APRACA FinPower Program

Training Manual on Agricultural Microfinance

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This training manual is published during the incumbency of Mr. Pham Thanh Tan (APRACA Chairman), Mr. Abdurakhmat Boymuratov (APRACA Vice-Chairman) and Mr. Benedicto S. Bayaua (Secretary General).

PREFACE

Introduction

This Training Manual on Agricultural Microfinance is an output under the five-year IFAD-supported APRACA FinPower Program of Accelerating the Financial Empowerment of Poor Rural Communities in Asia and the Pacific through Rural Finance Innovations. The program aims at promoting the financial empowerment through policy dialogues, innovative pilot programs, and knowledge-sharing among actors in the rural finance sectors.

The training manual design began in time during the conduct of the regional and national policy fora on creating the conducive rural finance policy environment and regulatory framework, the first of which was the regional forum in Kunming, China in April 7-9, 2007, then followed by the national forum in Kampong Cham, Cambodia on July 10, 2007, Vientiane, Lao PDR on July 13, 2007, and in the Philippines on September 27, 2007.

From the outputs of the above forums, there were substantial information gathered pertaining to the challenges and issues which characterized the state of agricultural microfinance in these countries. The insights and features surrounding these developments in rural and agricultural finance were then developed and used to configure the framework from which the design of this Training Manual is anchored. To strengthen the base of the training design, interviews were conducted among selected members of APRACA to validate and clarify perceived training needs gathered from different institutions and literatures.

In furtherance to the goal of IFAD-APRACA FinPower Program of promoting financial empowerment of the poor in the Asia-Pacific countries, this training guide is expected to further strengthen the capacity of APRACA member institutions in making available agricultural microfinance services on a sustainable basis. The participants trained under this program will be better prepared to design, implement and manage delivery of financial services for the rural and agricultural poor.

A significant number of households in the Asia-Pacific region are poor and earning less than a dollar (USD) a day. They are mostly in the rural areas relying mainly on agriculture related occupation and livelihood. To improve their living conditions and reduce poverty, they must have regular and sufficient income. They need microfinance loans for their working capital requirements, but financial institutions in the formal sector are shying away from making available credit access to them in view of the many risks with which the credit providers are normally exposed to as offshoot to production and price seasonality, lack of infrastructure and technical support services, the occurrences of natural calamities and disasters, project failures attributable to the weak capacity of the borrowers, and the inefficiencies and weaknesses of the methodologies and systems applied by the credit providers. This limits available credit supply to the agriculture sector since the other sources, consisting of semi-formal institutions and non-government organizations (NGOs) as well as the informal lenders have limited funds to match the seemingly huge demand.

The farmer's credit requirements encompass the provision for inputs to production and post-production activities such as planting, harvesting, processing, transporting and marketing of products. In view of the lack or inadequacy of collateral, credit approval revolves around the character of the borrower, anticipated harvest and sales, and projected cash inflows from all sources, including overseas remittances from relatives working abroad.

Objectives

In the attainment of IFAD-APRACA FinPower Program's goal of empowering the poor in the Asia-Pacific region, the objectives or target results of this training manual are:

- To strengthen APRACA member institutions to reach out to the rural and agricultural poor in their respective countries by providing available access to financial services that will boost livelihood and enterprises;

- To introduce to the training participants the concepts, programs, methodologies and best practices in agricultural microfinance adaptable for replication in their respective countries; and
- To encourage the participants to commit, with the approval of their respective organizations, to the adoption of their re-entry plans containing learnings on sustainable approaches into their existing microfinance programs.

Scope, Methodology and Limitations

This Training Manual on Agricultural Microfinance is divided into four stand-alone modules, which may be conducted as one package or by separate modules depending on the training needs provided, that if pursued separately, the sequencing of modules should be maintained as designed and the interval per module should not be too long to break inter-phased correlation and continuity.

Different approaches are used in the delivery of the training modules. Lecture-discussions are conducted by experts or resource persons to explain the concepts, principles and best practices in agricultural microfinance. The open forum and Question and Answer (Q&A) segment of the sessions will give the participants the opportunity to elaborate and clarify significant issues and concerns on the given topic. Sharing by participants or attendees of their experiences from their respective workplaces or countries permeate cross-learning among the participants on the various sustainable methods and practices flourishing in different cultures. Group discussions and workshops are conducted to give way for the participants to apply or express their internalized knowledge during the lecture and discussion sessions.

Field visits are also conducted to enrich learning from the lectures and workshops with the reality of actual field operations and the application of best practices, thus validating how these concepts are working. Re-entry or action planning workshops are conducted through the integration session, last activity of each module. The re-entry plan simply puts to action the learnings into the microfinance programs of their respective organizations. Also forming part of the methodology is the evaluation of the sessions and other activities of the training. Games or warm-up activities are also lined-up throughout the training course.

Considering the broad coverage of agricultural microfinance, the concentration of the contents of the training package is mostly confined to the credit side of microfinance services, and, if ever the other financial services are introduced, they are discussed in passing. While this is not the intent of the author to limit the focus to microfinance credit, most of the discussions, however, of the APRACA FinPower Program's national forums, held in Kampong Cham, Cambodia, in Vientiane, Lao PDR, and Manila, Philippines, had one major common concern, that is, the challenge of agricultural credit.

Users of the Training Manual

This Training Manual is intended for supervisors, key officers and training specialists involved in the implementation of agricultural microfinance programs. It provides the tools for the trainer to deliver the entire course with smooth methodologies that stimulate adaptation and learning. It will also lead the trainee in undergoing the process of understanding and absorbing the knowledge and skills in agricultural microfinance.

It is hoped that this publication would further contribute to the wealth of knowledge on agricultural microfinance. Readers are therefore requested to send in their valuable comments to APRACA.

Benedicto S. Bayaua
Secretary General, APRACA

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ABBREVIATIONS AND ACRONYMS

ACPC	Agricultural Credit Policy Council
APRACA	Asia-Pacific Rural and Agricultural Credit Association
APRACA-CENTRAB	Asia-Pacific Rural and Agricultural Credit Association-Center for Training and Research in Agricultural Banking
AROA	Adjusted Return-on-Assets
BICI	Background Investigation and Credit Investigation
CFA	Cost of Funds Adjustment
FI	Financial Institution
FSS	Financial Self-Sufficiency
IFAD	International Fund for Agricultural Development
ISA	In-Kind Subsidy Adjustment
JSS	Joint, Several and Solidary
LLR	Loan Loss Reserve
MFI	Microfinance Institution
MIS	Management Information System
OSS	Operational Self-Sufficiency
PAR	Portfolio-at-Risk
PESO	Portfolio Quality Maintenance; Efficiency Matters; Sustainability Bottom Line; Outreach
ROA	Return-on-Assets
ROE	Return-on-Equity

INTRODUCTION: CONDUCT OF THE TRAINING COURSE

The Training and Its Duration

This Training Manual is expected to guide the trainer in the successful conduct of the course and the smooth transfer of knowledge on methodologies, practices and technical skills in agricultural microfinance.

Consisting of four (4) modules, the training course can be implemented in nine (9) days to cover eleven (11) topic sessions, eight (8) course activities on field visits, course integration and action planning, and three (3) ceremonial activities: the opening ceremony, the welcome socials, and the closing ceremony.

Modules and Sessions

The entire training course is organized into four (4) major stand–alone modules. Each module is divided into sessions.

Each module is introduced with the module design and objective together with the sessions and activities.

Each session is prefaced with a schematic diagram containing the learning objectives, expected output, methodology, duration, materials and the training schedule. The Notes for Trainer guides the handling and management of the session. Attached in each session are Warm-Up Exercises and the PowerPoint Presentations. Some sessions contain caselet studies and problem solving.

Course Evaluation and Diagnostic Test

The sessions and the course activities will be evaluated under the three (3) main parameters:

- expectations
- learning objectives
- expected output

Similarly, the diagnostic tests will be undertaken prior to and after the session's lecture-discussion to gauge the stock knowledge, if any, and the learnings gained after the sessions. Appendices 1, 2, and 3 are the evaluation forms to cover daily evaluation, field visit evaluation, and post-training evaluation.

Warm-Up Exercises

There are eleven (11) exercises used to prepare the participants before each session.

The first and second exercises will be the starting activities in the first session to introduce the participants and to set the expectations on the training. From the third to eleventh, all exercises are designed to prepare the setting and the tone of the session before the start of the topic presentation. The sequential order of these activities is hereunder listed:

SCHEDULE OF WARM-UP EXERCISES

<table>
<tr><th>Warm-Up Exercise</th><th>Exercise Name</th><th>Purpose</th><th>Estimated time in minutes</th><th>Remarks</th></tr>
<tr><td>1</td><td>Getting to know me</td><td>Introduction</td><td>30</td><td>To veer away from the conventional way of introduction</td></tr>
<tr><td>2</td><td>Expectations</td><td>Set Expectations</td><td>30</td><td>To set expectations on the training course</td></tr>
<tr><td colspan="5">• Exercises 1 and 2 will be done before the start of the module. It will be a good start to create ease and comfort for people who will be together for the first time, especially in introducing themselves. This will also serve as a briefing on what is to be expected out of the training course and the whole set-up.</td></tr>
<tr><td>3</td><td>Role Playing</td><td>Review</td><td>30</td><td>This will serve as a review on the topics covered in Session 1 of Module 1.</td></tr>
<tr><td colspan="5">• Exercise 3 will be executed after the discussion of Session 1, and will open Session 2, Module 1. This will give a profound understanding on the subject matter by involving the participants in role playing. The participants are given the opportunity to exhibit their creativity and showmanship through this exercise.</td></tr>
<tr><td>4</td><td>Role Playing</td><td>Review</td><td>30</td><td>This will serve as a review on the topics covered in Session 2, Module l.</td></tr>
<tr><td colspan="5">• Exercise 4 will be conducted to start Session 3, Module 1. The consecutive role playing activities will give the participants ease in the presentation, and thus, will help them rid of inhibitions in performing in front of their co-participants. With each a role to play, it creates and interactive socialization among them.</td></tr>
<tr><td>5</td><td>Your name is beautiful</td><td>Mental Exercise</td><td>30</td><td>This is an unconventional way of mental exercise which will provide challenge to the participants</td></tr>
<tr><td colspan="5">• Exercise 5 dwells more on the innate view of a person to himself. Oftentimes, people create impressions on other individuals. This activity can neutralize negative first impressions and thus paves the way towards a good working relationship among them. This exercise will be enacted before or at the end of Session 4, Module 1.</td></tr>
<tr><td>6</td><td>Role Playing</td><td>Review</td><td>30</td><td>This will serve as a review for the topics covered in Sessions 3 and 4 of Module 1.</td></tr>
<tr><td colspan="5">• Exercise 6 will be presented in Session 1, Module 2. This will promote better understanding on the new course module presented and thus, paves the internalization of the new topic opened.</td></tr>
<tr><td>7</td><td>House, Mouse, Browse</td><td>Warmer</td><td>30</td><td>This will awaken the participants, thus, preparing them for the next module presentation.</td></tr>
<tr><td colspan="5">• Exercise 7 will be presented before the start of the lecture-discussion in Session 2 of Module 2. This activity is designed to release stress and promote ease among the participants.</td></tr>
<tr><td>8</td><td>Charade</td><td>Warmer</td><td>30</td><td>This is a fun way of executing a mental exercise while preparing them for the next session</td></tr>
<tr><td colspan="5">• Exercise 8 will open Session 3 of Module 2. This will promote ease in absorbing knowledge and learning.</td></tr>
<tr><td>9</td><td>Role Playing</td><td>Review</td><td>30</td><td>This will serve as a review for the topics covered in Sessions 2 and 3 of Module 2.</td></tr>
<tr><td colspan="5">• Exercise 9 will be put to action before the start of Session 1, Module 3. This will enhance learning of the subject matter just discussed. This will have the involvement and interaction among the participants thus, helps in accelerating the learning process.</td></tr>
<tr><td>10</td><td>House, Mouse, Browse</td><td>Warmer</td><td>30</td><td>This will make the participants lively and prepare them for the next module.</td></tr>
<tr><td colspan="5">• Exercise 10 will be executed before the opening of Session 2, Module 3. This will help in de-stressing the participants and prepare them for an up-coming topic.</td></tr>
</table>

Warm-Up Exercise	Exercise Name	Purpose	Estimated time in minutes	Remarks
11	Personalize me	Warmer	30	This will promote good future relationship among the participants.
• Exercise 11 will be put to action before the start of Session 1, Module 4. This shall serve as a binding activity for the group and thus builds healthier relationship.				
• Session 2 of Module 4 will not contain specific warming or de-stressing activities to accommodate the completion of rescheduled lecture/discussions, if any. The participants however, may request for a warm-up activity.				

TRAINING COURSE TOPIC FLOW

After the section on the role of trainer as presenter and facilitator, the succeeding parts will be on the training delivery by module and topic session. The details on the course modules and the subjects' segmentation and the segregation of topics are presented in the Training Course Topic Flow. Sequentially arranged from the main subject down to the specific topic, the course is further segmented down to a segment or section. From Sessions 1 to 11, there are close to fifty (50) sub-topics or segments presented in the PowerPoint presentations which will be covered during the nine-day training course, as follows:

MODULE 1: DESIGN, PLANNING, AND PROJECT DEVELOPMENT

Session 1: Introduction to Agricultural Microfinance

- What is Microfinance
- History of Microfinance
- Farm Credit and Microfinance

Session 2: Key Developments, Concerns and Issues

- The Major Challenge of Microfinance
- Microfinance Service Providers
- Microfinance Clients

Session 3: Strategies and Intervention Menu for Agricultural Microfinance Services

- Financing Family Agriculture
- The Credit-Plus Approach
- Rural Savings

Session 4: Planning and Project Development

A. Preparation of Client, Area and Crop profiles.
   - Geography
   - Agricultural Crops
   - Demography
   - Infrastructure
   - Social Services

B. Developing Microfinance Program
   - Credit Delivery Approaches
   - Rural Savings
   - Other Financial Services and Products

Activity 1: Field Visit

Activity 2: Integration and Action Planning

MODULE 2: IMPLEMENTATION MANAGEMENT

Session 1: Target Setting: Performance Benchmark

A. Program Plan
   - Product Mix
   - The Market and the Clients
   - Methodologies and Approaches

B. Performance Indicator
   - Financial Ratios on Profitability

Session 2: Credit Initiation, Processing and Loan Approval, and Training of Clients

A. Client Development
B. Client Evaluation

C. Documentation and Approval
D. Training Needs Assessment
E. Preparation of Training Design
F. Conduct of Training
- Technical
- Entrepreneurial
- Organizational

G. Mentoring/Coaching
H. Capacity Building

Session 3: Loan Supervision

A. Portfolio Management
B. Maintaining the Accounts
C. Collection and Recovery

Activity 1: Field Visit

Activity 2: Integration and Action Planning

MODULE 3: MONITORING AND EVALUATION

Session 1: Credit Monitoring

A. Credit Portfolio and Lending Performance
- Credit Portfolio and Lending
- Outstanding Balances
- Collection Performance
- In-Arrears, Restructured and Past Due Loans
- Profitability Indicators
- Others Indicators

Session 2: Monitoring and Evaluation

A. Management Information System
B. PESO Standard

Activity 1: Field Visit

Activity 2: Integration and Action Planning

MODULE 4: REMEDIAL MANAGEMENT

Session 1: Strategies, Methods and Techniques in Managing Problematic Accounts

A. Detection, Identification and Close Monitoring of Distressed Accounts
- Classification of Accounts
- Causes of Problematic Accounts Attributable to Client
- Causes of Problematic Accounts Attributable to Project
- Non-Financial Indicators
- Other Early Warning Indicators

Session 2: Implementation of Remedial Measures

A. Loan Maturity Extension
B. Debt Restructuring
C. Debt Moratorium
D. Debt Take-Out

Activity 1: Field Visit

Activity 2: Integration and Action Planning

TRAINING COURSE SCHEDULE

The nine-day training duration will commence with an opening ceremony in the morning and a welcome socials in the evening of the launching date. The launching activities including the sessions will involve a total time run of close to 14 hours, and for nine (9) days, the whole course will consume close to 100 training hours. There are four (4) days for the field visits and two (2) days for the integration and action planning. From the schedule, it seems that the training is a little rigid but sufficient, if properly managed. Hereunder is the detailed course schedule:

Daily Schedule

Day 1			
Session 1		Opening Ceremonies	08:00 AM – 10:00 AM
	(Module 1)	Introduction to Agricultural Microfinance	10:00 AM – 12:00 NN
Session 2	(Module 1)	Key Developments, Concerns and Issues	01:00 PM – 03:00 PM
Session 3	(Module 1)	Strategies and Intervention Menu for Agricultural Microfinance Services	03:00 PM – 05:00 PM
Welcome Socials			07:00 PM – 10:00 PM
Day 2			
Session 4	(Module 1)	Planning and Program Development	8:00 AM – 10:00 AM
Field Visit	(Module 1)		*Leaving after Morning Break (Till activity completion)*
Day 3			
Integration and Action Planning	(Module 1)		8:00 AM – 12:00 NN
Session 1	(Module 2)	Target Setting: Performance Benchmark	01:00 PM – 03:00 PM
Session 2	(Module 2)	Credit Initiation, Processing and Loan Approval, and Training of Clients	03:00 PM – 05:00 PM
Day 4			
Session 3	(Module 2)	Loan Supervision	08:00 AM – 10:00 AM
Field Visit	(Module 2)		*Leaving after Morning Break (Till activity completion)*
Day 5			
Integration and Action Planning	(Module 2)		08:00 AM – 12:00 NN
Session 1	(Module 3)	Credit Monitoring	01:00 PM – 03:00 PM
Session 2	(Module 3)	Monitoring and Evaluation	03:00 PM – 05:00 PM
Day 6			
Field Visit	(Module 3)		08:00 AM – 05:00 PM
Day 7			
Integration and Action Planning	(Module 3)		08:00 AM – 12:00 NN
Session 1	(Module 4)	Strategies, Methods and Techniques in Managing Problematic Accounts	01:00 PM – 03:00 PM
Session 2	(Module 4)	Implementation of Remedial Measures	03:00 PM – 05:00 PM
Day 8			
Field Visit	(Module 4)		08:00 AM – 05:00 PM
Day 9			
Integration and Action Planning	(Module 4)		08:00 AM – 12:00 NN
Closing Ceremonies			07:00 PM – 10:00 PM

THE TRAINER AS PRESENTER AND FACILITATOR

The earlier sections of this training manual expound on the background, objectives and the preparatory activities which lead the trainer to the launching or start of the training course. Just after the Training Course Topic Flow, the section presents the Warm-Up Exercises to prepare the setting and tone of the sessions, and the parts to follow after this section, are the training delivery modules segregated into sessions.

This portion is especially intended to guide the trainer, who will be portraying the major roles of the doer or actor, together with this training guide, for the holistic delivery of the training course. As the presenter, the trainer, not only influences others into action, but also establishes good impressions among the participants. The trainer creates that condition or venue that allows practical and critical thinking to flow towards positive interaction resulting in beneficial and productive outputs. In the delivery of the presentation, the trainer has to secure the focus of the participants and their positive perceptions toward the topic to achieve a meaningful assimilation of lessons covered and experience an enjoyable and interactive presentation.

The trainer, with the merging of the roles of a presenter and a facilitator into a single entity, has to be sensitive not only to verbal and non-verbal communication with the participants, but also to all other factors inherent or present in the training course, such as participants' attitudes, perceptions, gender, diverse cultures and varying customary practices.

It is therefore expected that for the trainer to successfully carry-out these challenging tasks, one has to have confidence and with warmth for interaction and socialization, objectivity in the disposition of things, and impartiality, not bias or partiality on events occurring or on participants' responses, actions and behaviour.

Some important guides to the trainer include: start the session with an excellent presentation, complete with materials, equipment, course contents, and methodologies; conduct an efficient and effective management of the session; and build and maintain the interest, energy and involvement of the participants from the start up to the completion of the course.

