A Tool Book on Organizing SLGs: Enhanced Version
An Instructional Manual for UDLF Field Officers

Part I. Users Guide

A. Background

1. Rationale/Objectives

? This is an enhanced version of the tool book that came out March 2000. It is meant to make the SLG organizing work of UDLF Field Officers simpler and therefore less stressful. It benefited from the rich experiences of UDLF Field Officers generated in the first barangay. The said experiences were compiled from the results of SLG assessments conducted in December 2000.

? This version focused on two subjects: (a) How to conduct Barangay Orientation: RFS; and (b) How to conduct RSMT. The discussion of the first subject matter is to show to UDLF Field Officers, on step-by-step way, how to conduct RFS orientation. The improper handling of RFS-related topics during the barangay orientation in the first barangay was the main reason behind the action to order things out in a systematic manner. This enhanced version precisely addressed this point.

? Similarly, the second subject matter points to a more systematic handling of RSMT. The enhanced RSMT here offers the UDLF Field Officers a new perspective in the use of RSMT as a tool to promote savings-based credit system in the uplands. This version offers the UDLF Field Officers a more detailed discussion of conceptual basics of savings-based credit approach. It also provides detailed elaboration of the procedural aspects of RSMT.

? The enhanced version departs from the "benign neglect" posture of the earlier version. The earlier version allowed the sparing use of RSMT the UDLF Field Officers sees fit. This present version expects the UDLF Field Officers to strictly follow its prescriptions without maneuvering space to improvise. This is short of saying spoon-feeding the UDLF Field Officers.

2. Words of Caution

? To reiterate, the contents of this tool book largely came from the results of the SLG assessments conducted in Davao Sur, Compostela Valley, Sarangani, and South Cotabato. Hence, this tool book is not grounded on sinking sand.

? Just in case, the prescriptions of this tool book run inconsistent with certain realities in the uplands, the UDLF Field Officers are enjoined to make the appropriate judgement call. The challenge not to be mechanistic still stands.

Part II. The Need to Improve SLG Organizing Strategy

A. The Improved SLG Organizing Strategy

1. Limitations of the Old Strategy

? There was a deliberate effort by the UDLF Field Officers not to mention **credit** in all their savings promotion and SLG-organizing activities. This came from the pre-conceived fear that credit might railroad all discussions related to savings. The assumption was that the target upland communities prefer "borrow-first-save later" position. The pre-conceived fears were indeed proven right. The upland communities used the **"L"** (which stands for Loan) in the term **"SLG"** as jumping point for asking questions. Before long, the UDLF Field Officers were asked with mostly inquisitions on credit. The most prominent question raised was: "When would lending start?"

? A significant number of UDLF Field Officers yielded to intense pressure. They responded by assuring the upland communities that lending operation would begin upon hitting the P 10,000 per SLG quota in the first six months after the SLGs were organized. The word quota was interpreted as the main obstacle to credit. The upland communities were hopeful that the six-month rule would be relaxed. All these factors resulted to more pressure for credit. In some areas, an early credit operation became the resounding clamor. This put the UDLF Field Officer under severe strain as others refused to go up in their field of assignments anymore.

? Looking back, below are some of the learnings that UDLF Field Officers could get from their experiences:

- The upland communities misunderstood the UDP or its Rural Financial Services (RFS) as another typical act of generosity by the government. They had difficulties understanding why would government ask them to save first when they were accustomed to the "borrow-first-save-later" practice as was championed in the old programs. This attitude towards UDP will likely continue in the second barangay.

- The UDLF Field Officers was not prepared to confront the above-mentioned situations. As employees of PFIs, whose psychological and professional training was to deal exactly with such problems, they should have found nothing difficult in the said circumstances. However, PFI management seemed to have been laxed in their obligation to provide guidance to their respective UDLF Field Officers.

- To begin with, the UDLF Field Officers have yet to be fully integrated into the PFI institutional way of things. Many of them have complained that they still feel “outsiders” in the workplace even after considerable time. Secondly, the PFI management has yet to concretize how to incorporate RFSS in their corporate mandate as financial institutions. Meaning, even the managers of PFI are not clear on why are they in the uplands. Therefore, if the managers were confused—the staff would likely be in the similar situation.

- Of course, there were PFIs which have clear vision of what they intend to do in the uplands. These same PFIs have been devoted in their obligations under UDP and overly supportive of UDLF Field Officers in the field. The main difficulty of this type of PFI, if ever, is their apparent difficulty explaining their intentions in the uplands to UDP.

- Overall, the UDLF Field Officers did encounter situations that were not adequately prepared for beforehand. It should have been less tedious for them had their respective PFI management has taken a more attentive posture.

2. The Improved Strategy

? The UDLF Field Officers have to cover three more barangays. To deploy them to new areas at this point might result to a situation wherein they would be under extreme pressure again and consequently commit the same mistakes. It would be urgent therefore to equip them with improved strategies to make them more effective.

? The improved strategy revolves around the idea of promoting, at the outset, the Financial Service Center (FSC). The FSC should be projected as people-owned, people-financed, and people-managed financial institution. This institution should be providing bank-like savings facilities as well as bank-like credit services. The magic words are “people” and “bank”.

? The “people” referred here are the upland households targeted by UDP. That the upland households will join hands in building an institution that shall serve their financial interests in a way suitable to them. To ensure that such financial institution will truly cater to their needs, the people should finance and manage it themselves. Meaning, the people will dig into their pockets to raise their own capital needed to put up a financial institution. In addition, they should look into their community and find local talents who shall be asked to manage the said financial institution.

? The term “bank” is used here to describe the quality of financial services expected of the suggested financial institution. It should be emphasized that the said financial institution is not a bank duly licensed by Bangko Sentral ng Pilipinas (BSP). Nonetheless, the said financial institution seeks to imitate the quality of savings and credit services that characterize the banks. Hence, the financial institution wants to provide bank-like financial services. The upland households might label the financial institution a “Microbank” or “Community Bank”. To reiterate, it is not a full-fledged bank. The “bank” is just a label.

? The convenience of the label “bank” is that it will facilitate easy explanation of savings. The savings can now be explained within the framework of the bank. To wit:

– Upland households do save. But they do not have convenient and accessible savings facilities. Their “bank” becomes their depository institution.

– To achieve economies of scale, however, the upland households have to save in groups. Hence, they should organize Savings and Loan Groups (SLGs).

? The “bank” could also facilitate simple discussions of the concept of capital.

– Capital is put up by the upland households. If their so-called “bank” is a cooperative, then capital here is called Share Capital. So, the upland households wanting to be part of the “bank” will buy share capital to be part owner of the “bank”.

– Share capital put up by the upland households is different from the Seed Capital. The latter pertains to the credit fund being made available by UDP to the FSC or “bank”. The Seed Capital is a liability of the FSC or the “bank” to the UDP. The Share Capital, on the other hand, is part of the capital accounts or members equity of the FSC or the “bank”.

– The release of Seed Capital is based on the capability of the FSC or the “bank” to generate internal funds. The share capital and member savings are the two major forms of internal funds. The Seed Capital is 3x the value of share capital and half the value of member savings.

