



GROUP LENDING TRAINING REPORT MAY 2nd to MAY 8th, 2009, Erbil:

Attendance:

- (1) Ardamis Owghanis, Senior Program Manager, USAID/Tijara, Erbil
- (2) Abbas Seady, General Manager, Al Thika, Kirkuk.
- (3) Frank Gilbert, operations Manager, Al Thika, Dohuk
- (4) Deleir Abduljabar, Branch Manager, Al Thika, Kirkuk
- (5) Ahmed Sukir Karim, Branch Manager, Al Thika, Suliymanyah
- (6) Ammar Ghani Kridi, Branch Manager, Al Thika, Diyala.
- (7) Yadgar Ahmed, Loan Supervisor, Relief Int, Suly
- (8) Qasim Husain, Loan Supervisor, Relief Int, Hilla
- (9) Mohamad Riyad, Loan Supervisor, Relief Int, Karbala.
- (10) Alaa Frangoul, Deputy Microfinance Component Leader, USAID/Tijara
- (11) Wamushya Eddy, MFI MIS Specialist, USAID/Tijara, Baghdad
- (12) Salim Madlom, Loan Supervisor, Relief Int, Missan
- (13) Yahya Hussein, Loan Supervisor, Relief Int, Wassit.
- (14) Nawar Kadhum Abbas, Loan Officer Supervisor, CHF, Karballa
- (15) Haydar Hashim, Loan Officer Supervisor, CHF, Dewaniya
- (16) Adil Hatif Mohammed, field Coordinator, CHF, Najaf
- (17) Laith Liwa, Loan Officer Supervisor, CHF, Najaf
- (18) Ammar Fadhul Abbass, Loan Officer Supervisor, CHF, Hilla
- (19) Arelis Gomez, Senior Advisor, MIDAS, Colombia.
- (20) Wisam Hadi, Training Coordinator, USAID/Tijara, Baghdad.
- (21) Munaf Badri, M & E, USAID/Tijara, Baghdad
- (22) Salaam Salman, Senior MF accountant Specialist, USAID/Tijara, Baghdad
- (23) Shoghair Yerchaning, Microfinance Financial Analyst, USAID/Tijara, Baghdad
- (24) Mohammad Haleem, MFI Program Coordinator, USAID/Tijara, Baghdad

1.0: Background to the training:

USAID/Tijara through its affiliated MFIs is diversifying its range of loan products offered by launching the group lending product as a way of deepening outreach to the very poor and women who do not have access to financial services due to lack of the current loan guarantee mechanisms being used Iraqi microfinance Institutions. These clients may be able and willing to engage in income generating activities but lack that small amount of initial investment capital required to start their businesses and become successful.

Group lending specifically aims at disbursing to micro-entrepreneurs small loans, particularly women. The quality of life of group members improves by augmenting income through borrowing to increase cash flow and also to facilitate character development, micro-business growth and capital sufficiency. Each group appoints a group leader. The loans require no hard collateral but members are self selected and agree to offer collective guarantee.

USAID/Tijara is launching through its affiliated MFIs, solidarity group lending as an alternative loan product for its microfinance operations. Under this model, loans will be guaranteed by each member of the solidarity group. Peers screen clients by determining who to accept into the group and co-guarantee each other.

This lending model enables the efficient delivery of micro-loans on a large scale to a large number of micro entrepreneurs who lack access to credit, conduct only small businesses, have less usable collateral, low and uncertain incomes, and are unfamiliar with formal business transactions.

USAID/Tijara through its grantee MFIs will be targeting the poorest of the poor entrepreneurs as a new market niche through the group lending product to reach out to the poor segments of the population in the 18 governorates of Iraq.

2.0: Objectives of the training:

- (i) Introduce participants to basic group lending skills and to build the requisite Institutional capacity to handle group loans as a core product of the MFI loan portfolio. Training senior loan officers and Branch Managers as master trainers will ensure effectiveness and allow easy replication of training to loan officers and other junior members of the MFIs.
- (ii) Strengthen staff capacity in the execution of their daily loan activities such as client selection, loan application, approvals, analysis, disbursement, repayment and follow up.
- (iii) Adopt innovative and cost effective procedures that will help the MFIs manage an increasing volume of transactions as they reach out to large numbers of clients through group lending as well as to equip staff with the needed skills to perform their jobs in line with the objective of capacity building.
- (iv) Introduce participants to models of microfinance best practices related to group lending.
- (v) Develop an action plan with a definite timeline for the three big MFIs to start disbursing group loans to clients by the end of May, 2009 as is in line with the USAID/Tijara Year II work plan.

3.0. Organization of Training

3.0.1 Approach / Training Methodology

The approach and methodology adopted for the training was participant-centered and highly interactive. This involved a combination of facilitator presentations; group work sessions and participant presentations; experience sharing and general discussions.

3.0.2 Training Materials

Training materials used included presentation slides and training schedule detailing the course content on group lending. An LCD projector and flip charts were used to facilitate the presentations, illustrations and discussions.

3.0.3 Venue and Duration of Training Session

The training programme was organized over a five (5) day period from 2nd May to 8nd May, 2009 at Chwarchra Hotel, Erbil.

Six members of the Microfinance Component, 1 monitoring and evaluation specialist plus 15 Senior Loan Supervisors from the three MFIs, CHF, AL–Thiqa and Relief International attended the training. It was facilitated by Arelis Gomez, the USAID/Tijara Consultant and lead training resource person.

4.0: Usefulness and Relevance of the training Workshop

In general, all participants indicated that the training program and topics covered were very useful and relevant to their work. They indicated that the training program has increased their knowledge in microfinance, and particularly group lending. It will help them improve upon their performance at their various institutions. Specific achievements of the workshop include the following.

