

**UPLAND DEVELOPMENT PROGRAMME FOR
SOUTHERN MINDANAO**

RURAL FINANCIAL SERVICES COMPONENT

**FSC RESTRUCTURING FOR
INDEPENDENCE**

March 2003

INTRODUCTION

UDP Management is stressing continually that any FSC restructuring carried out following any PFI withdrawal of services ensure that the sustainability of the reformed institution should be assured. For this reason attempts should be made to encourage a local NGO wherever possible to take on the servicing of reformed independent FSCs wherever feasible. In such cases, the new NGO partner should be heavily involved in providing materials for this training exercise to ensure that the mechanisms eventually used within the independent FSC (IFSC) conform as near as possible with the NGO's own procedures.

This manual is for guidance only. Individuals using its contents should ensure that the flipcharts and materials they use in any training are thoroughly adapted to needs of the FSC involved.

This Manual aims to provide a detailed description of all the essential aspects of IFSC restructuring activities and practical advice on how to proceed further.

The Manual follows two distinct procedural 'Stages' each divided into 'Module' sub-divisions. These Stages are:

Stage 1 Preparatory Stage for FSC Change to Independent Operations

This Stage sets out the reasons and overall concepts involved in independent FSC operation following discontinuation of partner financial institution services. This includes the need for ensuring that total agreement is secured on the way the FSC should proceed to accommodate differing members opinions. SWOT analysis is used as a way of the members themselves checking out the situation and being convinced of the need for change. To reinforce this, the various types of alternative savings & loans organizations possible are discussed.

To conclude, members are briefed on the changes in savings and loan products that will be needed in a situation where they themselves and not the PFI manage their savings and lending programs.

Stage 2 Compulsory Training for Independent FSCs - Part I

Compulsory training is a reinforcement of the SLG/FSC formation training. Only members wishing to continue as Independent FSC members progress to Stage 2. It comprehensively discusses a simpler FSC structuring with reduced number of officer positions, together with the rationale for re-apportioning different officer responsibilities. As the FSC will be almost totally independent, particular emphasis is given to further developing management skills, and the development of essential new Constitution and By-Laws. By the end of this Stage, participants will have learnt how to evaluate potential candidates for the new IFSC positions and have carried out a mock election to familiarize themselves with all the necessary procedures.

Stage 3 Compulsory Training for Independent FSCs - Part II

Stage 3 covers the period of actual IFSC reformation and the follow-up training of IFSC and SLG officers in basic single entry accounting. The Stage begins with the first IFSC General Assembly at

which a newly-elected Board of Directors takes over, members sign a Memorandum of Commitment to reinforce their individual links to the new organization, and the introduction/adoption of the foundation IFSC Constitution & By-Laws. Subsequently all further training is undertaken 'hands-on' by the various elected officials coached by supervising PPO RFOs.

All users are requested to contribute regularly to its continual updating. Such contributions should be sent through the appropriate channels to the Rural Finance Services Component team in the UDP PMO.

STAGE 1

PREPARATORY STAGE FOR FSC CHANGE TO INDEPENDENT OPERATIONS

INTRODUCTION

This is a one day re-orientation for all existing FSC members and officers to familiarize them with the reasons as to why their original PFIs will no longer provide services to them, what they must do now to plan for the future. It should be stressed at all times that UDP staff will provide a full supporting role until Programme Closure in January 2006

OBJECTIVES

The re-orientation shall be undertaken to:

- Explain the reasons for the changes in FSC development and operation policy at UDP.
- Prepare the members to understand their changing role of their FSC and the way it can better fit the conditions in their area; and
- Update participants on how the savings and lending products of the FSC will have to change they are to successfully continue operations

REQUIREMENTS

All members of each SLG Center must complete the full day of re-orientation without any absence. If this is not possible, Trainers should ensure that 2 or more alternative sessions are held.

TRAINERS/RESOURCE PERSONS

The re-orientation is to be undertaken by PPO staff members with back up support from the RFS Component and PFI staff as required.

METHODOLOGY

- Lectures
- Group Discussions
- Use of Flip Charts

DURATION AND SCHEDULING

The re-orientation is conducted at a maximum of six (6) hours within a single day or in 2 half-day sessions. The schedule and the venue are to be agreed by the participants.

TARGET PARTICIPANTS

All FSC members and prospective new members

PREPARATORY ACTIVITIES

PPO RFO staff will be briefed/updated on the latest UDP RFS policies and procedures and the RFS program at monthly PPO meetings held at the PPO level.

Materials and flipcharts needed for the re-orientation sessions should be translated in the vernacular and prepared and made available in the week prior to implementation.

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|----------|---|
| Module 1 | Introduction to the Re-orientation The Need for a Modified Savings & Lending System Suited to the Remote Upland Areas The new UDP RFS Framework |
| Module 2 | What are Independent FSCs? SWOT Analysis of Own FSC |
| Module 3 | How will the Savings & Lending Products need to change |

MODULE 1

Introduction to the Re-orientation Trainers should set out the schedule of Module topics, the timing and venue for each and the participants attending on a Manila-paper sheet to fit the actual situation in the area.

Need for Modifications to the FSC Concept in Remote Upland Areas In the presence of the existing servicing UDLF FO, the Trainers should tactfully explain the principal reasons for the forthcoming withdrawal of PFI services. PFI and PPO staff are free to draw up their own reasons to match the real situation. The suggested sheet below sets out the major reasons at some length. When translated they should be shortened.

Why Now Modify the FSC Concept in Remote Areas?

1. **Savings mobilization works everywhere** and anywhere in the Philippines as the money is generated from local sales of produce, cash-paid work and remittances from migrant members of the extended families.
2. **Rural lending is a business activity** wherever it is introduced. Business needs readily available inputs, labor and a ready market. Profitable ready-markets only exist where communications to the local towns are good.
3. **PFI are private sector businesses that must cover their costs from income earned through lending.** UDLF FOs' time and services have to be paid for. Any FSC requiring many hours of travel to get to uses up productive working time and requires more expense on traveling.
4. At the start of UDP PFIs costs were subsidized as **it was thought that FSC**

- business potential would be larger than we now see.** Your FSC site was chosen for watershed protection reasons and **not** because of the business potential for PFIs
5. **Every new project has a honeymoon period** when many join. However later interest and commitment falls off and people leave. This will happen here. You need to be particularly strong if you are really going to continue after UDP.

Overall conclusion:

Regrettably your FSC can no longer be serviced profitably by your PFI and you are too small to realistically become a sustainable cooperative.

UDP is therefore maintaining its commitment to help by working with you to remodel as an independent savings & loan association/FSC

After explaining the above, ask for and answer all questions from participants.

The New UDP RFS Framework Because unregistered people's organizations like FSCs are not recognized either by GOP or indeed by LGUs, all PFI FSCs have been asked to seriously consider how they best can do this.

Explain again the 5 options for future FSC legal recognition.

Options for Future FSC Legal Recognition

- Amalgamation with other adjacent FSCs and registration with CDA as a cooperative capable of accreditation and accessing services from LandBank.
- Absorption within the servicing PFI cooperative as a branch, member institution or dissolution and absorption of all FSC members as cooperative individual members
- Amalgamation with other adjacent FSCs and registration with SEC as an NGO capable of accreditation and accessing services directly from the Peoples Credit and Finance Corporation (PCFC)
- Absorption within their servicing PFI rural bank
- In remote areas, reformulation as an independent FSC ideally registered with SEC

After explaining the above, explain why the first 4 options are not relevant in their case.

Again ask for and answer all questions from participants.

MODULE 2

SWOT Analysis of their own FSC SWOT analysis can be easily understood by upland peoples. Take 4 Manila paper sheets and label them: STRENGTHS; WEAKNESSES, OPPORTUNITIES; and THREATS.

Ask Participants for their ideas and write them in.

