MISSION DETAILS

Name of Project:	Upland Development Programme (UDP) in Southern Mindanao
Project Reference:	ALA/97/68
Country:	Philippines Duty Station: Davao City
Duration:	111 person-days intermittently from 13 April 2004.
Report Title:	Rural Finance Specialist (Expatriate) Second Assignment Report
Objectives:	To provide support for expanding efforts to promote economic development in the upland areas as part of a joint effort lead by RFS and working with the Sustainable Agricultural Development (SAD) and Marketing & Enterprise Development (MED) Components of UDP to promote viable micro-enterprise packages to be promoted and offered to upland households through the RFSS PFIs and FSCs.
By:	Discussions at the PMO and PPO levels and in Manila if necessary; review and use Technology & Livelihood Development Center (TLRC) and other development projects fliers, leaflets and data; meetings with Mindanao GFI, PFI, FSC and LGU officials, UDP staff and project beneficiaries; production of Loan Model Packages; and report preparation.
TORs:	Included in Annex 1
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ACKNOWLEDGEMENT

The Consultant wishes to thank the UDP Project and partner PFI & FSC staff for their support and assistance during the assignment input. In particular he would like to express real appreciation for the hard liaison work and commitment put in by the Rural Finance Services Component Coordinator, Elena M. Sollano and for the ever loyal back-up of UDP PMO & PPO staff cadres.

Appreciation is also due to the Programme Co-Directors Dashiel P. Indelible and Wiebe van Rij for their guidance and understanding at a difficult time for the RFS Component of newly engaging the Government Financial Institutions within the RFS Scheme. Despite their pre-occupation with their own major tasks, the local Microfinance Specialist Virginio P. Jamon, the former Rural Finance Specialist Arnold C. Garzon both assisted in some way with the Loan Model Package effort for which thanks is due.

EXECUTIVE SUMMARY

In line with the broad requirements outlined in the Terms of Reference, the following issues have been addressed and actioned during the assignment to be undertaken over 111 person-days between 13 April and 9 October 2004
:

- Preparation of an indicative Assignment Workplan submitted to the Co-Directors and RFS Team on 22 April 2004.
- Assistance/coordination on the eventual negotiation and finalization of the contents of the Upland Development Trust Fund (UDTF) Trust Agreement, UDTF Operating Guidelines & Procedures signed on 5 July 2004 and with subsequent LBP RFSS start-up and UDTF Steering Committee meetings.
- Review of how FSCs and PFIs appraise the credit requests of their clients, which loan products they extend, and for what economic purposes these loans are utilized.
- Design in conjunction with the UDP RFS Team and SAD & MED Components of basic loan model packages (LMPs) for UDP PPO Technical Operations Unit Officer finalization prior to their release in the field to PFIs
- Documentation of the start-up versions of the comprehensive LMPs.
- Assistance with planning and the preparation drafting of the RFS 2005 Annual Workplan & Budget sections.
- Preparation of a draft and this final report.

The following basic conclusions and recommendations were reached during this assignment period:

1. Regrettably developmental momentum has been significantly lost within the RFSS during the period September 2003 – September 2004 due to the climate of uncertainty and confusion faced by RFS, PFI and FSC staff and members alike over the continuation of UDP RFSS operations and future servicing arrangements to be offered under Land Bank of the Philippines (LBP) management of Upland Development Trust Fund (UDTF) wholesale credit and institution building financing. Ten months were effectively spent by the RFS Team in finalizing the contents of the Memorandum of Agreement (MOA), Trust Agreement (UDTF-TA) and Operating Guidelines & Procedures (UDTF-OG&P) by the EC Delegation, DA, LBP Trust Banking Group (LBP-TBG), LBP Mindanao Branch Group (LBP-MBG) and UDP. This in turn has lead to both a significant fall in morale within the UDP and PFI support service cadres as well as a major disruption of the on-going lending program.
2. The UDTF MOA contents originally imposed a 14% interest rate on all wholesale lending borrowings from LBP which is well in excess of market rates on offer elsewhere. The subsequent lowering by the UDTF Steering Committee of rates to be paid on existing UDP-sourced UDLF funds to 6% and on new UDTF loans to the LBP 12% prevailing rate hopefully will go some way to improving relations with PFIs.
3. Because of the UDTF finalization delays and the forthcoming retrenchment of the RFO cadre on 31 December 2004, it is unlikely that the proposed LMP introduction will be adopted whole-heartedly by PFIs by the 4th quarter of 2004 as originally planned. Provisional agreement was reached with LBP on 20 July 2004 for wider use of LMPs to be promoted amongst PFI and FSCs through LMP incorporation within the 2004-2005 PFI/FSC IB program.
4. Regrettably little scope exists for substantial integration of the DFS and STOP concepts within the RFSS. PFIs as the risk-takers are still not lending significantly for

agricultural activities. PFIs can however begin to participate, though only marginally, provided they better rationalize their loan product marketing. FSCs/SLGs should remain the conduits used for providing micro-enterprise lending for both non-farm and on-farm activities. However loans for tree crop plantings can only be expected to be offered initially for joint tree-planting/intercropping loans repayable monthly within 12 months to PROVEN trained/disciplined member savers/borrowers. Proven borrowers on 3rd – 5th stage loans currently involve only 29% of FSC members less than 5% of households resident in UDP municipalities.

5. Lending to individual PFI clients resident in target UDP municipalities and able to provide collateral and/or repayment security should continue to be on offer within the RFSS.
6. As at 9 October 2004, all PPO Teams as well as LBP Development Assistance Heads had been provided with template copies of the major LMPs capable of modification to fit the situations in their areas of jurisdiction. During the remainder of 2004 and early 2005 these will be updated with local information on marketing possibilities, sources of additional technical advice and input and potential sales prices and released through PFIs. One PFI and three PCFC-linked PFI are also reviewing the system with a view to using it in their own systems. Subject to Annual Workplan & Budget 2005 approval, a further review of responses will be undertaken and PFI staff training in routine computerized updating of LMP templates further expanded next year.

1. INTRODUCTION

This report covers the Rural Finance Specialist (Expatriate) input undertaken by David M. Baillie in the months of April to July and September/October 2004[1]. Overall Terms of Reference for the consultancy input are attached as Annex 1.