- (i) Participants identified problem areas and risk factors that exist in group lending and how to address or mitigate them. It was learned that it's important to perform reference checks for at least two members of each group in order to verify the existence of the groups. Identifying group members by their businesses and residential addresses also helps to reduce the risk of disbursing to non-existing groups.
- (ii) The participants acquired new skills which will help them correct the mistakes in their current loan tracking procedures for both individual and group loans.
- (iii) Participants learned how to design and deliver group loans to their clients and to develop internal group loan tracking systems for their institutions.
- (iv) The participants improved their knowledge on fraud prevention and learned control mechanisms to deal with group loan fraud. One preventive measure learned was to issue passbooks to each member of the group and to ensure that all group members sign against each others' passbook for every transaction made.(See annex 1)
- (v) The participants were equipped with the knowledge on the importance of loan risk management and internal controls as well as to develop and implement best practice systems in microfinance and particularly group lending. It was learned that it's a best microfinance practice to use specialized loan officers for group lending.
- (vi) The training helped to increase the participant's understanding of different group loan tracking systems; reporting and internal risk mitigation mechanisms that will help them address practical issues within their MFIs when they launch the group lending product.
- (vii) The workshop also helped the participants to appreciate group lending as a viable loan delivery channel that can help institutions reach out to the poor segments of the population.

5.0: Assessment of the Consultant's competencies:

An assessment of the Consultant's abilities was done in the following areas: (a) ability to deliver on the agenda (b) meet the goals and objectives of the training (c) develop a viable action plan for participants to implement group lending.

5.0.1: Preparedness for the Workshop:

Our assessment of the Consultant's preparedness for the workshop found gaps in the way the training materials were prepared and presented. The materials for the workshop were not provided to the organizers ahead of time.

However, the Consultant was able to develop adequate generic samples of the relevant study materials which were distributed to participants for use and further reference on the subject.

5.0.2: Ability to deliver on the agenda:

The Consultant has a good understanding of the subject. She is a good resource person in the field of microfinance and particularly group lending with an excellent virtue of time management and was able to successfully deliver on the subject.

She was able to cover all the topics that were listed on the training schedule and endeavored to explain the subject in detail to the participants while answering all questions that came up during the training.

A special session was dedicated to explaining early alert systems for detecting client fraud and managing group loan risks.

Each MFI made presentations simulating the entire group lending process and participants were given an opportunity to ask questions.

The presenting MFI was tasked with the responsibility of answering all questions asked.

This helped to enrich the training as it made it more interactive and participatory.

The Consultant met with Tijara managers to reach a final agreement on policies, procedures and the relevant formats for group lending documents such as the group loan application forms, group loan tracking sheets, group disbursement forms and loan collection sheets. This will equip Tijara with the means to monitor MFIs doing group lending.

Individual MFI work plans were reviewed by Tijara Staff, the consultant and the respective officers from each of the three participating MFIs.

5.0.3 Ability to meet the goals and objectives of the workshop:

As a participatory learner- centered approach which focused on individual capabilities while involving learners as active participants in the learning process, the training provided a number of advantages both to the learners and the learning process.

The participants were actively involved, asked many questions and learned a lot. It's now necessary to use the momentum and keep them interested in further learning how to implement this new loan product.

Effective knowledge transfer was achieved through questions and group discussions. Use of relevant examples and illustrations in group lending were emphasized.

The consultant simulated many processes involved under the group lending model such as group formation, client selection, promotion, loan application, loan analysis, disbursements, and repayments.

Although not enough training materials were provided ahead of the training, generic samples of loan tracking sheets, Loan application forms were developed during the training. Samples of these forms were made available to the participants after the workshop.

It's hoped that these documents will be used by the respective MFIs to start group lending.

It's in our opinion that learning took place and that the goals and objectives of the workshop were realized.

5.0.4: Ability to develop a viable action plan for the implementation of Group Lending.

To ensure that lessons learned from the training are implemented, participants together with the USAID/Tijara team and the Consultant developed an action plan to be used as basis for launching the group lending product and monitoring the performance of the MFIs.

A two-month action plan to start group lending by the MFIs was developed, discussed and distributed to all participants in both hard and soft copies. This action plan will be used as a **point of departure** for starting the process leading to the disbursement of the first group loans by the end of May, 2009. (*See attached two Months action Plan*).

6.0: On Site Support and MFI Supervision by USAID/Tijara.

Institutions that lack the capacity to implement group lending on their own need to be provided with additional technical support on-site to implement these action plans.

In addition Tijara Management is encouraged to support these institutions in implementing in-house training for the other staff in the various MFIs and to continuously monitor depth of outreach by each of the institutions. The Tijara team together with the Consultant held a special session to discuss how to monitor and supervise the participating MFIs.

Guidelines for monitoring, supervising and measuring depth of outreach were discussed and documented during the training workshop. Such guidelines included measuring the percentage of female borrowers, number of businesses under trade, growth in the amount of loan portfolio for first cycle loans among others.

7.0: Conclusions and Recommendations

The training was very helpful as indicated by the depth of discussions that took place and evaluation by participants. All participants indicated that the training program and topics covered were very useful and relevant.

A number of participants said they found the cases that were discussed very practical and recommended that more cases be used in future training.

Monitoring and hands on support is highly recommended for the three MFIs to ensure that lessons learned are correctly implemented and sustained. Support is also needed in the implementation of in-house training in group lending related work at the respective MFIs by those who were trained during the workshop.

It was also recommended that USAID/Tijara Management immediately follows up with the three participating MFIs, Al Thiqa, CHF and Relief International within one week from the last date of the workshop to ensure that the group lending action plan developed is correctly executed in time.

Eddy Wamushya