Finally, the trainer must speak clearly, and must listen attentively to the different observations, views, positions and recommendations of the participants. Avoid stereotyping at all times, and prudently guide the participants in paving the way toward the establishment of a healthy personal and professional relationships, as friends and colleagues in the financing sector and the parties in this training course.

MODULE 1

DESIGN, PLANNING, AND PROJECT DEVELOPMENT

Module Design and Objective

Module 1 places agricultural microfinance in its proper context and retraces its foundation with key developments, issues, concerns and gaps. Specific areas are addressed including the development, significance and characteristics of agricultural microcredit, microenterprises, the evolution of microfinance, and the financing principles, strategies and intervention menu for credit. It also includes field exposure visits and the action planning or preparation of the re-entry plan.

Module 1 is structured to equip and broaden the knowledge and skills of the participants with the principles, practices and dynamics for them to be able to effectively design agricultural microfinance programs and services.

SESSIONS

1 Introduction to Agricultural Microfinance

2 Key Developments, Concerns and Issues

3 Strategies and Intervention Menu for Agricultural Microfinance Services

4 Planning and Project Development

ACTIVITIES

1 Field Visit

2 Integration and Action Planning

SESSION 1

Introduction to Agricultural Microfinance

Learning Objectives

a) To introduce/re-introduce to the participants the concept of agricultural microfinance.

b) To retrace the origin of microfinance and how it evolved over time.

Expected Output

Enhanced appreciation of agricultural microfinance

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing

Duration

2 hours

Material

- PowerPoint presentation marked Module 1, Session 1.

Training Schedule

Day 1
Introduction to Agricultural Microfinance
10:00 AM – 12:00 NN

NOTES for TRAINER 1

1. Launch Session 1 of Module 1 with a formal opening ceremony (depending on the profiles of the training participants/attendees) or a short program to be graced by a head of government ministry, department, or agency, or, a key officer to deliver a keynote address and to welcome the participants.

2. Introduce the trainer, training staff, and the participants/attendees. To veer away from the conventional method of introduction, and to set the expectations on the training course, conduct Warm-Up Exercises 1 and 2 to create ease and comfort for people who will be together for the first time.

3. Discuss the abstract of the entire course, activities and requirements, and the concerned administrative matters, including arrangements, logistics, and the rules which shall govern during the entire duration of the training.

4. Present PowerPoint on the session's topic. Refer to reference materials (earlier distributed to the participants to read and prepare for any questions that may arise.

5. Open floor for discussions. If the attendees are passive, encourage them to raise questions to trigger the dynamics of interaction, or, questions can be initiated by the trainer for the participants to answer.

6. Encourage the participants to share some of their experiences on the development of agricultural microfinance in their respective countries.

WARM-UP EXERCISE 1

Exercise Name: Getting to know me

Materials: Bond Paper, Crayons

Objective: To produce an individual art work in the form of a drawing or a personal expression which will provide a brief description of his/her character and sufficient to introduce himself/herself to the group.

Mechanics: Each participant is handed a piece of paper, wherein each will draw an object that best describes oneself. On the opposite side of the paper, the participant will place his nickname or the name that he prefers to be called.

The group then will form a circle and one by one the introduction will be done giving an idea about his/her character strengths. The trainer and training staff will be the last to introduce themselves.

This exercise will modify the conventional way of introducing the participants or of introducing oneself in a gathering like this training course. It will also help the participants know the strengths of their co-participants and will create a healthier environment for them to be able to see each other positively during the entire training.

WARM-UP EXERCISE 2

Exercise Name: Expectations

Materials: Scribble Sheet or Manila paper

Objective: This will allow the participants to determine their expectations in the program. This will also provide the participants the opportunity to express themselves openly in front of the other participants and the invited guests, if any.

Mechanics: Participants will be grouped by three or four per group. Using paper and crayons, they will illustrate in map form (land, sea, air) what they expect out of the training course, their facilitator, and of themselves.

After coming up with a map, a participant will represent and speak for the group. As a process, all participants will be given the time to orally present, thereby giving each participant the opportunity to be heard.

This will promote cooperation and sharing of ideas within the group. The participants will get to know each other more and they will be practicing good working relationship with each other. The participants will also be given the chance to give their individual insights.

POWERPOINT PRESENTATION

INTRODUCTION TO AGRICULTURAL MICROFINANCE

What is Microfinance?

- Microfinance is the delivery of financial services in the form of credit, savings, money transfer and insurance to poor individuals and households.
- Other microfinance services include – microleasing, microfranchising and warehouse receipt. Most of them are still emerging in the market or are in different stages of pilot testing or experimentation.

What then is Agricultural Microfinance?

- Simply, it is the delivery of these services to rural and agricultural entrepreneurial poor individuals and households.
- The entrepreneurial poor individuals and households are the principal target clients of sustainable delivery of microfinance financial services. Engaged in income generating farm or off-farm activities, these prospective rural and agricultural clients cannot optimize income due to lack of credit in spite of their access to land, technology and inputs.

How about Microcredit?

- Comparing microfinance and microcredit, the single distinguishing difference between the two is on the type of financial services being offered in the market. For microfinance, there is a broad range of financial services covering credit, deposit taking, money transfer and others. Microcredit, on the other hand, is principally organized to establish credit access for the poor individuals and households, and their microenterprises.

History of Microfinance

- Microfinance developed gradually from the savings and credit practices carried over from the past in different countries and emerging into the present time as one with enormous potential in improving the income and the well-being of the poor through their involvement in microfinance funded livelihood initiatives and microenterprises.

❖ References: MercyCorps, Global Envision.
The History of Microfinance, September 21, 2007.
Pimentel, A.Q., Jr., and Cua, M.R.,
Cooperative Code of the Philippines, 1994.

1700s

- An Irish loan fund or a microcredit process was established by the author and nationalist Jonathan Swift. The process exhibited these loan features:
  – For small loans with interest;
  – For short periods; and
  – For various uses and needs.
- By the 1840s, it had grown to 300 funds and at its highest level, the funds could accommodate an annual client participation of close to 20% of the total Irish households.

POWERPOINT PRESENTATION

1800s

- The coming out of bigger savings and credit institutions:
  – People's banks
  – Credit unions
  – Credit cooperatives
- People's banks were organized to provide savings and credit services. Among the oldest in the system is the Indonesian bank, Bank Perkreditan Rakyat (BPR), which was opened in 1895. It is the largest microfinance system in Indonesia.

1800s

- Friedrich Wilhelm Raiffeisen, a small town mayor in Germany and a protestant minister, spearheaded the promotion of the idea of establishing credit unions to help the rural poor untie themselves from their dependence from money lenders or merchant usurers with the hope that these farmers will eventually free and help themselves to start anew with some capital sourced outside usury. He organized what is now popularly known as the Raiffeisen Credit Union or People's Bank. More than 19,000 Raiffeisen banks are operating in Germany.

1800s

- While the rural side of unionism was spreading in the countryside attending to the needs of the farmers, a counterpart movement was likewise taking place establishing cooperative credit unions in the urban centers. Similarly called as people's banks, these credit unions were organized by Franz Herman Schulze-Delitzsch among craftsmen, mechanics and small tradesmen. In the late 1900s, these two types of cooperative credit unions established by the two German pioneers merged into what is now the existing people's bank servicing urban and rural clientele.

1900s

- Various adaptations to strengthen delivery of microfinance services appeared and mostly focused in improving the income and welfare of the poor.
- 1970s- experimental lending programs were undertaken in Bangladesh and other countries providing loans to groups of poor women based on solidarity concept of liability with savings mobilization component.
- ACTION International, founded by a law student, Joseph Blatchford, began with student volunteers to address poverty in some cities in Latin America. Today, it is among the premier MFIs in the world.

Gains and Lessons Learned

- Over the years, microfinance has demonstrated powerful impact and potential in bringing about social and economic changes, especially in improving the lives of the poor. Among the gains and lessons learned in the practice of microfinance, are:
- Savings can be mobilized from the poor households, so long as they are assured that their funds are secured, and can be withdrawn anytime;

Gains and Lessons Learned

- The poor clients were proven to be credit worthy in the traditional practice of accessing credit without collateral;
- There is sustainability in the delivery of agricultural microfinance services provided that the portfolio is diversified with non-farm or off-farm accounts; and
- On the selection of the poor, the near poor, which is closest to the poverty threshold line or the entrepreneurial poor, is the most likely viable target of microfinance services.

POWERPOINT PRESENTATION

Gains and Lessons Learned

- ❐ In improving the economic welfare of the destitute and ultra poor individuals and households, public investments covering social amelioration programs are encouraged; and
- ❐ That more public investments should be pursued for infrastructure, development of the human capital, and technology extension to rural and agricultural poor to improve the economic environment of the microfinance industry.

Farm Credit and Microfinance

- ❐ Farm credit is essential to back-up the agricultural activities of the rural poor. Specifically, the loaned amount is needed to:
  - Purchase seeds and fertilizers;
  - Pay labour;
  - Pay insurance;
  - Respond to other cash flow requirements including contingencies;
  - Cover expenditure requirements;
  - Finance harvesting, processing, and marketing; and
  - Transport crops and products.

Farm Credit and Microfinance

- ❐ In the 1950s and 1960s, government-sponsored programs were implemented to push agricultural productivity.
- ❐ Such were the programs under the infamous Directed Credit Programs implemented by government institutions or government funds channelled to credit institutions with specific target and limitations as to beneficiaries, type of crops, interest rates and other controlled features.

Farm Credit and Microfinance

- ❐ Unexpected significant outcomes:
  - High loan delinquency;
  - Doubtful sustainability of credit providers;
  - Other critical financial needs were not appropriately addressed;
  - Use of credit funds diverted to other needs; and
  - Little, if any technology and infrastructure support.

Farm Credit and Microfinance

- ❐ Some of the lessons learned from the farm credit or agricultural lending:
  - There are other financial needs than just coping-up with production inputs;
  - Providers of credit must diversify their portfolios to attain sustainability; and
  - Transaction costs for farm credit were significantly high.

Farm Credit and Microfinance

- ❐ How to accelerate the link of Farm Credit to Microfinance:
  - Adapt crop cycles and seasonality to loan definitions in terms of loan size, loan term, loan amortizations and mode of payment; and
  - Adapt implementation features, such as: simple loan application procedures; minimal loan requirements; timely release of loan; active program promotion; accessibility of workplace of the financial service providers, market level interest rates and collateral-free loans.

POWERPOINT PRESENTATION

Farm Credit and Microfinance

- ❒ How to accelerate the link of Farm Credit to Microfinance:
  - Adapt from available best practices, a system of segregating and prospecting clients from among the rural poor; and
  - Apply appropriate technologies, methodologies and proven practices in sustainable delivery of microfinance services.

SESSION 2

Key Developments, Concerns and Issues

Learning Objectives

a) To familiarize the participants on the major challenges of microfinance.
b) To enable the participants to categorize and classify the types of service providers and key players in microfinance

Expected Output

Understanding the industry challenge and the role of credit providers.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing

Duration

2 hours

Material

- PowerPoint presentation marked Module 1, Session 2.

Training Schedule

Day 1
Key Developments, Concerns and Issues
01:00 PM – 03:00 PM

NOTES for TRAINER 2

1. Conduct Warm-Up Exercise 3.
2. Present PowerPoint presentation on the topic.
3. After the presentation, identify five (5) volunteers among the participants to share the key developments, concerns and issues of agricultural microfinance in their respective countries.
4. Allow the other participants to ask or raise follow-up or points of clarification, and trigger discussion and exchange of ideas and positions.
5. Summarize the concepts learned.

WARM-UP EXERCISE 3

Exercise Name: Role Playing

Materials: Optional

Objective: To create better understanding and reinforce learning among the participants on knowledge or topics covered by the different sessions.

Mechanics: Recollecting Sessions 1 and 2 (Introduction to Microfinance and Key Developments, Concerns and Issues), create skits showing relevant information and critical highlights on the subject matter.

This will tap the creativity of the participants in coming up with scenarios incorporating the specific lessons in Sessions 1 and 2. Topics for inclusion in the skits would be: microfinance, its meaning and historical background; farm credit and microfinance; major challenges of microfinance; microfinance service providers; and microfinance clients. The participants may group themselves into threes or fours for the presentation.

POWERPOINT PRESENTATION

KEY DEVELOPMENTS, CONCERNS AND ISSUES

The Major Challenge to Microfinance

- Providing farm credit or agricultural loan is a major challenge to MFIs and practitioners.
- Many MFIs have attempted to go all-out in agricultural microfinance but because of the discouraging results, some stopped and the others scaled down their lending operations and went back to urban microfinance operations where the lending risks are much controllable compared to the covariant risks in agriculture.

The Major Challenge to Microfinance

- Financing the poor farmer is unattractive and carries with it several risks and problems, such as:
  - The presence of interrelated covariant risks as offshoot to variable rainfall, natural calamities like droughts, floods and typhoons, pests and diseases, production and price seasonality;
  - Problems in accessing to inputs and markets; and
  - Demand for financial services is dispersed with relatively small transactions resulting to high operating and administrative costs affecting the efficiency and sustainability performance of the service providers.

The Major Challenge to Microfinance

- Factors to consider in making microfinance adaptable to farm credit:
  - Rural finance has to match seasonal income cycles to credit terms and repayment schedules;
  - set up workable management information system;
  - Mobilize attractive and viable schemes for rural savings; and
  - The microfinance provider has to assure efficiency and effectiveness to ensure sustainability, such as the possibility of requiring equity from clients;

The Major Challenge to Microfinance

- Factors to consider in making microfinance adaptable to farm credit:
  - Covariant risks have to be mitigated by putting up limits or degree of exposure the institution can carry or spreading or applying a mix of viable crops/communities/area or expanding markets to non-farm or off-farm sectors; and
  - The service provider has also to maintain liquidity to maintain operation in areas where agricultural financing is heavy considering seasonal income cycles and for other eventualities affecting over-all performance.

The Major Challenge to Microfinance

- Factors to consider in making microfinance adaptable to farm credit:
  - Client education is equally important in the formation of good values and attitudes, especially in repayment and savings, and more importantly, in areas where provisions of directed credit program failed with high delinquency or dismal repayment; and
  - It is important to develop the technical skills and values of the manpower or implementers manning and supervising the operations of microfinance services.

POWERPOINT PRESENTATION

Microfinance Service Providers

- ❒ Providers of microfinance services are basically classified into three major types, namely:
  1) Formal providers comprised of agricultural development banks, local branches of commercial banks, cooperative rural banks, rural banks;
  2) Semi-formal providers include non-government organizations, credit unions and cooperatives; and
  3) Informal lenders are mostly relatives and friends, ROSCAS and money lenders.

Microfinance Service Providers

- ❒ The semi-formal providers proliferate the microfinance market and most of the programmes operating across the rural populations of the world are run by NGOs transforming their basic inclination and direction from one being associated with social service delivery to being highly specialized in providing financial services. In view of varying differences in the monetary regulation and control, some countries do not allow NGOs to accept deposit.

Microfinance Service Providers

- ❒ Providers of microfinance services for the poor and low-income individuals and households covering agriculture-related activities have to reckon with high operating cost, high information cost and the attendant risks accompanying lending to this sector.

Microfinance Service Providers

- ❒ Strengths of MFIs joining agricultural microfinance
  - Access to funds (Internal and External);
  - Have authority to provide financial services other than credit;
  - Are established with relative ease in prospecting new clients;
  - Can extend credit without the necessary matching with a particular crop or product; and
  - Can deliver competitive products at market-led costs.

Microfinance Clients

- ❒ The rural and agricultural clients or microfinance demanders are the individual farmers or groups, owning or operating microfarm businesses and/or off-farm microenterprises.
- ❒ Normally, these clients could hardly access to financial services of institutions in the mainstream or formal market and, in most cases, are the main borrowers of the informal and semi-formal credit providers.

Microfinance Clients

- ❒ Microfinance clients are categorized into self-employed or simply segregated as entrepreneurial poor, and further classified according to the different levels of poverty, as follows:
  - Vulnerable non-poor clients- situated above the poverty line but are susceptible to falling back below poverty line;
  - Moderate poor clients- those whose household incomes are just below or close to the poverty line;
  - Extreme poor clients- belonging to the bottom below poverty line; and
  - Destitute clients- belonging to the bottom 5-10% of households below poverty line.

❖ Source: Microfinance, Risk Management, and Poverty, USAID, Washington, D.C., March 2000.

POWERPOINT PRESENTATION

Microfinance Clients

❒ These poor clients have different financial needs, among which are:
- Working capital for farm and off-farm projects;
- Consumption;
- Investment opportunities;
- Personal, cultural or family events; and
- Emergencies.

Microfinance Clients

❒ Problems of microfinance clients:
- High cost of credit;
- Low production and profitability;
- Seasonality of agriculture;
- Poor roads and other infrastructure; and
- Far from the community centre where the office of microfinance provider is situated.

Microfinance Clients

❒ Service features desired by clients:
- Fast delivery of financial services;
- Competitive credit cost;
- Availability of other providers;
- Loan not only to project but other needs as well;
- Simple transaction procedures with minimal requirements; and
- Timely release of loan.

SESSION

3

Strategies and Intervention Menu for Agricultural Microfinance Services

Learning Objectives

a) To orient the participants on the various microfinance services for the entrepreneurial poor.

b) To familiarize the participants on the methodologies used to strengthen credit delivery program

c) To familiarize the participants with the concept of rural savings and its challenges

Expected Output

Capacity to develop market approaches to reach the poor.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing

Duration

2 hours

Material

- PowerPoint presentation marked Module 1, Session 3.

Training Schedule

Day 1
Strategies and Intervention Menu
for Agricultural Microfinance Services
03:00 PM – 05:00 PM

NOTES for TRAINER 3

1. Start session with Warm-Up Exercise 4 involving the participants in a role playing presentation which will serve as a review of the topic covered in Sessions 3. This is the opportune time for the participants to exhibit their creativity and showmanship.

2. Group participants into three or four person per group for the presentation.

3. Deliver a brief presentation on Strategies and Intervention Menu for Microfinance Services. Backed-up by PowerPoint Presentation, the lecture must be phased in order to allow discussions and Q&A on the topic being presented.

4. Select five (5) participants who will volunteer to narrate or share their knowledge and experiences on best practices adopted by their respective institutions in the delivery of agricultural microfinance services.

5. Request two (2) more participants to narrate the problems and failures encountered in the implementation of on agricultural lending programs to agriculture.

WARM-UP EXERCISE 4

Exercise Name:	Role Playing
Materials:	Optional
Objective:	To create better understanding and reinforce learning among the participants on topics taken in Session 3 of Module 1.
Mechanics:	Using Session 3 (Strategies and Intervention Menu for Microfinance Services), create skits showing relevant segments or information about this subject matter. The participants may group themselves in three or four per group for the presentation. This will again tap the creativity of the participants in coming up with a scenario incorporating the session's topics as focal themes of the skits.

POWERPOINT PRESENTATION

STRATEGIES AND INTERVENTION MENU FOR AGRICULTURAL MICROFINANCE SERVICES

Financing Family Agriculture

- ❒ Financing services for the entrepreneurial poor may be classified according to:
  - Farm needs and activities;
  - Solidarity family group needs and prospects;
  - Marketing of produce or products; and
  - Consumption and other cash flow requirements.

Financing Family Agriculture

- ❒ Financing the family farm credit is a little complicated as there is no exact segregation between the needs of the project from the family consumption and expenditures.
- ❒ This is one reason of the failures of the directed credit programs where funds were diverted from its original design and purpose.
- ❒ One dimension of improving family agriculture is to consider the inclusion of the family cash flow into the farm plan and budget.

Financing Family Agriculture

- ❒ Also, it is worth considering if the loan terms and other loan features are woven into the financing mix of family agriculture consisting of:
  - Short term for inputs, crops' primary processes, marketing and transport costs;
  - Medium term for tools and small facilities; and
  - Long term for amortized asset acquisition.