Because of sudden changes in the programming of inputs by the local Microfinance Specialist Consultant, Mr. Baillie was substantially involved in June/July the on-going controversies and finalization efforts in completing the legal documentation required for the Upland Development Trust Fund (UDTF) establishment and the content of the UDTF Operating Guidelines & Procedures. As a result the person days actually spent on Loan Model Package (LMP) preparation and dissemination which constituted the main focus of this assignment were significantly reduced and inevitably delayed.

Following a detailed evaluation of the whole UDP program undertaken by the late Mid-term Review in the last quarter of 2003, and recognizing the commercial nature of rural finance being unlike that of the other components, it was agreed between DA, EC and UDP Programme Management to further de-link the RFS Component from the other grant-financed elements of the project. The focus of 2004 and 2005 operations therefore is and will continue to be the promotion of greater economic development in the uplands through the expanded participation of viable sustainable rural financial services.

With effect from 22 September 2004, all wholesale credit provision and institutional building assistance for Partner Financial Institutions (PFIs) and their FSCs is being financed either by UDP through an Upland Development Trust Fund (UDTF) held with the Land Bank of the Philippines (LBP) Trust Banking Group (LBP-TBG) or in conjunction with the People's Credit & Finance Corporation (PCFC). The LBP Mindanao Branches Group (MBG) will be responsible for all actual UDTF field services.

2. UPLAND DEVELOPMENT TRUST FUND ISSUES AND ACTIONS

Regrettably a smooth transition of the RFSS hand-over process from UDP to the LBP with the establishment of the UDTF did not materialize as planned at the end of 2003. Finalization of all the necessary documentation took many months and was legally completed only on the 5 July 2006, more than six months later than originally anticipated.

Unfortunately even before UDTF start-up, major problems developed with PFI acceptance of the 14% interest rate fixed in the MOA after a last minute intervention by the EC Delegation in March 2004. Under the existing Upland Development Loan Fund (UDLF) investment financing mechanism, PFIs effectively receive UDP loan finance participation at 0% per annum. Such a hike of costs of wholesale borrowing (0 to 14%) was seen to be certain to reduce borrower demands.

On 20 & 21 July 2004, an extensive round of consultation meetings was held between the LBP Mindanao Branches Group (LBP-MBG), the UDP Co-Directors & Rural Financial Services (RFS) Team, and 9 of the 11 Partner Financial Institution (PFI) rural banks and cooperatives currently participating in the UDP Rural Financial Services Scheme (RFSS) to review the contents and

[1] Input dates: Travel 13 April. Assignment man days: 14 April - 7 May, 17 May – 25 June, 5 –30 July & 20 September – 9 October 2004.

implications of the UDTF Memorandum of Agreement (MOA), UDTF Trust Agreement, and UDTF Operating Guidelines & Procedures.

Under the terms of the UDTF MOA, from 23 September 2004 all UDP-UDLF sourced investment funds must either: i) be repaid into the UDTF at no cost; or ii) be transformed into UDTF loans incurring interest. PhP25 million is now deposited with the LBP Trust Banking Group to finance new lending to PFIs and other accredited credit conduits.

2.1 Original UDTF Market Interest Rate Inconsistencies

Page 4, Section B. Implementation of the Upland Development Trust Fund, paras.7 & 8 stipulate that *UDTF credit fund lending interest rates shall be 'based on prevailing LBP rates, but no lower than 14% per annum'* effectively made up of:

- 6% for LBP implementation and management fees;
- 4% contribution to further PFI/FSC institution building funding; and
- 4% for a loan losses provision.

During the course of the PFI consultation, the practicality of this 14% rate was brought into serious question. Enforcement of the 14% interest rate on 'Old Money ' UDLF funds originally received at 0% cost was seen to be unfair for the following reasons:

- LBP will incur only minor loan collection costs in the recovery of these funds but is to be provided with a fee of 6% which includes provision for appraisal and supervision which it did not perform.
- The levying of the 4% collection for institution building on such funds is inapplicable as during the period of their investment and to date PFIs have already received sufficient training assistance to run their existing UDLF lending services. Such a charge is seen to be inappropriate.
- The establishment of a loan loss provision to protect the capital within the UDTF was generally accepted although rural banks noted that the operation of a loan loss provision fixed at 2% of lending exposure is already a BSP a statutory requirement.
- As the majority of the investment funds are currently on-lent under terms and conditions assuming 0% cost to PFIs, unilateral imposition of the 14% interest rate from 22 September will in turn generate unplanned lending losses and will constitute an infringement of the conditions set out in their current UDP/PFI Memoranda of Agreement. Interest charged on such UDP investment reclassified as UDTF loans should therefore be lowered to better reflect real costs

Further objections were also raised on the charging of 14% on any 'new money' borrowed. PFIs consistently attempt to access loanable funds at least cost within the Philippines. All PFIs present contented that the fixing of the UDTF lending rate at 14 % will price such money out of the market. All gave notice they would not borrow at this rate. PFIs also noted that the imposition if a 14% rate were to be imposed, ultimately FSC upland households will have to pay a further 1.2% on top of their existing 3% per month making such credit the most expensive in the local area. They warned therefore that end user loan uptakes must be expected to fall if the high rate is instituted.

The following cheaper sources of alternative loan funds are available in the Southern Mindanao market:

- Rural banks:
  - Savings Account deposits at 2.5-3% per annum
  - BSP Microfinance at 91 day Treasury Bill (TB) rate (7.433%) per annum.
  - LBP rediscount lines for collateralized loans at TB +1% and un-collateralized loans at TB +3% per annum.
- Cooperatives:
  - United Coconut Planters' Bank Foundation at 10% per annum
  - LBP APL, WCL and RF at 12% per annum.
  - LBP medium/long term Fixed Asset Acquisition (FAA) at 14% per annum.

2.2 UDTF Interest Rate Modifications Instituted by the UDTF Steering Committee

The EC Delegation, LBP MBG and UDP Management fortunately accepted the validity of the above PFI contentions and at the second meeting of the UDTF Steering Committee on 27 July 2004 recommended modification of the rates to be used as follows:

- Interest charged at 6 % per annum on 'Old Money' UDP UDLF Investment Funds reclassified as UDTF Loans effective 22 September 2004 with the interest income to be used:

  - 3% for LBP collection services;
  - 0% contribution to further PFI/FSC institution building funding; and
  - 3% for a loan losses provision.

  Any such loans shall be amortized to match the repayment program for the PFI retail loans financed from this source provided all such loans are fully repaid by 30 June 2004 at the latest.

