been complaining about being told to collect data using CDA data collection instruments without clear understanding of how they are going to be used. Second, none of the staff felt threatened of being dismissed from the office once the reform initiatives are put in place. Thus, they welcome wholeheartedly the training programs that exposed them to new concepts and equipped them with new skills and so that they can perform new functions with great pride, such as being a supervisor and examiner of financial cooperatives similar to BSP bank examiners.

- d. Primary cooperatives also wholeheartedly support the reform initiatives because they coincide with their preference. For instance, they want the CDA to have more enhanced capacity in regulating and supervising financial cooperatives so that members of cooperatives will patronize more the services of their cooperatives if they find them better supervised by CDA. The ADR program is also something that the cooperatives have long wanted to be developed and implemented. Thus, many cooperatives readily sent their regular staff or members to attend the ADR training programs and willingly paid a substantial portion of the training costs.

The completion of EMERGE TA to CDA does not mean that CDA is now fully ready to assume the function of regulating and supervising cooperatives especially those with savings and credit services. TA provided by CHF International, ADB and JFPR have yet to be completed because they complement EMERGE support to CDA. Even after the completion of this TA, if BSP experience in developing its capacity is used as a guide, it takes time to build capacities of CDA to regulate and supervise financial cooperatives. Some of the elements of this TA needs to be fine tuned as CDA implements them and as new factors come into play, such as passage of the proposed amendments to the CDA charter and to the Cooperative Code. What is important though is that CDA, with NCC guidance, has taken those bold initial steps in reforming itself and the cooperative sector.

In view of the limited resources allocated to support the development of the microfinance sector, EMERGE TA has focused so far in supporting initiatives aimed at reforming the cooperative sector, in general, and the CDA, in particular. Follow-on activities for the microfinance sector could focus on other reform areas outlined in the initial design for this TA. The more important ones are:

- a. rationalizing government financial entities' involvement in microfinance;
- b. improving the policy and regulatory environment for private banks' participation in wholesale microfinance operations;
- c. addressing the missing market (i.e. financial services to support graduation from micro-enterprise to small enterprise); and
- d. reviewing existing government specialized credit programs and seeking other ways to facilitate credit services to small enterprises.

NCC-CPIP FOLLOW ON ACTIVITIES

Main goal: Increased private sector participation in the delivery of financial services to all sectors of the economy including the basic sectors.

Possible Major Activities

- A. NCC as a knowledge center for the improvement of credit policy environment
- B. CDA institutional strengthening
- C. Credit Information System
- D. Re-assessing the regulatory framework for NGO-MFI
- E. Addressing the missing market for financial services
- F. Assessing existing government specialized credit programs for certain sectors of the economy

A. Making NCC a Knowledge Center for the Improvement of Credit Policy Environment

1. Background and rationale

The NCC has already accomplished much in terms of improving the country's credit policy environment that is conducive to greater private sector participation in the provision of financial services to the basic sector. There is no doubt that the NCC is in a much better position now than when it started more than ten years ago to initiate more reforms that can bring more benefits to the basic sector. While initiating new reforms, however, the NCC has to deal with threats of policy reversal that could seriously undermine reform initiatives if not adequately dealt with.

In dealing with threats of policy reversal, the NCC should not only be taking a defensive stance but should be pro-active. The best way for the NCC to concretize such strategy is to take on the responsibility of becoming a knowledge center for improving credit policy environment in the country. This can be an effective instrument for fulfilling its mandates.

2. Objective

The general objective of this activity is to make NCC a knowledge center for improving credit policy environment in the country. As a knowledge center, it must be able to perform the following tasks:

- a. disseminate key credit policy decisions, laws and regulations to the general public;
- b. monitor and assess the status of implementation of credit policies and laws;¹
- c. monitor credit policy proposals from various quarters² and provide rigorous analysis of the merits of such proposals, taking into account the credit policy framework already in place;
- d. monitor performance of the microfinance market using key indicators;
- e. make the information in (b), (c) and (d) including existing local and foreign studies related to the credit policy proposals easily accessible to the general public;
- f. maintain relationship with institutions in other countries that have concerns similar to those of CPIP; and
- g. provide a forum for policy debates.

3. Specific Activities

- a. Capacity upgrading of NCC staff:

¹ The assessment could include issues like BSP's micro-credit line for microfinance-oriented banks, possible indirect involvement of NGFAs in the implementation of credit programs, among others.

² Credit policy proposals may take various forms such as bills filed in Congress, position papers circulated by interest groups, press releases, and verbal pronouncements made by influential individuals or groups picked up by the press.

The objective of this activity is to upgrade capacity of the NCC Secretariat to performance its tasks through training. This activity can be broken down into three components:

i) Project management skills

The NCC Secretariat has been designated by the Department of Finance as the project management unit of ADB's Microfinance Development Program (MDP) assistance and as the executing agency of ADB's Developing Financial Cooperatives Project (DFCP). NCC is expected to manage similar projects in the future. To smoothly manage projects, the NCC staff's management skills need to be developed. This would involve attendance in short-term project management training programs.

Inputs : 2 NCC staff sent to local training institutions for short-term project management training

Outputs : 2 NCC staff trained and had developed plans for improving project management system at the NCC

ii) Analytical skills

This component aims to upgrade the analytical skills of NCC staff, which can be achieved through two related activities:

- (1) attendance in short-term training course on microfinance technologies
- (2) attendance in international workshops/fora on microfinance, which aside from skills upgrading would give NCC staff opportunities for building good contacts abroad with institutions and individuals that have similar interest or programs as NCC's

Inputs : 2 NCC staff sent to short-term training program on microfinance technologies
: 2 NCC staff sent to international workshops/fora on microfinance

Outputs : 2 NCC staff trained
: 2 NCC staff attended international workshops/fora

b. Development of a Microfinance Indicator System for the microfinance market:

There is a consensus that the microfinance sector has progressed rapidly especially in the last few years when microfinance-friendly policy environment was promoted. However, information about the microfinance market as a segment of the domestic financial market is

spotty and segmented. Policy formulation can be greatly aided if an indicator system that tracks performance of the microfinance market exists. This activity therefore aims to develop a Microfinance Indicator System that would include key indicators that can be used to monitor performance of the microfinance sector. This may include, among others, number of wholesalers and retailers, number of clients, amount of loans granted, amount of loans outstanding, average loan size, and few performance indicators of MFIs. The information may be disaggregated by region using geographic information system (GIS) technology and link them with poverty indicators.

Input : provision of a consultant to develop the Microfinance Indicator System
 : conduct of a national workshop

Output : Microfinance Indicator System developed and adopted by the NCC
 : national workshop conducted

c. Enhancement of the NCC website:

- i) Laws and regulations
- ii) Progress of bills related to credit policies filed in Congress (with links to related studies and e-group discussion corner)
- iii) Monitoring system for compliance of credit policies
- iv) Studies on microfinance development (sort by institution, products, topics/issues, etc.)
- v) Microfinance development indicators system
- vi) E-group corner: e-discussion group per policy or regulatory issue
- vii) News about microfinance: domestic and international
- viii) Important events (meetings, conferences, public hearings, training, etc.)
- ix) Links (regulatory agencies, domestic MFIs, foreign MFIs, multilaterals, other relevant domestic and international bodies)

Input: provision of a consultant to enhance the NCC website and train NCC staff for the use of the enhanced website

Output: enhanced NCC website adopted by the NCC and NCC staff trained

d. Resource mobilization for the conduct of short term policy-oriented studies:

This activity involves the development of a strategy for mobilizing financial resources to support policy-oriented studies of the NCC. The issue of funding can be divided into a number of separate areas:

- (i) 'Core' budget resources to support the continued overview and administration of the NCC;
- (ii) Research project funds;
- (iii) Study visit funding and travel of researchers;
- (iv) Thematic meetings and general conferences;
- (v) Joint research with local authorities and other agencies;
- (vi) Seed funds for new initiatives and procedures; and
- (vii) Publications and product.