On a second set already pre-prepared in the PPO, list UDP?your own ideas for presentation after they have completed their ideas. The basic things to include in the UDP presentation should include but not be limited to:

- **Strengths:** Trust built up; savings generation works well, can use savings for lending to cover immediate emergency needs
- **Weaknesses:** Poor discipline amongst some members reflected in non attendance at meetings and poor savings and loan interest and principal repayment. Little scope for profitable income-generating project activities Difficult to generate enough lending business to pay the Accounts Officer.
- **Opportunities:** Few..... but self help is always best. There is a real need to generate an emergency lending fund for the area to help all in trouble. Some income generating lending can continue also.
- **Threats:** UDP as the mother closes in January 2006. Not all will be convinced enough to continue on their own so member numbers will fall in the long run. Poor communication situation will continue meaning buyers and markets will remain isolated.

By the end of this exercise, participants should see the real need now for change.

Explain that UDP and their PFI feel they can best move to becoming independent savings & loans associations.

Independent Savings & Loans Associations

There are many forms of potential savings & loans associations. Members can basically design them to best suit their actual needs. Trainers should explain how different systems work.

Independent Savings & Loans Associations

Many different systems but all managed by volunteers or part-time paid staff. Full-time staff are rare

- Rotating Savings & Credit Associations: Works like the FSC but at the end of the year all profits paid back to members as a dividend
- Perpetual Savings & Lenders: Works like FSC but retains an emergency fund at the level demanded by the members.
- *Boboi*
- Add other types from your own experience here.
-

Ask participants for local examples and check them out. See which seems to be the most suitable alternative for the FSC

MODULE 3

The change from FSC to an independent organization will necessitate changes in their savings mechanisms and loan products. Ideally they should be raising all the money they need for providential lending internally. Income generation lending potentials will be small.

Possible Restructured Savings & Loans Products

Savings systems have already been successfully introduced into FSCs by the servicing PFI as a method of raising capital principally for lending to members but also to create capital to invest in the UDLF. To date PFIs have been paying interest on these savings as they have to compete with other banks to raise funds themselves for further onlending.

When the PFI gives up its service arrangements with the FSC, the FSC will have to take on the management of these services itself. As it cannot earn much from lending, **it will not be possible for the FSC to pay interest on savings**. It must therefore plan to introduce its own new blend of savings products.

Trainers must outline how each new savings product works so that members can choose accordingly.

Saving Within the SLG Membership

Saving by the total FSC membership must remain compulsory.

Four types of saving could be used none of which pay interest:

- Regular weekly, two weekly or monthly compulsory savings of an agreed standard/equal fixed amount per member
- Lump-sum savings to be provided just after harvest
- 5% addition to any income generating project loan amount to be paid up front
- Optional short-term savings held as individual deposits within the ASLA

Compulsory savings can only be withdrawn on resignation by the member. Optional savings can be withdrawn at regular SLG Center meetings with prior request.

The amounts contributed within any category of compulsory savings are agreed by the membership during this compulsory training and subsequently can only be modified by agreement of 100% of all members at an official FSC general assembly. Any new member must be allowed time (up to three (3) months) to build up his/her savings to equal those of other members.

All savings collected at SLG Center meetings in excess of immediate lending needs shall be remitted to the FSC

Possible Loan Funds Generated from Savings to be Operated by SLGs and FSC

Under the new Independent FSC mechanism, **two** types of savings funds are recommended to be established:

- **SLG Emergency Reserve Fund (ERF)** held by the SLG partly as cash to cover very urgent needs and the balance deposited with the FSC . Sufficient funds are held to cover the threshold lumpsum amount agreed by the SLG membership. All uses of ERF funds are approved by the SLG Members at their meetings. The SLG Treasurer shall be authorized to give immediate urgent loans prior to SLG meetings in super-urgent cases which will subsequently be declared and confirmed at the next SLG meeting
- **FSC Revolving Loan Fund (RLF)** into which all SLG savings surplus to ERF needs and SLG fines are deposited. The FSC uses these funds to cover operating costs and for on-lending to individual and group income-generating projects

ERF funds are on-lent in line with FSC policies. Interest on ERF loans is paid into the FSC revolving loan fund to cover operating expenses.

RLF funds in excess of internal lending requirements for members and SLGs can also be used for lending outside the FSC membership only when fully collateralised and for other investments elsewhere. .

Trainers should discuss these arrangements with participants. If any alternatives are suggested by participants they should be passed on the RFS Team for review and comment.

To complete the Module review the conclusions reached. The general conclusion should be that the new system can and will work but clearly there will be need for a new structure and an FSC Constitution & By-Laws. These are discussed in the next Stage.

STAGE 2

INDEPENDENT FINANCIAL SERVICES CENTER COMPULSORY TRAINING (IFSCCT) – PART I

INTRODUCTION

The Independent Financial Services Center Compulsory Training (IFSCCT) is a learning activity for all the members of the FSCs wishing to continue with its transformation to ensure that they fully understand the principles of independent savings & credit operations and what services FSCs need to continue.

OBJECTIVES

The IFSCCT shall be undertaken to:

- Prepare the group members to fully understand the founding principles for independent FSC reformulation and their roles and responsibilities as FSC members and officers of a down-sized organization managed more by volunteers.
- Brief participants on the need for sound independent FSC Constitution and By-Laws which set out the new policies, procedures and requirements of the FSC and reinforcement even stricter meeting attendance, savings contribution and loan repayment discipline.
- Conduct an appraisal of all potential, IFSC officers setting appropriate qualification standards based principally on Quality Membership and undertake a mock election for the new IFSC officers

REQUIREMENTS

All participants must complete the full daily time requirements of the course without any absence. Trainees must repeat any session they arrive late for or totally miss.

Participants successfully completing the IFSCCT can only continue further if their respective Guarantee Groups (GG) have the full complement of 5 members and a parent Savings & Loans Group (SLG) can be potentially successfully constituted with 30-40 members of which he/she will be a part.

TRAINERS/RESOURCE PERSONS

IFSCCT is to be undertaken by the UDP PPO TWG with backup support from the RFS-PMO Team as required.

METHODOLOGY

- Lectures
- Group Discussions
- Structured Learning Exercises (SLEs)

- Group Work
- Use of Flip Charts translated into the vernacular

DURATION AND SCHEDULE

The IFSCCT is conducted at a maximum of 2 hours per Module for three Modules. UDP staff have the flexibility to schedule the program in the way which best suits their participants. The venue must be agreed by the participants and at least have a chalk – board for illustrating issues not covered adequately in the flipcharts.

TARGET PARTICIPANTS

FSC members and prospective members wishing to continue with the reformulation of the FSC. To facilitate ease of training, individual SLGs or groups of up to 40 FSC members should be handled separately.

PREPARATORY ACTIVITIES

PPO staff handling RFS responsibilities will receive prior briefing/updating on the latest UDP policies and procedures.

Prior to the training it is essential that RFS Team, PPO staff and PFI field staff should meet to develop their own logical structuring of the IFSC format to fit the specific needs of the FSC to be reformulated. This structure should then be used as the background target to be worked for with the participants. Minor alterations may develop during the training as a result of feedback.

Materials and flipcharts needed for IFSCCT module sessions should be translated into the vernacular and prepared and made available in the week prior to implementation for each of the following Steps:

Stage 2, Module 1: The New FSC Structure and the Roles of its Members and Officers

Stage 2, Module 2: IFSC Constitution and By-Laws

Stage 2, Module 3: IFSC Member/Officer Performance Appraisal and the Procedures for and Election of IFSC Officers

The content of the IFSCCT shall be continually updated to suit the current program requirements and thrusts.

MODULE 1

THE NEW FSC STRUCTURE AND THE ROLES OF ITS MEMBERS AND OFFICERS

Any FSC in a remote area which has insufficient savings & lending turnover to justify it becoming a registered cooperative will need both to down-size its structure and number of elected officers involved while transferring more management responsibilities to volunteers.

Trainers should put this across to FSC members by drawing up the present organization chart on Manila paper and showing which positions and committees will become redundant.