- Interest paid at 12% per annum on UDTF Rediscounting Line (RL) and Short Term Loan Line (STLL) 'New Loans' with the interest income to be used:

  - 6% for LBP implementation and management fees;
  - 2% contribution to further PFI/FSC institution building funding; and
  - 4% for a loan losses provision.

- Interest paid at 14% per annum on UDTF Term Loan (TL) 'New Loans' with the interest income to be used:

  - 6% for LBP implementation and management fees;
  - 4% contribution to further PFI/FSC institution building funding; and
  - 4% for a loan losses provision.

At the time of writing of this report, 9 of the 11 PFIs had signed up accepting these arrangements. While the Specialist believes the 8% rate on old money will ensure its reuse for relending, it remains likely that only cooperative PFIs unable to access UCPB Foundation funds at 10% interest will borrow significantly at the new LBP prevailing 12% rate. Most rural bank PFIs can be expected to borrow new funds in the market from the sources available. Further review of interest rates may therefore be necessary by the end of 2004.

3. REVIEW OF LOAN TYPES PRESENTLY ON OFFER, LOAN APPLICATION & APPRAISAL PROCEDURES AND ACTUAL LOAN UPTAKEs

On the advice of the RFS Team and with the prior agreement of the UDP Co-Directors, the above review required by the Terms of Reference was undertaken at three multi-purpose cooperative (MPC) and two rural bank (RB) PFIs as follows.

PPO/PFI Type	Good Performers under UDP	Low UDLF Loan Disbursers
PPO 1 Coop	MAVADECO	MADECO
PPO 3 Coop	MF MPC	
PPO 4 RB		Sarangani RB Inc
PPO 5 RB	RB Tampakan Inc	

Limited cooperative and RB MIS RFSS data available at the Head Office level was also reviewed and field visits made with PFI field officers to their linked FSCs to interview FSC Chairpersons and Account Officers.

3.1 Types of Loan on Offer by FSCs and PFIs

The classification of types of loan product on offer through PFIs and FSCs has closely followed the historical progression of changing lending policy development that has occurred within UDP from 2001 to the present. Since inception four classifications have been variously used:

- **'Consumption Loans'** - Loans including emergency lending for health & education purposes and other urgent family consumption needs financed from both FSC Capital Build Up (CBU) funds and UDLF sources, and repaid weekly or monthly;
- '**Production Loans'** - Loans covering crop and livestock production financed from UDLF resources originally repaid at harvest but now monthly in the few cases concerned;
- **Microfinance (MF) Loans**. A new classification introduced in the last quarter of 2002 following the failure of a large proportion of crop production loans principally used for non-farm purposes. Such loans are repaid weekly;
- **'Kauswagen sa Kabukiran (KKL)' (meaning Upland Development Loans)** introduced in the last quarter of 2003 as an experimental lending mechanism geared to PFIs providing agricultural production loans of PhP12,000-50,000 to be repaid from other sources of family income. Such loans are repayable monthly.

While the first three classifications listed above are in widespread use, KKL lending has in reality not been continued. In practice during 2003-4, PFIs have not been willing to risk promoting unsecured agricultural lending again as the permitted loan amounts were seen to be too high and extremely risky. Furthermore few upland families have been found to have enough alternative sources of income from which to pay the monthly amortizations on such 'large' loans. As a result mainly individuals with salaried positions have been considered for KKL loans as monthly repayment in such cases can be guaranteed. Separate records of KKL loans are not kept at PMO level with the result that both PFIs and PPOs no longer routinely segregate such loans into this specific loan purpose classification.

Given the above confusion and the dominance of MF lending within the RFSS, throughout 2004 loan purposes within the RFS MIS have simply been classified simply as either 'Microfinance' and 'Others'.

The classification of 'loan products' on offer by PFIs/FSCs to their member clients therefore is no longer uniform throughout UDP PFIs and at present does not accurately delineate actual loan use purposes. With the introduction of LBP as the wholesale loan financier and IB service provider, an opportunity will arise for this to be better rationalized. LBP is still finalizing its program content for FSC/PFI IB and will almost certainly include such rationalization.

3.2 Classification of Loan Numbers and Amounts Disbursed by Actual Purpose

Of the five representative PFI cooperatives and rural banks reviewed, SRBI uses the commercially available FAO Microbanker computerized management information system (MIS) while the other four adopted the Puspus MIS in late 2003 with UDP support. None of these internal MIS systems however have been programmed by the PFI concerned to generate reports detailing actual loan purposes, although Puspus gives a description of loan type and occasional crop purposes in its monthly and overall Summary of Loans Granted (by Purpose). Instead, most split such lending between their own basic lending windows according to source of funds used, and then into the sub divisions required by the wholesale lender.

Regrettably therefore little accurate data is available either within the UDP or PFI MISs classifying loan outlays detailed by loan purpose: i.e. as field crops, tree crops, vegetables, poultry, swine, cattle, carabao, processing, handicrafts etc.

At 30 June 2004, membership of FSCs stood at 8,753. By that time PhP42,051,182 had been disbursed cumulatively as 8,335 loans since inception representing an average loan size of PhP5,045. Of this PhP22,318,326 or 53% was for Microfinance and PhP19,732,856 or 47% as Others.

In the absence of UDP PPO and PMO MIS-derived loan purpose data, the only method of accurately attributing loans to specific loan purposes is to collect data from all completed approved loan application forms at the PFI level. As such research was considered by all parties to be too time-consuming to undertake, the Consultant instead opted with UDP Management concurrence to interview a sample of FSC officers from the five selected PFIs to determine loan purpose trends. Table 3.2 below sets out trends emanating from these interviews.