Input : provision of a consultant to conduct the study
Output : strategy paper for resource mobilization

B. CDA Institutional Strengthening

1. Background

The cooperative sector is poised for a massive restructuring, starting with the expected passage of the amendments to the CDA law (RA 6939) and Coop Code (RA 6938) to the full implementation of SCA, COOP-PESOS and MORR for cooperatives with savings and credit services. A big challenge for the CDA therefore is to strengthen its capacity to supervise and regulate cooperatives with savings and credit services. Since the CDA is planning to deputize cooperative federations and/or unions to supervise their member primaries in accordance with approved accreditation criteria and guidelines for supervision, it must also acquire the capacity to supervise deputized federations and/or unions so that the latter can effectively carry out their tasks without conflict of interest, and that primary cooperatives will be discouraged from engaging in supervisory arbitrage.

Building on the technical assistance provided by the CPIP to the CDA, the ADB, under its newly implemented Microfinance Development Program for the Philippines, will be providing assistance to the government to implement key reform measures for the cooperative sector and to the CDA to develop its monitoring and oversight capacities of cooperatives engaged in savings and credit services. More specifically, capacity building will be provided for CDA staff to support implementation as well as assistance for developing the CDA registration and database systems.

2. Objectives

The aim of this activity is to strengthen the capacity of the CDA in performing its main task of supervising and regulating financial cooperatives. The activity proposed under EMERGE should complement the ADB technical assistance project.

3. Specific activities

The activity can be broken down into two components:

- a. Formulation of a long-term plan for developing the cooperative sector

The CDA, with authority strengthened by the proposed amendments to the CDA Law and Coop Code, can seize the initiative in the reform process by developing a long-term framework for reforming the sector, including an appropriate sequencing for implementing the reform. Indeed, there are good proposals to strengthen the cooperative sector but all these should be placed in the context of the long-term framework for reforming the sector. For financial cooperatives, one example of such proposals is the establishment of a cooperative deposit insurance system. If implemented ahead of the efforts to strengthen the capacity of the CDA to supervise and regulate cooperatives with savings and credit services (including putting in place the necessary infrastructure information system for financial cooperatives), such initiative could expose the system to moral hazard problem, thereby undermining the reforms that have already been initiated to strengthen the financial cooperative system. Another interesting proposal is to encourage financial cooperatives to offer new financial products such as micro-insurance products. Again, this has implications on the capacity of

the CDA to effectively perform its oversight functions on financial cooperatives to ensure that the latter would not be exposed to additional risks which they cannot manage well. Having no track record for developing long-term plans for the sector, the CDA might need technical assistance to develop its capacity to formulate long-term plans for the cooperative sector.

Inputs : provision of a consultant to assist the CDA in drafting a long-term development plan for the cooperative sector
: 4 workshops to discuss the draft development plan

Outputs : long-term development plan for the cooperative sector adopted by the CDA
: 4 workshops conducted

b. Upgrading capacity of CDA to supervise financial cooperatives

Training the CDA staff to upgrade their capacity to supervise and regulate cooperatives with savings and credit services is necessary but not sufficient to transform the CDA into an effective supervisory and regulatory body. As the experience of the BSP shows, skills in supervising banks including the conduct of off-site and on-site examination of banks cannot be acquired overnight. And again, as the BSP experience shows, introduction of reforms to the banking system such as shifting to risk-based supervision would require a new system for off-site and on-site examination of banks as well as skills of BSP examiners. This too takes time to develop. The lesson that can be drawn from the BSP experience is that it will definitely take the CDA much longer time to develop its capacity to perform its oversight functions of cooperatives with savings and credit services. This is especially because it does not have the track record for supervising and regulating cooperatives with savings and credit services. Thus, it will have to build its capacity literally from scratch. Cooperative federations and unions to be deputized by the CDA to supervise their primary cooperatives will also require more time to develop their capacities.

One way to shorten the time for the CDA to acquire the necessary capacity to perform its oversight functions of cooperatives with credit and savings services and for federations and/or unions of cooperatives to acquire the skills to supervise their member primaries is to structure a technical assistance for CDA and deputized cooperative federations and unions that would involve the BSP. BSP's expertise and experience in supervising and conducting off-site and on-site examination of financial institutions can be blended together with other expertise, preferably of those that have hands-on experience in supervising credit cooperatives in other countries, that will be made available to the CDA and deputized federations and unions of cooperatives. Under this scheme, the BSP can take a greater role in the initial years by closely hand-holding the CDA and deputized cooperative federations and unions in supervising cooperatives as the latter start to build their capacities, and over the years, by gradually reducing its involvement until the CDA and deputized cooperative federations and unions shall have reached a certain level of competency and confidence. This activity should support and complement the activities envisioned under ADB's DFDP for the CDA.

- Inputs : provision of a consultant to draft a memorandum of agreement between the CDA and BSP and to prepare the module for the hands-on training program
: provision of an expert on credit cooperative supervision
: 20 cases (coops) of hands-on training for the CDA staff
: 10 cases (coops) of hands-on training each for 4 deputized federations/unions
- Outputs : signed memorandum of agreement between CDA and BSP
: module for the hands-on training program
: 20 cases (coops) of hands-on training for the CDA conducted
: 10 cases (coops) of hands-on training each for 4 deputized federations/unions

C. Credit Information System

1. Background

The Senate has already approved on third reading its version of the Credit Information System bill before it went on recess. Meanwhile, the House of Representatives has already started deliberation on its own version of the Credit Information System, focusing on some unresolved issues such as ownership of the credit information corporation. The general expectation though is that Congress will pass the bill at the latest by September 2006. Once the Credit Information System bill is enacted into law, concerned authorities will then have to develop implementing rules and regulations and code of conduct.

2. Role of the NCC

The NCC can have two important contributions to the implementation of the Credit Information System law. One is advocacy to ensure the passage of the bill with the appropriate provisions at the earliest time. Even after the passage of the law, advocacy work is needed to inform the potential participating credit institutions and the general public of the importance of implementing the law.

The NCC can also provide assistance to the authorities in drafting the implementing rules and regulations and code of conduct, drawing on the initial work it had with the BSP on creating a credit bureau. Depending on the final outcome of the bill, it may even take the lead in drafting these documents since it looks after the implementation of the law for all types of credit institutions and unlike the BSP which will hold minority stakes in the proposed credit information corporation it can be perceived as an independent body.

3. Specific activities

The specific activities are:

1. Drafting of the implementing rules and regulations and code of conduct
2. Advocacy – developing advocacy reading materials and organizing regional fora

Inputs : provision of a consultant to assist the committee to draft such documents
: provision of consultant to prepare advocacy materials
: conduct of 4 regional fora

Outputs : draft implementing rules and regulations and code of conduct adopted by the committee
: advocacy materials produced
: 4 regional fora conducted

D. Re-Assessing the Existing Legal, Supervisory and Regulatory Framework for NGO-MFIs

1. Background

Despite the entry of banks into the microfinance market, NGO-MFIs are expected to play a vital role in the delivery of financial services to the basic sector, particularly in rural areas, because of their comparative advantage over banks. As of 31 December 2004, the NGO-MFI members of MCPI had 556,730 active borrowers and total assets of Php2.2 billion.

As stipulated in the *Regulatory Framework for Microfinance in the Philippines*, NGO-MFIs are unregulated as long as the total savings they collected (i.e., hold-out deposits) from their clients do not exceed the total loan portfolio of a particular NGO-MFI at any point in time. The hold-out deposits of individual clients are supposed to cover partly their loans in case of default.

There is a need to revisit this policy to sort out several issues and reduce uncertainties regarding the regulation of NGO-MFIs. One issue is that under existing BSP regulation, non-bank financial institutions such as lending investors and finance companies that borrow from more than 19 individual lenders must obtain a quasi-banking license. In deference to the *Framework*, the BSP has not required the NGO-MFIs to comply with such regulation despite the fact that most of them have more than 19 depositors. If one looks closely at the *Framework*, some clients of NGO-MFIs can theoretically be net savers. Thus, a run on the NGO-MFI may happen. While this may not cause a systemic problem, they nevertheless could create political pressure on the part of the government to bail out the NGO-MFI concerned. Worse, it could create a backlash to the NGO-MFI sector as what happened to the pre-need industry.