❖ Reference: Wampfler, B., and Lapenu, C., January 2002. Executive Summary, Seminar on Financing Family Agriculture in the Context of Liberalization: How can Microfinance Contribute? DAKAR.

Financing Family Agriculture

- ❒ In implementing the loan programs, it is recommended that the following be looked into;
  - The client's cash flow, indicating all the sources of funds;
  - Experiences of other loan providers as to the character and capacity of the client;
  - What social program, if any, is being implemented by government to improve the agrarian or rural development of the targeted area of operations;
  - In diversifying farm credit with other off-farm services, what sort of combination is applicable and what elements will comprise the contents of the mix; and
  - The readiness of the implementers or staff who will man the operations.

The Credit-Plus Approach

- ❒ The credit-plus approach (FAO, 2003) is a methodology of strengthening credit delivery programme to the poor with several "addition" or integrating non-financial services into the loan package, such as:
  - Social intermediation;
  - Social services; and
  - Business and enterprise development.

POWERPOINT PRESENTATION

The Credit-Plus Approach

- Social intermediation is the building of social capital. The clients will undergo capability or institution building to prepare them in managing their projects together with their family cash flow, and in adopting knowledge, technology processes and values in project management and implementation.
- Social services include health, education, nutrition, literacy and the welfare of the clients. Such services can be tapped through coordination and networking with concerned institutions.

The Credit-Plus Approach

- On business and enterprise development, this includes skills preparation and extension programs harnessing and honing clients capability on entrepreneurship to include such areas as management, finance and marketing. Clients are also trained on risks mitigation and avoidance.
- This approach is widely adapted to microfinance in different countries with variations of focus. To some, heavy content on social services in building the capacity of clients brought in desirable results in improving repayment and income of clients.

The Credit-Plus Approach

- Credit-plus services and activities to benefit credit providers:
  - A functional credit bureau for easy credit profiling of clients;
  - Technical training and values orientation for staff or implementers, including such areas as honesty and integrity in the delivery of services to the poor;
  - Establish strong coordination or network with institutions providing social services to the poor; and
  - Clearly identify the training needs of both the clients and the implementers.

Rural Savings

- During the era of the directed credit programs, there was so much concerned on externally sourcing funds in financing agricultural programs involving small farmers and agricultural workers and their families. Focus was on credit and savings was a remote possibility then on the belief that the poor could not save (Brigette Klein et al., 1999).
- This misconception has been shattered and in fact many microfinance providers no longer source their loanable funds from external sources but rather reflow the generated savings from the clients.

Rural Savings

- Such was the recognition of rural savings which was usually intertwined with credit delivery.
- Challenges to rural deposit mobilization:
  - Building trust and confidence in the service provider;
  - Reliable rural deposit services/products;
  - Adoption of technology to cut costs of savings mobilization thereby generating sufficient profit to more than cover the costs; and
  - If the savings mobilization is solely implemented, a tandem program on credit can be installed to generate additional income.

SESSION

4

Planning and Project Development

Learning Objectives

a) To impart to the participants on the need of preparing client, area and crop profiles.
b) To orient the participants on how to develop microfinance programs using credit delivery approaches and rural savings in microfinance

Expected Output

Development and design of microfinance project.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing
- Caselet Study Analysis on Solidary Obligation.

Duration

2 hours

Materials

- PowerPoint presentation marked Module 1, Session 4.
- Caselet Study on Solidary Obligation

Training Schedule

Day 2
Planning and Project Development
08:00 AM – 10:00 AM

NOTES for TRAINER 4

1. Commence with Warm-Up Exercise 5.
2. Proceed with the presentation of different role-playing skits on the topic discussed in the immediately preceding session. This will serve as reinforcement to retain the knowledge learned or to release the laughter that was suppressed during the lecture-discussions.
3. Group participants into three or four per group to present a segment from Session 3 of Module 1. A seven-minute presentation will be sufficient for each group.
4. Proceed with the PowerPoint presentation. Interruptions on the presentation should be allowed to stimulate discussions and exchange of ideas. If no questions are raised by the participants, initiate interactive discussions by asking questions for the participants to answer.
5. Based on the PowerPoint presentation and upon reaching the segment on Credit Delivery Approaches, more particularly on group lending, introduce the Caselet Study on Solidary Obligation for analysis and discussion. After the analysis and discussion on the caselet, the trainer will go back to the discussion with the rest of the PowerPoint presentation.
6. If there is still sufficient time, request the participants to share their own experiences on the issues and problems encountered on group lending.

WARM-UP EXERCISE 5

Exercise Name: Your name is beautiful.

Materials: None

Objective: For the participants to exercise their mental agility when the training gets rigid and the brain needs some flexing.

Mechanics: Each participant will think of an adjective starting with a letter that is the same as the first letter of his/her name. Also the participant will need to enact an action that he/she feels suited to his/her name. The group will form a circle and each participant is given a chance to give his or her name plus the action. The succeeding participant will first have to give the name of the one that goes before his/her turn before giving his/her name and adjective. This will go on until the last person will have to name all the participants their "adjectives" and the actions that they performed for their "adjectives."

This is quite difficult yet fun. The challenge is to those at the far end of the circle as they would need to have memorized the information given by the people that had gone before their turn.

This activity promotes building relationship with the team. The participants will be able to unwind and to have fun while at the same time their brain is being challenged to memorize.

A CASELET STUDY ON SOLIDARY OBLIGATION

1. Under a Solidarity Group Lending, members are liable to pay a creditor (lender) the obligation of defaulting or delinquent member/s (debtor/s), and as the saying goes, each member commits and abides to the group's slogan, "One for all, all for one."

2. In 2005, a month after the harvest season, the son of Mrs. Tac got married. In that wedding, Mrs. Tac spent a sizeable sum and part of that money was taken from the savings earmarked to liquidate her loan accommodation as a member of the ABCDE Solidarity Group from a Village Bank. When her loan matured, she could not pay it and in fact she was saddled with many other personal loans from the local money lenders.

3. When the four remaining active members of the ABCDE Solidarity Group were about to pay their respective loans, the Village Bank was also demanding from them payment of Mrs. Tac's outstanding balance in the amount equivalent to USD 800. Defiant to assume the obligation, they pursued a counter move of not paying their respective loans unless released from Mrs. Tac's loan obligation. This situation was not the first. Previously, two borrowers also defaulted from paying their loans and the remaining members contributed in liquidating the loan balance. As the Team Leader put it: "This time we have developed a Fatigue Syndrome on paying loans of others without being reimbursed. Our slogan is crumbling and very soon we will change it with, "To each, his own."

4. Internalize the given situation and answer the following questions?

   A. What is a solidary obligation?

   B. If you were the manager of this Village Bank, would you release the other four members from Mrs. Tac's obligations?

Caselet prepared by:

Nelson C. Buenaflor, in consultation
with Atty. Eduardo E. Garcia.

A CASELET STUDY ON SOLIDARY OBLIGATION

Answers

A. What is a solidary obligation?

- A solidary obligation is an obligation where there is concurrence of several creditors, or of several debtors, or of several creditors and debtors of which each creditor has the right to demand, and each debtor is bound to deliver or comply with the whole obligation.
- Solidary Liability is in place when the obligation has expressly provided, or when the law or the nature of the obligation requires solidarity. In this case, there is the presence of stipulation in the contract of loan/promissory note that the obligation is solidary as concurred between the creditor and the debtors, who are members of the ABCDE Solidarity Group.
- A solidary debtor pays not only for the debt of other debtor, but also his own debt. A solidary debtor can demand reimbursement from his co-debtor.

B. If you were the manager of this Village Bank, would you release the other four members from Mrs. Tac's obligations?

- Releasing the four borrowers from their solidary liability on Mrs. Tac's obligation would definitely weaken the collectivity of the latter account. However, on the practical side, enforcing the collection of Mrs. Tac's loan of USD 800 will delay the collection of the principal balance of USD 3,200 from the four members. The best option therefore is to agree and release them from their solidary obligation with Mrs. Tac's loan and deal with Mrs. Tac separately enforcing available collection remedies against her.
- Would this be a precedent for many solidary borrowers to follow? It could trigger the collapse of many solidary groups, where lending to the poor is anchored. A successful group lending scheme portrays the dynamics of building strong relationships and values between the creditor and the debtors. Training, monitoring and joint social activities are undertaken to strengthen the bond among debtors, and between the creditor and debtors. A process or activity has to be initiated to sustain the harmonious interactive relationship between the clients and their lenders to maintain a manageable and profitable portfolio.

POWERPOINT PRESENTATION

PLANNING AND PROJECT DEVELOPMENT

Preparation of Client, Area and Crop Profiles

- ❒ The client, area and crop profiles will provide the information needed by the implementers in coming out with programs and action plans on the roll-out of microfinance services.
- ❒ Broadly, these profiles will provide indicative information on the environment where microfinance services will be implemented and opened to the clients.

Preparation of Client, Area and Crop Profiles

- ❒ The profiles will have the following contents:
  - Geography to include land use, climate and rainfall;
  - Agricultural crops commercially produced;
  - Demography to include population, education, gender and age, and occupation;
  - Farmers and microenterprise operators; and
  - Family income and its sources;

Preparation of Client, Area and Crop Profiles

- ❒ Such profiles will have the following contents:
  - Social services such as: financing, education, nutrition, health and sanitation;
  - Infrastructure: roads and bridges, port, pier and wharves, power and communication facilities, transportation facilities and post-harvest facilities; and
  - Microfinance services providers: government financial institutions, commercial banks, NGOs, MFIs and others.

DEVELOPING MICROFINANCE PROGRAM

Credit Delivery Approaches

- ❒ The changes of methodologies on credit delivery systems that followed after the shift in agricultural lending from the directed credit programmes to microenterprise credit had brought in innovations and best practices essential to sustainable agricultural microfinance.
- ❒ Most of the innovations are situated within the operating features of the credit programmes and mostly addressed to cost reduction and measures in mitigating the accompanying risks attendant to rural and agricultural financing.

Credit Delivery Approaches

- ❒ Ten features of the emerging agricultural microfinance model, are identified in CGAP's Occasional Paper No. 11, namely:
  1. "Repayment is not link to loan use;
  2. Character-based lending techniques are combined with technical criteria in redirecting borrowers, setting loan terms and enforcing repayment;
  3. Savings mechanism are provided;
  4. Portfolio-at-risk is highly diversified;
  5. Loan terms and conditions are adjusted to accommodate cyclical cash flows;

❖ Source: Managing Risks and Designing Products for Agricultural Microfinance, CGAP, 2006 (Printing at IFAD with support from the Finnish Supplementary Funds).

POWERPOINT PRESENTATION

Credit Delivery Approaches

Continuation of features...

6. Contractual arrangements;
7. Financial service delivery piggybacks on existing institutional infrastructure or is extended by using technology;
8. Membership-based organizations can facilitate rural access to financial services and be viable in remote areas;
9. Area-based index insurance can protect against the risks of agricultural lending; and
10. Agricultural microfinance must be isolated from political interference."

Credit Delivery Approaches

❒ Brigitte Klein et al. (1999), had identified strategies that might be useful in modifying credit methodologies to attain efficiency:
- "Use a decentralized operational structure and employ mobile loan officers and/or mobile branch office;
- Delegate loan authority to field staff;
- Recruit staff with solid background in agronomy, farm management and rural economies;
- Provide adequate staff training and use performance-based staff incentives.

❖ Source: Better Practices in Agricultural Lending, FAO, 1999.

Credit Delivery Approaches

Continuation of strategies...

- Simplify lending procedures;
- Screen potential clients and appraised loans by collaborating with local organizations and networks;
- Install an integrated banking software to produce accurate and timely monitoring of accounts and constitute an effective management information system; and
- Diversify the loan portfolio in order to balance uneven staff work load due to agricultural seasonality."

Credit Delivery Approaches

❒ Other modalities and approaches
- Standardization of loan products;
- Productivity level of Program implementers;
- Direct lending or wholesale lending;
- Solidarity or institution lending; and
- Solidarity or individual lending.

❒ Standardization of loan product
- Loan size-fix amount over time or allow to increase as repayment progress;
- Interest rate and loan charges-structured for full cost recovery plus margin; and
- Quick transaction process and simplified documents.

Credit Delivery Approaches

❒ On group lending
- Is it a collective juridical person like a cooperative?
- Or simply a non-formal solidarity group with joint, several and solidarity liability; and
- Is it a direct loan? Or a pass-on on-lending funds for the group to retail to its members.

Credit Delivery Approaches

❒ On group lending or individual lending
- Over time, a number of microcredit providers have spontaneously shifted from the informal group lending to individual lending. Solidarity group members, especially group leaders have experienced exhaustion or social fatigue in shouldering the burden of non-paying or delinquent members;
- Other financing packages will likewise be modified with the introduction of some of these identified and suggested changes; and
- The credit-plus approach, value chain financing programs have to be looked into for possible fine tuning.

POWERPOINT PRESENTATION

Rural Savings

- Mobilizing savings to flow into the mainstream fund to finance microenterprises is the core activity of microfinance institutions, especially those providers belonging to the semi-formal category. Several challenges to savings mobilization are reported (RAFI Note No. 9, USAID, 2005), among them are:
  - "Building clients' trust to place deposit;
  - Demand-driven and profitable deposit services; and
  - Investments on cost reducing technologies in operating savings services to rural communities."

Rural Savings

- Availability of flexible and safe savings facilities can greatly help the poor rural households to save for the future, especially in preparing for important expense items, like school fees, uniforms and materials and other expenses while awaiting for the harvest, and for extra funds to back-up the family in responding to and coping with unexpected occurrences such as natural calamities.

Rural Savings

- Among the key elements for a successful mobilization of savings as identified by Ruth Goodwin-Groen (2003), are:
  - Safe and secure savings services;
  - The products match customer requirements;
  - Donor and local institutions to share cost on technical services; and
  - Sufficient time to implement.

❖ Source: Goodwin-Groen R., April 2003. Success in Rural Savings: How Donor Led the Way No. 1, Donor Good Practices. CGAP.

Rural Savings

- On the service product design, the following are to be considered:
  - Security-clients must have the trust and confidence to the service provider;
  - Low opening and minimum balance;
  - Allow withdrawal in any amount at any time, as long as minimum balance is maintained; and
  - Attractive yield.

Other Financial Services and Products

- Microfinance also covers the following services:
  1) Money transfer
  2) Insurance
  3) Leasing
  4) Franchising
  5) Warehouse receipts
- Of the five, discussions under this topic will cover money transfer and insurance considering that at this this point in time, the rest of the services are mostly on the pilot stage or if formally launched, still under close scrutiny and observation.

Other Financial Services and Products

- For money transfer, this is highly competitive and there are many providers other than MFIs. For the rural poor, this has served well the timely inflow of cash from remittances abroad or working kins in the urban centers to the countryside making available funding for farm and off-farm projects.
- On insurance, existing packages for clients covering life, medical health care and accident are proliferating with customised systems, specially among semi-formal providers. In the formal sector,

POWERPOINT PRESENTATION

Other Financial Services and Products

- ❒ Emerging with promising outcome is the innovative area-based index insurance which could cover both risks in price and products (Robert Peck Christen and Douglas Pearce, 2005).
- ❒ But similar to the apprehension of microfinance providers, insurers are also looking into how to adapt such insurance approach profitably.

ACTIVITY 1

MODULE 1: DESIGN, PLANNING, AND PROJECT DEVELOPMENT

Field Visit

Learning Objectives

- To expand the knowledge gained by the participants on the first module pertaining to the agricultural microfinance developments, concerns and issues, and strategies and intervention measures by exposing them to real situations and problems in project implementation; and
- To familiarize the participants on the process on how concepts and practices are weaved into the dynamics of the operating system.

Expected Output

- Insights and learning to guide the formulation or crafting of Agricultural Microfinance Programme.

Methodology

- Group discussion
- Interview
- Observation and Assessment
- Orientation/Presentation

Duration

- 8 hours

Materials

- Field Visit Guide for All Modules
- Location Maps
- Profile or Hand-out about the Host/Mentor

Training Schedule

Day 2
Field Visit
10:30 AM till activity completion

FIELD VISIT GUIDE FOR ALL MODULES

Any day within the period designated for a particular module, a field visit is scheduled to expose the participants to the realities obtaining in the actual delivery of microfinance services. The field visit has been purposely included as an important part of the module to provide the participants the opportunity to personally observe, clarify and validate on how the knowledge and skills learned in the classroom lectures and discussions are applied in financing the projects of the poor.

As a field exposure tool, the study visit will concretize balanced learning between theory and practice on agricultural microfinance.

Tasks and activities:

Training Staff

- Prepare the schedule and the needed resources for this activity.
- Conduct the preparation and selection of MFIs, and from among the best performers, MFIs will be pre-selected/screened to insure that the host/mentor must be operating with a sustainable business operation and is employing best practices in the field of agricultural microfinance.
- Coordinate and work closely with the MFI for the detailed activities to insure a smooth and successful study visit.

Host/Mentor

- In the beginning or at the end of the visit, the Host/Mentor may provide a short presentation about the institution and its credit program, with backgrounder on the institution's accomplishments, best practices and constraints or problems encountered. A question and answer (Q&A) slot will follow for clarification and/or validation of some issues. The presentation will be done orally with or without a PowerPoint presentation. If possible, hand-outs of the presentation are prepared for distribution to the participants.
- Interviews with MFI's Senior Officers and Staff, and the clients will follow.
- If sufficient time is available, the participant may visit the individual projects of the clients.

Participants/Attendees

- Before the field visit is conducted, the participant must prepare the important concerns and items for clarification, verification and validation to ascertain the degree of workability of best practices from the theoretical framework to the realities of program implementation, and the behaviour of program implementers, as well as the performance of the program features.
- During the visit, the participants will observe, converse with, and interview the key officers and clients of the MFI to solicit answers to issues and problems relating to technical knowledge, issues and problems encountered by the MFI and the clients.
- A short report of not less than 3 pages will be submitted to the Training Staff on the study visit covering the best practices learned and identifying the areas which are possible for inclusion in the Re-entry Plan.

Modular field visit focus

Module 1 Principles, Practices and Dynamics in Successful Program Implementation.
Module 2 Implementation and Management of Agricultural Microfinance.
Module 3 Tools and Techniques in Monitoring the MFIs Progress and Performance.
Module 4 Tools and Processes in Managing Problematic Accounts.

Suggested Report Format

FIELD VISIT REPORT

Module ______________________

1. What are the issues or items that you prepared before the visit and which you plan to clarify, validate and verify? List them down.
2. Among those listed, report the status as to clarified, validated and verified.
3. What new things have been introduced to you during the visit outside your learning in the classroom lectures and discussions?
4. From your observation, what methodologies and systems are unique which can be applied back home in your institution.
5. Write down other observations you feel are important to improve your delivery systems based on lessons learned from this field visit.

Submitted by: ________________________________ Date: ________________________

Received by: ________________________________

ACTIVITY 2

MODULE 1: DESIGN, PLANNING, AND PROJECT DEVELOPMENT

Integration and Action Planning

Learning Objective

- To integrate and identify the participant's concerns which shall be the subject of an action plan under this module for inclusion in the Re-entry Plan to be prepared by each participant.

Expected Output

- An Action Plan with identified goals, objectives and implementation activities to be incorporated in the overall Re-entry Plan

Methodology

- Workshop

Duration

- 4 hours

Material

- Integration and Action Planning Guide for All Modules

Training Schedule

Day 3
Integration and Action Planning
08:00 AM – 12:00 NN

INTEGRATION AND ACTION PLANNING GUIDE FOR ALL MODULES

Integration and action planning are the main activities of the last session in a given module.