? In summary, the improved strategy proceeds from the discussion of future aspirations of the upland communities. The FSC or the “bank” is one such aspiration. It is in the light of these aspirations that savings mobilization activities will be better appreciated. In the same vein, it is through this sort of aspirations that credit operations will be understood in the proper context.

3. The Old vs. Improved Strategy

Old Strategy	Improved Strategy
? The take-off point is "savings for personal reasons". Convincing to save is premised on the future financial needs of upland people.	? The take-off point is FSC or a "bank". Savings-related topics are discussed within the framework of FSC or "bank".
? Future financial needs are viewed from personal perspective e.g., "need to save for the education of my children"	? The establishment of an accessible and convenient savings facility is an example of future need. The need is seen from the perspective of the community.
? Deliberate withholding of any information pertinent to credit.	? Mention of FSC or "bank" will bring in the discussion of credit. Hence, all inquisitions on credit would be immediately satisfied.
? Explanation of SLG is based on the need for group-based scheme to keep cost of mobilizing savings low.	? Need for SLG is not only due to cost considerations but also for purposes of implementing joint/several liability schemes once credit operation starts.
? PFI is introduced only as a depository institution.	? Upland communities get familiar with PFIs as capacity-building institution, financial partner, and a mentor towards institutionalizing FSC or "bank".

4. Advantages of the Improved Strategy

? The improved strategy will tell the upland communities what they want to hear in the first place – credit. The UDLF Field Officers would not be put on the spot trying to withhold, conceal or defer any discussion on credit-related topics. This means less stress inflicted on them.

? Brings the discussion of savings and credit to higher plane: From personal to community standpoint. In other words, the upland households are encouraged to see things beyond the narrow-minded interests but more on a wider perspective, that ensures viability and long-term sustainability.

? Better appreciation of SLGs as the financial foundation of FSC or their "bank", That SLGs function as savings collectors at the sitio level and as solidarity (joint liability) groups that instill credit discipline at all times. For this reason, the upland households will see that they have to meet frequently to acquire acceptable level of homogeneity. Without homogeneity, there will be no trust, without trust they could not act as solidarity groups in due time.

? Deeper understanding of the responsibility of borrowers who are owners of FSC or "bank" at the same time. That if as borrowers they will not repay, such act puts their FSC or "bank" in a dangerous situation. That failure to honor their credit obligation would result to possible death of the very institution they want to build to s erve their interests.

? An early discussion of FSC gives the UDLF Field Officers to discuss Seed Capital from UDP. Discussion of Seed Capital, in turn, will restate the importance of savings and share capital. This will assure the upland communities of the certainty of credit. That there will be "rewards" to good savers at the end of the first six months savings regimen. In this way, the upland households would realize why they have to start with savings and borrow later.

B. Major Activities in SLG Organizing

1. Barangay Orientation

? Barangay orientation is a community entry activity that seeks to orient the Barangay Council officials, Tribal Council, Barangay/sitio residents on whole entire aspects of UDP. It is one of the opening activities under the so-called Sustainable Community Development Process (SCDP).

? The output of orienting the Barangay Council is the passing of resolution of Acceptance or Support to the UDP. Support here entails soliciting the cooperation of sitio leaders, ensuring the safety of Agricultural Technicians (ATs), and the like.

? In the same manner, Sitio Assembly should be able to generate Certificate of Programme Support as a form of social contract with the community. The upland people themselves normally write (in vernacular) the stipulations of the said certificate.

? Barangay orientation, as seen from RFS component, is an occasion to orient the upland communities on the objectives, concepts, strategies and major activities of the component. This is done by the UDLF Field Officers who normally accompany the ATs in the conduct of barangay/sitio orientations. At times, in the absence of UDLF Field Officers, the ATs themselves do the RFS orientation. Of course, the UDLF Field Officers are more conversant than the ATs in so far as rural finance is concerned.

? One very important topic in the orientation is the Rural Financial Services System (RFSS). The PFIs in tandem with the RFS component staff wants this RFSS, as a financial model, installed in the uplands. The discussion of RFSS provides the comprehensive picture of how SLGs, FSCs, PFIs, UDP, local government, etc. will collaborate in installing and instituting RFSS in the targeted upland sites of UDP.

- It should be made clear that the barangay/sitio orientations should be conducted not from the UDP standpoint but from the institutional eyes of the PFIs. This is one big difference when the ATs are doing the orientations. ATs, normally act as spokespersons of UDP. They have been mouthing or at times parroting the UDP staff. The same holds true of the UDLF Field Officers. This should end.

- The PFIs should have a very clear idea of their intentions in the uplands. They should be able to reconcile their financial motives with the proposed RFSS. They should be able to see how the UDP, in general or the RFS component, in particular, can help them realize their aspirations in the uplands. Inability to do so is an ingredient to failure and frustrations in the uplands.

- PFIs without clear ideas of what they will get in return from the uplands can not guarantee the sustainability of RFSS even after the technical life of UDP. It should be emphasized that RFSS should be installed not in isolation from the existing financial system and practices already in place in the UDP municipalities. This is an input to sustainability. The primary responsibility of fulfilling this task rests on the PFIs.

- The barangay orientations should have the UDP perspective only when the Seed Capital is being discussed. Because the ownership of Seed Capital is UDP. It is something external to the PFIs. Hence, the discussion of the Seed Capital in an orientation activity should be based on the requisites of UDP as UDP sees fit.

- To conduct an orientation on the RFSS from the outlook of UDP would suggest that it is taking the lead role and relegating the PFIs to the backseat. This is also the same as saying that RFSS can be sustainable only if UDP stays in the upland communities forever. But UDP has limited life span. It is good only up to 2005. Sustainability therefore should be from what the PFIs perceived it to be. Not from how UDP sees it. That is why PFIs should have clear vision in the uplands.

2. Rapid Savings Mobilization Technique (RSMT)

- The barangay orientation is UDP-wide. The RSMT, on the other hand, is RFS component-specific. This is a technique adopted by PFIs to promote savings mobilization among the upland households in the targeted UDP sites. The PFIs, however, vary in the application of RSMT. As there are 12 PFIs at present, there are also 12 versions of RSMT.

- The differences in application center on the differences in RSMT objectives. There were PFIs conducting RSMT with the objective of merely emphasizing the importance of savings. A good number of them conducted RSMT for creating awareness that upland households can save collectively in the SLG. Unfortunately, others used RSMT to dangle credit.

? The RSMT process involves three stages. First is the Pre-RSMT stage. This stage is sometimes called "d oing-the-homework" stage. This implies that never do RSMT without doing your homework first. The most important point in this stage is the formulation of proper RSMT objectives. Unless the objectives are crystal clear, RSMT will fail miserably. The success of RSMT is measured on a number of pledges or commitments that the upland communities will give. The challenge in use of RSMT is to generate commitments in the shortest time possible (usually one hour).