It is to be noted that at least three NGO-MFIs have gross loan portfolios that are approaching half a billion pesos each. This means that their volume of hold-out deposits have already reached a level that should have caught the attention of regulatory authorities. Whether this issue can be fixed by existing laws (e.g., General Banking Act, Consumer Protection Act) or by formulating a new law, the bottomline is that it is better to put a clear and final resolution to this issue now rather than to wait for one or two large NGO-MFIs to fail.

Another issue is the possibility of including NGO-MFIs, at least those that borrow from wholesale lenders, in the proposed credit information system by requiring them to submit information about their individual sub-loan borrowers to the wholesale lenders. The experience of the PCFC in this regard is worth examining. Under existing agreement with the ADB, PCFC requires its retail borrowers to submit information about their individual borrowers. Although the information submitted by their retail borrowers about their individual clients does not meet the usual requirements of a credit bureau, it nevertheless demonstrates the possibility of NGO-MFIs being able to participate in the credit information system.

2. Objective

The objective of this activity is to review the legal, supervisory and regulatory framework for NGO-MFIs and determine whether there is a need to have separate legal, supervisory and regulatory for NGO-MFIs.

3. Specific Activities

- a. Determination of an appropriate legal framework for NGO-MFIs' (review of existing laws appropriate for NGO-MFIs and possibility of drafting a draft law for NGO-MFIs)
- b. Setting up appropriate supervisory and regulatory system for NGO-MFIs: this activity follows a) once it is determined that there is a need to develop a separate supervisory and regulatory framework for NGO-MFIs; provision of a consultant to draft an appropriate supervisory and regulatory framework (possibly drafting a bill)
- c. Mainstreaming NGO-MFIs into the credit information system: provision of a consultant to develop a strategy for mainstreaming NGO-MFIs into the credit information system
- d. Advocacy: conduct of consultation workshops for the preparation of the abovementioned studies and fora to disseminate information

This activity may be divided into two phases, the second phase being contingent on the result of the first phase:

Phase 1: Assessment study

Input : provision of a consultant to conduct a study on appropriate legal framework for NGO-MFIs
: conduct of 4 regional consultation meetings to discuss results and arrive at consensus

Output : report with a specific recommendation on whether there is a need to draft a new law for the NGO-MFIs

Phase 2: Drafting of a bill on NGO-MFI

Inputs : provision of a consultant to draft a bill and advocacy activities
: conduct of 4 regional fora

Output : draft bill widely supported by the microfinance sector and sponsored by a legislator in both Houses of Congress
: conduct of 4 regional fora

E. Addressing the Missing Market for Financial Services

1. Background

In the past, it was the large and medium-sized enterprises as well as high net-worth individuals and households who had access to financial services. With the policy reforms especially those initiated by the NCC put in place, though, the basic sectors and microenterprises in urban and rural areas now also have a greater chance of gaining access to financial services. Two highly related issues, however, seem to have emerged. One is that most of those who have gained access to microfinancial services have not graduated from the microfinance market. PCFC's data, for instance, show that many of their end-borrowers, i.e., borrowers of their MFI clients, have already completed several loan cycles and yet continue to obtain the same micro loans. It is to be noted, however, that access to microfinancial services is only a means for them to break out from the poverty trap. Whether the policy environment for the microfinance market has created perverse incentives or microentrepreneurs face formidable barriers for migrating from the microfinance market to the regular financial market is unclear.

The other issue is that there is a large segment of the population engaged in small businesses who need financial services that are different from microfinancial services. Of particular interest to the NCC is the lower segment of the small enterprise sector requiring credit from Php100,000 to Php2 million. They need medium- and long-term loans to buy first-hand or second-hand equipment or machineries, financial leasing services, and venture capital, among others. Unfortunately, these services are virtually absent from the market.

2. Objective

The objective of this activity is to examine the two closely interrelated issues mentioned above and find out whether the existing policy and regulatory environment is not conducive for the provision of financial services that cater to small enterprises as well as to microenterprises wanting to graduate to small enterprises.

3. Specific activities

This activity includes an examination of existing databases of PCFC and other MFIs to gain an understanding on why microenterprises are not able to graduate from microfinance to small enterprise financial requirements and an assessment of existing policy environment for the provision of financial services such as leasing and venture capital to small enterprises.

Input : provision of a consultant to conduct the study
: conduct of a national workshop

Output : an assessment study with recommendations to improve policy environment for the provision of financial services to small enterprises as well as to microenterprises wanting to graduate to small enterprises
: national workshop conducted

F. Assessing Existing Government Specialized Credit Programs for Certain Sectors of the Economy

1. Background

The government still implements several specialized credit programs for some sectors such as housing, utilities (electrification and water supply) and the local government sector, the nature and purposes of which are quite different from the directed credit programs (DCPs) that were the subject of the just concluded CPIP reform agenda. Their existence poses at least two major challenges to the NCC. One is that the NCC must ensure that these credit programs are consistent with the market-orientation credit policy of the government and will not create distortion in the credit market. The other is how to create a policy and regulatory environment that will encourage the private sector to lend to these sectors.

2. Objective

This activity will assess the government's approach to providing credit to certain sectors of the economy with the aim in view of increasing private sector participation in the provision of credit services to these sectors.

3. Specific activities

A study will be conducted to review terms and conditions of existing specialized credit programs to ascertain their conformity with the government's overall credit policy and develop a strategy for increased private sector participation in the provision of credit to these sectors.

Inputs : provision of a consultant to undertake the study
: conduct of a national workshop

Outputs : a report containing an assessment of existing specialized credit programs and strategy for increasing private sector participation
: a national workshop conducted

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) Project**

Terms of Reference

**Task 4.2.1.2.d: Promoting and Instituting Alternative Dispute Resolution
Mechanisms for
the Cooperative Sector**

General Information

EMERGE Counterpart	Mr. Gil Beltran Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Dr. Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	4.2.1.2 b - 1	Technical assistance towards promoting and instituting alternative dispute resolution mechanisms for the cooperative sector	
Counterpart Letter		Submitted to USAID	
First Draft		Approved by USAID	
Final Draft		Implementation	

Description of the Task

Background

Intra-cooperative disputes often occur, and some have debilitating effects on the operations of cooperatives. They must therefore be settled quickly and fairly so that cooperatives can smoothly go on providing services to their members. Knowing who and how intra-cooperative disputes should be settled are therefore important.

In G.R. No. 137489 dated May 2002: Cooperative Development Authority, petitioner vs. DOLEFIL AGRARIAN REFORM BENEFICIARIES COOPERATIVE, INC., ESMERALDO A. DUBLIN, ALICIA SAVAREZ, EDNA URETA, ET AL., the Supreme Court has in effect ruled that the CDA does not have quasi-judicial authority to adjudicate intra-cooperative disputes. In other words, only the regular courts are vested with the authority to settle

intra-cooperative disputes. However, there are other ways of settling intra-cooperative disputes before bringing them to the regular courts. In the event an intra-cooperative dispute arises, Article 121 of the Cooperative Code (R.A. No. 6938) explicitly provides a guide on how the dispute should be resolved; thus:

“ART. 121. *Settlement of Disputes.* – Disputes among members, officers, and committee members, and intra-cooperative disputes shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanisms embodied in the by-laws of the cooperative, and in applicable laws.

“Should such a conciliation/mediation proceeding fail, the matter shall be settled in a court of competent jurisdiction.”

This is complemented by Section 8 of the CDA Charter (R.A. No. 6939), which states:

“Section 8. *Mediation and Conciliation.* – Upon request of either or both parties, the Authority shall mediate and conciliate disputes within a cooperative or between cooperatives: Provided, That if no mediation or conciliation succeeds within three (3) months from request thereof, a certificate of non-resolution shall be issued by the commission prior to the filing of appropriate action before the proper courts.”

In view of the absence of mediation mechanisms at the cooperative level and of Section 8 of the CDA Charter, parties involved in intra-cooperative disputes immediately rush to the CDA for dispute settlement. In 2005 alone, over 500 intra-cooperative disputes had been brought to CDA for mediation and reconciliation. This has taken so much time and resources of CDA away from its function of supervising and regulating cooperatives. Some of these disputes could have been settled expeditiously at the primary, secondary or tertiary cooperative levels.