Integration

Integration is the activity where the topics and course contents presented and discussed in the different sessions are made into a whole, forming the learning and knowledge within a given module. The trainer will begin the activity by presenting the synthesis of this module and dwell into the most important and critical elements that build up the complex whole leading to concepts, theories and practices. Or, depending on the profile of the participants, the trainer may assign the presentation/discussion of the synthesis to a participant. The participant must be informed of this arrangement before the start of the subject module.

Action Planning

Action Planning will guide each participant to develop his/her Re-entry Plan. It will provide direction, blue print or road map on how to apply acquired knowledge and skills, and respond to anticipated constraints both on the adaptation of new concepts and methodologies, and on the behavioural impact it may produce as a natural consequence of introducing change in the workplace.

In the absence of planning in the preparation of the action plan, or the absence of the Re-entry Plan, there is difficulty and uncertainty in the adaptation of lessons learned into the programs and systems back home. And in case there is that desire to plan later, there is that danger that the longer the waiting, the less intact are the knowledge retained. Also, without the Re-entry Plan, there is lack of anticipation as to how the co-workers and other stakeholders will react on the introduction of change.

The re-entry planning for the whole training course is organized into four planning sessions corresponding to the four modules. Based on the topic flow of the whole course, the area of learning is subdivided into sessions. Lectures with PowerPoint presentations, discussions with question and answer, and problem solving exercises are the main approaches used in the delivery of the sessions. To complete the module and before the re-entry planning, a field exposure visit is conducted for the participants to validate, concretize and affirm lessons learned from the classroom to the hard realities of actual implementation. Concepts, methodologies and best practices learned in the particular module will be those to be covered in the planning.

An Action Plan for each module will be submitted by the participants for comments/advise by the Trainer/ Training Consultant and will be returned to the participants for consolidation into the Re-entry Plan. Before the end of this Training Course in Agricultural Microfinance, the Re-entry Plan will be presented for critiquing by the participants through a group organized as a panel. The presentation and critiquing will be scheduled during the last day of the training program.

The Planning Steps

- Identify the major problems/concerns which are presently encountered by your institution in lending to the poor, especially those in the agricultural sector;
- Identify your goals, objectives and strategies;
- With the lessons learned acquired in this training, formulate the activities that must be immediately implemented upon your return to your workplace; and
- Identify the constraints and the solutions to pave the way for a smooth adaptation of new concepts and methodologies.

Goal

This is the direction which the organization takes within a particular time frame in order to attain institutional sustainability and effectiveness in outreach. It brings about changes which the organization desires to run into its operating system.

Objectives

These are the target results or the accomplishments which the organization seeks to achieve.

Measurable and in concrete form, the objectives translate the goal into achievable outcomes and activities which contain the following elements (Fuentes, R.O., 2006):

- **Conditions** – revolves around Time Frame, Resources and Constraints. The Time Frame defines the period with which performance has to be completed; Resources are the available human or material assets needed for the accomplishment of performance; and Constraints refer to problems which must be resolved to deliver performance.
- **Actor** – the doer, a person or the system which will cause to accomplish the expected performance.
- **Behaviour** – observable action to be accomplished.
- **Degree** – sets the criteria of measurement of behaviour which will guide the doer in the delivery of performance.

Modular Action Planning Focus

Module 1	The integration of best practices and approaches or new knowledge into existing microfinance programmes being implemented by the participant or totally new programmes, if the plan is to initiate the implementation of microfinance services.
Module 2	Preparation and formulation of targets, credit initiation, loan supervision and training of clients.
Module 3	Monitoring systems and processes in the credit portfolio.
Module 4	Strategies, methods and techniques in managing problematic accounts.

Suggested Format

Action Plan Module ______________________________
I. Rationale II. Statement of the Problem III. Goals and Objectives IV. The Plan • Strategies and activities • Timetable and responsibilities • Budget • Monitoring and evaluation V. Conclusion

Action Plan

Objective and Activity Listing

Module ________________________

Name of Participant: ____

Goal: ____

Objective	Activity	Date of Implementation	Expected Output

Date Submitted: ______________________________

Received by: ______________________________

Suggested Format

RE-ENTRY PLAN

I. Rationale

II. Problem
- Assessment of Conditions
- Statement of the Problem

III. Solution
- Assessment of Needs
- Priorities
- Solutions

IV. Direction
- Goal/s and Objectives

V. Implementation
- Plan of Action
- Operation
- Monitoring
- Evaluation

VI. Conclusion

- Based on the plan, have you considered all the areas, including anticipated behavioural reaction of stakeholders? Will the introduction of the proposed changes enhance effectiveness and efficiency in terms of outreach and sustainability to the institution?
- Other factors to consider, if any.
- What needs to be done next to ensure successful implementation?

MODULE 2

IMPLEMENTATION MANAGEMENT

Module Design and Objective

Module 2 involves the implementation management aspects. It covers target setting, training of implementers, systems and procedures in the implementation of programmes. It also includes the application of concepts pertaining to agricultural microfinance, analysis of major lending methodologies, types of microfinance providers, and tools for measuring financial and organizational performance. This module prepares the participants to implement and manage program and services on agricultural microfinance.

SESSIONS

1 Target Setting: Performance Benchmark

2 Credit Initiation, Processing and Loan Approval, and Training of Clients

3 Loan Supervision

ACTIVITIES

1 Field Visit

2 Integration and Action Planning

SESSION 1

Target Setting: Performance Benchmark

Learning Objectives

a) To impart to the participants knowledge/ skills in the preparation and formulation of targets.

b) To orient the participants in setting up the time frame, as well as the measuring instruments in monitoring the project outcomes.

Expected Output

Design and implementation of effective measuring or monitoring instruments.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- An exercise on profitability performance indicators

Duration

2 hours

Materials

- PowerPoint presentation marked Module 2, Session 1.
- Problem Solving 1 on Profitability Performance Indicators

Training Schedule

Day 3
Target Setting: Performance Benchmark
01:00 PM – 03:00 PM

NOTES for TRAINER 5

1. Begin with Warm-Up Exercise 6. Back to role playing, this will serve as a review for topics discussed in Sessions 3 and 4 of Module 1.
2. Proceed with the discussion on Target Setting: The Performance Benchmark. With the PowerPoint presentation, ensure that the participants are interactive and they raise questions to clarify and strengthen learning and absorption of the course contents.
3. Provide the details of the concepts and mechanics in calculating the ratios on equity and the performing assets
4. Monitor the completion of the exercise on Profitability Performance Indicators under Problem Solving 1.
5. See to it that during the entire session, discussions and Q&A prevail and the participants are actively involved in all the exercises.

WARM-UP EXERCISE 6

Exercise Name: Role Playing

Materials: Optional

Objective: To create better understanding and reinforce lessons learned among the participants on the subject matter taken in the training.

Mechanics: Using Session 4 (Planning and Project Development), create skits showing relevant segments and information about the subject matter.

This will tap the creativity of the participants in coming up with scenarios using the session's topics as themes to skits which will dramatize the activity or subjects lectured and discussed by the resource persons. The mood and reaction of the participants will depend on how the skits will give life or touch the inner emotions of the audience.

PROBLEM SOLVING 1:
PROFITABILITY PERFORMANCE INDICATORS

You are to revisit the past and find out the profitability performance of the subject MFI and from there, coach participants in what direction to take to improve further the MFI's profitability.

Based on the financial statements submitted for the calendar years 2004 and 2005, the following data were reported:

2004

Ending Balance, Equity	USD 276,000
Ending Balance, Performing Assets	USD 1,032,000
Net Operating Income after Tax [Credit Operations]	USD 17,812

2005

Ending Balance, Equity	USD 326,000
Ending Balance, Performing Assets	USD 1,356,000
Net Operating Income after Tax [Credit Operations]	USD 39,211

Discussion Guide

A. With the said data, calculate the 2005 Return-on-Equity (ROE) and the Return-on-Assets (ROA) with the assumption of no subsidy or grant.

B. What is the significance of these ratios in terms of MFI's performance and its sustainability?

C. What must be done, if any, to further improve its performance?

PROBLEM SOLVING 1:
PROFITABILITY PERFORMANCE INDICATORS

Answers

A. With the aforesaid data, calculate the 2005 Return-on-Equity (ROE) and the Return-on-Assets (ROA) with the assumption of no subsidy or grant.

ROE

$$\text{ROE} = \frac{\text{Net Income (after Tax)}}{\text{Average Equity}} = \frac{39{,}211}{301{,}000} = 13.02\%$$

ROA

$$\text{ROA} = \frac{\text{Net Income (after Tax)}}{\text{Average Performing Assets}} = \frac{39{,}211}{1{,}194{,}000} = 3.28\%$$

From the calculation, for every USD of equity, the earning is 13.02 cents, while on the performing assets, the earning is 3.28 cents. If the benchmark is the comparative yield with other investment opportunities, 13.02% yield is competitive and highly advantageous to the investors or equity holders at the present market rates of securities and the 90-day fixed placements.

B. What is the significance of these ratios in terms of the MFI's performance and its sustainability?

It means that the MFI is performing fairly well with full recovery of costs and earning a highly competitive spread or net margin.

C. What must be done to improve performance?

The indication, as provided by the ratios, is a sufficient signal for the organization to maintain the profitability track and to further strengthen its capacity to improve and increase the net yields.

To go back to the main concepts, ROE demonstrates the returns in equity and provides confidence to the stockholders if the yield is high or within the competitive range; however, it could also trigger dissatisfaction and discomfort, if the ratio is below acceptable standard or market yield. On the other hand, ROA indicates the efficiency of the organization in employing available assets to generate profits. ROA performance will reflect on the organization's capacity and its dynamics on how efficiency runs into the organization's operating system.

POWERPOINT PRESENTATION

TARGET SETTING: PERFORMANCE BENCHMARK

Program Plan

- The program plan establishes the goal or specific thrust the MFI takes within a given period and space. These goals provide directional guidance of the business operations in achieving organizational commitments.
- To attain the goals, objectives or target results are set and expressed in measurable and concrete forms.
- The plan likewise defines the strategies, which spell out the specific steps or activities to be pursued in the realization of the objectives.

Program Plan

- The objectives or target results serve as performance measurement. From its aggregation, the target results are then distributed down to the lowest operating units or program implementers where specific action plans are drawn and implemented. Attainment of these target results must consider the following:
  - Product mix or types of services;
  - The market or demanders/clients;
  - Methodologies and approaches in the delivery of financial services; and
  - Funding and logistics.

Product Mix

- The product mix may include credit, money transfer services, deposit mobilization and other financial services which are profitable to operate. Together with money transfer services, a back-to-back package of savings and credit can be a good start. Every service that is added to the mix must contribute higher efficiency to the overall financial performance of the MFI. In targeting performance volume, it must be reconciled with the overall strategy on how to approach the sector with reference to its diversification strategy to sustain business operations.

The Market and the Clients

- The plan will segregate the clients by area, projects or type of microenterprise, and market. Market simply refers to agriculture or non-agriculture sectors. Once the classification or segregation is completed, the target for diversification will then be applied as to how much of the entire portfolio will be earmarked for agriculture-related projects. The diversification of portfolio is a balancing calibration on staff work load due to agricultural seasonality and the mitigation of covariant risks in agricultural lending.

Methodologies and Approaches

- How much is the target for credit in terms of individual lending, solidarity groups, agriculture, non-agriculture or off-farm?
- How about deposit mobilization, money transfer and lending?
- Further to target formulation, the identified changes in policies resulting from the adaptation of best practices, especially those which will strengthen efficiency and sustainability of the MFIs, have to be seriously considered.

POWERPOINT PRESENTATION

Performance Indicators

❐ Target Accomplishment
- To ascertain program and in addition to the usual comparative presentation of target versus accomplishment, the following primary indicators are suggested, namely:
  - Outreach
  - Client poverty level
  - Collection performance

Performance Indicators

❐ Target Accomplishment
- Outreach refers to the number of clients patronizing the services of the MFI. But what is important and with critical use is the monitoring of active accounts or clients. The count here is on individual clients and not the number of groups.
- On the client's poverty level, the calculation is on the average outstanding balance per client. For collection performance, the portfolio-at-risk provides the status on collection or movements of accounts.

Performance Indicators

❐ Target Accomplishment
- For monitoring and evaluation purposes, other MFI includes the following indicators as part of regular reporting as follows:
  - Current portfolio
  - Amount of loans released
  - Number of loans outstanding
  - Value of amortization or loan payments in arrears
  - Amount of loans written-off

Performance Indicators

❐ Target Accomplishment
- Current portfolio is the summation of the out-standing loans without any past due instalment of principal; accrued interest is not covered. The amount of loans released, on the other hand, is the total value of loans disbursed. While the number of loans outstanding represents the number of accounts in the total portfolio. The value of in-arrears amortizations or loan payments is the sum of past due principal amortization and the amount of loans written-off is the bad debt portion of the portfolio.

Financial Ratios in Profitability

❐ On financial sustainability, profitability ratios which are commonly used in business are the Return-on-Equity (ROE) and the Return-on-Assets (ROA). ROE calculates the returns on investment to the investor and ROA measures the capacity of the organization in the productive use of the assets.

$$\text{ROE} = \frac{\text{Profits Net of Tax}}{\text{Equity}}$$

- The equity account referred to may be the amount reported in the beginning balance, the ending balance or simply its average.

Financial Ratios in Profitability

$$\text{ROA} = \frac{\text{Profits Net of Tax}}{\text{Average Assets}}$$

❐ Similarly, the amount in the asset account reflected in the beginning balance or that balance at the end of the period or simply the average between the beginning balance and the ending balance of the period, may be used.

POWERPOINT PRESENTATION

Financial Ratios in Profitability

- Adjustments are made for institutions operating with grant or subsidies in the form of below-market interest rates and receipt of goods or service without monetary consideration. Similarly, adjustment is also considered to reflect the loss of the value of the monetary asset due to inflation.
- Let us start with adjustment to reflect the real value of the monetary asset resulting from inflationary value diminution or erosion.

Financial Ratios in Profitability

Inflation Adjustment = [assets denominated in currency accounts] multiplied by the inflation rate of the period

- Adjustment is usually based on the beginning values of the asset or its average for the period.

Financial Ratios in Profitability

- Adjustments of grants in soft loans or simply cost-offunds adjustments (CFA) reflect the effect of such funds to MFIs in a given period, or:

  CFA = Average borrowings multiplied by market interest rate less actual amount of interest paid by MFI

- For market interest rate, the benchmark is the 90-day rate applied by most of the commercial banks on fixed deposit.

Financial Ratios in Profitability

- For in-kind grants, the In-kind Subsidy Adjustment (ISA) reflects the value the MFI must pay if bought for its own account, or:

  ISA = Market price MFI would pay for the goods received less actual price paid by MFI

Financial Ratios in Profitability

- Another type of adjustment, is the Financial Self-Sufficiency (FSS) indicator usually used by donor-funded MFIs where to achieve the break-even, the FSS value must be 100%, or:

$$\text{FSS} = \frac{\text{Revenue Net of Grants}}{\text{Total expenses} + \text{IA} + \text{CFA} + \text{ISA}}$$

Financial Ratios in Profitability

- For the Adjusted Return-on-Assets (AROA), it calculates the MFIs net profit and loss in relation to the total assets, or:

$$\text{AROA} = \frac{\text{[Profit/loss net of grants] minus [IA + CFA + ISA]}}{\text{Average total assets}}$$

MODULE 2: IMPLEMENTATION MANAGEMENT

SESSION 1: TARGET SETTING: PERFORMANCE BENCHMARK

POWERPOINT PRESENTATION

Financial Ratios in Profitability

❐ Efficiency and Productivity
- Among the performance outcomes reflecting efficiency and productivity, are:
  - Personnel productivity
  - Average loan size
  - Average outstanding loan
  - Operating expense ratio
  - Cost per client

Financial Ratios in Profitability

❐ Personnel Productivity indicates the MFIs per capita productivity in managing and handling active clients accounts. For group lending, computation of clients is based on individuals and not groups, or:

$$\text{Personnel Productivity} = \frac{\text{Number of Active Clients}}{\text{Number of Personnel}}$$

❐ On loan size, it indicates the average loan size released to clients, or:

$$\text{Loan Size} = \frac{\text{Amount of loans released}}{\text{Total number of disbursed loans over a period}}$$

Financial Ratios in Profitability

❐ The average outstanding loan measures the average outstanding per capita loan of clients, or:

$$\text{Average Outstanding Loan} = \frac{\text{Gross loan portfolio}}{\text{Number of loans outstanding}}$$

❐ For the operating expenses ratio, it comprised all the expenses attendant to administration and operations, or:

$$\text{Operating Expense Ratio} = \frac{\text{Operating Expenses}}{\text{Average gross loan portfolio}}$$

Financial Ratios in Profitability

❐ The last item is in the cost per client or the attendant cost in maintaining a client, or:

$$\text{Cost per Client} = \frac{\text{Operating Expenses}}{\text{Average Number of Active Clients}}$$

❖ References covering the Financial Indicators and Ratios under Target Setting: Performance Benchmark: a) Steel, W.F., and Charitonenko, S., June 2003. Rural Financial Services-Implementing the Bank's Strategy to Reach the Poor, International Bank for Reconstruction. b) Stauffenberg, D.V., (MicroRate), November 19, 2002. Definitions of Selected Terms, Ratios and Adjustment for Microfinance; and c) Rosenberg, R., (CGAP), Core Performance Indicators for Microfinance (Draft and undated).

SESSION 2

Credit Initiation, Processing and Loan Approval, and Training of Clients

Learning Objectives

a) To train the participants on credit initiation, evaluation and documentation.

b) To orient the participants on the process, and the information needed in the documentation, evaluation and approval of loans.

Expected Output

Capacity of the participants to identify market, develop and train clients, and deliver credit.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Caselet study analysis on collateral substitutes

Duration

2 hours

Materials

- PowerPoint presentation marked Module 2, Session 2
- Caselet Study on Collateral Substitutes

Training Schedule

Day 3
Credit Initiation, Processing and Loan Approval, and Training of Clients
03:00 PM – 05:00 PM

NOTES for TRAINER 6

1. Open session with Warm-Up Exercise 7 entitled, "House, Mouse, Browse." This will make the participants lively and prepare them for this session.

2. With PowerPoint presentation, the trainer will proceed to the discussion on the session's topic. At the client evaluation section, where the fundamental 7C's are re-visited, the trainer will introduce the Caselet Study on Collateral Substitutes for analysis and discussion, after which, the lecture-discussion will shift back to the PowerPoint presentation.

3. The trainer will request some participants who are willing to narrate or share their experiences in their respective countries on the situation and problems encountered in implementing concepts on collateral substitutes in their microfinance programs.

4. As in the previous sessions, the Q&A and discussions must be maintained at levels that stimulate high interaction.

WARM-UP EXERCISE 7

Exercise Name: House, Mouse, Browse

Materials: None

Objective: This will promote working relationship and ease among the participants.

Mechanics: The participants will be organized into groups of three. Initially, the exercise will start with two participants holding each other's hands facing each other locking a person inside. The two persons that will serve as a cage is the house and the person inside is the mouse. The facilitator will start saying house, mouse, or browse. Browse means that everybody has to change positions. No person will remain being the house or being the mouse either. When the facilitator says house, mouse, browse, house, then the houses would need to be in the position of the house but in another group. They are prompted to exchange houses with another group. The challenge is not to be caught without a place after the last command is prompted. The last command will either be a browse, house or mouse.

This is a fun game and this will develop the participants' agility and will help awaken them after break time or in the middle of a long-hour discussion or session.