? Good objectives are based on good information. S econdary data furnishes us with sensible preliminary information. The Comprehensive Development Plan (CDP) prepared by the Municipal Planning and Development Office (MPDO) is a reliable source of secondary information. It contains basic community profile, some demographic data and sectoral development figures. The CPD contains barangay level data. Few CPDs carry sitio level data.

? Secondary data merely gives a general picture of the upland communities. It does not provide household level data that indicate savings propensities, level of indebtedness, credit requirements, etc. For this reason, primary data becomes important. Primary data are generated through certain Participatory Rural Appraisal (PRA) tools. This makes conduct of PRA another important activity under the Pre-RSMT stage.

? After Pre-RSMT is the RSMT proper. This is the stage wherein the earlier mentioned commitments are generated. To reiterate, the success of RSMT is determined by the set of commitments generated, viz.:

- List of upland households who signified to participate in SLGs
- Pledged amounts and frequency of savings
- Agreed savings collection system
- Authorized signatories for depositing SLG account
- Agreed frequency operating details of SLG meetings for capacity building

? Since commitments were made in a "rapid" manner, follow up activities to validate commitments becomes a necessity. This is called Post RSMT stage. This is the most important stage as it can make or break SLG formation. The capacity building program for the SLGs is undertaken in this stage. On this account, the SLG members and the assigned UDLF Field Officer regularly sit down to map out training activities necessary for the smooth operation of SLGs. One important item in this regard is how to develop trust and confidence between and among each other. This is in preparation for their eventual role as solidarity groups in due time.

? The RSMT process essentially follows the SCDP flow. The Pre RSMT stage falls within the Pre -entry phase of SCDP. The RSMT proper fits neatly in the Community Entry. Lastly, the Post RSMT smacks squarely in the Implementation phase of SCDP. In case of inconsistency, the SCDP should prevail.

Part III. How to Conduct Barangay Orientation: RFS

A. Barangay Orientation Matrix: RFS

1. What to Consider before Conduct of RFS Orientation

? The RFS orientation is only a part of the Barangay Orientation. Meaning, it is only one of the topics being discussed in the orientation.

? The UDLF Field Officer should conduct the RFS orientation

? The PFI should be fully represented during RFS orientation.

? MSO should integrate all topics in the orientation.

? RFS orientation should never be conducted separately from the overall barangay orientation.

2. Pointers on Handle the Orientation on RFS

? RFS orientation should be completed in at least an hour.

? The intention is just to give the upland community a general picture of RFSS (vis -à-vis RFS).

? Details should be during RSMT

? Be facilitative and participatory in style, if time allows.

? Get commitments on the arrangements for RSMT.

Barangay Orientation Matrix: Rural Finance Services (RFS)

Session	Objective	Topics	Methodology	Time Allotment
Introductory Session	To set the tone	- Objectives/expected outputs of Barangay/ RFS orientation - Overview of topics to be covered	Tell a relevant story Lecturette	3 minutes
Credit-Oriented Approach	To inform about the negative experiences related to the approach	- Old development thinking - Linear approach to development - Lessons from the credit-led approach	Ask: What is your perception of government credit programs? Lecturette	7 minutes
Savings-based Credit Approach	To explain the new approach as adopted by UDP	- Emergence of savings-based credit approach - Comparison of Credit-led vs. Savings-based Approach - Why savings first? - How poor saves?	Lecturette Ask: Is the new approach applicable in the uplands?	7 minutes
The RFSS Model	To discuss the basic features of RFSS	- RFSS objectives - Guiding principles - RFSS as seen by PFIs	Lecturette Ask: What would go up against RFSS?	8 minutes
The Financial Service Center (FSC)	To discuss FSC as desired financial institution in the future	- Operational definition of FSC - FSC principles - FSC governance structure - Post UDP scenario for FSC	Lecturette Ask: How do you make FSC a success?	10 minutes

Session	Objective	Topics	Methodology	Time Allotment
The Savings and Loan Groups (SLGs)	To explain the mechanics of SLG formation	- SLGs as financial base of FSC - SLG membership - SLG savings - UDLF Field Officers and SLGs	Lecturette Ask: - What is the ideal size of SLG? - How often should they meet?	10 minutes
Need for Partner Financial Institution (PFI)	To discuss the responsibilities of PFI	- PFIs and upland financial markets - Financial and non-financial services of PFIs - Post UDP scenario for PFIs	Lecturette Ask: What would prevent you from dealing with PFIs?	10 minutes
Role of UDP	To obtain feedback on the facilitative role of UDP	UDP Seed Capital	Open forum	5 minutes

B. Core Materials Related to Topics in Barangay Orientation: RFS

1. Justification for Credit-led Approach is based on Old Development Thinking

- Poor is bone dry of funds – Being poor is having no money. There is a saying that even if you burn the poor down to the bones, no stink of money will ever come out. However, the experience in the first barangay has proven this contention false. The upland households have money as shown in the savings performance of SLGs in the first barangay. Savings stand at P _____ per SLG or P ____ per member.

- While it is true that they have money, the money involved is too insignificant to even tide them over the next meal. The finances (money inflows and outflows) of the poor is so fragile. They are not sure of the next inflow. This is assuming that the next inflow will ever come. The outflows, however, will certainly come. They have to eat in some way. They have to spend for education of children. They have to spend for other life cycle needs including burying deceased members of family, for childbirth, widowhood or old age.

- Poor people as the upland households do seek and find ways of managing whatever little money on hand[1]. They normally hang on to what they have as long as possible. They avoid unnecessary expenditures. This is true most especially among women. They are always on a look out for a safe place to store whatever money is left over. Lastly, they are always in a situation wherein they have to make a choice between the urge to consume or to fulfill the necessity to save.

- The amount of SLG savings accumulated over the last six months in the first barangay probably represent the choice upland households to save rather to consume. Although it was a difficult choice on their part, most likely they feel delighted for opting to save. At least their money kept, as savings with the PFIs are already safe from the petitions by relatives or neighbors in dire needs, alcoholic husbands and the like. Had the money been kept at home, it might have been spent in some unimportant items.

- It is clear from the foregoing that the poor upland households want to save and have the capacity to save. Hence, they are not bone dry of funds.

- Poor have no capital –The politicians also assume that the poor has no capital to take advantage of investment opportunities that at times come their way. Examples of this include investing in existing or new livelihood, to buy a land or other productive assets, to pay placement fee for the opportunity to work abroad, etc.

[1] Stuart Rutherford, "The Poor and Their Money", Oxford Press, 2000.

- ? The provision of capital to the poor is often viewed in the light of poverty alleviation measures. That external infusion of capital will create new economic activities, which in turn help, the poor rise above poverty situation. Provision of capital is also associated with the creation of income generating projects (IGPs). The IGP approach is likewise an anti poverty tool.

- ? The problem with IGP approach is the fact that it can not proceed without credit. It creates the impression that the poor need credit solely for the purpose of IGP. Hence, there are times the poor is prompted to borrow for IGP when the real need is for cash to pay for personal emergencies like sickness or injury, loss of employment and the like. The point here simply points to the fact that poor have different needs for financial services. Credit for IGP or any other investment opportunity is only one of them. The proper response therefore is to offer the poor with variety of financial services that address their need for cash for normal life-cycles (e.g. childbirth, education, fiesta), emergencies and investment opportunities.