Table 3.2: Loan Purpose Borrowing Trends Within Five Partner Financial Institutions as at 31 March 2004

PFI	No of Clients	Total Disbursed (PhP,000)	PFI/FSC Staff Estimated Percentage Lending Classified by Loan Purpose				
			Production		Other Lending		
			Consumption	Crops	Livestock	Trading	Processing
MAVADECO	473	5,762.8	5	82	1	11	1
MADECO	141	654.0	5	68	2	23	2
MFMPC	855	680.0	7	75	1	17	
SRBI	394	1,568.5	2	17	1	78	2

RBTI	936	3,257.9	2	13	1	81	2
Total	**2,578**	**11,923.3**					
Average % of Portfolio			**4.2**	**51.2**	**1.2**	**42.0**	**1.4**

Crop production dominated the initial lending program up to the third quarter of 2002. Then because of the high risk associated with agricultural credit, from late 2002 most MF lending by PFIs through FSCs has been restricted to trading-related activities e.g. sari-sari stores, buy and sell clothes, fruit and vegetable lending; with the remainder used for occasional cottage industry activities and livestock fattening. It should however be noted that Cooperative PFIs still bias their lending towards agricultural production, while Rural Bank PFIs have adopted MF with its higher profit potential as their main promoted system

While the interviewees' estimates were made without detailed reference to the FSC books of account, the following trends are noteworthy:

- The average loan size over the last three years of operations is still only PhP5,045 which shows that only a very small proportion will be on their 3rd (PhP7,000) or further stages of borrowing.
- All cooperatives and particularly MAVADECO which operates in a highly isolated municipality have lent UDP funds principally for crop production.
- MF lending has been greatest amongst Rural Bank PFIs as all have been encouraged by the Central Bank (BSP) to newly open up new MF portfolios to increase their profitabilities. MF loans generally generate quick turnovers and better repayment rates due to their necessary weekly repayment discipline.
- Trading activities predominate within the MF sub-sector.
- All PFI and interviewees confirmed that borrowers are overwhelmingly requesting loans to finance their existing operations as few new ideas have been introduced.

3.3 Client Loan Purpose Selection

From the outset of the RFSS, sole responsibility for the selection of the micro-enterprises to be financed from loans has rightly been left with the proponent borrower. *This principle should never be compromised during the lending process. Any borrower of whatever size has to accept 100% responsibility for the risk involved in loan project implementation.*

In all EC-financed Integrated Rural Development Projects operating in the Philippines, non-RFS Component staffs have been given a role in providing technical *advice but not direction* to proponents and borrowers. Within UDP, FSCs from the outset were established with their member and officer responsibilities basically structured along cooperative lines. In each FSC, the UDP Municipal Support Officer (MSO) as the UDP technical liaison officer based at the LGU functions as an ex-officio member of the FSC Management Committee theoretically providing the necessary technical extension link to the other members of the LGU technical team. Subsequent practice has not however made full use of this arrangement. MSOs were only substantially involved in promoting initial lending activities when loans for crop production predominated but have played only a minor role since UDP emphasis turned to non-agricultural MF. In May 2004 when interviewed by the Specialist, no FSC officer was able to report any major on-going element of significant 'awareness building' emanating from MSO or UDP technical staff on new micro-enterprise activities/purposes which had potential for improving their household incomes in their areas.

3.4 FSC Loan Application & Appraisal Procedures.

Current FSC end-borrower loan application and PFI loan financial appraisal procedures continue to be based on standard systems set out in the FSC Manual of Operations 2001 and Enterprise Bank documentation supplied for the Basic Microfinance Seminar for Field Officers of Rural Financial Institutions, dated May 2002.

Under these arrangements new members must first receive Compulsory Training in savings mobilization, FSC capital build-up and lending procedures, and subsequently save and deposit weekly savings and CBU contributions with their parent FSC and PFI for a 6 month period before eventually qualifying to borrow from FSC and PFI managed sources.

The Enterprise Bank procedures adopted by UDP in introducing microfinance lending involved PFI Field Officers in first undertaking credit and business potential investigations at the barangay level. The full investigation methodology recommended for Field Officers included:

- General information collection on personal and household data, business data, market information, workplace characteristics and business trends; and
- Financial evaluation of individual client abilities to repay loans involving the preparation of inventories of client assets, savings and credit histories and means testing.

While such procedures were religiously used by PFI field staff at MF lending start-up, they are now only routinely utilized for evaluating new clients.

FSCs follow the loan application and appraisal procedures set out by their individual parent PFI. Any differences that exist between them can be attributed to individual RFO and PFI Field Officer emphasis. During 2001 and the first three quarters of 2002, consumption lending was not routinely appraised but allocated simply on the basis of FSC Loan Committee approval as the amounts involved were very small and the capacity of the borrower to repay was generally not an issue.

Three types of essential financial appraisal techniques are now in use in FSCs for appraising non – consumption lending:

- **Gross margin analysis** - Introduced in 2001 as a means of FSC Account Officers evaluating production loan project viability at least for the first loans of each agricultural or livestock production purpose. This was largely superseded in the last quarter of 2002 by the introduction of MF lending
- **Household cashflow analysis** - Introduced in late 2002 as a means of assessing proponent/borrower ability to repay microfinance loans following training provided to PFI Field Officers by Enterprise Bank. Cash flow analysis is a basic requirement for appraising working capital loans principally involving for trading/vending activities and for evaluating the potential of a borrower to repay any loan requiring weekly repayments.
- **Integrated gross margin and cashflow analysis** – Introduced in late 2003 as part of the KKL pilot lending program to establish production process feasibility and borrower ability to repay. Although extensive training was provided for RFOs and PFI Field Officers, KKL pilot lending took place only at the PFI level. FSC officers are not therefore fully familiarised with this approach.

No new additional financial appraisal mechanism is seen to be needed as the three above cover all possible requirements.

3.5 Lessons Learned

Due to circumstances beyond its control with the introduction of AFMA and EO138, RFS has unable to implement a continuing single RFSS design. At the outset the FSC and UDLF concepts were experimental. However the subsequent introduction of new GOP policies for the Rural Finance Sector have in turn generated a requirement to introduce continuing change in operating procedures. Such 'change' is inevitably disruptive. At the same time, the abrupt moves within UDP to stop initial agricultural lending in 2002, introduce MF in its place, and then to only pilot KKL lending for agricultural production from late 2003 have left PFIs with unbalanced UDP loan portfolios and inherent confusion amongst FSC members as to what types of micro-enterprise can be financed from UDP-sourced funds.

As LBP and PCFC take over RFSS operations, a new initiative will be needed to better rationalize the number of loan products on offer to individual members. It is recommended that three loan categories be offered in line with LBP and PCFC own lending windows:

- Consumption loans using FSC CBU funds with additional PFI loan funds if required
- Microfinance Loans covering all purposes where repayment is weekly
- Agricultural (and Non-Farm) Production Loans covering all loans repayable monthly.

4. LOAN MODEL PACKAGES (LMPs)

Field interviews carried out with FSC members and officials consistently reveal that with few exceptions little or new ideas are on offer to them on new or improved micro-enterprises which could significantly increase their incomes. While the MED Component is endeavoring to link them to major companies offering both the necessary inputs and a guaranteed market, such initiatives will only serve those fortunate to be based in the company's catchment area. Without exception FSC members need assistance with on-farm microbusiness selection and start-up whether it be for crops, livestock, handicraft or processing. The LMP is designed to assist them with trying new ideas known to be profitable within their own vicinity.