As part of its efforts to strengthen its capacity to supervise and regulate cooperatives, CDA wants to promote and institute alternative dispute resolution (ADR) mechanisms at the primary, secondary and tertiary cooperative levels so that only few intra-cooperative disputes will be brought to it for mediation and conciliation. This is consistent with the "Alternative Dispute Resolution Act of 2004" (RA 9285) which declares “the policy of the State to actively promote party autonomy in the resolution of disputes or the freedom of the parties to make their own arrangements to resolve their disputes”.

Objectives

The general objective of this TA is to support CDA’s efforts to strengthen its capacity to supervise and regulate cooperatives by downloading a significant portion of its workload on mediation and conciliation of intra-cooperative disputes to the primary, secondary and tertiary cooperative levels. The specific objectives are:

- a. to formulate an alternative dispute resolution (ADR) framework for the settlement of intra-cooperative disputes;

1. to develop and finalize a set of implementing rules and regulations to be issued by the CDA in order to institutionalize ADR mechanisms for the cooperative sector based on the established framework; and
2. to advocate the adoption by the cooperative sector of the Framework and the subsequent IRR through consultation workshops.

Scope of Work

The Consultant shall:

1. Review existing ADR mechanisms of regulatory agencies (e.g., Intellectual Property Office, Department of Agrarian Reform, Department of Environment and Natural Resources) and find out if some features of such mechanisms can be applied to the cooperative sector.
2. Review CDA's current functions, activities, rules and regulations, procedures and practices for settling intra-cooperative disputes.
3. Map out conflicts involving cooperatives in the Philippines (i.e., involves identifying the types of conflicts of cooperatives, where they are located, their common interventions).
4. On the basis of the results of #1, #2 and #3, develop a mediation and conciliation framework to settle intra-cooperative disputes taking into consideration the use of ADR;
5. Present the framework to the CDA Board for review.
6. Assist the CDA in the conduct of six regional consultation workshops to discuss the framework mentioned in #4 and, taking into account results of the consultation workshop, submit a revised framework to the CDA Board for approval.
7. Assist the CDA in drafting the implementing rules and regulations (IRR), procedures and processes to be followed in the settlement of intra-cooperative disputes based on the framework approved by the CDA Board.
8. Assist the CDA in the conduct of six regional consultation workshops to discuss the IRR mentioned in #7 and, taking into account results of the consultation workshop, submit a revised IRR to the CDA Board for approval.

Reports/Deliverables

1. Report containing a review of ADRs of regulatory agencies in the country and CDA's current mediation and conciliation function, activities, rules and regulations, procedures and practices for settling intra-cooperative disputes.
2. Conflict map of cooperatives in the Philippines.
3. Draft mediation and conciliation framework and IRR on the use of ADR mechanisms for the cooperative sector.
4. Proceedings of consultation workshops.
5. Final Framework and IRR as approved by the CDA Board of Administrators

Administration of the Task

Implementation Modality

[EMERGE to fill this up.....]

Reporting Conditions and Other Procedures

Counterparts	DOF Director Joselito Almario Deputy Executive Director National Credit Council Ms. Lecira Juarez Chairperson Cooperative Development Authority
EMERGE	Mario B. Lamberte Team Leader Banking and Capital Markets

This task is part of NCC's larger effort to help CDA institute reforms aimed at strengthening its capacity to supervise and regulate cooperatives. NCC shall therefore have overall supervision of this task while CDA shall implement the task. To assist CDA implement the task, NCC will create a technical working group (TWG). The Consultant shall work closely with the TWG.

Task Duration

Start date:	End date:
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Resource Requirements

Proposed Staffing	Proposed Consultant	Level of Effort (in work days)	Proposed Rate Per Day	Direct Cost
	CoreGroup			

Other costs:

First regional consultation workshop: Php_____

Second regional consultation workshop: Php_____

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) Project**

Terms of Reference

<p>Task 4.2.1.2.f. Promoting and Instituting Alternative Dispute Resolution Mechanisms for the Cooperative Sector - Phase 2: Development of Training Modules and Conduct of Training</p>

General Information

EMERGE Counterpart	Mr. Gil Beltran Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Dr. Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	4.2.1.2 b - 1	Technical assistance to develop training modules on alternative dispute resolution mechanisms for the cooperative sector and conduct of training	
Counterpart Letter	25 September 2006	Submitted to USAID	
First Draft		Approved by USAID	
Final Draft		Implementation	

Description of the Task

Background

Intra-cooperative disputes, which reached more than 500 cases brought to the CDA in 2005, have debilitating effects on the operations of cooperatives and taken away much of CDA's time and resources that could have been devoted to supervision and regulation of cooperatives. CDA has recently made significant steps towards addressing this problem. With TA provided by EMERGE, CDA has developed a framework for developing alternative dispute resolution (ADR) mechanisms and issued the following three memorandum circulars:

1. MEMORANDUM CIRCULAR No. _____: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT THE PRIMARY COOPERATIVES*
2. MEMORANDUM CIRCULAR No. _____: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT UNIONS/FEDERATIONS*
3. MEMORANDUM CIRCULAR No. _____: *GUIDELINES FOR THE IMPLEMENTATION OF CONCILIATION-MEDIATION OF COOPERATIVE DISPUTES AT CCOOPERATIVE DEVELOPMENT AUTHORITY*

Prior to the adoption of the ADR framework and issuance of the Implementing Guidelines, the CDA, with the assistance of CoRe Group, conducted a total of twelve (12) consultation workshops to solicit views of stakeholders on the draft ADR framework and Implementation Guidelines. A total of 1,203 participants representing various levels of cooperatives across the country attended these consultation workshops. All of them wholeheartedly support CDA's effort to institute ADR mechanisms for the cooperative sector.

To fully institute the ADR mechanism for the cooperative sector, however, more need to be done. First, standardized forms and reports implied in the Guidelines need to be developed. Second, a Code of Standards and Ethical Practice for mediators has to be developed. Third, CDA needs to widely disseminate the ADR mechanisms for the cooperative sector, which calls for the formulation of a primer. Fourth, conciliation-mediation capacity has to be developed at all levels of the cooperative sector through the conduct of appropriate and effective training programs. During the consultation workshops, participants are eagerly looking forward to a training program for mediators. Fifth, considering that there are more than 20,000 operating cooperatives in the country each requiring at least one well-trained mediator each, there is a need to develop a core of trainers who can provide training services to cooperatives. This task therefore aims to address these needs.

In his letter to C. Stuart Callison dated 25 September 2006, DOF Undersecretary and NCC Executive Director Gil S. Beltran has already requested this follow-on activity contingent upon the completion of the Phase 1.

Objectives

The general objective of this TA is to assist CDA implement the three newly issued ADR Implementing Guidelines. The specific objectives are to:

1. widely disseminate CDA-approved ADR framework and Guidelines;
2. develop standardized forms and reports required in the Guidelines; and
3. develop a conciliation-mediation capacity of the cooperative sector through the conduct of training programs appropriate for the CDA and cooperatives

Scope of Work

The Consultant shall:

1. Assist CDA in developing standard templates for the forms and reports needed for each of the three ADR Implementing Guidelines;
2. Assist CDA in formulating the Code of Standards and Ethical Practice for mediators;
3. Prepare a Primer for the three Implementing Guidelines that will serve as a reference for the installation, maintenance and monitoring of the cooperatives' Conciliation-Mediation Program;
4. Assist CDA in formulating plans and programs including a 3-year mediation development and training program to make the ADR system for the cooperative sector sustainable.
5. Design training modules including training manuals for:
 - a. the CDA Mediation Unit Training Program for CDA staff, which will include a 5-day training program inclusive of a 1-day training on how to manage and institutionalize the ADR program, 5-day internship and 2-day assessment;
 - b. the Coop Mediator's Training Program for primary cooperatives and unions/federations, which will include a 5-day classroom training, 5-day internship and 2-day assessment;
 - c. the ADR Trainer's Training Program for selected mediators, which will be a 2-day training program on how to use the multimedia materials in developing mediators;
6. Develop and produce multimedia training materials for use in the Trainer's Training Program.
7. Recommend to CDA sets of criteria for the selection of trainees for the CDA Mediation Unit Training Program, Coop Mediator's Training Program, and ADR Trainer's Training Program;
8. Conduct two (2) training sessions for the Coop Mediator's Training Program and one (1) training session each for the CDA Mediation Unit Training Program and ADR Trainer's Training Program;
9. Assist CDA in developing the criteria and procedure for the recognition of qualified mediators and trainers to be included in the pool of mediators and trainers; and
10. Coordinate with CDA in implementing the activities of this task.