A CASELET STUDY ON COLLATERAL SUBSTITUTES

1. Microfinance loans are by tradition, collateral free. But there are MFIs, in order to attain a certain level of comfort with their portfolios, require delivery of so called "collateral substitutes" to ensure the quality of the receivables and recovery in case of delinquency.
2. ABC NGO has been operating for many years now. In its warehouse, several types of home appliances, small machineries and other movable personal properties lay idle, deteriorated and valueless, except perhaps for the scrap.
3. Based on the interview we had with the manager, he told us that these were the valuable possessions of the borrowers and they accepted them as collateral substitutes to secure the payments of loans. When delivered, the values of the assets were very small when compared to the availed loans. But regardless of the values, the MFI believed that the borrowers would not abandon them for personal and psychological reasons.
4. During the December 2006 meeting of the Board of Directors, a resolution was approved creating a team to review the policy on collateral substitutes with the Manager as the Team Leader and with two members of the Board as members.
5. The Team met three times and based on their findings and conclusions, they were recommending to the Board to stop the practice of accepting delivery of these movable properties as collateral substitutes for the reason that the number of inventories was increasing resulting from the increasing level of loan delinquency, and the recovery from these assets was not significant considering the attendant cost of safeguarding and managing them. In the recommendation, the report stated, emphatically, "Enough is enough, the collateral substitutes are adding burden instead of profit into the institution."

Discussion Guide

1. Can this be a collateral substitute item?

_____ A. Working animal
_____ B. A sewing machine
_____ C. Jewelry
_____ D. Farm lot
_____ E. Insurance Cover
_____ F. Guarantee
_____ G. Surety
_____ H. A farm machinery
_____ I. Solidary Debtor
_____ J. Refrigerator

2. What is collateral?
3. What is a collateral substitute?
4. If you were a member of the board of ABC NGO, what would be your position to the recommendation of the Team?

Caselet Study prepared by:

Nelson C. Buenaflor, in consultation
with Atty. Eduardo E. Garcia.

A CASELET STUDY ON COLLATERAL SUBSTITUTES

Answers

1. Can this be a collateral substitute item?

✘	A. Working animal	✓	F. Guarantee
✘	B. A sewing machine	✓	G. Surety
✘	C. Jewelry	✘	H. A farm machinery
✘	D. Farm lot	✓	I. Solidary Debtor
✓	E. Insurance Cover	✘	J. Refrigerator

2. What is a collateral?

   - Collateral may be defined as a property that secures a loan and minimizes the risks of non-payment. The collateral can be a real estate, a chattel, an inventory of goods, account receivables and securities.

3. What is a collateral substitute?

   - A collateral substitute is something, which, in the absence or deficiency of collateral, can secure the loan obligation and strengthens the recovery in case of non-payment or default.
   - Based on Item 1, the real estate (fixed and immovable property) and chattel (movable personal property) should not be considered as substitutes since these properties are already acceptable as collateral.
   - For used (second-hand) home appliances, if accepted as security, the value is less and, proportionately small relative to the loan availment, based on the ABC NGO records.

4. If you were a member of the board of ABC NGO, what would be your position to the recommendation of the Team?

   - AFFIRMATIVE. I would concur with the recommendation of the Team. Furthermore, as reported by the Team to the Board of Directors, it would be expensive to monitor and manage, and eventually difficult to dispose the said assets. Incidentally, the fast deterioration and obsolescence of these assets trigger its easy conversion into scraps. The use of the term "collateral substitutes" is therefore misplaced or a misnomer, since the subject assets or properties are by themselves the collateral, which could be used to secure the obligation.

POWERPOINT PRESENTATION

CREDIT INITIATION, PROCESSING AND LOAN APPROVAL, AND TRAINING OF CLIENTS

Client Development

❒ Client development involves such areas as:
- Preparation of client, area and crop profiles;
- Market identification and segmentation;
- Prospecting by sector;
- Prospecting by risk criteria;
- Capacity building; and
- Client's business participation.

Client Development

❒ Client profile, crop and area profiles will be used in aid of formulating the product mix. Client profiling is much easier if a credit bureau is available to assist the microfinance industry.

❒ Market identification and segmentation is another important staff work which will enhance faster client generation and prospecting. The activity also includes identification and promotion of appropriate microfinance financial services to rural and agricultural poor.

Client Development

❒ Prospecting by risk criteria is another way of short listing loan requests by segregating loan applications with probable doubtful repayment for further validation.

❒ Building Participation
- In the semi-formal group of MFIs, building a strong relationship between the MFI and its clients will be beneficial to both. One possible way of fomenting such relationship is effecting an open equity participation making the clients part owners or members of the MFI.

Client Evaluation

❒ Credit evaluation process is a system involving with the following activities and actions:
- Gathering the important information;
- Analyzing the information;
- Interviewing the prospective client and clarifying and validating information / documents;
- Visiting the site and validate data and appraise the conditions obtaining in the area; and
- Writing the report.

Client Evaluation

❒ What to know
- Know the client: make use of the client's profile;
- Know the project: make use of the area and crop profiles; and
- Know the environment: what are the threats and disadvantages or reinforcing elements and enablers that will influence and enhance the profitability of the project.

MODULE 2: IMPLEMENTATION MANAGEMENT

SESSION 2: CREDIT INITIATION, PROCESSING AND LOAN APPROVAL, AND TRAINING OF CLIENTS

POWERPOINT PRESENTATION

Client Evaluation

❒ Revisiting the Fundamental 7 Cs of Credit

1. **Character** refers to certain qualities of a person distinguishing him from others. For credit purposes, the evaluation of the character of the client is made to determine if the client is honest, responsible and with integrity sufficient to deserve the trust of the lender in releasing the money for the client's family needs and his project with the expectation from the lender that he will return that money together with the interest and other charges based on the terms and conditions agreed upon.

Client Evaluation

❒ Revisiting the Fundamental 7 Cs of Credit

2. **Capacity** refers to the strength of the business or enterprise to profitably operate and its financial strength to pay its financial obligations. It is important that the cash flow of the client or project is thoroughly scrutinized to ascertain future liquidity to pay the loan.
3. **Capital** is the equity contribution of the owner or operator to the microenterprise or business. Depending on the MFI, equity participation of the client may vary depending on the crop, activity or project.

Client Evaluation

❒ Revisiting the Fundamental 7 Cs of Credit

4. **Collateral** refers to collateral substitutes acceptable to the MFI. Traditionally, microfinance lending does not require collateral for reason that generally, the client has no collateral to offer in the first place. But depending on the credit evaluation and to secure loan approval, MFI may require collateral substitutes in the form of insurance cover, guarantee or surety, or payment by third party under the JSS arrangements.
5. **Condition** refers to situations or factors directly or indirectly affecting the project like the changes in demand and supply, lifestyle and taste. etc.

Client Evaluation

❒ Revisiting the Fundamental 7 Cs of Credit

6. **Capability** is about the capacity of the client to run the project and pay the loan. The term encompasses the client's experience, knowledge, his weaknesses and strengths which will be evaluated in the credit evaluation.
7. **Compliance** is also important to the client and project. Non-compliance to regulations, laws and program requirements may result to stoppages of operations or closure of the project which may eventually lead to the bankruptcy of the account.

Documentation and Approval

❒ Loan documentation and loan approval

- Loan documentation refers to the submission of application forms, agreement, if any, and other requirements which have to be perfected before the loan is disbursed. Some problems in loan documentation:
  a) Missing documents;
  b) Pro-forma forms not properly filled-out;
  c) Documents are faulty – sometimes date on interest rate are not properly reflected in the promissory note;
  d) Contrary to laws and regulations; and
  e) Documents not properly distributed to concern units in the organization.

Documentation and Approval

❒ Documents to be submitted if client is a member of a group under the solidarity liability arrangement:

General requirements

- Application for loan;
- Two (2 x 2) photos of individual applicant;
- Permit or license, if so required in the area and if applicable; and
- Application for group credit life insurance, if applicable.

Optional requirements

- Deed of assignment of receivable supported by a marketing contract, if any or if required; and
- Joint and several signatures of the solidarity group, if required as security arrangement.

MODULE 2: IMPLEMENTATION MANAGEMENT

SESSION 2: CREDIT INITIATION, PROCESSING AND LOAN APPROVAL, AND TRAINING OF CLIENTS

POWERPOINT PRESENTATION

Documentation and Approval

- For an individual not belonging to a group, the documents to be submitted shall be those listed under the general requirements plus the deed of assignment of receivable under the optional requirements.
- Part of the evaluation process is the authentication of the submitted documents. Also important is the interview of the proponent/client regarding the project to ascertain the cash flow prospects with which to determine the mode of payment. The front program implementer shall then conduct the background investigation and the credit investigation in aid of appraising the character of the loan applicant and to gather other information about him.

Documentation and Approval

- Part of the documents which shall compose the file of the client is the reports on Background Investigation and Credit Investigation (BICI). These reports will complete the character background of the client. The BICI also contains criminal record and violations including court cases relating to non-payment of loan and others.
- Loan approval is normally delegated or there is the issuance of the specification of authority for the approving and signing officers/staff based on the loan amount and other criteria.

Documentation and Approval

- Once the loan is approved, the claim document or voucher shall be prepared and processed to prepare disbursement. The client will then sign the promissory note and receive the loan proceeds.

Training of Clients

Training Needs Assessment (TNA)

- Training needs assessment is a method of determining the training needs and the appropriate training that will respond to that need or deficiency. The results of the assessment will provide indicative causes of the gap, and will define the scope, content and outcomes of the training.

Training of Clients

Training Needs Assessment (TNA)

- In the conduct of the TNA for clients MFI must determine the specific target of the assessment who can share and identify the areas of improvements sought by the TNA, to include:
  - Crop farmers: rice, corn and high value crops
  - Microenterprise operators: off-farm
  - Non-farmers (clients from other sectors under diversification)
  - Other industry practitioners/providers, competitors and professionals.

Training of Clients

- Sequential Activities in TNA
  1. Generate, organize and analyze data to identify the gap between what is desired, and the current knowledge and skills of the target trainers.
  2. Determine the performance desired and conduct research on available best practices that could be replicated or adapted to improve performance in the areas of technology and values and culture.
  3. Prepare an action plan.

MODULE 2: IMPLEMENTATION MANAGEMENT

SESSION 2: CREDIT INITIATION, PROCESSING AND LOAN APPROVAL, AND TRAINING OF CLIENTS

POWERPOINT PRESENTATION

Training of Clients

❐ Preparation of the Training Design
- The information obtained from the TNA will provide the information that shall guide in the training design.

❐ Conduct of the Training
- Most of the training programs in capacity building for clients are in the technical and entrepreneurial aspects, in addition to the basic values formation. These trainings are conducted to strengthen the capacity of the client in managing his micro-enterprise and to instil the good values which find behavioural importance on loan repayment.

Training of Clients

❐ Technical Courses

Production
- Crop technology
- Processing
- Marketing
- Value chain

Entrepreneurship
- Management
- Finance and marketing
- Internal control
- Risk mitigation
- Sustainability and profitability
- Credit or loaning process

Training of Clients

❐ Mentoring and Coaching
- A good technical assistance program is the combination of training and mentoring activities to clients, especially on technical and entrepreneurial aspects in operating and managing a project. Particular attention is in the area of bookkeeping and preparation of financial statements. Beyond their attendance to formal trainings, follow-up mentoring is essential to ensure correct and consistent application of knowledge learned and through mentoring best practices can be adapted and replicated to ensure the profitability of the microenterprise.

Training of Clients

❐ Capacity Building
- Capacity building Involves values formation and technical education to strengthen the capacity of clients in managing their microenterprises. Technical education includes not only the knowledge related to improving the demands of the project but also the management side, especially matters pertaining to finance and accounting on values, instilling the right attitudes among microfinance clients finds behavioural importance on loan repayment.

SESSION 3

Loan Supervision

Learning Objective

To train the participants on the effective prospecting, acquisition, and management of accounts.

Expected Output

Knowledge and skills in portfolio management.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing of experiences on product mix or lending diversification

Duration

2 hours

Materials

- PowerPoint presentation marked Module 2, Session 3.
- Problem Solving 2: The Product Mix

Training Schedule

Day 4
Loan Supervision
08:00 AM – 10:00 AM

NOTES for TRAINER 7

1. Open with Warm-Up Exercise 8 called "Charade."
2. Discuss loan supervision.
3. On the segment covering the different lending programs or services, introduce for discussion the Problem Solving 2: The Product Mix.
4. After the PowerPoint presentation and discussion on the topic, select five (5) from among the participants to narrate or share about their institution's product mix or lending diversification in agricultural microfinance.
5. During the sharing period, encourage exchange of experiences to allow cross-learning among the participants on the various sustainable practices flourishing in different cultures.

WARM-UP EXERCISE 8

Exercise Name:	Charade
Materials:	Pieces of Paper, Pen
Objective:	To create better understanding and reinforce among the participants the lessons learned on the topics and subject matter of the training course.
Mechanics:	Using the relevant information and segments pertaining to module 1, list down the words in pieces of paper. The participants will be grouped into two. Each group will have a representative for each round to enact whatever is written in the paper. When the first group is called to enact the words, the other group should be able to guess or determine the word or answer in 2 minutes. If the group fails to determine the word being enacted, then the point will be given to the presenting group. Groups will take turns in enacting words which will be given by the facilitator. The group accumulating more points will win the game. This will enable the participants to be familiar of pertinent keywords, places or persons mentioned or involved or discussed in the Module.

PROBLEM SOLVING 2:
THE PRODUCT MIX

1. The Riverside Microcredit Association, Inc. (RMAI) is an NGO, which has been operating for five (5) years among the poor farmers and fisherfolk.

2. Being the manager of RMAI, you are confronted with a challenge on how to turn-around the present situation otherwise, the organization will collapse. The latest financial report was highlighted by the following:

   A. As of the end of July 2007, the company had negative bottom line of close to USD 50,000;

   B. Repayment had also gone down to 70% because of the poor harvest brought about by the heavy rainfall which was followed by floods; and

   C. Re-flow or loan generation was significantly low.

3. There is one good news, however, about the grant from an international funder in the amount of USD 500,000, which is scheduled for remittance on November 15, 2007.

4. Based on the Management Information System's portfolio tracking, the outstanding principal loan balance is USD 1,500,000 classified, as follows:

Loan Classification	Unpaid Balance (in USD)
Rice and Corn	600,000
Vegetables and Fruits	500,000
Salary loan	90,000
Microenterprise	200,000
Fishery	80,000
Others	30,000

5. From the data, RMAI's Product Mix is predominantly Rice, Corn, Vegetables and Fruits with combined principal balance of 73% of total portfolio. If you are the manager, what actions or steps should be taken in addressing the situation?

PROBLEM SOLVING 2:
THE PRODUCT MIX

Answers

1. What steps or actions should be taken in addressing the situation?

   The problem requires a full blown action plan or road map to redirect its course from eventual insolvency to rehabilitation and full recovery.

   As shown by the data, close to 73% of the current portfolio is on rice, corn, vegetable and fruits with rice and corn comprising 40%. In other words, the concentration of the portfolio is on the sector where co-variant risk is dominant and easily affected by climatic changes, natural calamities, infestation and disasters. The occurrence of one strong typhoon or a flood could bring disaster to the entire portfolio. At any rate, the following major activities have to be incorporated in the plan:

   a. Look into the areas where costs can be reduced: administrative, operating, etc.;
   b. Review pricing structure on interest rates and loan charges to implement full costs recovery;
   c. Intensify collection initiatives; and
   d. The most important and the main subject of this exercise, to install a diversification plan to shift a major part of the portfolio from the highly vulnerable sector to off-farm or non-farm projects.

2. Over time, there was oversight of not reviewing the Product Mix, where it has mostly concentrated on the risky side of the market.

3. With the remittance of USD 500,000 bolstering the cash flow of RMAI, it could jumpstart the shift from the highly vulnerable crops to off-farm and non-farm microenterprises, thereby putting the RMAI into the right direction and track.

POWERPOINT PRESENTATION

LOAN SUPERVISION

Loan Supervision

- Loan supervision covers the areas of portfolio management, portfolio build-up and portfolio maintenance.
- Portfolio Management
  - Goals and portfolio mix
  - Target markets
  - Accounts concentration
  - Resource allocation

Portfolio Management

- Goals and Portfolio Mix
  - Most MFIs wish to balance sustainable business operations with outreach enlisting active clients of rural and agricultural poor. Its realization however, is challenging considering that many MFIs have encountered difficulties in surviving the hard reality of high delinquency in the sector resulting from covariant and other kinds of risks accompanying agricultural microfinance. For this reason many successful microfinance providers have totally or partly shifted from farm credit to off-farm or to other sectors.

Portfolio Management

- Goals and Portfolio Mix
  - It is for this reason that the portfolio mix of some successful MFIs contain some bias against agricultural microfinance. In fact these MFIs put an arbitrary limit by (X)% of portfolio. Among the best practices in microfinance operations is the ability to diversify the portfolio at the optimum level of profitability with acceptable level of reach to entrepreneurial poor.

Portfolio Management

- Target markets
  - Agricultural on-farm
  - Agricultural off-farm
  - Rural/Urban
- Agricultural on-farm
  - Production (crop, livestock, etc.)
  - Harvesting
  - Threshing
  - Cleaning
  - Hauling or movement of raw produce from farm
  - Inputs (labor, fertilizer, seeds, gasoline and oil, sacks or empty bags, etc.)

Portfolio Management

- Agricultural off-farm
  - Processing (mechanical drying, solar drying, milling, cold or dry storage, etc.)
  - Cottage or small food processing/manufacturing venture
  - Teachers, craftsman and industrial workers in the area borrowing salary, consumption and multi-purpose loans
  - Other off-farm agriculture business microenterprise
  - Marketing/vending microenterprise
- Rural / Urban
  - Clients outside agriculture for various microcredit services.

MODULE 2: IMPLEMENTATION MANAGEMENT

SESSION 3: LOAN SUPERVISION

POWERPOINT PRESENTATION

Portfolio Management

- ❒ Account Concentration
  - With reference to the goals and objectives, account concentration is being evaluated to minimize the risks involve in allocating valuable loanable resources to a particular market or area or product or clients. With lessons learned on covariant risks in agriculture, the occurrence of calamity, disaster, infestation or price collapse on agriculture products, the evaluation outputs will have tremendous value in the survival of the MFIs. Scaling diversification to maintain a viable balance is the ideal set-up.

Portfolio Management

- ❒ Resource allocation
  - Market
  - Client
  - Activity
  - Product
- ❒ Resource allocation will be based on the confluence of the specific contribution and roles of these variables to profit generation.

Maintaining the Accounts

- ❒ Maintaining the accounts or portfolio management is a major function of the organization to include the general administration, account receiving, problem identification, collection and recovery and follow-up.
- ❒ By general administration it encompasses the management, recording, monitoring and controlling of the portfolio. This is being done by the different functional units of the organization from top to bottom.

Maintaining the Accounts

- ❒ Account receiving is where the accounts are directly handled and serviced by the program implementers or account officers. It entails attending to clients needs in certain matters relating to loans.
- ❒ Account receiving also involves monitoring and the conduct of client call to ascertain status or developments or to project, repayment or verification of early warning indications of problems being encountered by the account.

Problem Identification

- ❒ It involves: monitoring of loans to minimize or prevent the loss to the MFI arising from clients' non-payment of loans; validating if the loans extended by the MFI continue to be productive; and strengthening discipline or sanctions to clients who are delinquent in repaying the loans.

Collection and Recovery

- ❒ Collection is among the most important functions of a financing organization. If collection fails, the organization will collapse. Collection is either done by the organization or contracted to a third party service provider.
- ❒ Collection tools
  - Billing notice
  - Reminder letter and statement of account
  - Final demand letter
  - Visitation/client call
  - Counselling and mentoring
  - Legal option

MODULE 2: IMPLEMENTATION MANAGEMENT
SESSION 3: LOAN SUPERVISION

POWERPOINT PRESENTATION

Billing Notice

- A billing notice is served to concerned client at least (X) calendar days before the scheduled amortization on all current accounts to remind them of the forthcoming amount due on a particular period or date. Normally this is sent by mail but an advance copy can be sent by fax.

Reminder Letter

- The lapse of the due date without receipt of payment triggers the issuance of the reminder letter where the client is admonished to pay within (X) calendar days from receipt of the reminder letter.