Subsequently, the key points to get across are outlined below:

What is an Independent FSC (IFSC)?

- An Independent FSC is a permanent informal network of Savings and Loans Groups (SLGs) and component Guarantee Groups operating as an overall savings & loans association. IFSC members meet regularly within their SLGs and save together while cross-lending and investing pooled savings capital under an agreed Constitution and By-Laws
- An IFSC consists of at least one SLG of 30-40 members of 6-8 member GGs but preferably at least 100members in 3 SLGs.
- Few if any IFSC positions can be paid positions as the volume of business is small. The majority of officers must therefore be **volunteers**
- There are too many committees in the present organization. Many should be disbanded but the Board of Directors should be retained and take on their functions

It is not intended that FSCs should be immediately registered with SEC at this reformulation stage, officers will need to gain experience within the new system. Formal registration should only be implemented 6 months before UDP Closure when the IFSC has proved to operate effectively.

Trainers shall then explain their ideas for the new structure of the IFSC, its essential officer requirements and the responsibilities of its officers and members before proceeding to outline the division of responsibilities between the IFSC, SLGs and GGs to ensure that all participants see the clear distinction between the different types of grouping.

Participant feedback is essential at this stage as the objective is to secure their agreement of the way ahead. Following these discussions get the participants themselves to draw up a final organization chart for the restructured FSC.

The flipchart contents below are for the guidance of trainers only. PFIs set up their FSCs in differing ways which meant that FSC the positions and responsibilities within the Board of Directors and other auxiliary committees varied considerably. Since differences should be reflected in the final flipcharts used to set out specific officer duties

DUTIES AND RESPONSIBILITIES OF IFSC MEMBERS AND OFFICERS

Divide the participants into three groups and give them five minutes to develop a list of their suggestions for the duties and responsibilities of: Group A. GG Officers and individual members; Group B. SLG Center Officers; and Group C. IFSC Board of Directors/Officers within a smaller FSC. Ask each group to present its suggestions.

Explain the duties and responsibilities as shown below:

Duties and Responsibilities of Every IFSC Member

1. Memorize and sing/recite the **IFSC pledge (modified if required)**
2. Know, understand and observe **the Constitution & By-Laws of the IFSC**
3. **Attend all** SLG Center **meetings** and IFSC General Assemblies regularly and promptly
4. Hold and keep safe an **IFSC Member's Passbook**
5. Save regularly and **remit the required amounts through the GG Group Leader at SLG meetings to the SLG Treasurer.**
6. Repay fully and promptly loans availed from the SLG ERF and IFSC RLF **through the GG Group Leader at SLG meetings to the SLG Treasurer.**
7. Jointly and severally guarantee the loans of other members of his/her GG and **those in within his/her SLGs within the IFSC when required.**
8. Help other SLG members who **have difficulty in repaying their loans.**

Explain the duties of all the key GG, SLG and IFSC officers.

Duties and Responsibilities of the SLG Chief

1. Preside over **SLG** meetings
2. Maintain member and group discipline **by enforcing the Constitution and By-Laws of the IFSC**
3. Periodically check and reconcile the SLG records
4. **Accept savings remittances and loan repayment installments made by GG Group Leaders transparently at SLG meetings before passing them on to the Treasurer and Secretary/Book-keeper for recording and deposit/use.**
5. Sign **to endorse** any loan application approved by the IFSC and/or SLG

Duties and Responsibilities of the SLG Treasurer

1. Preside over meetings in the absence of the Chief
2. Assist the Chief in maintaining member and group discipline
3. **Collect and record savings remittances and loan repayments transparently** received by the Chief at SLG meetings and pass them on as required to the IFSC.
4. **Disburse approved loans repayments transparently** through the Chief at SLG meetings.
5. Keep and maintain the **Cashbook and accounts** of the SLG
6. Assist the Chief in checking and reconciling the SLG records

Duties and Responsibilities of the SLG Secretary/Book-keeper

1. Assist the Chief in maintaining member and group discipline
2. **Record attendance and prepare the minutes** for all meetings
3. Handle all **SLG correspondence**
4. **Record savings remittances and loan repayments transparently** received by the Chief at SLG meetings within the ledgers for the SLG
5. Assist the Chief in checking and reconciling the SLG records

SLG Project Officers

In most Grameen Bank Replicate programs operating here in Philippines, this new post has been added to essentially allow the individual to act as an internal voluntary loan officer drawn from the SLG's own membership. The IFSC can then rely on an independent individual second opinion on any IGP based on personal knowledge of the loan site and the size, costs and returns capable of being generated. At the beginning of activities, they receive most training on-the-job through traveling and working with LGU and UDP technical field staff.

Duties and Responsibilities of SLG Project Officer(s)

1. Assist SLG members to obtain technical advice and prepare loan applications after visiting the site of the proposed project.
2. Present loan applications for appraisal by the membership at SLG meetings
3. Visit the site of every IGP with 2-5 days of loan disbursement to check on correct use of loan cash and materials and subsequently at least once during the loan cycle
4. Assist the other officers in checking and reconciling loan records

Because of the need to downsize the management structure of the FSC to match its real needs, the Board of Directors will take on the roles of all the previous committees with individual members continuing the earlier committee roles. All should be elected to better spread the responsibility load.

IFSC Board of Director Positions

No limit is fixed on BOD numbers. The principal positions are:

- BOD Chairperson
- BOD Secretary
- BOD Treasurer
- BOD Book-keeper
- BOD Internal Auditor
- BOD Education Secretary

All members should already be familiar with the BOD duties which essentially remain the same. Trainers should set them out using the specific list promoted originally by the servicing PFI. The outline duties of the four key managerial positions are set out below:

Duties and Responsibilities of the IFSC BOD Chairperson

1. Preside over BOD meetings and IFSC General Assemblies
2. Maintain IFSC member and SLG discipline by enforcing the Constitution and By-Laws
3. Manage BOD business in line with the guidelines provided originally by the PFI & CDA
4. Represent the IFSC in all external meetings
5. Sign to endorse any RLF loan application approved by the officers and members
6. Act as a co-Signatory for each IFSC cooperative or bank account.

Duties and Responsibilities of the BOD Treasurer

1. Preside over BOD meetings in the absence of the BOD Chairperson
2. Assist the Chairperson in maintaining IFSC member and SLG discipline
3. Manage IFSC Accounts in line with the guidelines provided originally by the PFI and by SEC&CDA
4. Collect and record savings remittances and loan repayments transparently received by the IFSC via SLG meetings.
5. Make available cash for disbursement as approved loans repayments transparently through the SLG Chiefs at SLG meetings.
6. Keep and maintain the Cashbook and accounts of the IFSC

7. Assist the Chairperson in checking and reconciling the IFSC records
8. Act as a co-Signatory for each ASLA cooperative or bank account.

Duties and Responsibilities of the BOD Book-keeper

1. Assist the Chairperson in maintaining IFSC member and SLG discipline
2. Record savings remittances and loan repayments transparently received by the IFSC at SLG meetings within the accounts of the IFSC and individual SLGs
3. Manage IFSC Accounts in line with the guidelines provided originally by the PFI and by SEC&CDA
4. Assist the Chairperson in checking and reconciling the IFSCASLA records
5. Act as a co-Signatory for each ASLA cooperative or bank account

Duties and Responsibilities of the BOD Secretary

1. Assist the Chairperson in maintaining IFSC member and SLG discipline
2. Record attendance and prepare the minutes for all ASLA meetings
3. Manage BOD and IFSC administration in line with the guidelines provided originally by the PFI & CDA
4. Handle all ASLA correspondence and operate its filing systems
5. Assist the Chairperson in checking and reconciling the ASLA records
6. **Act as a co-Signatory for each ASLA cooperative or bank account.**

Trainers should complete the full complement of BOD duties to fit the actual needs of the FSC in question. At all times during this exercise, participants should be encouraged to provide feedback and incorporate any constructive changes and additions.