Reports/Deliverables

1. standard templates for the forms and reports needed for each of the three ADR Implementing Guidelines approved by CDA.
2. Code of Standards and Ethical Practice for mediators approved by CDA.
3. Primer for each of the three ADR Implementing Guidelines approved by CDA and conduct of training for the CDA implementation team.
4. A plan and programs including 3-year mediation development and training program to make the ADR system for the cooperative sector sustainable.
5. Design of training modules, including training manuals, for the Coop Mediator's Training Program, CDA Mediation Unit Training Program and ADR Trainer's Training Program.
6. Multimedia training materials for the ADR Trainer's Training Program.
7. Criteria for the selection of trainees for the Coop Mediator's Training Program, CDA Mediation Unit Training Program and ADR Trainer's Training Program.
8. Conduct of:

- a. the CDA Mediation Unit Training Program for one (1) batch of trainees with at most forty (40) trainees from CDA central office and extension offices;
 - b. the Coop Mediator's Training Program for two (2) batches of trainees with at most sixty (60) trainees from the cooperative sector per batch; and
 - c. the ADR Trainer's Training Program for one (1) batch of trainees with at most sixty (60) trainees consisting or fifty (42) participants from the cooperative sector and ten (18) participants from CDA.
9. Criteria and procedure for the recognition of qualified mediators and trainers to be included in the pool of mediators and trainers.
 10. Progress and Final Reports on activities conducted for this task.

Administration of the Task

Implementation Modality

EMERGE will issue a sole-source Purchase Order (PO) to The CoRe Group Foundation to undertake the activities and submit the required deliverables of this TOR. The NCC and CDA have expressed strong preference to engage again for this task the CoRe Group Foundation for the following reasons: (a) NCC and CDA were very much satisfied with the performance of the CoRe Group in assisting them to develop the ADR Framework and the Implementing Guidelines; (b) CoRe Group has excellent trainers on mediation and has a very good track record in training mediators; and (c) CoRe Group has already accumulated stock of knowledge about the Philippine cooperative sector especially types of disputes confronting many cooperatives which it can readily use in developing the training modules appropriate for the sector.

Having been the vendor of the first PO that saw the development of the ADR framework and guidelines, the CoRe Group Foundation is in the best position to implement the training component of the ADR. This second PO serves as a follow on engagement of the CoRe Group Foundation who now has the expertise, recognition and respect of the counterparts and the cooperative sector to implement the training component of the ADR.

Reporting Conditions and Other Procedures

Counterparts	DOF Director Joselito Almario Deputy Executive Director National Credit Council Ms. Lecira Juarez Chairperson Cooperative Development Authority
EMERGE	Mario B. Lamberte Team Leader Banking and Capital Markets

This task is part of NCC's larger effort to help CDA institute reforms aimed at strengthening its capacity to supervise and regulate cooperatives. NCC shall therefore have overall supervision of this task while CDA shall implement the task. The Consultant shall work closely with the CDA in implementing this task.

CDA shall be responsible for disseminating information about the training program to the cooperative sector, selecting trainees using the selection criteria developed by the Consultant, identifying appropriate training sites and making necessary arrangements with training sites providers.

Task Duration

Start date:	End date: 30 June 2007
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Resource Requirements

(EMERGE to fill in with a budget estimate)

Other costs:

1. CDA staff's participation in the training
 - a. CDA ADR Unit Training:
 - i. Board and lodging (including all meals): 40 participants for 14 days (to arrive on Sunday and leave on the third Sunday), to be shouldered by EMERGE
 - ii. Transportation from training site to internship site: 40 participants for 5 days, to be shouldered by EMERGE
 - iii. Transportation from home base to training site: to be shouldered by CDA
 - b. Trainer's Training Program:
 - i. Board and lodging (including all meals): 10 participants for 3 days (including day of arrival), to be shouldered by EMERGE
 - ii. Transportation from home base to training site: to be shouldered by CDA

2. Primary cooperatives and Unions/Federations:
 - a. CDA ADR Unit Training:
 - i. Board and lodging (including all meals): to be shouldered by the trainees
 - ii. Transportation from training site to internship site: to be shouldered by the trainees
 - iii. Transportation from home base to training site: to be shouldered by the trainees
 - b. Trainer's Training Program:
 - i. Board and lodging (including all meals): to be shouldered by the trainees
 - ii. Transportation from home base to training site: to be shouldered by the trainees

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) Project**

Terms of Reference

**Task 4.2.1.2c: Evaluation and Assessment of the Database for
Cooperatives with Savings and Credit Services**

General Information

EMERGE Counterpart	Mr. Gil Beltran Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	2.1.2.4	Technical assistance towards developing a reliable database for supervision and regulation of cooperatives with savings and credit services	
Counterpart Letter	Sept. 25, 2006	Submitted to USAID	Oct. 10, 2006
First Draft		Approved by USAID	Oct. 20, 2006
Final Draft	Sept. 26, 2006	Implementation	Nov. 6, 2006

Description of the Task

Background

The cooperative sector plays a significant role in providing savings and credit services in the countryside. Considering that the operating resources of the cooperatives are members' money and that a greater majority of the members in a cooperative belong to the lower income segment of the population, the need to ensure the safety and soundness of cooperative operations should be given due emphasis by government. There is, however, a dearth of information about the performance of cooperatives. This was mainly due to the lack of the required information infrastructure that allows for the collection of a transparent and consistent set of information that is needed in determining, assessing and monitoring the performance of the cooperative sector. Hence, in 1999, the National Credit Council (NCC) with assistance from the USAID-supported Credit Policy Improvement Program (CPIP) and in coordination with the Cooperative Development Authority (CDA) and various federations/unions of cooperatives initiated the development of a Standard Chart of Accounts (SCA) and its accompanying accounting manual and the performance standards for cooperatives with savings and

credit services (COOP-PESOS). These tools were developed to assist CDA in implementing its regulatory and supervisory mandate over cooperatives. In 2002, CDA issued two circulars mandating all cooperatives engaged in the provision of savings and credit services to adopt and use the SCA and the COOP-PESOS in its operations. As of December 2005, the number of cooperatives that have already adopted the SCA and COOP-PESOS had already reached 9,472 and 4,602, respectively.

With increased awareness and recognition of the importance of creating an effective regulatory environment for developing a strong, viable and sustainable cooperative sector, the CDA under its current leadership intends to strengthen its capacity to implement its supervisory and regulatory functions over cooperatives. Thus, it considers building a reliable database for cooperatives, which will aid it in designing and implementing specific measures and appropriate interventions for the effective regulation and supervision of the cooperative sector, a top priority.

CDA is currently in the process of upgrading and strengthening its information system for cooperatives. It just completed an inspection of all operating cooperatives in the country numbering about 22,000 using the 13-page Inspection Working Paper (IWP) that includes more than 200 items including some balance sheet and income and expenditure items of primary cooperatives. Preliminary results of this inspection show that more than 80 percent of operating cooperatives are engaged in the provision of savings and credit services. CDA is now in the process of encoding the data contained in the IWP using excel format which will be completed in mid-September 2006. It is to be noted that the CHF International is providing technical assistance to CDA to develop an automated, integrated information system which would include information obtained from the IWP, Annual Report (AR) of cooperatives, and General Information Sheet (GIS) submitted by cooperatives. Data from IWP in excel format will be transferred to the CHF-designed information system. CHF expects to complete this activity by October 2006.

As envisioned by CDA, the information obtained from the IWP, AR and GIS will become the database for cooperatives with savings and credit services. The CDA, however, needs assistance to evaluate the adequacy of the data obtained from these three data sources for developing a reliable database for cooperatives which it can use for supervision and regulation of cooperatives. It also needs assistance to determine which information should be contained in the AR, GIS and IWP to avoid overlaps and, in the case of IWP, which information need to be collected on a regular basis and in what frequency.