- ? Poor needs cheap credit - Politicians and dole-out dispensers have always argued that the best way to help the poor is by providing them with cheap credit. The underlying assumption here is that the poor are so exploited by moneylenders that they deserve a rest this time from the government in the form of cheap credit. Normally, cheap credit means pegging interest rates at no more than 12 – 15 percent per annum. Any rate above this range would likely be perceived as "usurious".

- ? Many studies have shown that the poor are not very sensitive to interest rate. They are willing to pay the equivalent cost of timely and adequate financial service, be it savings or credit service. This shows that they are willing to pay the price or cost of efficient financial service.

- ? Pricing of financial service is based on structure and magnitude of costs. In the case of lending, one has to reckon with cost of funds, administrative costs, cost of probable non-repayment and the like. The higher these said cost items are, the higher the interest should be. Lenders can not afford to lend below their lending costs because they will go bankrupt. The higher the cost items would mean much inefficiency in the lending operation. For example, if the lender can not collect it could jack up its cost of a bad debt, which in turn increases the lending rate. So if the poor wants low lending rate, he or she has to repay loan obligations.

- ? The poor dislike collateral and cumbersome paper requirements. This explains why they would opt to borrow from the moneylender rather than a formal institution like a bank. In fact, collateral is the sharpest criticism against banks. They like everything hurried because their needs come in quick spurts too. This is true for emergency cases.

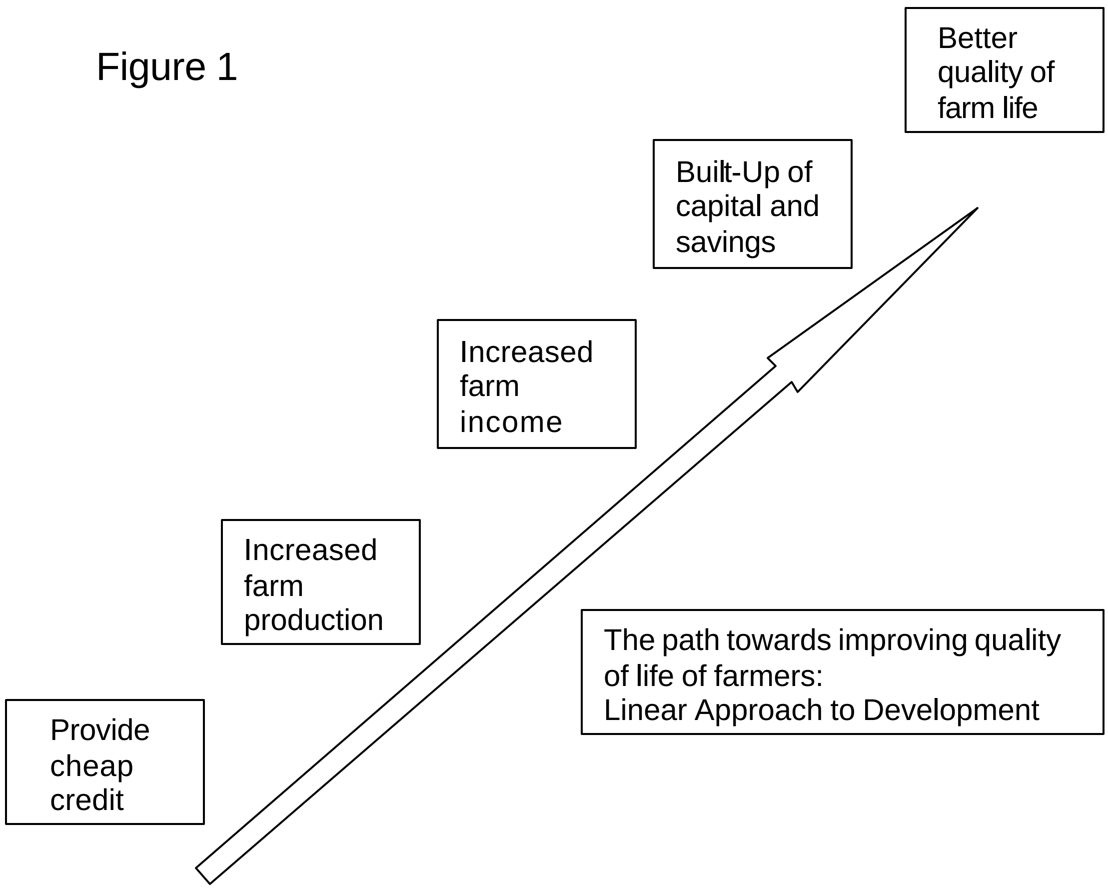
? In summary, the poor do not necessarily need cheap credit. They need efficient, timely and accessible financial services. They are willing to pay for the price of efficient, timely and accessible financial services. Only by paying for the right price that, they will have the assurance that such financial services will be for a long, long time. The poor dislike short-lived financial services that characterized many government programs.

2. Linear Approach to Development

? Linear here means an uncomplicated way of viewing at things e.g., “if the problem is lack of money then the solution is give money”. The government has always argued that poor production leads to low income. Hence, the way to increase the income of farmers, according to the government policy makers, is to increase their average yield per hectare and eventually overall farm production. This line of thinking happened during 1970s and it seems to continue even up to present.

? To increase farm productivity, however, is a function of new improved farm technology. The farmers have been described as being insistent on anything that is traditional and out-of-date. That is why they have been given a number of incentives just to try new farm practices. To facilitate extensive adoption of the so-called “green revolution” in 1970s, credit was dangled as incentive to farmers thoughtlessly. The idea was to provide the farmers with capital to be able to purchase the pesticides and other paraphernalia associated with the green revolution technology. Since then, credit was called as the “lever of development”.

? In effect, the approach of the government under a linear framework is as follows:



? Figure 1 shows that the way to improve the quality of life of farmers starts with credit. The provision of credit enables the farmers to purchase all farm inputs prescribed in the new farm technology being introduced by the government. The adoption of new technology then results to increased in production (say, rice). If there is an increased in harvest of rice then this results to corresponding increase in income. And once there is increase in income, this should redound to more food on the table, new appliances and the like. Hence, better life.

? Historically speaking, however, it is very difficult to say that the massive effort to provide credit in the past has resulted to improved quality of life of millions of farmers. In fact, the farmers-beneficiaries of the many past credit programs are in no better poverty situation than before. The situation of farmer-beneficiaries is actually more worrisome because of heavier debt loads than ever before.

? While it was true that the effort of the government to increase production was achieved, it was however short-lived. The country is back to where it started—still importing rice.

? The most basic limitation in the linear development approach was the inattention to the fact that the poor want to save and has the capacity to save. In pumping credit, the government had undermined the self-help initiatives of the poor. This bred dole-out mentality.