MODULE 2

THE IFSC CONSTITUTION AND BY-LAWS

Once participants have understood why FSC restructuring is seen to be so important and set out a final desired structure, participants should progress to understanding why all governing operating procedures must be written down. To date they have operated entirely within the rules and regulations of the PFI. When the PFI withdraws therefore they must have others to replace them. These written points needed make up the Constitution and By-Laws which serves both as a reference for all to see and for officers to use in ensuring the operational of their institution.

Trainers should ensure that the content of their suggested Constitution & By-Laws matches actual needs. The draft included in this manual at the end of the Module is an outline only.

Copies of the modified and updated outline Constitution and By-Laws should be distributed to the participants for study and discussion ideally some time in advance of these discussions. All present should be given the opportunity to read it through again before starting Module activities.

Trainers should review why policies are necessary using the following chart:

Policies – What are they and why have them?

- Policies are sets of rules formulated and adopted by the FSC in order to reach the members' joint specific mission and goals.
- SLGs/IFSCs need policies to serve as rules for members to follow in order to carry out their activities, and to provide strict operational discipline.

Trainers should stress that the FSC operations will not dramatically change through the incorporation of these changes as in the majority they follow the previous rules operated by their former PFI. However the following policy issues need to be restated:

I. The Need for Regular Meetings: - Schedule & Venues

Days & Times: GGs should at least arrange for collections of savings and loan repayments by the Group Leader some hours before any meeting to ensure they have time to raise any support financing in cases of deficiencies by individual members. Regular SLG meetings should be held every week or at least every two weeks.

Venue: Venues must be permanently fixed.

Penalties for Lateness and Absence: Late-coming fines should be charged – per minute. Invalid absence without a letter – per incident. The levels for both fines should be discussed and fixed provisionally

All such penalty fines shall be paid to the IFSC for incorporation within the central Revolving Loan Fund.

II. Types of Savings Product

Regular savings: Fix the amount per week per member to be collected weekly.

Lump-sum savings: Fix the amount to be paid/member and the dates for payment.

Loan addition savings: Fix the amount to be added to any loan provided from the IFSC Revolving Loan Fund and deducted up-front.

Optional savings: Optional savings can be paid in and withdrawn by individual members at any time. They should never earn interest as the IFSC has insufficient income to cover such payments.

Initial contribution to the IFSC: Fix the amount to be paid/member and the date for payment.

Penalties for late/non remittance of savings. Fix the fine as a percentage of the amount due.

III. Lending

Types of loans: Fix the loan purposes for SLG ERF prudential loans – *health, educational, death in the family, natural calamity etc.* and for IFSC RLF – *income-generating project loans & investment outside the IFSC*

Amount of loans and order of borrowing: SLG ERF – to be fixed by the SLG itself. IFSC RLF – first loan maximum loan size taking into account the total amount available from accumulated savings. Only one member of each GG should borrow at any one time from the RLF as the funds available are small. GG should formally fix the order of borrowing amongst them. Nobody should be forced to borrow. Every member should be free to give up his turn to borrow if he/she wishes. A loan size of P3,000 per member for first loans should never be exceeded as the amount available for borrowing will not be significant.

Loan term or duration: SLG ERF as soon as possible or max within 6 months. IFSC RLF fixed to the production cycle – maximum 6 months. No lending for longer than 12 months.

Mode of repayment: Preferably always as cash.

Interest rate: SLG ERF up to 3%/month. IFSC RLF not less than 3%/month.

Penalties for late/non repayment of loans: 10% of the amount due per installment.

Once these policies have been finalized, participants can move to form their Constitution and Bylaws

The Module should be conducted as a plenary session with each section discussed individually.

**PRELIMINARY OUTLINE CONSTITUTION AND BY-LAWS
FOR AN INDEPENDENT FINANCIAL SERVICES CENTER (IFSC)**

KNOW ALL MEN BY THESE PRESENTS:

The undersigned members, all of legal age and residents of the Philippines, have this day voluntarily agreed to form an IFSC association.

AND WE HEREBY CERTIFY:

FIRST: That the Name of the said IFSC shall be:

SECOND : That the purpose or purposes for which such IFSC is incorporated are :

1. To develop and strengthen the IFSC membership.
2. To uplift living conditions by assisting members in the establishment of savings products and lending facilities for emergency, providential and income-generation purposes where feasible.
3. To encourage the members in the effective utilization of local resources for livelihood activities and thereby improve the economic conditions in the community.
4. To encourage members to save and to provide for their productive, providential and/or emergency needs.
5. To accept deposits from members and to invest these funds in lending for any emergency or To assist and support the members and SLGs in the promotion of their income generating projects
6. To charge reasonable interest and collect such necessary fees and charges incidental to the granting of loans to members;
7. To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with IFSC real and personal property.
8. To harness and develop the peoples' participation in activities leading to the development of the community through self-help and self-reliance;
9. To offer and provide the members and their families with opportunities to participate actively in any program relative to the promotion and encouragement of business entrepreneurs; and
10. Further additions:

THIRD: That the principal office of the IFSC is located in Barangay _____, Municipality of _____, Province of _____, Philippines

ARTICLE I

MEETINGS

SECTION 1. Annual Meetings – The Annual Meeting of the General Assembly of members should be held at the _____ on any date within the month of _____ each year. The Chairperson of the Board of Directors shall render an annual report to the members regarding the activities of the IFSC

and the status of the funded loan projects; the Treasurer - a financial report; the Secretary - the membership status

SECTION 2. Meetings – Regular meetings of the IFSC Board of Directors members shall be called every two weeks or at least monthly. The SLG Chiefs shall be in attendance and present current issues for consultative decisions and policy formulations. The Chairperson shall render updates on financial and operational status of the IFSC

SECTION 3. Special Meetings of the General Assembly shall be called as the need arises by the Chairperson, or upon petition of one third (1/3) of the overall membership.

SECTION 4. Notices – Notices of the time and place of the Annual and Special Meetings of the General Assembly shall be given either personally at least one (1) week before the date set for such meetings. The notice of every Special Meeting shall state briefly the purpose or purposes of the meeting.

SECTION 5. Quorum – A quorum for every meeting of the General Assembly of members shall consist of a majority of the members and a majority of such quorum may decide any question at the meeting.

SECTION 6. Order of Business for Annual Meetings – The order of business at the annual meeting of the members shall be as follows:

1. Proof of service of the required notice of meeting.
2. Proof of the presence of the quorum
3. Reciting/singing of the IFSC Pledge
4. Reading and approval of the minutes of the previous annual meeting
5. Unfinished business;
6. Report of the Chairperson, the Treasurer and the Secretary/Bookkeeper
7. Election of the officers for the ensuing year; and
8. Other Matters.

SECTION 7. Order of Business for Monthly Board of Directors Meetings – The order of business during the monthly meetings shall be as follows:

1. Call to Order
2. Prayer
3. First Roll Call
4. Reciting/singing of the IFSC Pledge
5. Reading of the minutes of the last meeting
6. Reporting by BOD Officers on the business of the IFSC and its component SLGs
7. Approval of the previous month's accounts
8. Other Agenda – acceptance and/or rejections of new members, endorsement/disapproval of loan applications
9. Summary report of total collections by the Treasurer
10. Second Roll Call
11. Closing Prayer

SECTION 8. Voting – Each IFSC member shall be entitled to one vote in the General Assembly. Voting by proxy shall not be allowed. Voting during elections shall be undertaken by secret ballot.

SECTION 9. SLG Meetings – SLGs shall meet weekly. Attendance at such meetings shall be compulsory for all members. The order of business at such meetings shall be

1. Call to Order
2. Prayer
3. First Roll Call
4. Reciting/singing of the IFSC Pledge
5. Reading of the minutes of the last meeting
6. Reporting by SLG Project Officers on loan utilizations technical issues
7. Filling out of the IFSC Monthly Monitoring Updates, Savers Passbooks, Loan Report Schedules, and updating of the books
8. Other Agenda – acceptance and/or rejections of new members, endorsement /disapproval of loan applications
9. Summary report of total collections by the Treasurer
10. Second Roll Call
11. Closing Prayer

SECTION 10. SLGVoting – Each SLG member shall be entitled to one vote in any SLG meeting at which attendance is compulsory. Voting by proxy shall not be allowed. Voting during elections shall be undertaken by secret ballot.