The output of this task will facilitate the implementation of two other technical assistance for CDA, namely, the Microfinance Development Program supported by the Asian Development Bank (ADB) and the Developing Financial Cooperatives Project supported by the Japan Fund for Poverty Reduction (JFPR).

Objectives

The objective of this task is to improve the capacity of CDA to regularly monitor performance of cooperatives with savings and credit services in the Philippines. The specific objectives are:

1. To establish a reliable database for cooperatives with savings and credit services which can be used by CDA for supervising and regulating cooperatives; and
2. To develop capacity of CDA to collect reliable and consistent set of data for the its database system.

Scope of Work

The Consultant shall:

1. Review CDA's existing policies, memoranda, rules and regulations including the draft Manual of Rules and Regulations³ on supervision and regulation of cooperatives.
2. Assess and analyze the adequacy or inadequacy of information contained in the AR, GIS and IWP in developing a reliable database which CDA will use for supervision and regulation of cooperatives and, if necessary, recommend improvements or enhancements which would include, but not necessarily limited to, reducing or eliminating overlaps, doing away with information not necessary for CDA's supervision and regulation of cooperatives, identifying information gaps needed for CDA's supervision and regulation of cooperatives, and determining the data collection instrument that is appropriate for collecting the additional information.
3. Using a representative sample of duly accomplished IWPs, assess the reliability, relevance and dependability of the data collected from the cooperatives using the IWP taking into consideration other data contained in the AR, GIS, and the submitted audited financial statements, among others.
4. Review the existing manual for and process of administering the IWP and, if necessary, recommend changes to enhance its effectiveness and ensure reliability of the data collected from cooperatives;
5. Analyze and recommend to the CDA which information contained in the IWP need to be regularly collected from individual cooperatives and the frequency of collecting such information;
6. Present the preliminary and final reports of the study to the CDA Database technical working group (TWG) and the CDA Board.
7. Develop a training module on the Revised Manual for administering the IWP.
8. Prepare training workshop design in consultation with CDA.
9. Conduct one (1) training workshop for at most three (3) days to train at most 30 CDA trainers who will in turn train about 300 CDA cooperative development specialists on how to use the revised manual for administering the IWP.

The Research Associate shall:

1. Assist the consultants in gathering and reviewing all the existing policies, rules and regulations including the draft MORR on the supervision and regulation;

³ This refers to CDA's draft Manual of Rules and Regulations (MORR) which will cover all prospective and duly registered cooperatives that intend or will continue to engage in savings and credit activities.

2. Provide inputs and information on the current state of the art in supervision and regulation. This information will be used by the consultants in assessing the adequacy or inadequacy of information contained in the AR, GIS and IWP.
3. Assist the consultants in assessing the reliability, relevance and dependability of the data collected by the CDA specialists from the cooperatives. Assist the consultants in gathering relevant information from the CDA specialists.
4. Provide inputs in reviewing the manual for and process of administering the IWP.
5. Assist the consultants in developing the training modules on the revised manual for administering the IWP.

Reports/Deliverables

1. Report on the analysis of and recommendation on the information that should be included in the database system to be used by CDA as an aid to effective supervision and regulation of cooperatives with savings and credit services.
2. Proposed revisions for the AR, GIS and IWP.
3. Recommendations on which information need to be gathered regularly and in what frequency.
4. Proposed revisions for the IWP manual.
5. Training module on the Revised Manual, processes and procedures for the collection of information contained in the IWP.
6. Conduct of two workshops to present the preliminary and final reports of the study.
7. Training workshop design.
8. Conduct of one (1) training workshop for CDA trainers.

Administration of the Task

Implementation Modality

Reporting Conditions and Other Procedures

Counterparts	DOF Director Joselito Almario Deputy Executive Director National Credit Council, Ms. Lecira Juarez Chairperson Cooperative Development Authority
EMERGE	Dr. Mario B. Lamberte Team Leader, Banking and Capital Markets Dr. Ramon L. Clarete, Technical Director

This task is part of NCC's larger effort to help CDA institute reforms aimed at strengthening its capacity to supervise and regulate cooperatives. NCC shall therefore have overall supervision of this task while CDA shall implement the task. To assist CDA implement the task, CDA will create a database technical working group (TWG). The Consultant shall work closely with the database TWG in the process of accomplishing this task.

Task Duration

Start date: November 2006	End date: April 2007
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Resource Requirements

Proposed Staffing	Proposed Consultant	Level of Effort (in work days)
Team Leader	Ma. Piedad Geron, Ph.D	
Assistant Team Leader	Gilberto M. Llanto, Ph.D	
Research Associate	TBD	

Distribution of Tasks

As Team Leader, Dr. Geron has overall responsibility for accomplishing all the tasks outlined in the scope of work. She will directly work on task nos. 3 and 4 while Dr. Llanto will directly work on task nos. 1 and 2. Both will work together on task nos. 5, 6, 7, 8 and 9.

Technical Qualifications

Dr. Ma. Piedad Geron has done several studies on financial markets development including the microfinance market in the Philippines. She has almost ten years experience in leading the USAID-funded *Credit Policy Improvement Program (CPIP)* in the Philippines where she served as the *Chief of Party* and *Microfinance Policy Specialist* for the project. Dr. Geron, in coordination with concerned officials and agencies of government, worked on the following during the project implementation period: establishment of an appropriate regulatory framework for microfinance institutions in the Philippines including the adoption of a set of uniform performance standards for MFIs; and establishment of an appropriate and effective regulatory environment for cooperatives engaged in the provision of savings and credit services. These accomplishments were instrumental in establishing a viable, strong and sustainable microfinance market.

Dr. Gilberto M. Llanto is a financial market expert. He had done a lot of policy-oriented studies that examined the Philippine financial markets including the microfinance markets. He was chief of party of the Credit Policy Improvement Project (1997-2000) and in that capacity led the team that put together the standard chart of accounts now being used by cooperatives with savings and credit services, developed the accounting manual, and started work on performance standards (COOP PESOS). He had done survey work both for Philippine Institute for Development Studies and Agricultural Credit Policy Council. He had also helped NCC and BSP on the BSP circulars dealing with microfinance.

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) Project**

Terms of Reference

**Task 4.2.1.2c-1: Evaluation and Assessment of the Database for
Cooperatives with Savings and Credit Services-Amendment: Pre-testing of
the New CDA Data Collection Instrument**

General Information

EMERGE Counterpart	Mr. Gil Beltran Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	2.1.2.4	Technical assistance towards developing a reliable database for supervision and regulation of cooperatives with savings and credit services	
Counterpart Letter	Sept. 25, 2006	Submitted to USAID	Oct. 10, 2006
First Draft		Approved by USAID	Oct. 20, 2006
Final Draft	Sept. 26, 2006	Implementation	Nov. 6, 2006

Description of the Task

Background

Under the original task order, the consultants are supposed, among others, to:

1. Assess and analyze the adequacy or inadequacy of information contained in the Annual Report (AR), General Information System (GIS) and Inspection Working Paper (IWP) in developing a reliable database which CDA will use for supervision and regulation of cooperatives and, if necessary, recommend improvements or enhancements which would include, but not necessarily limited to, reducing or eliminating overlaps, doing away with information not necessary for CDA's supervision and regulation of cooperatives, identifying information gaps needed for CDA's supervision and regulation of cooperatives, and determining the data collection instrument that is appropriate for collecting the additional information.

2. Using a representative sample of duly accomplished IWPs, assess the reliability, relevance and dependability of the data collected from the cooperatives using the IWP taking into consideration other data contained in the AR, GIS, and the submitted audited financial statements, among others.

In the course of reviewing the accomplished IWPs, the consultants found that data contained in the sample IWPs reviewed are suspect. Thus, instead of relying only on the accomplished IWPs to verify the reliability of the data, they recommended, which USAID subsequently approved, that they visit six (6) regional extension offices of CDA and two (2) cooperatives in each region to verify the process used by regional CDA staff in collecting information for the IWP and to assess the feasibility of gathering some information from the cooperatives that are needed for the supervision of cooperatives with savings and credit services.