? The other basic limitation of the said approach was its omission of sustainability considerations. Such sustainability could only be tackled if the farmers had understood:

- Need to repay loans and other obligations

- Importance of strict compliance with the prescribed farm technologies

- Long-term benefits of collective or group-based actions (say, cooperative)

3. Lessons from Credit-led Approach[2]

? The credit programs is normally accompanied by the following subsidies:

- Interest rate subsidy – pegging the rates below lending costs to make it "affordable"

- Price subsidy – buying of farm commodities above the market price to help farmers increase income

- Training subsidy – government shouldering costs of educating the farmers on the details of the prescribed technology.

? **Contrary to expectations, the poor people capture only few subsidies attached to credit programs.** Researches have shown that much of the subsidies went to fertilizer and pesticide dealers, grain retailers, relatively big farmers, etc. Some went to the borderline poor. The real poor were "disenfranchised" (dropped from the list of eligible borrowers) after failing to repay credit obligations.

[2] Dale Adams, "The Decline in Debt Directing: An Unfinished Agenda", Park City, Utah, Sept. 4, 1998.

- Studies have also shown considerable incidence of "mis-targeting". One documented case in this regard was say, a large farmer instructing his eligible family members to borrow from government credit programs but the loan proceeds were diverted somewhere. Or say, tenants of landlords asked to borrow from same only to be told that all loan proceeds therefrom go to where the landlords pleases. So in a loan of say, P 1,000 at a subsidized rate of 12 percent (market rate is 18%) the interest subsidy of 4 percent or the equivalent of P 40 did not go the targeted poor but to the big farmers.

- Moreover, the supposed intention to use credit to influence adoption of new farm technologies similarly did not materialize. Studies have shown again that the s**ubsidized and directed loans have unclear effects on production, investment, and adoption of new technology**. This circumstance has been attributed to loan diversion cases reported by the government.

- It has been argued that a farmer is rational. Meaning, he knows what will work best for him. If he borrows loan to engage in a new farm technology and along the way an emergency situation crops up, he will definitely use the loan proceeds according to his best judgement. Nevertheless, when he thinks that the rewards from the adoption of new technology will far more outweigh the cost of misappropriating the loan, then loan diversion might not happen. In other words, many farmers in the past were not really fully convinced on the rewards of the new technologies being promoted by the government. Even if it were, the farmer will always use the funds on hand according to his best understanding of the situation confronting him.

- The other lesson worth discussing is the fact that **loan targeting or directed credit approach has weakening effects on the credit conduits used**. One will recall that the government encouraged the mushrooming of cooperatives as well as rural banks that made up its delivery mechanism for pumping credit in the countryside.

- However, these institutions became so dependent on government funds that they forgot to do financial intermediation i.e., generating internal funds (savings) and on-lending the same. They overlooked that as financial intermediaries they have to balance between internally generated funds and external borrowings. The internal funds are considered cheaper and more stable source of loanable funds. The use of internal funds (e.g., member-savings) enlightens the financial institutions to exercise care in lending. Prudence seems to be amiss when government funds are involved.

- It should also be pointed out that the failure of financial institutions to do efficient financial intermediation work has negative effects on the efficient allocation of resources in the overall financial market. Meaning, funds will not smoothly flow from surplus sector (those with extra available funds) to deficit sector (those in need of funds).

4. The Emergence of Savings-based Credit Approach

? As discussed in the earlier sections, there have been massive infusions of credits to the countryside. These were all done in the name of agriculture. Early on the implementation of massive credit programs, the emphasis was on medium- and large scale agricultural enterprises. The idea was for the medium- and large farms to trickle down the benefits to the small farmers. But this was not successful.

? Another approach emerged after the said failure. The small farmers were directly targeted afterwards. This was called target-group orientation approach. Sometimes it is called loan targeting. Of late, the approach was called directed credit program. While this approach is still very much around, many studies have shown that government policy makers are now dropping this method. The results of this approach were similar to the trickle-down formula.

? By mid 1980s, the non-governmental organizations (NGOs) entered the arena of rural finance. But they adopted a similar procedure called project-oriented approach. This mode also resulted to the creation of rural organizations (like cooperatives or people's organization) set up primarily as lending conduits. There was a time then when NGOs were so awash with donor funds. Eventually, donor fatigue set in.

? All the above-mentioned approaches can be summed up in one description: they were all "supply-leading". The features of supply-led approach are as follows:

- Financial helpless of the farmers was the central focus.

- Subsidized credit is important to modernize agriculture.

- The removal informal lenders were used as justification for many credit programs.

- Certain sectors (e.g., farmers, fisherfolks) has to be targeted to stimulate demand and induce investments.

- Government has to directly handle credit programs through its government financial institutions.

- Cooperatives and other rural organizations were tapped as lending conduits.

- Everything (credit terms and conditions) was placed in a blueprint.

? The period 1990s saw the emergence of demand-driven approach. This approach is anchored on the philosophy of savings. Hereunder are its salient features:

- Focuses on building institutions that can provide savings and credit services as demand by the low-income sector on a sustained basis.

- Emphasis on business sense to cover its costs by charging market rates and operates with reasonable margin.

- Not limited to financial institutions but it takes into consideration the whole financial environment including the savings and credit instruments that financial institutions use, the interrelationship with other actors in the financial arena (e.g., cooperative and banks) and the legal or regulatory environment (e.g., Bangko Sentral).

5. Comparison of Credit-led vs. Savings-based Approach

Features	**Credit-led**	**Savings-led**
Problem is seen as…	Inability of poor to access formal loans; hence dependence on expensive informal moneylenders	High transaction cost prevents the poor from accessing formal loans; hence lowering such cost is paramount concern
Role of financial institutions	- Help the poor - Promote new technology	Efficient allocation of resources by mobilizing savings for sustainable lending to sectors with economic opportunities. Neutral to any new technology.
View of users	Loan recipients are called borrower-beneficiaries (hinting dole-outs)	Borrowers and depositors are regarded valued business clients
Subsidies	Through interest rates and loan defaults	More on technical assistance or capacity building activities
Sources of funds	Vertical: governments and donors	Horizontal: mostly voluntary savings
Need for information	External creditors/donors normally require thick and fragmented information	Less information needs since source of funds are horizontal or internal
Sustainability	Not much of a concern; physical targets more important e.g., outreach	A major concern right from the beginning
Focus of evaluation	Interested in impact on beneficiaries via surveys	Interested in performance of financial institution

6. Why savings first?

? Provision of credit has always been an integral component of most government programs. Cooperatives have been extensively used as conduits of funds for this purpose. Cooperatives were organized left and right with giving importance to its institutional viability. As a result, most cooperatives have been dependent on government and other external funds. No wonder hundreds of cooperatives are weak or have already closed shop.

? Because of past failures, new financial practices have been introduced into the financial system of cooperatives. This time cooperatives were taught to offer full financial services: not only credit but savings facilities as well. Savings has evolved to be the jump-off point for transforming cooperatives to be one of the viable financial institutions in the countryside.

? There is demand for savings facilities in the countryside. The lack of savings facilities have prompted the rural folks to save in illiquid assets or consumption stocks (e.g., palay). If cooperatives can develop attractive savings products, the huge financial potential in the countryside can be harnessed into the financial system.