ARTICLE II

OFFICERS

SECTION 1. Qualifications – No members shall be eligible for election to any of the IFSC, SLG and GG officer positions unless he/she has the following qualifications:

1. Is an active member of the SLG
2. Is of good moral character, integrity and commitment; and
3. Possesses a willingness to abide by the provisions of the IFSC Constitution and By-Laws

SECTION 2. Disqualification for Officers – the following members shall be disqualified from being elected as officers. Those who:

1. Have been convicted by final judgment of an offense punishable by imprisonment.

2. Have lost his/her SLG quality member status, and
3. Is the spouse or relative within the second degree of consanguinity or affinity of person holding other positions.

ARTICLE III

TERMS OF OFFICE / FILLING OFFICER VACANCIES

SECTION 1. Terms of Offices of Officers – All officers of GGs, SLGs and FSCs shall hold office for two years with one re-election and until their successors are duly elected and qualified.

SECTION 2. Vacancy in the Position of an Officer

1. If a vacancy occurs before the election time, the replacement officer shall be appointed or elected from the roster of the members and shall only occupy the position for the remaining period of term. If the vacancy is less than 6 months, the Chairperson may directly appoint the successor. However, if the remaining term of office is 6 months or more, a special election is necessary.
2. The Treasurer shall automatically fill-up the post of the Chairperson whenever a vacancy arises. For other officers' posts a new election shall be held for this purpose if the remaining period of term is six (6) months and above.

ARTICLE IV

FUNCTIONS AND POWERS OF OFFICERS

SECTION 1. BOD Chairperson – The Chairperson shall:

1. Preside over BOD meetings and IFSC General Assemblies
2. Maintain IFSC member and SLG discipline by enforcing the Constitution and By-Laws
3. Manage BOD business in line with the guidelines provided originally by the PFI & CDA
4. Represent the IFSC in all external meetings
5. Sign to endorse any RLF loan application approved by the officers and members
6. Act as a co-Signatory for each IFSC cooperative or bank account.

SECTION 2. BOD Treasurer – The Treasurer shall:

1. Preside over BOD meetings in the absence of the BOD Chairperson
2. Assist the Chairperson in maintaining IFSC member and SLG discipline
3. Manage IFSC Accounts in line with the guidelines provided originally by the PFI and by SEC&CDA
4. Collect and record savings remittances and loan repayments transparently received by the IFSC via SLG meetings.
5. Make available cash for disbursement as approved loans repayments transparently through the SLG Chiefs at SLG meetings.
6. Keep and maintain the Cashbook and accounts of the IFSC

7. Assist the Chairperson in checking and reconciling the IFSC records
8. Act as a co-Signatory for each ASLA cooperative or bank account.

SECTION 3. BOD Book-keeper The Book-keeper shall:

1. Assist the Chairperson in maintaining IFSC member and SLG discipline
2. Record savings remittances and loan repayments transparently received by the IFSC at SLG meetings within the accounts of the IFSC and individual SLGs
3. Manage IFSC Accounts in line with the guidelines provided originally by the PFI and by SEC&CDA
4. Assist the Chairperson in checking and reconciling the IFSCASLA records
5. Act as a co-Signatory for each ASLA cooperative or bank account

SECTION 4. BOD Secretary The BOD Secretary shall:

1. Assist the Chairperson in maintaining IFSC member and SLG discipline
2. Record attendance and prepare the minutes for all ASLA meetings
3. Manage BOD and IFSC administration in line with the guidelines provided originally by the PFI & CDA
4. Handle all ASLA correspondence and operate its filing systems
5. **Record savings remittances and loan repayments transparently** received by the Chairperson at ASLA meetings within the ledgers for the ASLA and individual SLGs
6. Assist the Chairperson in checking and reconciling the ASLA records
7. **Act as a co-Signatory for each ASLA cooperative or bank account.**

SECTION 5. SLG Chief – The Chief shall:

1. Be the presiding officer of the SLG
2. Execute all policies and procedures as well as resolutions of the SLG and IFSC
3. Be in charge of directing and overseeing the activities of the IFSC
4. Submit a report to the members at the close of the year during the Annual Meeting of the General Assembly on the operations for the fiscal year under his term.
5. Disburse loans to be made to SLGs or SLG members at regular ASLA meetings.

SECTION 6. SLG Treasurer – The SLG Treasurer shall:

1. Act as Chief during the absence of the latter during his/her absence or incapacity to performed duties assigned
2. Be in charge of funds, receipts and disbursement of any SLG/IFSC funds.
3. Keep all moneys and other valuables of the SLG/IFSCASLA in such bank or depository as designated by the Constitution and By-Laws
4. Keep and have charge of the SLG books of accounts
5. Perform such other duties and functions as may be assigned to him/her from time to time.

SECTION 7. SLG Secretary/Book-keeper – The SLG Secretary/Book-keeper shall:

1. Keep the minutes of all meetings of members in a book purchased specifically for the purpose.

2. Have custody of the members register and the correspondence files of the SLG.
3. Enter all transactions in the books of accounts and prepare a fund status report for every meeting.
4. Perform such other duties and work as the Chief may from time to time assign to him/her.

SECTION 8. SLG Project Officers – The SLG Project Officers shall:

1. Assist members in the preparation of Loan Application Forms
2. Visit the income generating loan projects of every borrower
3. Check borrowers' Notebooks
4. Render reports on the status of income generating loan projects during SLG meetings
5. Perform such other duties and work as the SLG Chief may from time to time assign to him/her
6. Endorse loans to SLGs and SLG members approved in Regular Meetings in association with the SLG Chief

ARTICLE V

MEMBERS

SECTION 1. Qualification of Membership – Membership in the IFSC shall be open to persons who are members of its GGs/SLGs and:

1. Are of legal age, residing in the area of operation, and drawn from a family with no other member within the GG.
2. Have been identified as needing financial services
3. Have attended and satisfactorily completed the IFSC Compulsory Training Course.
4. Will strictly adhere to the accreditation policy of the IFSC
5. Are willing to follow the Constitution & By-Laws, rules and regulations of the IFSC
6. Have no outstanding loan in any financing institution

SECTION 2. Rights of Members – A member shall have the right to:

1. Vote on all matters relating to the affairs of the SLG/IFSC
2. Be eligible for any elected or appointed office of the SLG/IFSC.
3. Participate in all deliberations or meetings of the SLG/IFSC
4. Avail themselves of all the facilities and services of SLG/IFSC; and
5. Examine all the records or books of SLG/IFSC during business hours

SECTION 3. Duties and Responsibilities of Members – A member shall have the following duties and responsibilities :

1. To obey and comply with the Constitution and By-Laws, rules and regulations that may be promulgated by IFSC from time to time
2. To punctually attend all meetings that may be called by the SLG and IFSC and those set out in its Constitution and By-Laws.
3. To pay membership dues and any assessments/penalties of the SLG and IFSC

ARTICLE VI

SUSPENSION, EXPULSION AND TERMINATION OF SLG OFFICERS AND MEMBERS

SECTION 1. Grounds for Removal/Expulsion

1. Three (3) consecutive absences from SLG meetings without valid reason
2. Conviction of criminal offense punishable by imprisonment
3. Non-quality GG member status for three months
4. Violation of SLG/IFSC rules and regulations/policies as set out in the Constitution and By-Laws
5. Vote of no-confidence of a majority of members at a meeting with a quorum attendance.