An LMP is a suggested profitable loan micro-enterprise idea offered to clients by a FSC/PFI for their review and possible uptake.

The actual LMP 'package' is made up of three parts:
:

- A standardized up-to-date technical recipe for the operation of a single micro-enterprise of a specified single size: e.g. 0.5 ha of a field crop, a batch of 20 poultry, 5 pigs or 1ruminant livestock to be fattened, a batch of handicrafts to be completed and sold, the processing of food crops or meat.

- A recommended and validated financial budget or gross margin analysis using costs and returns relevant to the local area of production which shows the level of profitability possible if the recommendations provided are followed.

- Tabulated information on the standard loans on offer from the PFI/FSC to support these recommended micro-enterprises which will fund the necessary production costs with or without the provision of hired labor.

The technical recipe prepared using MSWord is printed on the front-side of a single sheet of legal-sized paper with the Gross Margin and Loan information in MSExcel on the flipside.

It is intended that LMPs should eventually be prepared by the PFI involved with the PPO TOU staff and LGU extension services updating the descriptive menu as required. PFIs must do their own financial analysis to minimize potential lending risk.

If produced properly LMPs are always time-period and municipality-specific. They cannot therefore be mass-produced as UDP-wide or Region-wide flyers.

4.1 The Front Technical Side of the LMP Leaflet

Potential micro-entrepreneurs need to know on what slope levels and soils they should best produce the product(s) involved, the best times of the year for such production, the most up to date and relevant information on how to produce the product, and where markets can be found for the produce. The LMP front side therefore includes the PFI Logo, the suggested technical production recipe, possible specialist market suggestions (if any), and where further technical services can be found to help them.

Once prepared as an MS Word computer software file, such front sheets need only minor re-editing within the recipe for production by in-the-know technicians. They may however require to be regularly updated with relevant marketing advice and any changes in the availability of other technical support services.

4.2 The LMP Leaflet Financial Flip-side

Availabilities and costs of necessary production inputs vary/change from place to place, whilst returns from sales also vary. Prices in Luzon near to Manila or at Philippine Universities and Research Stations will NOT be the same in Compostela Valley which in turn are different from Sarangani. Crop and livestock prices also vary with availability within seasons.

To undertake any simple financial analysis, details of the inputs and quantities needed will be the same in almost any location. However *local costs and prices for production vary and it is these which affect profitability and loss potentials.* PFI field staff therefore only need to collect the expected returns and actual unit costs for an MS Excel spreadsheet analysis to properly predict costs and returns which then can in turn generate the loan amounts needed for the micro-enterprise involved with or without the use of hired labor. The flip-side of the LMP leaflet is therefore entirely prepared as an MS Excel spreadsheet already set out with the necessary arithmetical formulae.

In calculating the LMP loan availabilities which follow the Gross Margin Analysis, two systems are in use by the various UDP PFIs for calculating interest amounts due:

- The **Straight Line Method** which calculated as a fixed percentage on the whole borrowed amount.

- The **Declining Balance Method** which calculates the interest due per installment as a function of the declining principal to be paid each month.

Again, once prepared in MSExcel and copied in to the same spreadsheet, the Loan details will automatically generate the necessary installment amounts and the returns expected after borrowing.

When used properly, these LMPs will also indicate to the PFI user what micro-enterprises should NOT be promoted in their specific areas and which consequently should NOT be offered to clients as when very low profitability levels or losses are generated.

Specimen LMPs are attached as Annex 2.

5. USE OF LMPs IN PROMOTING DIVERSIFIED FARMING SYSTEMS AND SLOPE TREATMENT-ORIENTED PRACTICES

During the first half of 2004, the Sustainable Agricultural Development component completed a rationalization of models geared to operating improved diversified farming systems (DFS) within upland areas promoting the best possible use of small holder land plots in line with slope level criteria. (See Table 5.1)

DFS is now recommending the limitation of production of monocrops grown on the contour to <12% slope areas, the use of contour grass and leguminous hedge strips hedges on 12-25% and 25-35% slopes respectively, fruit and forest treeplanting intercropped with field crop strips on 35-45% slopes, simple tree planting in areas above 55% without resort to plowing. Feedlot-type livestock raising is also to be promoted as an integrated activity.

The Marketing & Enterprise Development Component is also attempting to encourage a greater element of local commodity processing and cottage industry development within the upland areas as non-farm additional enterprises. These use mechanisms and enterprise development concepts developed both by the Project and the Technology & Livelihood Resource Center (TLRC) in Manila.

Introduced and used correctly, LMPs can promote all of the above systems as they each cover a single commodity. Farm modeling will delineate areas to be planted with a wide variety of crops and other enterprises each of which can be covered by an LMP. However if the SAD-DFS and MED-promoted models and micro-enterprises are to be widely adopted and successful in UDP areas, a strategy for PFI loan financing of mono-cropped or intercropped tree planting and maintenance has to be on offer and successfully operating prior to UDP closure.

While PFIs are unfamiliar with financing tree planting, scope is seen for limited assistance through the introduction of a new loan product lines involving direct borrowers with collateral and non-collateralized borrowing within FSC SLGs.

Table 5.1: Slope Treatment-Oriented Practices For Steep Lands (STOP)

OBJECTIVE: To produce a series of outward sloping bench terraces with a minimum soil depth of 50 cm at the back of the terrace.