Final Demand Letter

- This letter is served to clients who have not responded to the reminder letter. The clients served with final demand letter shall be given (X) days (normally 15 to 30 days) from receipt of this letter to settle their account. If subject to final demand is a portion of the loan or due amortization, the non-attention or payment by the client may trigger acceleration of the demandability of the entire obligation. Clients/ accounts responding to the final demand will be the subject of remedial action, and if no response, the account will be meted with sanctions or recovery action in accordance with the policies of the MFI.

Visitation or Client Call

- Visitation or client call to pursue collection has been found to be very effective in collection. But this could be done if the number of accounts is manageable to current implementers running the programs. It will be very costly to recover loans from the clients if we hire more implementers for the purpose.

Counselling / Mentoring

- The continuing bonds between the client and the implementer, especially if regular monitoring or counselling is provided by the implementer, will result to facilitate collection of payment from the clients. The sensitivity of closeness and the good relationship is kept warm and the client has to maintain good repayment to avoid any provocation to this relationship.

Legal Option

- This is the last recourse of the collection journey. It could be very costly, especially if collection suits are filed in court. Sometimes it takes a very long time before collection outcome materialized.

ACTIVITY 1

MODULE 2: IMPLEMENTATION MANAGEMENT

Field Visit

Learning Objective

- To correlate theories on program implementation management with the realities of actual implementation.

Expected Output

- Methods and systems adaptable to given situations and environment.

Methodology

- Group discussion
- Interview
- Observation and Assessment
- Orientation/Presentation

Duration

- 8 hours

Materials

- Field Visit Guide for All Modules
- Location Maps
- Profile or Hand-out about the Host/Mentor

Training Schedule

Day 4
Field Visit
10:30 AM till activity completion

FIELD VISIT GUIDE FOR ALL MODULES

Any day within the period designated for a particular module, a field visit is scheduled to expose the participants to the realities obtaining in the actual delivery of microfinance services. The field visit has been purposely included as an important part of the module to provide the participants the opportunity to personally observe, clarify and validate on how the knowledge and skills learned in the classroom lectures and discussions are applied in financing the projects of the poor.

As a field exposure tool, the study visit will concretize balanced learning between theory and practice on agricultural microfinance.

Tasks and activities:

Training Staff

- Prepare the schedule and the needed resources for this activity.
- Conduct the preparation and selection of MFIs, and from among the best performers, MFIs will be pre-selected/screened to insure that the host/mentor must be operating with a sustainable business operation and is employing best practices in the field of agricultural microfinance.
- Coordinate and work closely with the MFI for the detailed activities to insure a smooth and successful study visit.

Host/Mentor

- In the beginning or at the end of the visit, the Host/Mentor may provide a short presentation about the institution and its credit program, with backgrounder on the institution's accomplishments, best practices and constraints or problems encountered. A question and answer (Q&A) slot will follow for clarification and/or validation of some issues. The presentation will be done orally with or without a PowerPoint presentation. If possible, hand-outs of the presentation are prepared for distribution to the participants.
- Interviews with MFI's Senior Officers and Staff, and the clients will follow.
- If sufficient time is available, the participant may visit the individual projects of the clients.

Participants/Attendees

- Before the field visit is conducted, the participant must prepare the important concerns and items for clarification, verification and validation to ascertain the degree of workability of best practices from the theoretical framework to the realities of program implementation, and the behaviour of program implementers, as well as the performance of the program features.
- During the visit, the participants will observe, converse with, and interview the key officers and clients of the MFI to solicit answers to issues and problems relating to technical knowledge, issues and problems encountered by the MFI and the clients.
- A short report of not less than 3 pages will be submitted to the Training Staff on the study visit covering the best practices learned and identifying the areas which are possible for inclusion in the Re-entry Plan.

Modular field visit focus

Module 1 Principles, Practices and Dynamics in Successful Program Implementation.
Module 2 Implementation and Management of Agricultural Microfinance.
Module 3 Tools and Techniques in Monitoring the MFIs Progress and Performance.
Module 4 Tools and Processes in Managing Problematic Accounts.

Suggested Report Format

FIELD VISIT REPORT

Module ________________________

1. What are the issues or items that you prepared before the visit and which you plan to clarify, validate and verify? List them down.
2. Among those listed, report the status as to clarified, validated and verified.
3. What new things have been introduced to you during the visit outside your learning in the classroom lectures and discussions?
4. From your observation, what methodologies and systems are unique which can be applied back home in your institution.
5. Write down other observations you feel are important to improve your delivery systems based on lessons learned from this field visit.

Submitted by: ___________________________________ Date: ___________________________

Received by: ___________________________________

ACTIVITY 2

MODULE 2: IMPLEMENTATION MANAGEMENT

Integration and Action Planning

Learning Objective

- To integrate the lessons learned and identify the concerns of the participants under the implementation management as the subject of the action plan for inclusion in the Re-entry Plan.

Expected Output

- An Action Plan with identified goals, objectives and implementation activities to be incorporated in the Re-entry Plan

Methodology

- Workshop

Duration

- 4 hours

Material

- Integration and Action Planning Guide for All Modules

Training Schedule

Day 5
Integration and Action Planning
08:00 AM – 12:00 NN

INTEGRATION AND ACTION PLANNING GUIDE FOR ALL MODULES

Integration and action planning are the main activities of the last session in a given module.

Integration

Integration is the activity where the topics and course contents presented and discussed in the different sessions are made into a whole, forming the learning and knowledge within a given module. The trainer will begin the activity by presenting the synthesis of this module and dwell into the most important and critical elements that build up the complex whole leading to concepts, theories and practices. Or, depending on the profile of the participants, the trainer may assign the presentation/discussion of the synthesis to a participant. The participant must be informed of this arrangement before the start of the subject module.

Action Planning

Action Planning will guide each participant to develop his/her Re-entry Plan. It will provide direction, blue print or road map on how to apply acquired knowledge and skills, and respond to anticipated constraints both on the adaptation of new concepts and methodologies, and on the behavioural impact it may produce as a natural consequence of introducing change in the workplace.

In the absence of planning in the preparation of the action plan, or the absence of the Re-entry Plan, there is difficulty and uncertainty in the adaptation of lessons learned into the programs and systems back home. And in case there is that desire to plan later, there is that danger that the longer the waiting, the less intact are the knowledge retained. Also, without the Re-entry Plan, there is lack of anticipation as to how the co-workers and other stakeholders will react on the introduction of change.

The re-entry planning for the whole training course is organized into four planning sessions corresponding to the four modules. Based on the topic flow of the whole course, the area of learning is subdivided into sessions. Lectures with PowerPoint presentations, discussions with question and answer, and problem solving exercises are the main approaches used in the delivery of the sessions. To complete the module and before the re-entry planning, a field exposure visit is conducted for the participants to validate, concretize and affirm lessons learned from the classroom to the hard realities of actual implementation. Concepts, methodologies and best practices learned in the particular module will be those to be covered in the planning.

An Action Plan for each module will be submitted by the participants for comments/advise by the Trainer/ Training Consultant and will be returned to the participants for consolidation into the Re-entry Plan. Before the end of this Training Course in Agricultural Microfinance, the Re-entry Plan will be presented for critiquing by the participants through a group organized as a panel. The presentation and critiquing will be scheduled during the last day of the training program.

The Planning Steps

- Identify the major problems/concerns which are presently encountered by your institution in lending to the poor, especially those in the agricultural sector;
- Identify your goals, objectives and strategies.
- With the lessons learned and acquired in this training, formulate the activities that must be immediately implemented upon your return to your workplace; and
- Identify the constraints and the solutions to pave the way for a smooth adaptation of new concepts and methodologies.

Goal

This is the direction which the organization takes within a particular time frame in order to attain institutional sustainability and effectiveness in outreach. It brings about changes which the organization desires to run into its operating system.

Objectives

These are the target results or the accomplishments which the organization seeks to achieve.

Measurable and in concrete form, the objectives translate the goal into achievable outcomes and activities which contain the following elements (Fuentes, R.O., 2006):

- **Conditions** – revolves around Time Frame, Resources and Constraints. The Time Frame defines the period with which performance has to be completed; Resources are the available human or material assets needed for the accomplishment of performance; and Constraints refer to problems which must be resolved to deliver performance.
- **Actor** – the doer, a person or the system which will cause to accomplish the expected performance.
- **Behaviour** – observable action to be accomplished.
- **Degree** – sets the criteria of measurement of behaviour which will guide the doer in the delivery of performance.

Modular Action Planning Focus

Module 1	The integration of best practices and approaches or new knowledge into existing microfinance programmes being implemented by the participant or totally new programmes, if the plan is to initiate the implementation of microfinance services.
Module 2	Preparation and formulation of targets, credit initiation, loan supervision and training of clients.
Module 3	Monitoring systems and processes in the credit portfolio.
Module 4	Strategies, methods and techniques in managing problematic accounts.

Suggested Format

Action Plan Module ______________________________
I. Rationale II. Statement of the Problem III. Goals and Objectives IV. The Plan • Strategies and activities • Timetable and responsibilities • Budget • Monitoring and evaluation V. Conclusion

Action Plan

Objective and Activity Listing

Module ________________________

Name of Participant: ____

Goal: ____

Objective	Activity	Date of Implementation	Expected Output

Date Submitted: ______________________________

Received by: ______________________________

Suggested Format

RE-ENTRY PLAN

I. Rationale

II. Problem
- Assessment of Conditions
- Statement of the Problem

III. Solution
- Assessment of Needs
- Priorities
- Solutions

IV. Direction
- Goal/s and Objectives

V. Implementation
- Plan of Action
- Operation
- Monitoring
- Evaluation

VI. Conclusion

- Based on the plan, have you considered all the areas, including anticipated behavioural reaction of stakeholders? Will the introduction of the proposed changes enhance effectiveness and efficiency in terms of outreach and sustainability to the institution?
- Other factors to consider, if any.
- What needs to be done next to ensure successful implementation?

MODULE 3

MONITORING AND EVALUATION

Module Design and Objective

Module 3 will cover the feedback loop. It will start with credit monitoring of portfolio, lending performance, profitability and sustainability indicators. This is followed by monitoring and evaluation focusing on the discussions on MIS and PESO Performance Standards. The module ends with synthesis and action planning.

Under this module, the participants will be trained to design and implement monitoring tools and techniques in tracking the MFI's progress and performance, and in pursuing the timely response to deviations or problems encountered.

SESSIONS

1 Credit Monitoring

2 Monitoring and Evaluation

ACTIVITIES

1 Field Visit

2 Integration and Action Planning

SESSION 1

Credit Monitoring

Learning Objectives

a) To familiarize the participants on how to monitor the lending programs.

b) To orient the participants with the portfolio indicators.

Expected Output

Establishment of a monitoring system on the credit portfolio.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- An exercise on the portfolio quality

Duration

2 hours

Materials

- PowerPoint presentation marked Module 3, Session 1.
- Problem Solving 3: The Portfolio Quality

Training Schedule

Day 5
Credit Monitoring
01:00 PM – 03:00 PM

NOTES for TRAINER 8

1. Commence with Warm-Up Exercise 9, a role playing exercise which will serve as a review for the topics covered in Sessions 2 and 3 of Module 2.
2. Deliver the lecture with a PowerPoint presentation on credit monitoring.
3. Discuss and introduce Problem Solving 3 on the Portfolio Quality.
4. After the Portfolio Quality segment, Resume the lecture-discussion with the PowerPoint presentation.
5. During the entire session, encourage discussions and Q&A to keep the class interactive.
6. For this session, select three (3) volunteers from among the participants to do the sharing on actual monitoring matrices or formats in tracking loan developments and status, especially on PAR in their respective workplaces.
7. The material prepared for this session's PowerPoint presentation is very basic to allow the trainer to supplement it with other materials to strengthen the topic's content.

WARM-UP EXERCISE 9

Exercise Name:	Role Playing
Materials:	Optional
Objective:	To create better understanding and reinforce lessons learned among the participants on the topics and subjects covered in the training programme.
Mechanics:	Re-visiting Sessions 2 and 3 of Module 1, the participants will create skits showing relevant information and segments from the aforesaid training sessions. This will again tap the creativity of the participants in coming up with scenarios incorporating the session topics.

PROBLEM SOLVING 3:
THE PORTFOLIO QUALITY

Based on the financial reports, the following data on loans receivables are presented, as follows:

A. Total Portfolio

Loans	Unpaid Principal (in USD)
Current	1,250,000
Past Due 30 days 60 days 90 days	 120,000 100,000 74,000
Total	1,544,000

B. Unpaid principal with past due payments

1. With payments at 30 days past due, calculate the Portfolio-at-Risk (PAR).
2. What is the advantage, if any, PAR has over the past due ratio?

Past Due (in days)	Unpaid Principal (in USD)	Past Due Amortization/Payments			
		30 days	60 days	90 days	Total
30	120,000	19,300	–	–	19,300
60	100,000	17,760	11,840	–	29,600
90	74,000	10,720	9,380	6,700	26,800
Total	294,000	47,780	21,220	6,700	75,700

PROBLEM SOLVING 3:
THE PORTFOLIO QUALITY

Answers

1. With payments at 30 days past due, calculate the Portfolio-at-Risk (PAR) ratio.

$$\text{PAR} = \frac{\text{Outstanding Unpaid Principal Balance with Overdue Payments}}{\text{Total Unpaid Principal (Current Portfolio)}} = \frac{294{,}000}{1{,}544{,}000} = 19.04\%$$

   Calculate also the past due ratio:

$$\text{Past Due Ratio} = \frac{\text{Total Past Due Payments}}{\text{Total Unpaid Principal (Current Portfolio)}} = \frac{75{,}700}{1{,}544{,}000} = 4.\ 9\%$$

2. What is the advantage, if any, Par has over the usual past due ratio?

   The PAR gives the snapshot of the risk in the portfolio considering that the past due amortizations or payments provides the indication on the possibility that the entire outstanding balance of the particular loan will be in default. In this example, the Past Due Ratio of only 4.9% purports to be minimal but viewing the PAR Ratio, there seems to be the need to address the situation since the ratio of 19.04% implies significant risk of probable non-collectibility.

MODULE 3: MONITORING AND EVALUATION

SESSION 1: CREDIT MONITORING

POWERPOINT PRESENTATION

CREDIT MONITORING

Credit Monitoring

- To provide feedback from the review of the MFI's credit criteria, especially on the weaknesses of the credit portfolio management and maintenance process.
- To identify prospects and opportunities from clients;
- To promote good relationship between the client and the MFI.

Credit Monitoring

- Credit monitoring involves regular monitoring and review of accounts through direct contact with the client during site visitations and meetings. Periodic credit check on the client is likewise regularly done. From time to time, the implementer conducts analysis on the financial performance of the project. Continuing assessment of the changes in the sector is also regularly undertaken. These activities are implemented to secure the interest of the MFI on loan recovery and sustainability.

Credit Monitoring

- Credit monitoring will also dwell into the latest financial performance or position of the client. Changes in the enterprise of the client have to be looked into, especially its impact to the profitability and liquidity of the project. Utilization of the proceeds of the loan has to be monitored also by the implementer to detect misuse or deviation from purpose. Aware that they are closely monitored, the clients will be exerting more efforts to make the project successful and ensure repayment. From the MFI side, such information will put the institution at the vantage position to protect its interest and the program.

Credit Monitoring

- Credit portfolio and lending
  - Regular monitoring in ascertaining the performance of the MFI has to be consistently maintained to keep tract on its direction and to have a timely snapshot of its accomplishments.
- Outstanding balances
  - Internal to the MFI and critical to its welfare and direction, is the monitoring of its portfolio.

Credit Monitoring

- Reporting of portfolio will be from the downstream units to the headquarters for consolidation on a regular basis. The reports will include information on outreach and collection performance. On outreach, the measure or indicator is on the number of active clients served.
- In addition, reports will also include restructured/rescheduled loans, past due loans and in-arrears payments as of cut-off dates.

POWERPOINT PRESENTATION

Credit Monitoring

- Portfolio-at-risk (PAR) measures the quality of the portfolio. This is calculated in a given period of operation and normally set for 30 days although some use weekly or quarterly, other than monthly, to suit its common repayment mode.

$$\text{PAR (X days)} = \frac{\text{Outstanding principal balance of all loans past due more than (X) days}}{\text{Outstanding principal balance of all loans}}$$

Credit Monitoring

- Profitability indicators
  - Regular reporting will also be derived from regular submission to the management covering the return-on-equity or ROE and the return-on-assets or ROA. The return-on-equity calculated the returns to the investor on investment or his equity, while the return-on-assets reflect the efficiency in using the assets to generate revenue.
  - Operating efficiency indicators include personnel productivity, operating expense ratio and cost per client.

SESSION 2

Monitoring and Evaluation

Learning Objective

To strengthen the participants' knowledge and tools in monitoring and evaluating the performance of the MFI.

Expected Output

Design and implementation of a monitoring and evaluation process or a Management Information System.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- An exercise on PESO performance standards for microfinance

Duration

2 hours

Materials

- PowerPoint presentation marked Module 3, Session 2.
- Problem Solving 4 on PESO Performance Standards for Microfinance

Training Schedule

Day 5
Monitoring and Evaluation
03:00 PM – 05:00 PM

NOTES for TRAINER 9

1. Start with Warm-Up Exercise 10, entitled, “House, Mouse, Browse,” where the participants will be organized into groups of three.
2. Present the PowerPoint presentation on Monitoring and Evaluation on the performance of a microfinance institution to back-up the lecture and discussions on the topic.
3. On the section about the PESO Performance Standards for Microfinance, introduce Problem Solving 4 for discussion to familiarize the participants on the details/process of scoring and rating adopted in this evaluation model.
4. Discussions and Q&A will be similarly encouraged during the entire session.

WARM-UP EXERCISE 10

Exercise Name: House, Mouse, Browse

Materials: None

Objective: This will promote working relationship and ease among the participants.

Mechanics: The participants will be organized into groups of three. Initially, the game will start with two participants holding each other's hands facing each other locking a person inside. The two persons that will serve as a cage is the house and the person inside is the mouse. The facilitator will start saying house, mouse, or browse. Browse means that everybody has to change positions. No person will remain being the house or being the mouse either. When the facilitator says house, mouse, browse, house, then the houses would need to be in the position of the house but in another group. They are prompted to exchange houses with another group. The challenge is not to be caught without a place after the last command is prompted. The last command will either be a browse, house or mouse.

This is a fun game and this will develop the participants' agility and will help awaken them after break time or in the middle of a long-hour discussion or session.

PROBLEM SOLVING 4:
THE EVALUATION OF THE HILLSIDE MICROFINANCE, INC. (HCI) USING THE PESO PERFORMANCE STANDARDS

1. A lot of good attributes have been said about the PESO Performance Standards for Microfinance, where a number of MFIs have integrated it into their monitoring and evaluation systems for diagnostic use or for screening purposes, especially on retailers applying for credit lines under the wholesale facility for microfinance.

2. Actually, other than the wholesale credit providers, the PESO is also useful to:

   a. Donors for determining medium to long-term sustainability of MFIs business operations;

   b. Investors and creditors to determine their capacity to service loans; and

   c. Regulators in ascertaining the performance of MFIs, more so to those performing below the acceptable or adopted national standards. With this, the regulators can focus on how to stimulate improvements in the delivery of microfinance services to the poor.

3. One of the distinct advantages in the internal use of the PESO Standards into one's organization, is its inherent nature of providing indication or early warning signals or early identification of critical lapses, deviation or concerns requiring prompt and precise actions to bring about effective response and solutions to be weaved into the operating system of the organization to enhance profitability of the business.

4. HCI is a microfinance institution which has been in the industry for more than five (5) years and is now applying with your institution for a USD 250,000 credit line to back-up its re-lending program for the poor farmers who are residing in the Hillside community. The loan officer assigned to conduct the pre-screening evaluation has just resigned for personal reason and the entire folder was transferred to you. Based on the bank's protocol, you have two (2) remaining working days to submit the recommendation for the approval or disapproval of the Certificate of Eligibility for the applicant to be able to gain access to the wholesale facility for re-lending to microfinance clients. Once the certificate of eligibility is secured, the account will then undergo the usual loan evaluation system.