SECTION 2. Manner of Expulsion/Procedures

Expulsion of Officers

1. Letter of complaint submitted by a member to the Secretary/Bookkeeper or to the SLG Chief whoever is appropriate.
2. Creation of Investigation Committee to
 - conduct an investigation within one week

- establish an investigation committee have a hearing with the respondent and complainant in attendance
 - submit the investigation committee report to the SLG Chief or Secretary/Bookkeeper.
3. Based on the report recommendations, an affirmative vote of majority of the members is necessary to effect expulsion.
 4. On proven violation of SLG/IFSC rules and regulations/policies
 5. On the passing of a Vote of No-confidence by the SLG members

Expulsion of an SLG Member

1. Convicted of criminal offense punishable by imprisonment.
2. Non-accredited status for three months
3. Violation of SLG/IFSC rules and regulations/policies
4. Vote of No-confidence of members

ARTICLE VII

FUNDS

SECTION 1. Funds – The funds of the IFSC shall be derived from interest income from the lending operations, gifts, and donations as well as members savings held by the SLGs ASLA. Withdrawals of the funds of the IFSC shall be authorized and signed by the Treasurer and the countersigned by either the BOD Chairperson or the Secretary/Bookkeeper.

SECTION 2. Savings and Lending Policies – The IFSC shall formulate savings and lending policies related to IFSC Revolving Loan Fund usage and apply those relating to SLG Emergency Reserve Funds. Such policies shall form part of the regulations to be followed by the members.

SECTION 3. Fiscal Year – The fiscal year of the IFSC shall be from January 1 to December 31 of each calendar year.

ARTICLE VIII

AMENDMENT OF THE CONSTITUTION AND BY – LAWS

SECTION 1. Amendments – The Constitution and By-Laws, or any provisions thereof may be amended or repealed, or new By-Laws may be adopted by a unanimous vote of the members at any regular or special meeting of the General Assembly duly held for this purpose.

Note: Ideally Constitutions and By-Laws should not be amended until UDP closure to ensure all IFSCs have the same basic guiding principles and can therefore join together into larger institutions and groupings later.

MODULE 3

MEMBER/OFFICER PERFORMANCE APPRAISAL AND PROCEDURES FOR ELECTING ASLA OFFICERS

If the FSC is to move forward to develop independent status it must wind up its original activities and start again with a management newly elected by and from the remaining members. To ensure that only members with real leadership potential and suitable administration and financial skills are elected during any election or whenever a vacancy occurs within the IFSC, members should carry out a performance appraisal on each potential candidate. This Module explains how this is done and used in the first such IFSC election. Assistance by the PPO staff will be required to act as evaluation assistants and election returning officer if required.

Every potential candidate should be a Quality Member of an SLG. Candidates for all officer positions should also be fully literate and numerate.

More than any of other position, that of Chairperson requires leadership abilities, while other posts require individuals who have fully completed secondary education and possess a willingness to learn simple business skills. **Particular efforts should also be made to ensure that competent SLG officers are encouraged to take on IFSC officer posts.**

Individuals holding existing officer positions within SLGs can also be IFSC officers.

DEMONSTRATION OF QUALITY MEMBERSHIP POTENTIAL

To be a Quality Member (QM), an SLG member should have a record of achievement of 100% attendance, savings and loan repayment within his/her SLG for the three months prior to the election. 100% achievement is a basic requirement for any officer to show real commitment to the system

Knowledge, Skills And Values (KSV) Orientation

KSV orientation of any potential officer is assessed on the basis of demonstrated capacity to be an enabler, facilitator, coordinator and an accountable individual. Trainers should explain these qualities to participants using the flipcharts below:

Knowledge, Skills and Values Requirements of Any IFSC Officer

An Enabler is capable of:

- articulating to members a clear statement of the IFSC vision, mission, and goals
- motivating members to work for the attainment of the goals of the IFSC
- facilitating decision-making processes

A Facilitator is capable of:

- allowing IFSC members to discuss and decide on issues concerning the IFSC

- providing members with opportunities to actively participate in problem-solving processes
- ensuring that there is adequate communication and provision of regular feed-back between and among IFSC members
- drawing out the participation of each member in SLG/IFSC meetings, group and training activities.

A Coordinator is capable of:

- organizing and harmonizing members' activities and participation
- delegating specific and appropriate responsibilities

An Accountable individual demonstrates this capacity through:

- updating members clearly on the status of his/her activities and performance
- accounting clearly on the status of entrusted funds
- acting as a role model, being of good moral integrity and never having been convicted of any criminal case.

Potential IFSC Officer Performance Appraisal To Select Out Unsuitable Candidates

UDP has developed a form for use in appraising potential IFSC officers. This should be distributed to participants. Trainers should then run through the procedure used in completing the form. Potential Officers are scored using the following Score Ratings:

Satisfactory : - 3 Fair : - 2 Needs Improvement: – 1

Quality Member (QM) Status is assessed on the basis of achieved attendance (A), savings (S) and loan repayment rates (R). Ideally no member should become an officer without achieving a 100% or Satisfactory '3' Score Rating.

Individuals are evaluated separately on each line and a score total for each computed.

All individuals standing for the post of BOD Chairperson should be evaluated first. When all Chairperson candidates have been evaluated, they are ranked in order of scoring in the last column. The process is then repeated separately for each of the other posts in descending order of seniority

Potential IFSC Officer Appraisal Form

| Name of Member | QM Status | | | If officer, has performed duties satisfactorily | Knowledge, Skills & Values (KSV) | | | | Total | Rank |
|--------------------------------|-----------|---|---|---|----------------------------------|-------------|-------------|-------------|-------|------|
| | A | S | R | | Enabler | Facilitator | Coordinator | Accountable | | |
| <u>BOD Chairpersons</u> | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| <u>BOD Treasurer</u> | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| <u>BOD Book-keeper</u> | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| <u>BOD Secretary</u> | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| <u>Others</u> | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

Sample: Candidates for BOD Chairperson

| Name of Member | QM Status | | | If officer, has performed duties satisfactorily | Knowledge, Skills & Values (KSV) | | | | Total | Rank |
|----------------------------|-----------|---|---|---|----------------------------------|-------------|-------------|-------------|-------|------|
| | A | S | R | | Enabler | Facilitator | Coordinator | Accountable | | |
| <u>Chairpersons</u> | | | | | | | | | | |
| Ms X | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 23 | 1 |
| Mr. Y | 3 | 2 | 3 | 1 | 3 | 3 | 2 | 1 | 18 | 3 |
| Mrs. Z | 2 | 3 | 3 | 3 | 2 | 3 | 3 | 2 | 21 | 2 |

Election Procedures For IFSC Officers

Once participants have understood the appraisal procedures, the Trainer should go ahead with the election of officials using the following steps:

1. PPO staff complete IFSC Member Performance Appraisal procedures for all individuals expressing an interest to stand as a candidate following the approved qualification standards.
2. The appraisal rankings are then presented to the applicants for validation.
3. Those scored most highly are then asked if they are interested to run as officers – some might decline.

4. Having established a list of those qualifying and accepting their being put forward as candidates, participants must formally nominate those to be included in the final shortlist.
5. A mock election will then take place by balloting.

Similar procedures will be followed for all further elections held within the IFSC.

Confirmation of official election results must be duly signed by the BOD Secretary in any election.

NEW ELECTIONS

New elections are required for all the positions within the FSC. These should be held ideally at the next General Assembly which starts off Stage 3. Potential candidates need time to reconsider their positions in the light of the changes in FSC structuring that will be needed.

STAGE 3

INDEPENDENT FINANCIAL SERVICES CENTER COMPULSORY TRAINING (IFSCCT) – PART II

INTRODUCTION

Stage 3 essentially covers the formal establishment of the Independent FSC and the re-orientation of its officers in the workings of the new arrangements.