Max. slope	**Min. soil depth**	**Sandy – Loam soils**		Clay loam– Clay soils	
(%)	**(cm)**	**Conservation treatment**	**Maximum intensity of land-use on inter-terrace slopes**	**Conservation treatment**	**Maximum intensity of land-use on inter-terrace slopes**
12%	50 cm	Contour cultivation	Any. Fallow with forage peanut	Contour cultivation	Any. Fallow with forage peanut
25%	100 cm*	Contour grass strips (3-m spacing)². Contour cultivation³. Mulching	Relay planting with rice/maize-root crops-beans-peanuts to suppress weeds.	Contour grass strips (3-4.5 m spacing)² Contour cultivation³. Mulching	Inter-terrace rotations of maize, root crops and legumes to suppress weeds..
35%	100 cm	Contour leguminous hedgerows or strips of vertiver or lemon grass (2.5 m spacing)² Minimum tillage. Mulching	Gradually replace maize and root crops with fruit trees planted among close cover crops and semi-perennials.	Contour leguminous hedgerows or vertiver strips (3-3.5m spacing)². Mulching. Contour cultivation³.	Relay planting of Rice/Maize-root crops-beans-peanuts.
45%	100 cms	No hedgerows. Vetiver strips or 3 m wide contour grass strips (2m spacing) ². Zero tillage, mulching	Develop agroforestry model of semi-perennials and fruit trees. No cultivation of beans and peanuts after 3 years.	Contour leguminous hedgerows or vertiver strips (3m spacing)² Mulching. Contour cultivation³.	Replace maize and root crops with agroforestry model of fruit trees planted among close cover crops and semi-perennials with mulching
55%	100 cm	No hedgerows. Grass cover. Direct seeding and mulching around young trees	Tree crops and grass cover No cultivation	No hedgerows. Vetiver strips or 3 m wide contour grass strips (2m spacing) ². Zero tillage, mulching	Arable crops on heavy clays only. Otherwise, agroforestry model of semi-perennials and fruit trees.
65%	50 cm	Grass cover. Direct seeding and mulching of trees	Forest trees and grass only.	Grass cover. Direct seeding and mulching of trees	Tree crops and grass cover only.
>65%	-	None suitable	Forest trees and grass only	None suitable	Forest trees and grass only

* A slope with 100 cm depth of soil will give a terrace with 50 cms depth of soil below the hedgerow at the spacing indicated.

[2] The indicated spacing is the maximum distance between two hedgerows or NVS. Contouring with the A-frame should therefore start at the widest part of the slope to be protected.
[3]All contour ploughing on slopes above 12% must be followed by harrowing to obliterate furrows which, if not exactly on the contour, channel run-off to low points causing gullies.

5.1 Fitting STOP Principles Within Staged Non-Collateralized Lending

Collateralized lending to direct PFI clients is already being operated using the KKL mechanism. However lending to any upland household unfamiliar with the discipline needed in repaying loans will always be more risky than lending to an experienced borrower. It is for this reason that the existing MF lending procedures adopted by UDP start new FSC production loan borrowers on 1st stage loans of only PhP3,000. Progressively larger amounts (PhP5,000: PhP7,000; PhP10,000) can be borrowed in subsequent loan cycles only if 100% performance is achieved in both savings & capital build up requirements and in loan repayments. *Only trained savers and borrowers are therefore trusted with larger unsecured loans.*

The same principle can also be used for allocating different types or purposes of loans. Agricultural crop and livestock lending is more risky than working capital lending for trading and processing. Thus if such lending is to involve borrowers unable to provide collateral who are members of joint liability savings & loans groups, they should only be allowed access when their understanding of the need for 100% repayment is proven by track records of 100% repayment of earlier loans.

Under the progression of staged lending shown in Table 5.2, loans for tree plantings are on offer only from the 4th loan which will normally be available not earlier than 2.5 years from the date of the borrower becoming an FSC member.

Experience to date within the RFSS has already shown that the existing 11 PFIs are business-oriented lenders. Given the problems they have already had with attempting to operate profitably in upland areas and cope with the unexpected twists and turns of GOP and UDP rural finance policy it must be recognised they will **not** adapt UDP promoted technologies within their lending products if their degree of risk is increased. As at 30 June 2004, 2436 of 8,337 or 29 % of borrowers were in their 3rd stage or more of borrowing. Limited scope however would appear to be available to make a start in promoting such lending if this approach can be pushed within the LBP IB program.

Table 5.2: Rationalized PFI and FSC Lending Incorporating Diversified Farming Systems and Slope Treatment Oriented Practices

ITEM	FSC CONSUMPTION LENDING **(Non-collateralized)**	**PFI/FSC PRODUCTION LENDING (Non-collateralized)**	**PFI DIRECT CLIENT LENDING (Collateralized)**
Source	Capital Build Up (CBU)	Capital Build Up (CBU) & PFI UDTF loans	PFI UDTF loans
Security	Individual borrower savings & SLG joint liability	Individual borrower savings & SLG joint liability	Individual borrower savings & securities
Loan Stepping/Size & Repayment Mechanism	Loans for:- Education/Health/ Emergencies/Death in the family/ Family consumption Max loan size fixed by FSC BoD Repaid Weekly or Monthly	6 months of saving/CBU required before borrowing by member can start 1st Trading/Processing (MF). Duration max 6mths. Repaid weekly. PhP3,000 2nd Trading/Processing (MF). Duration max 6mths. Repaid weekly <PhP5,000 *By this period, saving and loan repayment discipline should have been learnt by borrower* 3rd Agric/Livestock/MF Duration max 6mths. Repaid monthly DFS field crops/vegetables/ livestock fattening/ trading processing <PhP7,000 *If problematic payer, only allow MF for next cycle* 4th Agric/Livestock/MF Duration max12mths. Repaid monthly DFS /tree planting with intercrop/livestock breeding trading/ processing <PhP10,000 5th Agric/Livestock/MF Duration max12mths. Repaid monthly DFS /tree maintenance with intercrop/livestock breeding trading/ processing <PhP 12,000 6th Agric/Livestock/MF Duration max12mths. Repaid monthly DFS /tree maintenance/livestock breeding/trading/ processing <PhP 15,000 7th , 8th ,etc…As for 6th Loan Loan amount should only exceed PhP 15,000 if By-Laws so permit.	All loan purposes valid subject to suitability of security offered Max loan size to be fixed by PFI Balloon repayment for agric & livestock enterprises not recommended. Monthly repayment following KKL principles
Loan Model Package Needs:	Not Applicable	MF LMPs for loans from PhP3,000 upwards Agric/Livestock LMPs for loans from PhP 7,000 upwards adopting STOP principles	LMPs PhP2,000 – PhP 50,000 adopting STOP principles

Notes :1. Repayments in all cases originate from overall household income. 2. Repayment frequency should never be less than monthly. Long gestation crop & livestock enterprises (e.g. tree crops/livestock breeding) are financed from a sequence of recurring one year intercrop or mixed stepped loans. NO MEDIUM/LONG TERM LENDING ON OFFER TO BORROWERS UNABLE TO OFFER SECURITY

5.2 Using LMPs in Supporting MED Marketing Scheme Initiatives

Provision is included within the UDTF Memorandum of Agreement and the related UDTF-TA and UDTF-OG&P for LBP to widen the scope of UDTF lending from the last quarter of 2004 to finance loans made to FSC members either through PFIs operating in conjunction with corporations willing to provide a guaranteed market for the members' loan produce or through major input services providers who will both lend funds to FSC members for production and provide a guaranteed market for their members. Such input-providers are known with LBP as 'non-traditional lenders'.