Details of the evaluation:

Scoring and Rating results

Variables and Ratios/Indicators	Ratio	Score
Portfolio Quality		
– PAR 1 Day Ratio	7.7%	15
– Loan Loss Provision Ratio	91.0%	15
Efficiency		
– Administrative Efficiency Ratio	13%	6
– Operational Self-Sufficiency Ratio	118%	8
– Loan Officer Productivity Ratio	260%	3
Sustainability		
– Financial Sustainability Ratio	96%	8
– Loan Portfolio Profitability	10%	5
Outreach		
– Growth in Number of Active Clients	6%	5
– Growth in Microfinance Loan Portfolio	25%	5
– Depth of Outreach	80%	4
TOTAL		74

5. If you are the loan officer presently assigned to evaluate the account, would you recommend the approval for the issuance of the Certificate of Eligibility? Remember that failure to secure the certificate of eligibility means that the applicant fails the initial hurdle or the entry criterion and that would be the end of the process.

6. Considering that the portfolio quality has the biggest share to the extent of 40% of the over-all rating score, before adopting the scoring and rating results as calculated by the previous officer, he validated and re-computed the PAR 1 DAY and the Loan Loss Reserve Ratio and arrived at the same results.

The following data were retrieved from the documents submitted and guided the calculations:

Portfolio Quality

A. Loan Portfolio

Loans			Unpaid Principal
	a. Current		1,750,000
	b. Past Due (Days)	Unpaid Principal	
	PAR 1-30	58,800	
	PAR 31-60	44,100	
	PAR 61-90	29,000	
	PAR 91 plus	15,100	147,000
		Total Loans	1,897,000

$$\text{PAR 1 DAY} = \frac{\text{Outstanding Unpaid Principal Balance with 1 day Overdue Payments}}{\text{Total Unpaid Principal}} = \frac{147{,}000}{1{,}897{,}000} = 7.7\%$$

Notes:

1. The past due in days is submitted in the loan update report, and the outstanding loan from the financial statements.
2. Loans referred to are those of microfinance.
3. All those included in the PAR 1 DAY in the cut-off though paid already before the end of the month are still considered in the PAR 1 DAY.

B. Loan Loss Reserve Ratio

The PESO recommends this reserve provisioning:

Loans	Reserve
Current	1%
PAR 1-30 days	2%
PAR 31-60 days	20%
PAR 61-90 days	50%
PAR 91+ days	100%

A. Based on data:

Outstanding Loan	Unpaid Principal	Provision for Reserve Requirement
Current	1,750,000	17,500
PAR 1-30 days	58,800	1,176
PAR 31-60 days	44,100	8,820
PAR 61-90 days	29,000	14,520
PAR 91+ days	15,100	15,100
Total	1,897,900	57,116

B. The actual Loan Loss Provision as reflected in the balance sheet is USD 52,000.

$$\text{Loans Loss Reserve Ratio} = \frac{\text{Total Reserve Provided}}{\text{Total Reserve Required}} = \frac{52{,}000}{57{,}116} = 91\%$$

PROBLEM SOLVING 4:
THE EVALUATION OF THE HILLSIDE MICROFINANCE, INC. (HCI) USING THE PESO PERFORMANCE STANDARDS

Answers

1. Based on the actual practice of MFIs using the PESO Performance Standards, a score between 70-79 under rating 3 is sufficient and highly acceptable as a passing mark. You will observe that the standards are really intended to measure with proximity and precision the true performance of the MFI using the four (4) main variables, which have a total of 10 indicators.

2. A case in point, is the Loan Loss Provision as recommended, if using the PESO Standards, as follows:

Loans	Required Reserve
Current	1%
PAR 1-30 days	2%
PAR 31-60 days	20%
PAR 61-90 days	50%
PAR 91+ days	100%

   If the portfolio is not properly monitored and managed, the organization will be heavily penalized with the provisioning for the reserve considering that this will affect performance or income. However, the provisioning is a good cushion against the impact of poor performance in collection.

3. To recommend the approval of the Certificate of Eligibility is but proper and appropriate in view of the satisfactory rating HCI was accorded with.

4. This exercise is for discussion purposes only. There is no single answer or opinion to the situation or problem presented.

MODULE 3: MONITORING AND EVALUATION
SESSION 2: MONITORING AND EVALUATION

POWERPOINT PRESENTATION

MONITORING AND EVALUATION

Setting-up a Management Information System

- MFIs are facing the challenge on how to set-up an MIS system considering the cost of establishing one. Many were surprised when, upon attaining a certain level of outreach, they were lost in monitoring performance, not only the portfolio, but the financial recording, as well. Blinded, soon they found out the high delinquency and deteriorating cash flow. Worst, in some isolated cases, dishonesty practices were uncovered after the fact.

Setting-up a Management Information System

- An MIS is critical and strategic, not only in the monitoring of the portfolio, but in the management, recording and monitoring of financial data which are summarized and reported to management regularly. The financial information system finds utmost priority for consideration. At any rate, when the volume of transactions reached a certain level that manual operation becomes impossible, the MFI has to put up the necessary software and hardware to run an efficient MIS.

The PESO Performance Standards for Microfinance

- PESO means Portfolio Quality Maintenance; Efficiency Matters; Sustainability Bottom Line; Outreach.
- The PESO is a regulatory instrument consisting of uniform set of performance standards for all types of institutions involved in microfinance in the Philippines.

The PESO Performance Standards for Microfinance

- Objectives of the PESO regulatory framework:
  - "Protect the financial system from unsound (i.e. excessively risky) practices by deposit-taking institutions (either from the public or its members) and thereby, protect the country's payments system;"
  - Protect small clients; and
  - Promote the establishment of an accurate, reliable and transparent set of financial information for all types of MFI."

PESO Standards

- Several financial institutions in the Philippines are now adopting this model in evaluating financial performance of fund retailers lending to its members or outreach. As to what score points or rating is acceptable, there is no set rule yet. It is up to the user of the PESO Performance Standards to designate the passing score based on the PESO ratings. On the actual practice, many are adopting rating 3 or satisfactory, with 70-79 score as the passing mark for loan eligibility purposes.

POWERPOINT PRESENTATION

The PESO Rating

- ❐ The PESO has four (4) ratings:
  - Rating 1 with 90+ score: Excellent
  - Rating 2 with 80-89 score: Very Satisfactory
  - Rating 3 with 70-79 score: Satisfactory
  - Rating 4 with less than 70 score: Needs Improvement.

The PESO Scoring System

1. Portfolio Quality (40%)

a. Portfolio At-Risk		**b. Loan-Loss Reserve Ratio**	
Score	Equivalent Points	Score	Equivalent Points
5% or less	20	100%	20
>5% to 10%	15	70% to <100%	15
>10% to 15%	10	50% to <70%	10
>15% to 20%	5	30% to <50%	5
Above 20%	0	Below 30%	0

The PESO Scoring System

2. Efficiency (30%)

c. Administrative Efficiency		**d. Operational Self-Sufficiency**	
Score	Equivalent Ports	Score	Equivalent Ports
0 to 10%	10	120% & above	10
10% to 15%	6	115% to <120%	8
15% to 20%	4	110% to <115%	6
Above 20%	0	105% to <110%	4
		100% to <105%	2
		Below 100%	0

The PESO Scoring System

e. Loan Officer Productivity

For Group Loans		For Individual Loan	
300 clients & above	5	150 clients & above	5
250 to 299 clients	3	100 to 149 clients	3
200 to 249 clients	1	50 to 99 clients	1
Below 200 clients	0	Below 50 clients	0

The PESO Scoring System

3. Sustainability (15%)

f. Financial Self-Sufficiency		**g. Loan Portfolio Profitability**	
Score	Equivalent Ports	Score	Equivalent Ports
100% & above	10	Greater than Inflation rate	5
95% to <100%	8		
90% to <95%	6	Equal to Inflation rate	3
85% to <90%	4		
80% to <85%	2	Less than Inflation rate	0
Below 80%	0		

The PESO Scoring System

4. Outreach (15%)

h. Growth in Number of Active Clients		**i. Growth in Loan Portfolio**	
Score	Equivalent Ports	Score	Equivalent Ports
5% or higher	5	5% or higher	5
0 to 5%	3	0 to 5%	3
Below 0	0	Below 0	0

POWERPOINT PRESENTATION

The PESO Scoring System

j. Depth of Outreach

Score		Score	
< 20%	5	> 150% to 200%	2
> 20% to 100%	4	> 200% to 300%	1
> 100% to 150%	3	>300%	0

❖ Sources/References:
Vision and Objective for the Microfinance Industry in the Philippines, the National Coordinating Counsel (NCC), Department of Finance (DOF), Republic of the Philippines, July 2002; and Perrett, G.D., The PESO Performance Standards for Microfinance. ADB TANO. 4693 PHI.

ACTIVITY 1

MODULE 3: MONITORING AND EVALUATION

Field Visit

Learning Objective

- To strengthen the participants' knowledge and skills in monitoring and evaluating performance of lending programs and microfinance service providers.

Expected Output

- Design and implementation of monitoring and evaluation systems.

Methodology

- Group discussion
- Interview
- Observation and Assessment
- Orientation/Presentation

Duration

- 1 day

Materials

- Field Visit Guide for All Modules
- Location Maps
- Profile on Hand-out about the Host/Mentor

Training Schedule

Day 6
Field Visit
08:00 AM – 05:00 PM

FIELD VISIT GUIDE FOR ALL MODULES

Any day within the period designated for a particular module, a field visit is scheduled to expose the participants to the realities obtaining in the actual delivery of microfinance services. The field visit has been purposely included as an important part of the module to provide the participants the opportunity to personally observe, clarify and validate on how the knowledge and skills learned in the classroom lectures and discussions are applied in financing the projects of the poor.

As a field exposure tool, the study visit will concretize balanced learning between theory and practice on agricultural microfinance.

Tasks and activities:

Training Staff

- Prepare the schedule and the needed resources for this activity.
- Conduct the preparation and selection of MFIs, and from among the best performers, MFIs will be pre-selected/screened to insure that the host/mentor must be operating with a sustainable business operation and is employing best practices in the field of agricultural microfinance.
- Coordinate and work closely with the MFI for the detailed activities to insure a smooth and successful study visit.

Host/Mentor

- In the beginning or at the end of the visit, the Host/Mentor may provide a short presentation about the institution and its credit program, with backgrounder on the institution's accomplishments, best practices and constraints or problems encountered. A question and answer (Q&A) slot will follow for clarification and/or validation of some issues. The presentation will be done orally with or without a PowerPoint presentation. If possible, hand-outs of the presentation are prepared for distribution to the participants.
- Interviews with MFI's Senior Officers and Staff, and the clients will follow.
- If sufficient time is available, the participant may visit the individual projects of the clients.

Participants/Attendees

- Before the field visit is conducted, the participant must prepare the important concerns and items for clarification, verification and validation to ascertain the degree of workability of best practices from the theoretical framework to the realities of program implementation, and the behaviour of program implementers, as well as the performance of the program features.
- During the visit, the participants will observe, converse with, and interview the key officers and clients of the MFI to solicit answers to issues and problems relating to technical knowledge, issues and problems encountered by the MFI and the clients.
- A short report of not less than 3 pages will be submitted to the Training Staff on the study visit covering the best practices learned and identifying the areas which are possible for inclusion in the Re-entry Plan.

Modular field visit focus

Module 1	Principles, Practices and Dynamics in Successful Program Implementation.
Module 2	Implementation and Management of Agricultural Microfinance.
Module 3	Tools and Techniques in Monitoring the MFIs Progress and Performance.
Module 4	Tools and Processes in Managing Problematic Accounts.

Suggested Report Format

FIELD VISIT REPORT

Module ______________________

1. What are the issues or items that you prepared before the visit and which you plan to clarify, validate and verify? List them down.
2. Among those listed, report the status as to clarified, validated and verified.
3. What new things have been introduced to you during the visit outside your learning in the classroom lectures and discussions?
4. From your observation, what methodologies and systems are unique which can be applied back home in your institution.
5. Write down other observations you feel are important to improve your delivery systems based on lessons learned from this field visit.

Submitted by: ________________________________ Date: ________________________

Received by: ________________________________

ACTIVITY 2

MODULE 3: MONITORING AND EVALUATION

Integration and Action Planning

Learning Objective

- To integrate the lessons learned and identify the concerns of the participant as the subject of the action plan under this module.

Expected Output

- Action Plan identifying the goals, objectives and implementing activities for inclusion in the Re-entry Plan.

Methodology

- Workshop

Duration

- 4 hours

Material

- Integration and Action Planning Guide for All Modules

Training Schedule

Day 7
Integration and Action Planning
08:00 AM – 12:00 NN

INTEGRATION AND ACTION PLANNING GUIDE FOR ALL MODULES

Integration and action planning are the main activities of the last session in a given module.

Integration

Integration is the activity where the topics and course contents presented and discussed in the different sessions are made into a whole, forming the learning and knowledge within a given module. The trainer will begin the activity by presenting the synthesis of this module and dwell into the most important and critical elements that build up the complex whole leading to concepts, theories and practices. Or, depending on the profile of the participants, the trainer may assign the presentation/discussion of the synthesis to a participant. The participant must be informed of this arrangement before the start of the subject module.

Action Planning

Action Planning will guide each participant to develop his/her Re-entry Plan. It will provide direction, blue print or road map on how to apply acquired knowledge and skills, and respond to anticipated constraints both on the adaptation of new concepts and methodologies, and on the behavioural impact it may produce as a natural consequence of introducing change in the workplace.

In the absence of planning in the preparation of the action plan, or the absence of the Re-entry Plan, there is difficulty and uncertainty in the adaptation of lessons learned into the programs and systems back home. And in case there is that desire to plan later, there is that danger that the longer the waiting, the less intact are the knowledge retained. Also, without the Re-entry Plan, there is lack of anticipation as to how the co-workers and other stakeholders will react on the introduction of change.

The re-entry planning for the whole training course is organized into four planning sessions corresponding to the four modules. Based on the topic flow of the whole course, the area of learning is subdivided into sessions. Lectures with PowerPoint presentations, discussions with question and answer, and problem solving exercises are the main approaches used in the delivery of the sessions. To complete the module and before the re-entry planning, a field exposure visit is conducted for the participants to validate, concretize and affirm lessons learned from the classroom to the hard realities of actual implementation. Concepts, methodologies and best practices learned in the particular module will be those to be covered in the planning.

An Action Plan for each module will be submitted by the participants for comments/advise by the Trainer/ Training Consultant and will be returned to the participants for consolidation into the Re-entry Plan. Before the end of this Training Course in Agricultural Microfinance, the Re-entry Plan will be presented for critiquing by the participants through a group organized as a panel. The presentation and critiquing will be scheduled during the last day of the training program.

The Planning Steps

- Identify the major problems/concerns which are presently encountered by your institution in lending to the poor, especially those in the agricultural sector;
- Identify your goals, objectives and strategies.
- With the learning acquired in this training, formulate the activities that must be immediately implemented upon your return to your workplace; and
- Identify the constraints and the solutions to pave the way for a smooth adaptation of new concepts and methodologies.

Goal

This is the direction which the organization takes within a particular time frame in order to attain institutional sustainability and effectiveness in outreach. It brings about changes which the organization desires to run into its operating system.

Objectives

These are the target results or the accomplishments which the organization seeks to achieve.

Measurable and in concrete form, the objectives translate the goal into achievable outcomes and activities which contain the following elements (Fuentes, R.O., 2006):

- **Conditions** – revolves around Time Frame, Resources and Constraints. The Time Frame defines the period with which performance has to be completed; Resources are the available human or material assets needed for the accomplishment of performance; and Constraints refer to problems which must be resolved to deliver performance.
- **Actor** – the doer, a person or the system which will cause to accomplish the expected performance.
- **Behaviour** – observable action to be accomplished.
- **Degree** – sets the criteria of measurement of behaviour which will guide the doer in the delivery of performance.

Modular Action Planning Focus

Module 1	The integration of best practices and approaches or new knowledge into existing microfinance programmes being implemented by the participant or totally new programmes, if the plan is to initiate the implementation of microfinance services.
Module 2	Preparation and formulation of targets, credit initiation, loan supervision and training of clients.
Module 3	Monitoring systems and processes in the credit portfolio.
Module 4	Strategies, methods and techniques in managing problematic accounts.

Suggested Format

Action Plan

Module ______________________________

I. Rationale

II. Statement of the Problem

III. Goals and Objectives

IV. The Plan
- Strategies and activities
- Timetable and responsibilities
- Budget
- Monitoring and evaluation

V. Conclusion

Action Plan

Objective and Activity Listing

Module ________________________

Name of Participant: ____

Goal: ____

Objective	Activity	Date of Implementation	Expected Output

Date Submitted: ______________________________

Received by: ________________________________

Suggested Format

RE-ENTRY PLAN

I. Rationale

II. Problem
- Assessment of Conditions
- Statement of the Problem

III. Solution
- Assessment of Needs
- Priorities
- Solutions

IV. Direction
- Goal/s and Objectives

V. Implementation
- Plan of Action
- Operation
- Monitoring
- Evaluation

VI. Conclusion

- Based on the plan, have you considered all the areas, including anticipated behavioural reaction of stakeholders? Will the introduction of the proposed changes enhance effectiveness and efficiency in terms of outreach and sustainability to the institution?
- Other factors to consider, if any.
- What needs to be done next to ensure successful implementation?

MODULE 4

REMEDIAL MANAGEMENT

Module Design and Objective

Module 4 focuses on remedial management. It includes discussions on strategies, methods and techniques covering detection, identification and close monitoring of distressed accounts and the implementation of remedial measures.

Module 4 will provide the tools and procedures to enable program implementers to properly manage and handle problematic accounts.

SESSIONS

1 Strategies, Methods and Techniques in Managing Problematic Accounts

2 Implementation of Remedial Measures

ACTIVITIES

1 Field Visit

2 Integration and Action Planning

SESSION 1

Strategies, Methods and Techniques in Managing Problematic Accounts

Learning Objectives

a) To enable the participants to identify and detect accounts which are distressed and would require remedial action; and
b) To expose the participants to different methods and techniques in remedial action.

Expected Output

Effective monitoring of problematic accounts.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Problem Solving

Duration

2 hours

Materials

- PowerPoint presentation marked Module 4, Session 1.
- Problem Solving 5: Loan Restructuring of LKL Group.

Training Schedule

Day 7
Strategies, Methods and Techniques in Managing Problematic Accounts
01:00 PM – 03:00 PM

NOTES for TRAINER 10

1. Open with Warm-Up Exercise 11. Oftentimes, people create impressions on other people. This activity can neutralize negative first impressions, and may pave the way forging lasting friendships among the participants.
2. Present the PowerPoint presentation on the Strategies, Methods and Techniques in Managing Problematic Accounts to back up the lecture and discussion on the topic.
3. For a sample restructuring exercise, introduce Problem Solving 5 for analysis and discussion.
4. To enrich the discussions with best practices from the different institutions, select three (3) from among the participants to share their experiences on loan restructuring in their respective institutions.
5. Throughout the session, pursue Q&A and discussions among participants with vigor.

WARM-UP EXERCISE 11

Exercise Name: Personalize me

Materials: Paper, Pen, Scotch Tape

Objective: To create lasting bond among the participants.

Mechanics: All participants will stick a bond paper at their back and move around to allow the rest of the participants to write in that paper their first impression to that person. After all the participants have written their impressions, they will then form a circle to provide the venue and listen to each participant share the impressions on him/her by the other participants.

Since the participants will only be together during the training course, this activity will promote a lasting bond between them beyond their training days.