? The generation of internal funds through the savings facilities within the cooperative system provides learning experience to its leadership and management. It gives them the sense to be responsible to other people's money (like member-savers). This is not something they learn when they have plenty of government money or donor funds. Prudence and conservatism in the use of member-savings is brought about.

? In summary, arguments supporting <u>savings-first-credit-next pattern</u> cluster around the following concerns:

- The credit-led approach is not sustainable.

- To do it again after seeing fail in the past would just reinforced the dole-out mentality of the targeted low income sector.

- Savings as basis for organizing has educational value: it creates awareness among the low-income sector that the government is serious this time to provide sustainable financial services. That the way to a long-term partnership starts with savings.

- Savings instill the value of honoring credit obligation.

- Savings brings in goodwill. On the occasion when trust and confidence is already in place, the depository relationship of the poor with the financial institutions especially the upland people can evolve into a credit business.

- Savings provide good information that could be a basis for measuring credit worthiness of poor in due time.

- Savings could also be used as partial collateral to reduce risk involved in lending.

- Group-based savings activities facilitate the establishment of trust between and among members. This will pave the way to becoming solidarity groups wherein joint and several liability scheme could be enforced.

- Group-based savings and lending activities prepare the poor towards the establishment of people-owned and controlled financial institutions that provide bank-like financial services on a sustained basis.

7. How the poor save?

? The poor saves because they have needs to spend large sums of money periodically. Rutherford (2000) listed below the three main expenditure items of the poor:

- Life-cycle needs – examples are expenditures during baby christening, weddings and burial ceremonies.

- Emergencies – examples are sickness, typhoons, fires and the like.

- Investment opportunities – setting up or expanding a sari-sari store, land offered for rush sale by a neighbor in dire need of money, etc.

? Because of the above-mentioned expenses, the poor save similarly in three ways:

- **Savings-up** – the poor save in trickles or in small amounts in anticipation of the big spending that occurs at a latter time. In other words, the goal of saving is an expense amount that is expected at a future time. A good example is say, fiesta. The Boholanos have a savings scheme called *fiesta-ay*. A typical Bol-anon starts to save money immediately after fiesta day in anticipation of the next fiesta. A variation of this savings scheme is called *kabaw-ay*. In this scheme, the Bol-anons sets aside small amounts of money to purchase a carabao that will be used for fiesta.

- **Savings-down** – this is the reverse of savings up. Instead of saving, one resorts to borrowing and the amortization therein is considered the act of saving. Say in the Bol-anon case, a loan is procured to buy carabao for fiesta. After the fiesta, the Bol-anon concerned amortizes the loan until the next fiesta. He or she procures another loan comes next fiesta.

- **Savings-through –** this is the combination of savings-up and savings-down. One first saves up then uses the accumulated savings for that big spending but since it is not sufficient, he/she resorts to borrowing then saves up again for the next big spending. While he/she saves up, he/she also saves down to amortize the loan procured earlier. Savings clubs or Rotating Savings and Credit Associations (ROSCAS) as well as premium payments for insurance coverage are good examples in this regard. Say, in an insurance scheme, one makes a series of savings (monthly premiums) and take lump sum back every time an accident occurs and resume back to monthly premiums afterwards.

? The reality is that the poor has no other choice but to save in any way to tackle these occasional large sums or big spending along the way. In other words, the poor can not be too poor to save because whether he likes or not he/she has to confront such recurrent and periodic large spending. More often the problem lies not in the reluctance to save but more on the lack of savings facilities that will help them address the said large sums of expenditures.

8. RFSS objectives

? To model a sustainable and replicable savings-based credit system in the uplands.

? To promote group based savings activities.

? To strengthen SLGs as venue for joint and several liability scheme.

? To upgrade FSC as people-owned, people-managed and people-controlled institution providing bank-like and sustainable financial services in the uplands.

9. Guiding principles of RFSS

? Promotes the principle of self-help and self-responsibility. The Savings mobilization is the cornerstone of self-help. Self-responsibility means the ability to be financial independent ,free to chart its own course in the financial market arena and being accountable to all its actions.

? Adheres to bottom-up process of building institutions. That people themselves decide on their own to embark on an institution building process from SLG formation to FSC which will eventually evolve into a financial institution appropriate for their needs.

? Encourages service orientation without endangering the profit-maximizing function of FSC. That for sustainability sake it has to provide financial services for profit.

? Advocates that people should put up respectable capital stake in the FSC. Without which seriously harm its long-term viability.

10. RFSS as seen by PFIs

- An opportunity to explore the uplands and find it if there is potential gold mine in the future.
- A chance to experiment on what financial methodology will proved to be effective for the upland households. That experimentation costs are subsidized by UDP.
- To be part of the endeavor to build viable grassroots organizations based on savings-based credit framework.
- To be able to share its financial technologies with grassroots organizations like SLGs and FSCs and guide them until they blossom to full potential.
- To provide financial services to SLGs and FSCs on a mutually acceptable business terms.
- An occasion to fulfill its corporate responsibility to contribute to the overall effort of alleviating poverty in the countryside.

11. Operational definition of FSC

- FSC is a People's Bank
- As People's Bank, it adheres to local socio-cultural and religious practices of the people owning it. Therefore, it could be "Tribal Microbank".
- It draws expertise from the local talent. The local community themselves will manage it. The educated children of the community will be tapped to make up the management of FSC.
- It operates in partnership with a financial institution like a bank or cooperative.

12. FSC principles

- Savings first before credit
- Prioritizes short tem loans
- No collateral: joint and several liabilities to encourage prompt repayment
- Give small loans first; give bigger loans based on successful cycles of repayment and continued savings

? Allow unrestrictive use of loan; FSC is open to all types of loans (whenever possible)

? Savings and capital as bases for measuring creditworthiness

? Zero tolerance against non-repayment; meaning, it is unthinkable not to repay loan

13. FSC governance structure

? All the shareholders FSC shall constitute the General Assembly

? The General Assembly shall be the preeminent decision making body of FSC

? FSC management shall be composed of three persons, namely: Manager, Cashier/Teller, and Treasurer/Bookkeeper

? The FSC shall have functioning committees e.g., credit committee and internal audit

? The FSC shall appropriate legal papers that indicate juridical personality

14. Post UDP scenario for FSC

? FSC shall be established during the technical life of UDP

? FSC shall continue to exist even after UDP.

? The FSC, in tandem with PFI, shall carry on the financial services to the upland communities.

? UDP may transfer ownership of UDLF to FSC through the guardianship of PFI.

? The final agreement and legal basis for the transfer of UDLF will be finalized two years before end of UDP. The decision shall be based on the recommendation of EU mission.

15. SLGs as financial base of FSC

? SLGs shall be the sitio-based organic units of FSC. It shall be deposit-taking, collecting and accumulating mechanism of FSC.

? At an appropriate time, SLGs shall serve as solidarity groups or joint liability groups.

? Depending on the legal personality of FSC, the SLGs shall remain the financial base of FSC.[3]

[3] If the FSC is a primary cooperative, SLGs members become direct members of FSC.