During the period between Stages 2 & 3, the final version of the IFSC Constitution & By-Laws is prepared by a combined team of outgoing FSC BOD Members, interested candidates for the new BOD positions and PPO staff. This will be put to the membership during the First IFSC General Assembly which forms the first Module of this Stage. The General Assembly will elect and induct the new IFSC officers and members and start operations off with all members signing a Memorandum of Commitment which re-establishes their positioning within individual SLGs

Subsequent training of IFSC Board of Directors and SLG operations should take place at Regular Meetings and **not** in special sessions. For the first 2-3 months of IFSC operations it is recommended that IFSC BODs meet every two weeks rather than monthly to ensure that the procedures are quickly adopted

The establishment and development of an IFSC as an effective grouping or institution is a continuing and time-consuming process which can take up to 3 months to fully complete. The objective of this training stage is to familiarize all participants with the basic concepts of the founding principles and day-to-day management systems which are required to enable the FSC to transform its current operations under the close supervision of a concerned UDP staff.

The IFSC and SLG officers once elected will receive more detailed in-service, day-to-day training and supervision from the RFO. Where necessary specialized ancilliary training courses will be provided by PPO and/or RFS Team staff at local and/or provincial venues on specialized topics e.g. accounting, income generation and investment, etc

OBJECTIVES

The IFSCCT shall be undertaken to:

- Hold the first General assembly of the IFSC, elect and induct new officials, renew member allegiances, and finalize and adopt the new controlling Constitution and By-Laws.
- Train IFSC and SLG officers and members on the job at subsequent IFSC and SLG meetings in the operation of the IFSC and SLG administration and simple accounting systems.

REQUIREMENTS

All participants must participate in the first IFSC General Assembly. Subsequently all newly elected officers receive on the job coaching at IFSC and SLG meetings from UDP and other accredited trainers.

TRAINERS/RESOURCE PERSONS

IFSCCT continues to be undertaken by the UDP PPO TWG with backup support from the RFS-PMO Team as required.

METHODOLOGY

- An IFSC General Assembly
- Lectures
- Group Discussions & Structured Learning Exercises (SLEs)
- Use of Flip Charts translated into the vernacular

DURATION AND SCHEDULE

The IFSCCT Part II will take up to 3 months to complete but begins with the First IFSC general Assembly which should be held as soon as possible after Stage 2 completion. UDP staff have the flexibility to schedule the program for Module 2 in the way which best suits their participants. The venues must be agreed by the participants.

TARGET PARTICIPANTS

IFSC members and officers.

PREPARATORY ACTIVITIES

PPO staff handling RFS responsibilities will receive prior briefing/updating on the latest UDP policies and procedures. The final draft version for General Assembly review and amendment/approval of the IFSC Constitution & By-Laws must be prepared and printed off prior to Stage 3 start-up

Materials and flipcharts needed for IFSCCT module sessions should be translated into the vernacular and prepared and made available in the week prior to implementation for each of the following Module:

Stage 4, Module 1 – The First IFSC General Assembly incorporating the election and induction of new officers, a Commitment Building Ceremony, the signing of the Memorandum of Commitment and finalization of the Constitution and By-Laws

Stage 4, Module 2 – IFSC Financial and Administration Recording

Stage 4, Module 3 – Monitoring and Evaluation of IFSC Operations

MODULE 1

FIRST IFSC GENERAL ASSEMBLY

Following the elections held at the end of Stage 2, a General Assembly meeting is held to be attended by all IFSC members. The Agenda for this meeting shall include the following:

1. Proof of service of the required notice of meeting.
2. Proof of the presence of the quorum
3. Reciting/singing of the IFSC Pledge
4. Report by the PPO Representative on the IFSC reformulation process
5. Final presentation of the closure position of the previous FSC by the outgoing BOD
6. Resignation of the previous FSC BOD, Committee Members and SLG Officers
7. Election and induction of the new IFSC BOD and SLG officers
8. Distribution of Certificates of Attendance to all members successfully completing Stages 1&2 of the IFSCCT program
9. Induction of the New IFSC Board of Directors
10. The Commitment Building Ceremony
11. Signing of the Manifesto of Commitment by all members
12. Adoption of the final IFSC Constitution & By-Laws
13. Other Matters.

The Assembly should be chaired on opening by the previous FSC BOD Chairperson and undertaken with the assistance of PPO officers.

SUGGESTED COMMITMENT CEREMONY PROCEDURE

Groups within Southern Mindanao, already have well-established commitment building ceremonial procedures. Such ceremonies are considered essential to forge acceptance. Participants should therefore be able to develop their own system helped by the PPO staff. The procedure outlined below is used in Catanduanes.

- 1) The PPO official places a big lighted-candle at the center from which every participant will light his/her candle.
- 2) Every member of each SLG in turn walks towards the big lighted-candle, lights his/her own candle and says what he/she commits to the SLG/IFSC.
Example: "I, (state your name) I will exert my best efforts to attend the IFSC regular meetings and pay my savings and all due loans."
- 3) After saying his/her commitment statement, the member then returns to his/her seat seeing to it that his/her candle remains lighted until the ceremony ends.
- 4) When all have undertaken this individual exercise, they blow out their lighted candles at the same time and applaud themselves for officially qualifying as IFSC members.

The new BOD Chairperson wraps up the agenda activity with a closing message exhorting active participation in IFSC activities by both officers and members.

MANIFESTO OF COMMITMENT OF IFSC MEMBERS

The Manifesto is signed by all members **immediately** after Commitment Building Ceremony:

We, the undersigned members of _____ IFSC affirm that:

- We value our membership in the SLG because our SLG helps us improve our standards of living by promoting saving and the lending of this capital amongst the membership for providential purposes.
- Our IFSC is important because it provides our SLG and its members with an additional use for our savings capital for lending to members for income generating projects as well as potential access externally to additional loan capital if required.
- Our IFSC secures all members loans through the use of non-collateralised security using peer pressure and joint and several liability amongst members and groups.
- Our IFSC promotes the principles of disciplined savings and lending.
- We will exert our best efforts to adhere to the principles and policies of the IFSC by being Quality Members.
- We will always be the role models in witnessing the important three principles of IFSC operation: DISCIPLINE, HARDWORK and INDUSTRY.

SO HELP US GOD.

Signed on this _____ day of _____ 2001.

| SLG 1 | SLG2 | SLG3 | SLG4 | SLG5 | SLG6 |
|-------|------|------|------|------|------|
| | | | | | |
| | | | | | |
| | | | | | |

ADOPTION OF THE FINAL IFSC CONSTITUTION & BY-LAWS

By preparing the final version well in advance of the General Assembly, its content should be adopted with relative ease. Members should be told which agencies have endorsed its content to re-assure all present of the authenticity

MODULE 2

IFSC FINANCIAL RECORDING

ADDITIONAL PREPARATORY ACTIVITIES

All preparatory work shall be handled by the responsible PPO staff member who shall conduct the training. All training will use a combination of worked examples and actual book-entries. The Trainer shall assemble all necessary training materials prior to training sessions together with a full set of accounting documents to be provided by UDP for each restructured IFSC.

ACTION TO BE TAKEN

The training shall be undertaken in two phases:

- Familiarization of all members with the types of accounts and administration documents to used, detailed instruction in the completion of entries in the Individual Ledger, Individual IFSC Member's Passbook, Loan Repayment Schedule, Cash Book, Cash Receipts and Disbursement Book and an outline of the steps to be undertaken in maintaining the full IFSC accounts and the production of IFSC fund status report
- In-depth hands-on training in all aspects of the operation of the full IFSC accounts and routine administration for the BOD Chairperson, BOD Treasurer, BOD Bookkeeper, SLG Chiefs, SLG Treasurers and SLG Secretary/Book-keepers.

IFSC ACCOUNTING

The IFSC accounts for both the SLGs'ERFs and the IFSC RLF. The following accounting forms are used at the IFSC level:

1. IFSC Cash Voucher (BOD Book-keeper)
2. SLG Cash Voucher (SLG Book-keeper)
3. IFSC Cash Book (BOD Treasurer)
4. SLG Cash Book (SLG Treasurer)
5. RLF Loan Repayment Schedule (BOD Treasurer)
6. SLG ERF Loan Repayment Schedule (SLG Treasurer)
7. IFSC RLF Cash Receipts and Disbursements Book (BOD Bookkeeper)
8. SLG ELF Cash Receipts and Disbursements Book (SLG Bookkeeper)
9. SLGs ERF Statuses (BOD Book-keeper)
10. IFSC Individual Member Ledgers
11. SLG Savings, Loans and Other Payments Transmission Report

12. Individual SLG/IFSC Member Passbooks (Member / with SLG Treasurer's initials during payment)

The forms are shown on the pages that follow.