PROBLEM SOLVING 5:
LOAN RESTRUCTURING OF LKL GROUP

1. LKL Group has written the Riverside Microfinance Association, Inc. (RMAI) requesting that their loans be restructured, with the following conditions:

    a. That the loans be restructured on an individual basis removing the Joint, Several, and Solidary provision or JSS arrangement;

    b. That instead of three (3) months term, it be made six (6) months payable after harvest;

    c. That the interest be lowered from 3% to 1.5% a month; and

    d. That RMAI refinance their production projects to the extent of 50% of the outstanding balance of the loan.

2. As manager of the RMAI, what would be your position to the restructuring conditions requested by the LKL borrowers?

PROBLEM SOLVING 5:
LOAN RESTRUCTURING OF LKL GROUP

Answer

1. As the manager of RMAI, the request for loan restructuring should be examined and evaluated, taking into consideration the interest and capacity of the lending institution to accommodate the conditions being requested:

   a. On the removal of the Joint, Several, and Solidary (JSS) arrangement, RMAI agrees provided, that before the signing of the Restructuring Agreement, an initial payment of 20% of the outstanding principal balance is paid by the borrower;

   b. RMAI interposes no objection extending the term to six (6) months provided, that repayment be amortized on a monthly basis;

   c. No compromise or reduction in the interest rate. It will be maintained at 3% per month; and

   d. Refinancing of the loan is possible provided, that the concerned borrower will pass the evaluation process of RMAI.

MODULE 4: REMEDIAL MANAGEMENT

SESSION 1: STRATEGIES, METHODS AND TECHNIQUES IN MANAGING PROBLEMATIC ACCOUNTS

POWERPOINT PRESENTATION

STRATEGIES, METHODS AND TECHNIQUES IN MANAGING PROBLEMATIC ACCOUNTS

Detection, Identification and Monitoring of Distressed Accounts

- ❒ Classification of accounts
  - Current
  - In-arrears
  - Rescheduled
  - Restructured
  - Past-due
- ❒ Of the five classifications, problematic accounts could simply refer to those classified under the in-arrears and the past due. The restructured and rescheduled are usually booked under current loans but under close monitoring and supervision as it may fall back to its former past due category.

Detection, Identification and Monitoring of Distressed Accounts

- ❒ Accounts can be further classified into different categories depending on the age of the account or sector/industry or area or needs of the MFI.
- ❒ Causes of problematic accounts attributable to clients
  - Unemployment
  - Disability or serious illness
  - Dwindling income
  - Spend beyond income and need
  - Debt
  - Death

Detection, Identification and Monitoring of Distressed Accounts

- ❒ Causes of problematic accounts attributable to project
  - Project failure
  - Natural disaster and calamities
  - Mismanagement
  - Fraud
  - Poor loan structuring
  - Poor monitoring of implementer of project
  - Inexperience/indifferent officers
- ❒ Project failure may arise due to management problems, technical problems, environmental problems and financial problems.

Detection, Identification and Monitoring of Distressed Accounts

- ❒ Beyond the client, project or the MFI, there are other external factors affecting the project which lead to its failure:
  - Economy
  - Legal/regulatory
  - Market change
  - Competition
  - Cost overruns
  - Raw material cost
- ❒ Early warning mechanism
  - The MFI must design an instrument or device to detect early signs of failure on the part of the client or the project.

Detection, Identification and Monitoring of Distressed Accounts

- ❒ Non-financial indicators
  - Client-project operator/manager;
  - Lack understanding of competitive business environment;
  - Lack business plan;
  - Lack of knowledge on how the market works;
  - Mismanagement of human resource; and
  - Not responding to development changes.
- ❒ The lack of understanding or knowledge on the working of competitive business environment will push the client to take business decision blindly and not knowing the expected outcome which will plunge the enterprise into the ravine of failures.

POWERPOINT PRESENTATION

Detection, Identification and Monitoring of Distressed Accounts

- The lack of business plan deprives the client to use the combination or mix of reinforcing enablers to make his project successful. Also, without the plan, he cannot anticipate the best moves that he must pursue to sustain the project's viability.
- The lack of knowledge of the market is another cause of failure. Timing to seize opportunity of good market prizes cannot be enjoyed or pursued.

Detection, Identification and Monitoring of Distressed Accounts

- Other early warning indicators
  - Failure to perform obligation
  - Changes in management and personnel
  - Illness or death of key staff
  - Lack of visible management succession
  - Labour problems

SESSION 2

Implementation of Remedial Measures

Learning Objective

To equip the participants with the needed capacity to manage problematic accounts by implementing remedial measures.

Expected Output

Effective remedial management measures.

Methodology

- Lecture with PowerPoint presentation.
- Discussions and Q&A
- Sharing

Duration

2 hours

Material

- PowerPoint presentation marked Module 4, Session 2.

Training Schedule

Day 7
Implementation of Remedial Measures
03:00 PM – 05:00 PM

NOTES for TRAINER 11

1. Proceed with the PowerPoint presentation on the topic, "Implementation of Remedial Action."
2. Interruptions on the presentation should be allowed to give way for the Q&A and discussions.
3. To strengthen learning on the subject, select five (5) from among the participants to share actual field experiences in handling and managing problematic accounts in their respective workplaces.
4. Make the final announcements on the preparations for the remaining activities, namely: the field trip; the presentation or critiquing of the Re-entry Plan; and the closing ceremony.

MODULE 4: REMEDIAL MANAGEMENT

SESSION 2: IMPLEMENTATION OF REMEDIAL MEASURES

POWERPOINT PRESENTATION

IMPLEMENTATION OF REMEDIAL MEASURES

Remedial Measures

- Remedial measures are activities implemented to improve collection of past due loans, as well as strengthening collection of problematic accounts. The action or activity may include any or combination of the following:
  - Loan maturity extension
  - Debt restructuring
  - Debt rescheduling
  - Debt moratorium
  - Debt take-out

Loan Maturity Extension

- Loan maturity extension is accommodated on accounts with cash flow problem brought about by some changes affecting the project, such as, relocation of plant or breakdown of facilities or temporary closure of market or stoppage of input distribution. Or, it could be possible also that a new source of payment is forthcoming and the extension is material in liquidating the balance, thus avoiding penalty changes.

Debt Restructuring

- Debt restructuring entails a remedial measure for distress client or project. Whatever circumstances that surround the problem, it will boil down to impairment of the capacity to pay within the term of loan. Restructuring period should not exceed the original term of the loan and allowed only once. The restructured amount must have a definite schedule of payment or amortization. A restructuring contract will then be prepared containing the changes on the loan terms and conditions and to effectuate restructuring, an annotation in the promissory note will be entered or stamped to the effect that the loan obligation is restructured on the date the restructuring contract will be signed by the parties.

Rescheduling

- Rescheduling is another remedial action which has flexible features when distinguished from restructuring, such as:
  - Term or repayment period, it may go beyond the original provision of the promissory note;
  - Amortization schedule and amounts could be adjusted to the project's cash flow;
  - Rescheduling could be arranged as needed or required by the conditions prevailing in the project; and
  - The client initiates or submits the discussion references on rescheduling.

Debt Moratorium

- Under this measure, the subject of loan moratorium is the current portion of the loan. The in-arrears portion cannot be covered by moratorium but may be the subject of negotiation for restructuring or rescheduling. Moratorium may allow deferment of payment on:
  - Interest up to (X) days but while moratorium is in effect, the regular interest shall continue to accrue;
  - Principal up to (X) days; and
  - Principal on a longer period provided that it will not exceed (X) months.

POWERPOINT PRESENTATION

Debt Take-Out

- In liquidating loan obligation, debt take-out remedy can be resorted to once the client has obtained approval from the new creditor.
- In the practice of remedial management, there are prior requirements before any remedial action is implemented, among them are:
  - Initial payment, if applicable;
  - Security requirements or collateral substitute, if applicable; and
  - Documentary requirements.

Requirements Prior to Remedial Measures

- Initial payment of (X)% of resulting obligation as initial payment upon signing of loan restructuring or rescheduling agreement. MFIs have different approaches as to the initial payment, some do not charge at all. On security arrangement, some require; others do not. On documentary requirements, these are the basic documents required by the MFI which should be signed before the implementation of remedies.

ACTIVITY 1

MODULE 4: REMEDIAL MANAGEMENT

Field Visit

Learning Objective

- To familiarize the participants with the actual implementation processes and systems on loans' remedial management.

Expected Output

- Enhanced remedial management systems.

Methodology

- Group discussion
- Interview
- Observation and Assessment
- Orientation/Presentation

Duration

- 1 day

Materials

- Field Visit Guide for all Modules
- Location Maps
- Profile on Hand-out about the Host/Mentor

Training Schedule

Day 8
Field Visit
08:00 AM – 05:00 PM

FIELD VISIT GUIDE FOR ALL MODULES

Any day within the period designated for a particular module, a field visit is scheduled to expose the participants to the realities obtaining in the actual delivery of microfinance services. The field visit has been purposely included as an important part of the module to provide the participants the opportunity to personally observe, clarify and validate on how the knowledge and skills learned in the classroom lectures and discussions are applied in financing the projects of the poor.

As a field exposure tool, the study visit will concretize balanced learning between theory and practice on agricultural microfinance.

Tasks and activities:

Training Staff

- Prepare the schedule and the needed resources for this activity.
- Conduct the preparation and selection of MFIs, and from among the best performers, MFIs will be pre-selected/screened to insure that the host/mentor must be operating with a sustainable business operation and is employing best practices in the field of agricultural microfinance.
- Must coordinate and work closely with the MFI for the detailed activities to insure a smooth and successful study visit.

Host/Mentor

- In the beginning or at the end of the visit, the Host/Mentor may provide a short presentation about the institution and its credit program, with backgrounder on the institution's accomplishments, best practices and constraints or problems encountered. A question and answer (Q&A) slot will follow for clarification and/or validation of some issues. The presentation will be done orally with or without a PowerPoint presentation. If possible, hand-outs of the presentation are prepared for distribution to the participants.
- Interviews with MFI's Senior Officers and Staff, and the clients will follow.
- If sufficient time is available, the participant may visit the individual projects of the clients.

Participants/Attendees

- Before the field visit is conducted, the participant must prepare the important concerns and items for clarification, verification and validation to ascertain the degree of workability of best practices from the theoretical framework to the realities of program implementation, and the behaviour of program implementers, as well as the performance of the program features.
- During the visit, the participants will observe, converse with, and interview the key officers and clients of the MFI to solicit answers to issues and problems relating to technical knowledge, issues and problems encountered by the MFI and the clients.
- A short report of not less than 3 pages will be submitted to the Training Staff on the study visit covering the best practices learned and identifying the areas which are possible for inclusion in the Re-entry Plan.

Modular field visit focus

Module 1 Principles, Practices and Dynamics in Successful Program Implementation.
Module 2 Implementation and Management of Agricultural Microfinance.
Module 3 Tools and Techniques in Monitoring the MFIs Progress and Performance.
Module 4 Tools and Processes in Managing Problematic Accounts.

Suggested Report Format

FIELD VISIT REPORT

Module ________________________

1. What are the issues or items that you prepared before the visit and which you plan to clarify, validate and verify? List them down.
2. Among those listed, report the status as to clarified, validated and verified.
3. What new things have been introduced to you during the visit outside your learning in the classroom lectures and discussions?
4. From your observation, what methodologies and systems are unique which can be applied back home in your institution.
5. Write down other observations you feel are important to improve your delivery systems based on lessons learned from this field visit.

Submitted by: ___________________________________ Date: ___________________________

Received by: ___________________________________

ACTIVITY 2

MODULE 4: REMEDIAL MANAGEMENT

Integration and Action Planning

Learning Objective

- To integrate the course contents under this module and identify the concerns of the participant as the subject of the action plan for inclusion into the Re-entry Plan.

Expected Output

- Action Plan containing the goals, objectives and implementing activities adopting a process or method learned in this training program.

Methodology

- Workshop

Duration

- 4 hours

Material

- Integration and Action Planning Guide for All Modules

Training Schedule

Day 9
Integration and Action Planning
08:00 AM – 12:00 NN

INTEGRATION AND ACTION PLANNING GUIDE FOR ALL MODULES

Integration and action planning are the main activities of the last session in a given module.

Integration

Integration is the activity where the topics and course contents presented and discussed in the different sessions are made into a whole, forming the learning and knowledge within a given module. The trainer will begin the activity by presenting the synthesis of this module and dwell into the most important and critical elements that build up the complex whole leading to concepts, theories and practices. Or, depending on the profile of the participants, the trainer may assign the presentation/discussion of the synthesis to a participant. The participant must be informed of this arrangement before the start of the subject module.

Action Planning

Action Planning will guide each participant to develop his/her Re-entry Plan. It will provide direction, blue print or road map on how to apply acquired knowledge and skills, and respond to anticipated constraints both on the adaptation of new concepts and methodologies, and on the behavioural impact it may produce as a natural consequence of introducing change in the workplace.

In the absence of planning in the preparation of the action plan, or the absence of the Re-entry Plan, there is difficulty and uncertainty in the adaptation of lessons learned into the programs and systems back home. And in case there is that desire to plan later, there is that danger that the longer the waiting, the less intact are the knowledge retained. Also, without the Re-entry Plan, there is lack of anticipation as to how the co-workers and other stakeholders will react on the introduction of change.

The re-entry planning for the whole training course is organized into four planning sessions corresponding to the four modules. Based on the topic flow of the whole course, the area of learning is subdivided into sessions. Lectures with PowerPoint presentations, discussions with question and answer, and problem solving exercises are the main approaches used in the delivery of the sessions. To complete the module and before the re-entry planning, a field exposure visit is conducted for the participants to validate, concretize and affirm lessons learned from the classroom to the hard realities of actual implementation. Concepts, methodologies and best practices learned in the particular module will be those to be covered in the planning.

An Action Plan for each module will be submitted by the participants for comments/advise by the Trainer/ Training Consultant and will be returned to the participants for consolidation into the Re-entry Plan. Before the end of this Training Course in Agricultural Microfinance, the Re-entry Plan will be presented for critiquing by the participants through a group organized as a panel. The presentation and critiquing will be scheduled during the last day of the training program.

The Planning Steps

- Identify the major problems/concerns which are presently encountered by your institution in lending to the poor, especially those in the agricultural sector;
- Identify your goals, objectives and strategies.
- With the learning acquired in this training, formulate the activities that must be immediately implemented upon your return to your workplace; and
- Identify the constraints and the solutions to pave the way for a smooth adaptation of new concepts and methodologies.

Goal

This is the direction which the organization takes within a particular time frame in order to attain institutional sustainability and effectiveness in outreach. It brings about changes which the organization desires to run into its operating system.

Objectives

These are the target results or the accomplishments which the organization seeks to achieve.

Measurable and in concrete form, the objectives translate the goal into achievable outcomes and activities which contain the following elements (Fuentes, R.O., 2006):

- **Conditions** – revolves around Time Frame, Resources and Constraints. The Time Frame defines the period with which performance has to be completed; Resources are the available human or material assets needed for the accomplishment of performance; and Constraints refer to problems which must be resolved to deliver performance.
- **Actor** – the doer, a person or the system which will cause to accomplish the expected performance.
- **Behaviour** – observable action to be accomplished.
- **Degree** – sets the criteria of measurement of behaviour which will guide the doer in the delivery of performance.

Modular Action Planning Focus

Module 1	The integration of best practices and approaches or new knowledge into existing microfinance programmes being implemented by the participant or totally new programmes, if the plan is to initiate the implementation of microfinance services.
Module 2	Preparation and formulation of targets, credit initiation, loan supervision and training of clients.
Module 3	Monitoring systems and processes in the credit portfolio.
Module 4	Strategies, methods and techniques in managing problematic accounts.

Suggested Format

Action Plan

Module ______________________________

I. Rationale

II. Statement of the Problem

III. Goals and Objectives

IV. The Plan
- Strategies and activities
- Timetable and responsibilities
- Budget
- Monitoring and evaluation

V. Conclusion

Action Plan

Objective and Activity Listing

Module ________________________

Name of Participant: ____

Goal: ____

Objective	Activity	Date of Implementation	Expected Output

Date Submitted: ______________________________

Received by: ______________________________

Suggested Format

RE-ENTRY PLAN

I. Rationale

II. Problem

- Assessment of Conditions
- Statement of the Problem

III. Solution

- Assessment of Needs
- Priorities
- Solutions

IV. Direction

- Goal/s and Objectives

V. Implementation

- Plan of Action
- Operation
- Monitoring
- Evaluation

VI. Conclusion

- Based on the plan, have you considered all the areas, including anticipated behavioural reaction of stakeholders? Will the introduction of the proposed changes enhance effectiveness and efficiency in terms of outreach and sustainability to the institution?
- Other factors to consider, if any.
- What needs to be done next to ensure successful implementation?

Appendix 1

DAILY EVALUATION FORM

Please encircle the number that corresponds to your degree of satisfaction, the score of 4 ranks the highest or excellent, 3 – satisfactory, 2 – good and 1 ranks the lowest or poor.

1.	Achievement of objectives	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
2.	Usefulness of the topic to you	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
3.	Enjoyable learning experience	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
4.	Effectiveness and methods	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
5.	Resource person						
	Knowledge of the topic	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Clarity of presentation	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Rapport	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Quality of teaching Aid	*Lowest*	*1*	*2*	*3*	*4*	*Highest*

Suggestions/recommendations/comments:

TRAINING COURSE

7.	Achievement of training course objectives	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
8.	Met expectations	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
9.	Outputs	*Lowest*	*1*	*2*	*3*	*4*	*Highest*

Suggestions/recommendations/comments:

TRAINING MANAGEMENT

11.	Organization and time management	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
12.	Facilitation and coordination of training staff	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
13.	Assistance provided by training staff	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
14.	Rapport of training staff	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
15.	Participation of participants	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
16.	Training venue and facilities	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
17.	Accommodation	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
18.	Catering services/Quality of food	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
19.	Transport of services	*Lowest*	*1*	*2*	*3*	*4*	*Highest*

Suggestions/recommendations/comments:

Appendix 2

FIELD VISIT EVALUATION

Please encircle the number that corresponds to your degree of satisfaction, the score of 4 ranks the highest or excellent, 3 – satisfactory, 2 – good and 1 ranks the lowest or poor.

1.	Achievement of objectives	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
2.	Relevance of the field visit	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
3.	Enjoyable learning experience	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
4.	Effectiveness of learning experience	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
5.	Quality of briefing	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
6.	Transport service management	*Lowest*	*1*	*2*		*4*	*Highest*
7.	Coordination of training staff	*Lowest*	*1*	*2*	*3*	*4*	*Highest*

Suggestions/recommendations/comments:

Appendix 3

POST-TRAINING EVALUATION

Please encircle the number that corresponds to your degree of satisfaction, the score of 4 ranks the highest or excellent, 3 – satisfactory, 2 – good and 1 ranks the lowest or poor.

1.	Achievement of objectives	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
2.	Usefulness of the re-entry planning workshop	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
3.	Enjoyable learning experience	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
4.	Effectiveness and methods	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
5.	Resource person	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
6.	Knowledge of the topic						
	Clarity of Presentation	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Projection/Rapport	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Quality of teaching Aid	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Critic	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Knowledge of the topic	*Lowest*	*1*	*2*	*3*	*4*	*Highest*
	Projection/Rapport	*Lowest*	*1*	*2*	*3*	*4*	*Highest*

Suggestions/recommendations/comments:

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About APRACA

The Asia-Pacific Rural and Agricultural Credit Association (APRACA) is an organization of 58 financial and finance-related institutions from 23 represented countries. APRACA focuses on rural and agricultural finance and facilitates cooperation and exchange of expertise. APRACA was formally launched in 1977 and is based in Bangkok.

About APRACA-CENTRAB

APRACA-CENTRAB was formally launched on June 19, 1989 and serves as APRACA's training and research arm. One of the mandates of APRACA-CENTRAB is to design, conduct and evaluate regional workshops, current and special courses, as well as researches and comparative studies on rural finance.

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