16. SLG membership

- ? Open to all households making a living in the identified UDP watershed areas.
- ? Members include upland farmers, small traders, women, craftsmen, etc.
- ? Preferably, SLG members shall be “small” to allow homogeneity or sameness to take place:
  - Small so that all members know each other on first name basis
  - Small to facilitate quick assembly for organizational meetings, collection of savings and other dues.
  - Small to ensure regularity of weekly or monthly meetings
  - Small so that they could act as solidarity groups in the future

17. SLG savings

- ? The SLG savings normally start as pledged savings. It was pledged during RSMT. It is supposed to be non-withdrawable at least for the first six months.
- ? The non-withdrawability feature during the six-month period is attributable to “getting-to-know-you” phase that both SLGs and PFIs will go through. They have to have something intact during this period. To allow withdrawals might vanish the basis for the supposed union.
- ? In due time, withdrawable savings will be added to the menu of savings products to be offered. Withdrawable savings facilities require certain level of expertise and maturity to be able to handle well all its procedural requirements.

18. UDLF Field Officers and SLGs

- ? The responsibility to organize SLGs rests on the UDLF Field Officers. This is part of the agreement reached between the PFI and UDP.
- ? The UDLF Field Officers are expected to organize at least one SLG per sitio or four SLGs per barangay. The number of SLGs could vary depending on the local situation. But it should be pointed out that the SLG size to allow homogeneity is very important.
- ? The UDLF Field Officers have to cover at least four barangays per municipality. This implies 16 SLGs to be organized by UDLF Field Officers.

19. PFIs and upland financial markets

- ? Except for one or two, the PFIs working under UDP are new in the uplands. The upland communities are considered "the road less traveled…", remarked one rural banker. Meaning, no one has the monopoly of knowledge here. Everyone is having an open mind to anything that could be of value to every PFI.

- ? For the PFI to insist on lowland financial methodology for the upland folks might be inappropriate. This is the reason why the process under UDP is participatory. Both the PFI, through the UDLF Field Officers, and the upland communities has to work together intensively and continuously. Hence, the visibility of UDLF Field Officers is very essential. They should always be there in the uplands.

- ? The hope is that there shall be goodwill and cooperation especially in the beginning. Mutual distrust should be discarded soonest.

20. Financial and non-financial services of PFIs

- ? The participation of PFIs hinges on their capability to provide both financial and non-financial services to upland communities. Meaning, they serve as self-help promoting institution advocating savings as new approach in financial systems development. At the same time, it offers its financial services in the course of self-help promotion work.

- ? The non-financial side basically refers to institution building. As mentioned earlier, the PFI shall be the organizer, guide, trainor (all rolled into one) of upland households in the establishment of "People's Bank". On the other hand, the PFI shall serve as the financial partner of "People's Bank", by offering its menu of financial products and services.

21. Post UDP scenario for PFIs

- ? It is likely that the PFI shall remain the caretaker of UDLF after UDP. While the UDLF shall be in the name of FSC, management of UDLF shall be maintained by PFI. This is to ensure the integrity of UDLF stay intact.

- ? A number of PFIs already have a clear vision of what they intend to do in the uplands. These PFIs no longer complain about the difficulties of going to the upland sitios and the increasing costs involved. Because they are sure that they will be able to recover whatever costs they will incur at present.

- ? It is in this context that a business plan assumes importance. The PFIs should prepare this for them to know whether the uplands are for them or not.

22. UDP Seed Capital

- ? The Seed Capital is based on the capacity of upland households to put up capital and savings. These two items have to go together always.

- It is unlikely therefore, that Seed Capital will be provided without clear intentions about the nature and scope of FSC. Assuming the FSC is a primary cooperative, the Seed Capital is equivalent to 3x the value of share capital of shareholders plus half of the savings accumulated by the FSC.

- The Seed Capital is a community revolving fund. Meaning, the FSC should be able to use these funds profitably for a year or two before returning it to UDP. Or before converting it as FSC contribution to UDLF. In effect, it will take a while the shift from Seed Capital to UDLF.

- Under no case shall UDP Seed Capital harm the capabilities of FSCs to generate internal funds.

C. Proposed sequencing of topics

1. Historical Method – Overview of Past Credit Programs

- The most critical point in the RFS orientation is to able to let the upland communities realize that credit-oriented approach is no longer appropriate. One way to tackle this concern is to go back to history that indicates long list of credit programs implemented by government and non-government organizations alike. Mostly these past programs were known more for its failures than its successes.

- The credit-oriented approach has been adopted by the government eversince but the credit programs under the Marcos administration were the most massive and extensive. The Masagana 99, Masaganang Maisan, Bakahang Barangay were just few examples of this kind. It is now common knowledge that many financial institutions collapsed and millions of agricultural farmers were disenfranchised due to billions of past due loans that up to this time still in the books of many rural banks.

- Towards the tail end of Marcos regime, another big credit program- KKK was launched. If the earlier-mentioned programs were largely DA initiated, KKK was under the defunct Ministry of Human Settlement. This program too was short-lived due to usual non-repayment problems.

- The non-governmental organizations (NGOs) had its share of misfortune in this regard. The NGOs proliferated especially during the Aquino government. Buoyed up by its success in the political-advocacy front, they lobbied hard to the donor agencies to make them credit delivery mechanism alternative to the banking system. They were successful and they got a big chunk of donor aid. But their approach was no different from the government credit-oriented approach. Hence, their credit programs suffered similar fate.

- Still not learning from past experiences, the Land Bank of the Philippines (LANDBANK) during the Ramos government launched the Cooperative Lending Program. In just a short time, LANDBANK was able to organize 6,000 cooperatives nationwide, pumped them with credit funds and used them mainly as their credit channels to fulfill their mandate for the agrarian reform beneficiaries. After three years of implementation, initial cracks were manifested. Towards the fifth year, half of the bank-assisted cooperatives collapsed and folded up. Before long, had to be brought back to the drawing board for design overhaul. Consequently, everybody was back to the same old issue of – lack of access of poor to credit facilities. Again, credit was found out to be not the cure-all to poor's problem.

? So the historical approach is just enumerating past attempts of both government and non-government in trying to address the issue of "lack of access". History will tell us that there were many efforts exerted but always falling below expectations. It is in this light that credit-led approach needs a second look.

2. Forward-looking Method – From Personal Savings to People's Bank

? There is another way of telling the upland communities that credit-led approach is no longer okay. That is by discussing with them the savings-based credit approach. That by showing them that they have the capability and the disposition to save. The best proof that they can save and have been saving indeed is the SLG savings statistics in the first barangay.

? However, while it is true that they have been saving the amounts involved are small to be of real value to the saver. So it is important to engage in group-based savings schemes to achieve the desired volume of transaction. The relevance of SLGs would come in this time. Once discussion of SLGs starts, deliberation of FSCs would not be far behind. The discussion of FSC provides an excellent opportunity to talk about a community-wide savings and credit system. This is what other people refer to as "People's Bank".