During the regular quarterly meeting of the CDA Management Committee (ManCom) held in Antipolo on 6 January 2007, Dr. Geron presented the following major findings of the field data validation her team had recently completed: (1) the data gathered by the CDA staff using the current IWP are generally unreliable; (2) a number of data requirements in the IWP are redundant within the IWP per se and with the other reports submitted by primary cooperatives to CDA; (3) regional offices have varying understanding of the rationale and objective of the massive inspection recently undertaken using the IWP; (4) most cooperatives were not aware of the primary purpose of conducting massive inspection; (5) no cleaning up and validation of information in the IWP prior to encoding; and (6) absence of standardized coding manual.

The consultants therefore recommended the development of a more appropriate instrument for collecting relevant information from the cooperatives. The formulation of the new data collection instrument, which is covered under the existing task order, will replace the annual report, IWP and the general information sheet currently required by the CDA. The proposed new instrument should also be able to provide the required information for off-site supervision and should be useful for examiners doing on-site supervision. *Since this is going to be an entirely new data collection instrument, the consultants recommended to pre-test it before using it in nation-wide inspection of cooperatives.*

The consultants further recommended not to push through with another round of massive inspection using the same IWP instrument originally scheduled in April 2007 because said instrument is not going to be useful in gathering and generating data needed for CDA's supervision and regulation of cooperatives. They instead recommended that CDA use a one-page information sheet to verify and establish a master list of operating cooperatives for regular inspection. Such information is needed to conduct a massive inspection later, using the instrument to be developed by the EMERGE consultants.

The CDA Management Committee accepted the team's recommendations and will put them in their work plan for the rest of the year. During its board meeting held on 15 February 2007, the CDA Board of Administrators has decided to launch the newly developed one-page information sheet during the 17th Anniversary of the signing of the Cooperative Code and the CDA Charter on 10 March 2007.

Considering the importance of having a well tested data collection instrument for effective supervision and regulation of cooperatives and the fact that the pre-testing of such instrument has not been included in the original task order, this proposed task order therefore seeks to amend the original task order to include the pre-testing of the data collection instrument that will be developed by the consultants.

Scope of Work

The consultants shall pre-test the new CDA data collection instrument for supervision and regulation of cooperatives in 3 primary cooperatives (small, medium and large) under each of the following CDA regional extension offices: Calamba; Cagayan de Oro City; Davao City; and Iloilo City.

Reports/Deliverables

1. Report on the results of the pre-testing of the new CDA data collection instrument.
2. Pre-tested and revised CDA data collection instrument.

Administration of the Task

Implementation Modality

Reporting Conditions and Other Procedures

Counterparts	DOF Director Joselito Almario Deputy Executive Director National Credit Council, Ms. Lecira Juarez Chairperson Cooperative Development Authority
EMERGE	Dr. Mario B. Lamberte Team Leader, Banking and Capital Markets Dr. Ramon L. Clarete, Technical Director

CDA will assign two (2) cooperative development specialists from its regional extension offices covered in this activity to facilitate and observe the pre-testing of the new CDA data collection instrument.

Task Duration

Start date: 1 March 2007	End date: 31March 2007
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Resource Requirements

Proposed Staffing	Proposed Consultant	Level of Effort (in work days)
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Team Leader	Ma. Piedad Geron, Ph.D	
Assistant Team Leader	Gilberto M. Llanto, Ph.D	
Research Associate	TBD	

Distribution of Tasks

Dr. Geron, Dr. Llanto and Ms. Garay shall conduct the pre-testing of the new CDA data collection instrument in four (4) primary cooperatives each and, if necessary, shall revise said instrument. As Team Leader, Dr. Geron shall have overall responsibility for accomplishing the task outlined in the scope of work.

**ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND
GOVERNANCE ENHANCEMENT (EMERGE) Project**

Terms of Reference

**Task 4.2.1.2.e: Basic Training Courses on Supervision and Regulation of
Cooperatives with Savings and Credit Services**

General Information

EMERGE Counterpart	Mr. Gil Beltran, Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Dr. Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	4.2.1.2b - 1	Technical assistance towards enhancing capacity of the Cooperative Development Authority through the conduct of basic training courses on supervision and regulation of cooperatives	
Counterpart Letter	Sept. 25, 2006	Submitted to USAID	
First Draft		Approved by USAID	
Final Draft		Implementation	

Description of the Task

Background

CDA records show that there are about 73,000 registered cooperatives. Although most recent inspection conducted by CDA shows that there only around 27,000 operating cooperatives, of which about 80 percent are engaged in the provision of savings and credit services, this number is three times the total number of banking offices in the country today. Most of the operating cooperatives are using their members' money (deposits and share capital) to lend out to other members, indicating fiduciary responsibility on the part of the cooperative officers and management. Anecdotal pieces of evidence and unvalidated information from the cooperatives themselves show that only a few of the cooperatives engaged in savings and credit services may be considered financially strong and healthy.⁴ In view of this, CDA wants to put greater attention to the supervision and regulation of cooperatives, particularly those with savings and credit functions, to ensure that they operate in a safe and sound manner so

⁴ Another proposed TA for CDA under EMERGE aims at developing a reliable and consistent set of data for cooperatives.

that they can play a greater and more effective role in mobilizing and allocating financial sources especially in the countryside. This is a tall order for CDA, which in the past has mainly focused on its functions of registering and providing development assistance to cooperatives. Unlike the BSP, CDA has yet to develop a solid record in supervising and regulating cooperatives with credit and savings functions. Thus, CDA has tapped technical assistance from bilateral and multilateral donor agencies. With the assistance of the Credit Policy Improvement Project supported by USAID, CDA has completed a regulatory framework for cooperatives with savings and credit functions and a draft manual of rules and regulations (MORR) which contains rules and regulations, performance indicators and standards that will serve as a guide for cooperatives with savings and credit services. It has tapped assistance from the Japan Fund for Poverty Reduction (JFPR) through the Asian Development Bank (ADB) to conduct intensive training programs for its coop examiners on offsite and onsite supervision of cooperatives. CDA, however, felt that its desire to put greater attention to supervision and regulation of cooperatives would require a paradigm shift – from merely registering and providing cooperatives with development assistance – to developing a capacity to supervise and regulate cooperatives. Thus, CDA is seeking assistance to implement a program that will introduce its Board of Administrators, management staff, administrative staff and technical staff to the basic elements of supervising and regulating cooperatives (e.g., What should a supervisory and regulatory agency for cooperatives do? What types of risks do cooperatives face that supervisory and regulatory agency must know and understand? etc.)

Objectives

The general objective of this task is to prepare CDA undertake its function of supervising and regulating cooperatives with savings and credit services. The specific objectives are:

1. To introduce CDA to the basic elements of and “best practices” in supervision and regulation of cooperatives with savings and credit services; and
2. To institutionalize basic training programs on supervision and regulation of cooperatives.

Scope of Work

The Consultant shall:

1. Review CDA’s mandates, regulatory framework, rules and regulations including the proposed Manual of Rules and Regulations and existing practices in supervising and regulating cooperatives with savings and credit services;
2. Assess the implications of proposed amendments to the CDA Charter and Cooperative Code on CDA’s mandates to supervise and regulate cooperatives with savings and credit services;
3. Review approaches to and “best practices” in supervision and regulation of cooperatives with savings and credit services of supervisory and regulatory authorities in other countries (e.g., U.S.A., Canada, Germany, France, Mexico) and indicate those that are most relevant to the Philippine context;

4. Review BSP's approaches to and "best practices" in supervision and regulation of banks and non-bank financial institutions with quasi-banking functions and identify those that are applicable to cooperatives with savings and credit services;⁵
5. Present results of items 1 – 4 to the CDA Board of Administrators and management staff;
6. Based on the results of items 1 – 4, develop training modules, in coordination with BSP, on the basic elements of and "best practices" in supervision and regulation of cooperatives with savings and credit services appropriate for the CDA Board of Administrators, CDA management staff, and CDA administrative and technical staff (i.e., a total of three (3) training modules in all);
7. Prepare designs for the conduct of the three training modules in consultation with CDA and identify lecturers/trainers for each topic included in the modules;
8. Supervise the conduct of one (1) training course for the CDA Board of Administrators and three (3) batches of training for the CDA management staff and conduct lectures in some of the topics in the training modules;
9. Assist CDA in identifying potential trainers who will conduct the training course for the administrative and technical staff of CDA;
10. Develop a training module for training of trainers who will conduct the training course for the administrative and technical staff of CDA
11. Supervise the conduct two (2) batches of training for trainers and conduct lectures in some of the topics included in the training module;
12. Develop a framework for instituting the three training modules at the CDA; and
13. Develop agenda for and facilitate meetings between the BSP Monetary Board and CDA Board of Administrators, between BSP management and CDA management, and between selected BSP examiners and selected CDA cooperative development specialists.