UDP shall provide the members passbooks, initial books of account and a cashbox for each IFSC. Succeeding supplies/forms will be funded by the IFSCs from their interest income.

Name of Independent Financial Services Center

Barangay/ Municipality

IFSC CASH VOUCHER

CV. No: _____

Date : _____

Payee _____

| PARTICULARS | AMOUNT |
|--------------------|---------------|
| | |
| | |
| | |
| | |
| Total | |

Disbursed by:

Approved by:

Received by:

IFSC BOD Treasurer IFSC BOD Book-keeper

Prepared by the BOD Treasurer

Name of Independent Financial Services Center

Barangay/ Municipality

SLG CASH VOUCHER

CV. No: _____

Date : _____

Payee _____

| PARTICULARS | AMOUNT |
|--------------------|---------------|
| | |
| | |
| | |
| | |
| Total | |

Disbursed by:

Approved by:

Received by:

SLG Treasurer

SLG Book-keeper

Prepared by the SLG Treasurer

IFSC RLF LOAN REPAYMENT SCHEDULE

Member: _____ Principal + Interest Amount: _____

Province: _____ Date Released: _____

Municipality: _____ Term/Duration: _____

Barangay: _____ Interest Rate per Month: _____

| Week | Instalment Due Date | Due Amount | Date Paid | Amount Paid | Diminishing Balance | Treasurer Initials/Date |
|------|---------------------|------------|-----------|-------------|---------------------|-------------------------|
| | | | | Total P+I | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
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| 21 | | | | | | |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |

Maintained by the BOD Treasurer

(Use a separate schedule for each loan for every loan from RLF)

SLG ERF LOAN REPAYMENT SCHEDULE

Member: _____ Principal + Interest Amount: _____

Province: _____ Date Released: _____

Municipality: _____ Term/Duration: _____

Barangay: _____ Interest Rate per Month: _____

| Week | Instalment Due Date | Due Amount | Date Paid | Amount Paid | Diminishing Balance | Treasurer Initials/Date |
|------|---------------------|------------|-----------|-------------|---------------------|-------------------------|
| | | | | Total P+I | | |
| 1 | | | | | | |
| 2 | | | | | | |
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| 25 | | | | | | |

Maintained by the SLG Treasurer

(Use a separate schedule for each loan for every loan from RLF)

SLG EMERGENCY RESERVE FUND STATUSES

SLG: _____ Month: _____

| SLG Name /No | Target ERF Size | ERF Start-up Financing | | | | ERF Loans | | | | IFSC Supplementary Financing | | ERF Balance | TOTAL IN | TOTAL OUT |
|--------------|-----------------|------------------------|----------------|----------|-------|---------------|------------------|-----------------|--------------|------------------------------|-----------|-------------|----------|-----------|
| | | Initial Cont | Regular Saving | Lump Sum | Total | Loan Releases | Principal Repaid | Interest Repaid | Total Repaid | Funds In | Funds Out | | | |
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| TOTAL | | | | | | | | | | | | | | |

MANAGING CASH RETENTION AT SLGs AND IFSCs

During FSC establishment under PFI tutelage, only P500 was held overnight at FSC headquarters as all other cash was withdrawn to the PFI. Under IFSC management however cash management becomes an IFSC responsibility.

In order to prevent problems with cash shortages and to generally safeguard SLG and IFSC funds, each IFSC must establish a rule fixing the maximum and minimum amounts of cash to be held at any one time.

With immediate effect it is recommended that the following amounts are routinely held:

- P1,000 from the SLG ERF by SLG Treasurers in cashboxes with two locks with keys held by the SLG Treasurer and SLG Secretary/Book-keeper. Such cash can be disbursed immediately by SLG Treasurers to cover emergency loans to SLG members.
- P2,500 from the IFSC RLF by BOD Treasurers in steel cabinets with cash secured with two locks with keys held by the BOD Treasurer and BOD Book-keeper. Such cash is to be held as a float to cover operating expenses

Ideally, there should be no other idle funds held in the IFSC. However, should excess cash be available at the end of each week, the following steps should be followed:

- Retain adequate cash to cover anticipated ERF and RLF loan outlays during the coming two weeks
- Deposit the balance remaining in the IFSC bank account.

SECRETARIAL DUTIES

It is the responsibility of the Secretary to maintain the records of the IFSC. Where possible Trainers should ensure that all Secretaries of any type of grouping is using a similar format.

Two sets of records can be standardized everywhere:

- Membership Listings
- Preparation of Minutes

Every IFSC must keep an up to date record of members. A suggested form is shown below.

IFSC MEMBERSHIP LIST

| SLG | MEMEBRS | | | | | BIODATA | | | | | | | | FUNCTION | | Enrolment date |
|-----|---------|---------|------------|-----|------|-----------|--------|-----------|-------------|----------------|--------------|----------------|--------------|----------|------|----------------|
| No | No. | Surname | First name | M.I | Line | Birthyear | Gender | Education | Marit.stat. | Dependent s | Memb. Act | Spouse. Act | Earners s | SLG | IFSC | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | |
| 1 | | | | | | | | | | | | | | | | |
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Prepared By: _____
 CEPAP ATO Staff Member

Date: _____

Noted By: _____
 ASLA Chairperson

Date : _____

HOW TO PREPARE THE MINUTES OF A MEETING

To simplify the minutes procedures, UDP has produced a format *and not a form* to be used by Secretaries/Book-keepers. Loose forms always get lost and therefore should be avoided, while bound ledgers hold minutes permanently.

The format set out below is for SLG meetings but can be easily adapted to by Trainers to cover any other type of meetings

Trainers should run through the system with each Secretary to make sure they can follow it precisely.

Instruction Guide

The Minutes of Meeting format should be **copied** into a bound ledger book and used to record activities undertaken and agreements/decisions made as well as attendance of members to the meeting.

Minutes of Meetings must be made to cover each official meeting.

PROCEDURES FOR FILLING IN FORMATS

1

Fill-up columns on:

- a) SLG Name -
- b) Venue/Place of Meeting - Indicate WHERE the meeting was held
e.g. Barangay Hall,
- c) Date & Time of Meeting – specify WHEN the meeting was held
e.g. January 21, 2001 at 09.00am
- d) Presiding Officer - mention NAME of the individual who led/directed the meeting
e.g. Ms. Rasanna Page

2

- List down names of those who attended the meeting and put a check (☒) mark opposite their names under the PRESENT column.
- Indicate likewise the names of those members who were absent and state the reason for their absence.
- You may refer to the attendance sheet earlier signed by the members for this purpose.

3

- On the AGENDA column, enumerate all topics/items presented for consideration/discussion during the meeting
- Tick-off by putting a mark opposite the right side of the AGENDA whether such item was discussed or not, and lastly, briefly indicate corresponding DECISION/AGREEMENTS made in such particular item.

4

- Don't fail to jot/note down exact time/WHEN the meeting ended; the names and signatures of the person who prepared the Minutes, and noted/confirmed the proceedings.

Instructions:

Follow the color coding in filling out the attendance. Note also that SLGs must have an Attendance Chart posted on the wall indicating color coding as stated below.

Blue ink – for on time

Red ink – for late

Black ink – for absent

AGENDA and AGREEMENTS/DECISIONS MADE:

| AGENDA | DISCUSSED | | DECISION/S |
|--------|-----------|----|------------|
| | Yes | No | |
| | | | |
| | | | |
| | | | |
| | | | |

Time Adjourned: _____

Prepared by:

Noted by:

SLG Secretary/Bookkeeper

SLG Chief