In all 5 PPOs, MED staff are currently working on integrated credit and market schemes with include programs to be managed by or in conjunction with major corporations including Dole Inc for export pineapple and banana production and the San Miguel Corporation Inc for cassava production and smaller corporations for specialized banana export markets and peanuts. In all cases in enrolling potential producers in such schemes, the consortium of lenders and buyers will need to supply farmers with both updated technical and production data and information of the potential profitability of the crop product to required.

As well structured LMPs provide all essential technical and financial information in a format well suited to farmer needs, program-specific LMPs are now been formulated by PPO MEDOs and corporation technical specialists for wide scale promotion when their specific single-crop production schemes take off.

6. PROPOSED WORKPLAN FOR 2005

The Consultant assisted in the preparation and drafting of the RFS sections of the Draft 2005 Annual Workplan & Budget.

Draft Terms of Reference for a further four (4) person month input by the Rural Finance Specialist (Expatriate) in 2005 have been prepared at the request of the Co-Directors and included as Annex 3.

6.1 Continuing Assistance with Loan Model Package Introduction

As at 9 October 2004, nearly 40 LMP MS Word Outlines and corresponding MS Excel templates had been prepared by the Consultant at PMO level covering a wide variety of field crops, tree crops, livestock and processing micro-enterprises. In addition a 'Computer-based LMP Operator Manual was completed. PPOs had in turn already selected the specific micro-enterprises relevant to their own areas. However only PPO3 and PPO5 staff had begun updating the PMO versions with Municipality-specific information and collecting local costs and returns.

Table 6.1.1 summarizes the overall LMP preparation and introduction status to date. Regrettably the large volume of other technical work assigned to PPO TOU Chiefs and SAD and MED Officers has meant that LMP finalization was still only being given secondary importance by September 2004. As a result all PPOs need more time now both to finalize and put out LMPs through PFIs for testing at the FSC level. Furthermore it has not been possible to arrange a workshop on PFI introduction as envisaged in the TORs as the PPOs had not completed the collection of the necessary local costs and returns needed for workshop practicals.

Table 6.1.1: Principal Loan Model Packages to be Finalized and Tested in UDP Provinces

Principal Enterprises	PPO LMP Suitability	Best LMP Source	Further LMP Development Needs	Comments
a) Field Crops			**All PPOs to research costs & returns, fit to PFI actual areas & translate**	
Yellow Corn	All areas	PMO		
Cassava	2	PPO1	Outline LMP being completed by PPO1 for final review	
Upland Rice	4	PPO1	Outline LMP being completed by PPO1 for final review	
Peanuts	All areas	PPO5/PMO		
Soyabean	2	PPO2	Outline LMP being completed by PPO2 for final review	
Squash	1	PPO1		
Ampalya	3	PPO3		
Bulb Onion	5	PPO5/PMO		
Garlic	5	PPO5/PMO		
Pineapple	2, 5	PPO2	Outline LMP being completed by PPO2 for final review	
b) Backyard Vegetables			**All PPOs to research costs & returns, fit to PFI actual areas & translate**	LMPs are individual crop specific
Upland	All areas	PMO		
Lowland	All areas	PMO		
c) Tree Crops			**All PPOs to research costs & returns, fit to PFI actual areas & translate**	All budgets are 12-month single loan based separately costing plant-years and maintenance years. t
Mango	All areas	PMO		
Durian	All areas	PMO		
Lansones	All areas	PMO		
Mangosteen	2	PMO		
Coffee New Planting	All areas	PMO/PPO5		
Coffee Rejuvenation	4	PPO4	Outline LMP being completed by PPO4 by editing new plant coffee LMP	
Cashew	4	PPO4	Outline LMP being completed by PPO4	
Banana – Bongolan	5	PMO/PPO5		
Banana – Lacatan	1	PMO/PPO1	Redevelop using Banana Bongolan LMP as a template	
Banana – Seniorita	1	PMO/PPO1		
Banana – Cardava	4	PMO/PPO4		
Banana – Latundan	1	PMO/PPO1		
Abaca	4	PPO2/PPO4		
d) Livestock			**All PPOs to research costs & returns and translate**	No free range systems, all feedlot types
Native Chicken	All areas	PMO		
Pig Fattening	All areas	PMO		
Goat Fattening	All areas	PMO		
Cattle Fattening	All areas	PMO		
e) Processing				LMPs prepared mainly using TLRC material some of which still requires checking with your local DOST office to get correct quantity requirements
Bamboo Furniture	All areas	PPO5		
Corn Husk	5	PPO5	New LMP being prepared by PPO5	
Banana Chips	All areas	PMO		
Banana Catsup	All areas	PMO		
Banana Puree	All areas	PMO		
Abaca Handicrafts	1, 3	PPO3	Outline LMP being re-edited byPPO3 at PMO request.	
Coconut Soap	All areas	PMO		
Mangoes Dried	All areas	PMO		
Mango Puree	All areas	PMO		
Meat Processing	All areas	PMO		
Peanut Processing	All areas	PMO		

With the agreement of the Co-Directors, in late September 2004 the Consultant also passed on the LMP system to LBP for inclusion in its IB Program assistance to PFI s. In addition the following PFIs have accepted to incorporate use of the system in their programs tin the coming months:

- Cateel Mandaya Tribal Multi-Purpose Cooperative (CAMTRINCO)

- Enterprise Bank Inc.
- Ad Jesum Development Foundation Inc.
- South Cotabato Development Foundation Inc.

As soon as possible after AWP/B 2005 approval, the Consultant will return to evaluate feedback provided by LBP, PFIs and FSCs on LMP adoption and make essential modifications

6.2 Follow-up on GFI Administered RFSS Programs

Throughout 2004 the various technical assistance needs of the RFS Component have been handled separately by the local Microfinance Specialist and the expatriate Rural Finance Specialist. During 2004, the MF Specialist spearheaded the GFI negotiation effort. Within 2005 however it is likely that such job delineation will not be possible due to person month constraints. The Rural Finance Specialist will therefore work as requested by the Co-Directors to support the RFS Team effort in back-stopping the LBP and PCFC.