Reports/Deliverables

1. Report containing a review of Review CDA's mandates, rules and regulations including the proposed Manual of Rules and Regulations and existing practices in supervising and regulating cooperatives with savings and credit services; an assessment of the implications of proposed amendments to the CDA Charter and Cooperative Code on CDA's mandates to supervise and regulate cooperatives with savings and credit services; a review of approaches to and "best practices" in supervision and regulation of cooperatives with savings and credit services of supervisory and regulatory authorities in other countries (e.g., U.S.A., Canada, Germany, France, Mexico) especially those that are most relevant to the Philippine context; and a review of BSP's approaches to and "best practices" in supervision and regulation of banks and non-bank financial institutions with quasi-banking functions especially those that are applicable to cooperatives with savings and credit services.

⁵ This includes a review of BSP's basic training courses on supervision and regulation of banks and non-bank financial institutions with quasi-banking functions.

2. Training modules on basic elements of supervision and regulation of cooperatives with savings and credit functions appropriate for the CDA Board of Administrators, CDA management, and CDA administrative and technical staff (three (3) training modules in all).
3. Training module for training of trainers.
4. Design for the conduct of training courses.
5. Supervision in the conduct of one (1) training course for the CDA Board of Administrators, three (3) batches of training for the CDA management staff and two (2) batches of training for the trainers who will implement the training module for the CDA administrative and technical staff, lectures in some of the topics in the training modules and brief written report for each training conducted.
6. Framework for instituting the three training modules at the CDA.
7. Agenda for and proceedings of the meetings between the BSP Monetary Board and CDA Board of Administrators, between BSP management and CDA management, and between selected BSP examiners and selected CDA cooperative development specialists.
8. Terminal report of the project.

Administration of the Task

Implementation Modality

EMERGE will hire for the positions of the *Team Leader* and *Assistant Team Leader* through the Level of Effort (LOE).

Reporting Conditions and Other Procedures

Counterparts	DOF Director Joselito Almario Deputy Executive Director National Credit Council Ms. Lecira Juarez Chairperson Cooperative Development Authority
EMERGE	Mario B. Lamberte, Team Leader Banking and Capital Markets

This task is part of NCC's larger effort to help CDA institute reforms aimed at strengthening its capacity to supervise and regulate cooperatives. NCC shall therefore have overall supervision of this task while CDA shall implement the task. CDA will create a technical working group (TWG) which will interact closely with the Consultant in all activities of the project. To facilitate the implementation of this task, NCC will formally seek assistance and cooperation from the BSP.

Task Duration

Start date: November 2006	End date: April 2007
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Resource Requirements

Proposed Staffing	Proposed Consultant	Level of Effort/days
Team Leader	Mr. Wilfredo Domo-ong	50 days
Assistant	Mr. Ramon Reyes	50 days

Mr. Domo-ong is a lawyer and accountant by profession. He started his career at the Bangko Sentral ng Pilipinas as a bank examiner and rose through the ranks. From 1994 to 1995, he served as Director of a department in-charge of rural banks, cooperative banks and microfinance banks. He was a member of the technical working group that drafted the manual of rules and regulations (MORR) for cooperatives with savings and credit services and represented the BSP in public hearings amending the CDA Charter and the Cooperative Code.

Mr. Domo-ong will be assisted by Mr. Ramon Reyes in all activities related to the implementation of this project. Mr. Reyes is an accountant by profession and holds an MBA degree. He worked at the BSP from 1975 to 2003 and retired as Manager II of a Division in the Supervision and Examination Department in charge of rural and cooperative banks. He currently serves as an independent director of the Filipino Savers Bank and provides consultancy services to various banks in the country.

Logistics

The consultants are expected to provide their own laptop computers and cellphones. Office supplies and other direct costs will be provided by EMERGE utilizing the SAF budget.

**Economic Modernization Through Efficient Reforms and Governance
Enhancement
(EMERGE)
Terms of Reference**

Task 4.2.1.2g: Corporate Governance Seminar for the Board of Administrators of the Cooperative Development Authority

General Information

EMERGE Counterpart	Mr. Gil Beltran, Undersecretary, Department of Finance, and Executive Director, National Credit Council		
Team Leader	Dr. Mario B. Lamberte		
Reform Theme	Vibrant Financial Markets		
Strategic Objective (RO)	4.2	Develop competitive parity across sub-markets	
Intermediate Result (RR)	4.2.1	Impediments to the primary markets removed	
Task Number	4.2.1.2g	Technical assistance towards enhancing capacity of the Cooperative Development Authority through the conduct of corporate governance seminar for the Board of Administrators	
Counterpart Letter	6 February 2007	Submitted to USAID	
First Draft		Approved by USAID	
Final Draft		Implementation	

Description of the TaskBackground

In his letter dated 6 February 2007, DOF Undersecretary and NCC Executive Director has requested EMERGE assistance in making possible the participation of the Board of Administrators (BOA) of the Cooperative Development Authority (CDA) in a Corporate Governance course offered by one of the BSP-accredited training providers of the seminar on corporate governance. BOA members, each of whom has a fixed six-year term, come from the cooperative sector across the country with very little exposure to current good corporate governance approaches and practices. Half of them have just been appointed as members of the BOA. Thus, this TA provides an opportunity to the BOA members to gain exposure to and knowledge of current good governance approaches and practices. It is hoped that after the seminar, BOA members will be able to discharge their functions more effectively and make CDA one of the best-run supervisory and regulatory agencies in the country.

Objective

The objective of this TA is to enhance and hone the BOA members' understanding and skills in refocusing CDA's strategy, developing directional policy and setting up parameters that would gauge management performance through attendance in a corporate governance course.

Scope of Work

The Consultant shall develop and conduct a 3-day course on corporate governance suited to CDA BOA members. The course may include, but not necessarily limited to, the following topics: general overview of corporate governance and practices of good governance.

Reports/Deliverables

The reports/deliverables of the Consultant are:

1. A report on the conduct of a 3-day seminar on corporate governance suited to CDA BOA members
2. A compilation of Training materials and handouts; and
3. Report on the course evaluation by participants

Participants

The participants are:

- | | | |
|----|----------------------------|-------------------------------|
| 1. | Ms. Lecira V. Juarez | CDA Chairperson |
| 2. | Ms. Rosalinda E. Villaseca | CDA BOA member |
| 3. | Mr. Salaman D. Mangca | CDA BOA member |
| 4. | Mr. Fulgencio A. Vigare | CDA BOA member |
| 5. | Mr. Benjamin T. Yu | CDA BOA member |
| 6. | Mr. Manuel C. Lapeña | CDA BOA member |
| 7. | Mr. Segfredo O. Buagas | CDA BOA member |
| 8. | Mr. Joselito Almario | DOF Representative to the BOA |

Administration of the Task

Implementation Modality

A Purchase Order will be issued to a competitively-selected vendor from among the BSP-accredited service providers.

Task Duration

Start date: 1 May 2007	End date: 31 May 2007
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Resource Requirements

Logistics

The Consultant shall provide qualified and experienced resource persons on corporate governance, training materials and equipment, and certificates of completion, while EMERGE in consultation with CDA shall provide the venue for the training.

Costs to be borne by EMERGE:

Professional fee including training materials

Board and lodging including meals for 7 BOA members + 1 DOF representative and the training team of the vendor

Cost to be borne by CDA:

Transportation of participants