6.3 Finalization of Uses to be Made of UDTF Funds after UDP Closure

Section C. 'Administration of UDTF', Para 3 of the UDTF MOA stipulates that 'No later than six (6) months prior to closure of UDP, the Government of the Philippines (GOP) and the European Commission (EC) shall jointly decide on the need for continued management and use of UDTF funds upon expiration of UDP. The future option shall be consistent with the Programme's objectives and ensure sustainability of its results. In order to ensure a smooth transition and avoid disrupting the provision of financial services and jeopardizing the Programme's results, the GOP and EC will decide on the continuation of this MOA and the UDTF sufficiently in advance of UDP's closure.'

Given the previous experience of the Rural Finance Specialist in finalizing the eventual use of revolving funds generated in the GOP/EC Central Cordillera Agricultural Programme, his familiarization with both the GOP and EC policy making processes and the fact that he is now resident in the Philippines, it is anticipated that the Consultant will act as the UDP coordinator of this activity to speed up its conclusion.

6.4 Assistance with Preparation of the RFS Component Section of the UDP Project Completion Report

In line with EC requirements, the PMO Team will prepare a Project Completion Report in the last quarter of 2005 prior to Project Closure. The Consultant will assist in the preparation of the RFS Component Section.

Annex 1:

Terms of Reference
For a Rural Finance Specialist (Expatriate), 2004 Mission

Tasks of the Consultant

1. Through a representative sample, make an inventory on how FSCs and PFIs appraise the credit requests of their clients, which loan products they extend and for what economic purposes these loans are utilized
2. Based on this information, assist the MED-SAD-AIS-RFS components of UDP to design loan packages for PFI's and FSCs to intensify their financial presence in the uplands leading to a bigger and more profitable upland financial services market. It is foreseen that the Consultant with be part of a taskforce with representatives of the components mentioned or any other resource person required. Representatives of the FSCs and PFIs should also be included. Part of packages or financial products should take account of Innovative Financing Schemes (IFS) under various UDP loan windows in ACPC, LBP and PCFC
3. After finalisation of the packages, arrange for their dissemination to the financial partners for testing, feedback and modification
4. Evaluate the suitability and acceptance level and make necessary adjustments if needed
5. Properly document the final versions of the new loan packages, which should be comprehensive and include indicative levels for profitability, marketability, impact on production etc. that would suffice both the client as well as the service provider.
6. Take up any other assignment in the context of this TOR given by the Co-Directors of UDP
7. Submit a final report at least two weeks before departure to allow for a workshop to further disseminate the tested packages
8. After arrival, the Consultant will prepare a work plan for the duration of the assignment and briefing by the UDP management for approval by the Management

Duration and Period

Three months & 21 days spread over a 4 or 5 month period.

Annex 2:

Specimen Outline Loan Model Packages

Three LMPs showing their basic layouts are attached giving examples of crop, livestock and processing micro-enterprises.

The peanut field crop LMP is fully developed. The South Cotabato version developed by PPO5 has color photos incorporated. Color printing is not available for the purposes of draft reporting.

Both the swine fattening and coconut soap-making LMPs are outlines/templates for PPO updating and completion with local costs and returns.

Draft Terms of Reference
For a Rural Finance Specialist (Expatriate), 2005 Mission

Background

The Upland Development Programme in Southern Mindanao (UDP) aims:

1. ***to develop and test replicable models for sustainable management of the natural resources in the uplands of Region XI and Region XII and***
2. ***to enable upland communities to address their subsistence needs and to produce new marketable surpluses through sustainable market-led production.***

The main financiers of the Programme are the Government of the Philippines (GOP) and the European Commission (EC). UDP is implemented under the responsibility of the Department of Agriculture by selected upland communities assisted by Local Government Units (LGU's), Government Financial Institutions (GFIs) and Partner Financial Institutions (PFIs) such as Rural Banks and Cooperatives. The Programme covers about 500 sitios, 120 barangays, 30 municipalities and 5 provinces. The number of farmer beneficiaries is planned at about 10,000.

Rationale

2005 is expected to be the last year of Programme implementation. On 31 December 2004, the Provincial Project Office staff cadre will be significantly down-sized with the retrenchment of most junior technical and administrative officers including the Rural Finance Officers posted there. The focus of the final year's operations will be the smooth handover of operational systems to local institutions and GFIs. A number of contracted-in service-providers engaged in 2004 will assist in completing the introduction of the replicable models and market-led service operations. Two wholesale finance GFIs, Land Bank of the Philippines (LBP) and the People's Credit & Finance Corporation (PCFC) will continue their efforts started in late 2003 and 2004 to integrate the Rural Financial Services Scheme developed by UDP within their service structures and further expand savings & credit services availability in upland areas provided by rural banks, cooperatives and newly established cooperatives formed through the amalgamation of barangay-level Financial Services Centers.

A very important recommendation of the 2003 Mid Term Review of UDP was for the Programme to put much more effort into promoting economic development in the upland areas. For this to be achievable, viable and sustainable financial services markets are essential. The Programme therefore is now launching a joint effort lead by RFS and working jointly with the Sustainable Agricultural Development and Marketing & Enterprise Development components of UDP to promote viable micro-enterprise development packages to be promoted and offered to upland households through retail financing institutions.

Consultancy services will be needed within the RFS Component in 2005 to backstop the on-gong GFI credit and retail financial services institutional development and loan model packaging initiatives, and to assist with Programme handover tasks.

Tasks of the Consultant

1. Continue with the provision of technical support to LBP, PCFC and credit-retailing rural banks and cooperatives in establishing the day to day use of the LMP system as a way of promoting new micro-enterprise development and expanding credit demand thereby further expanding the income diversification and generation effort amongst client upland households.
2. Evaluate the suitability and acceptance level of the LMPs offered in the field and make necessary adjustments if needed.
3. Continue to assist with the proper documentation of LMPs to ensure they cover levels for profitability, marketability, impact on production etc. that would suffice both the client as well as the service provider.
4. Provide back-up support within the RFS Team for the on-going GFI IB and wholesale credit services programs as directed by the UDP Co-Directors.
5. Coordinate UDP efforts to ensure the completion of GOP and EC negotiations on the need for and eventual ownership and future use of UDP-sourced funds currently available for the provision of credit and IB services financed through the Upland Development Trust Fund (UDTF).
6. Take up any other assignment in the context of these TORs given by the Co-Directors of UDP
7. Assist the RFS Component and Technical Operations Group Team with the preparation of the final UDP Project Completion Report.

Duration and Period

Four (4) person months as required throughout 2005.