? It will be noted that the forward-looking method does not dwell in the past. It is forward-looking in the sense that the upland communities are enjoined to look at the possibility of FSC as a future People's Bank. It should be emphasized, however, that the historical method takes off from a scenario in the past. The forward-looking method, on the other hand, makes use of the future desired scenario as the jump-off point. Both methods end up with the objective of convincing the upland communities of the importance of savings-based credit approach.

Part IV. How to Conduct RSMT

A. RSMT Objectives

1. How to Set Objectives

? The objectives of RSMT should be very clear and precise. Unclear objectives could result to unfavorable outcome. Failure to get commitments from the community, as UDLF Field Officers, is one concrete sign of having unclear objectives in the conduct of RSMT. Just like in warfare, soldiers should have clear mission. Without it leads to casualties. Conducting RSMT is just like doing a mission in the battlefield. The mission is to create the awareness that through self-help, the upland households could bind themselves together towards something that they want to achieve for themselves. Through RSMT therefore, the UDLF Field Officers should be able assist the upland households articulate something that is important for them in the future.

? As discussed earlier, information is very important in setting clear and precise objectives. The UDLF Field Officers must use PRA tools to generate good information. Below are the essential information that can be generated through PRA:

- Basic socio-economic profile of the barangay or sitio (e.g., land area, cropping pattern, population, etc,)

- Typical income-expense profile of upland households (e.g., sources and uses of funds)

- Prevailing mechanism of financial cooperation in the community in times of emergencies (e.g., mutual help schemes for burial purposes)

- Existing indigenous groups with financial schemes (e.g., Rotating Savings and Credit Associations (ROSCAS) – "Hunlos", "Bubu-ay" and the like

- Savings practices of upland households – whether the custom is done in cash or in kind or whether practiced daily, weekly, monthly or every after harvest.

- Credit arrangements existing in the community – say, the credit terms and conditions of moneylender

- Opinion leaders and power structures in the community – who would be the early or late believers of SLGs; who would be mere "bandwagoners"

- Entry points – Did the community have negative experience on "financial opportunism" in the past?

- etc.

? The UDLF Field Officers should conduct PRA in coordination with the Agricultural Technicians (ATs) of the local government assigned in UDP targeted barangays. The PRA should be harmonized with the SCDP process being observed by the ATs. In other words, the UDLF Field Officers should not conduct PRA without coordinating with their counterpart ATs.

? It should also be emphasized that PRA is not the only source of information. In fact, the UDLF Field Offices can start with the secondary data available in the Municipal Planning and Development Office (MPDO). This office has good information on the basic socio-economic profile of the UDP targeted barangays.

? The most common objective of the RSMT used in the first barangay was to convince the upland households to save in SLGs. This objective had sub-objectives, to wit:

- To create the awareness that the poor upland households has the capacity and the willingness to save. That the poor has always wanted to set aside small amounts in anticipation of future needs.

- To convince the upland households that saving collectively in a group will be more practical and less costly. That pooling and accumulating their "small" savings in a group will shorten the time needed to reach magnitudes of savings that are “big” enough to address some of their needs.

- To generate commitment that they form their Savings and Loan Groups or SLGs.

? Majority of the UDLF Field Officers was more familiar with the sub-objective of convincing the upland households that indeed, they have the inclination to save and had been savings in whatever way. The UDLF Field Officers had to introduce new savings concepts to achieve this sub-objective.

? Again, as discussed earlier, the foregoing sub-objectives, however, fell short of expectations. The upland communities were more interested in the **“L”** part of SLG. Hence, savings mission was somehow twisted or weakened.

? The RSMT objective for the second and succeeding barangays should revolve around the FSC. Meaning, the UDLF Field Officers should use RSMT to sell the idea of FSC. The mission this time is not limited to savings but to situate savings within the framework of FSC. The UDLF Field Offices should not have difficulty putting across messages regarding savings if they are able to convince the upland communities about the merits of FSC. In this case, the savings concepts will be likely understood better.

? In summary, the UDLF Field Officers should do the following in setting RSMT objectives:

- Gather and collate existing secondary data available at the MPDO. This set of data will provide a general picture of the upland community targeted for RSMT. The most important information here includes land area, crops planted, cropping systems, population figures and the like. Most of the MPDO data are barangay-based and would give a picture of the magnitude of financial resources that go in and out of the community (e.g., how much is the value of total corn production in the area).

- Substantiate or augment the secondary data with the primary data you will generate through PRA. Both data will provide a better picture of the financial environment that characterizes the targeted upland community.

- Use data that will only be valuable in selling FSC. Ask: which data will I use to be able to convince the upland community on the merits of FSC? On this account, the UDLF Field Officers should focus only on information essential to FSC.

2. Proposed RSMT Objective

? The main objective of RSMT for the second barangay is to mobilize the upland communities to embark on a community-wide action towards the establishment of FSC. The operational definition of FSC is:

- The FSC is owned, financed and managed by the community.

- The FSC is conforming to the socio-cultural-tribal structure of the community.

? This objective is a marked departure from the usual RSMT objectives set forth for the first barangay, to wit:

- To convince the poor upland household to save

- To convince the poor upland household to save in SLG

? This new objective is all encompassing. It incorporates the old objectives but the justification to save is a little different. The original justification to save was purely for personal needs e.g., for emergencies, education of children, etc. The justification to save under the new RSMT objective is for personal reasons as well as for the need to put up a financial institution that will serve there personal needs on a sustained basis. This new objective therefore combines the personal and the communal concerns. Those personal necessities will be continuously addressed on a long-term basis if viewed within the community-wide endeavor.

? The new objective puts in a clearer view why upland households should collectively engage in a savings scheme. Because the new RSMT objective offers FSC as convenient and approachable depository institution appropriate for poor upland households.

? Lastly, the new RSMT brings into proper perspective the role of credit. That anyone interested in credit has to save first because the savings record of performance will be a measure of credit worthiness. The FSC, as a creditor, should be very cautious in lending because it should also take into account its own institutional viability. For this reason, it has to have some good basis whether or not it will approve loan applications. For lack of any other basis, the savings track record can be a good starting yardstick.

- ? The FSC elevates the consciousness of upland households from parochial interests to higher plane of undertaking. It challenges the upland folks to go beyond personal monetary requirements. The bigger concern is to set up FSC, which shall forever tackle their personal monetary difficulties.

- ? The FSC strikes a balance between personal requirements of upland folks (who are the owners) and financial self-sustainability of FSC. Hence, it does not provide financial services free. To do so would put at great risk its survival.

B. Stages of RSMT

1. Pre - RSMT

- ? Hereunder are the major activities under Pre-RSMT stage:

  - Gather secondary data

  - Conduct PRA

  - Set RSMT objective

  - Arrange field schedules and logistics for the actual conduct of RSMT

2. RSMT Proper

Session	Objective	Topics	Methodology	Time
Introductory Session	To set the tone of discussion	- RSMT as follow up to Barangay Orientation: RFS - RSMT to find out what the upland community wants	- Analysis of financial aspirations of the community - Plenary discussion - Metaplan	20 minutes
The Financial Services	- To explore the financial services available in the community - To let the community realize that credit is not the only financial service needed	- Poor needs savings facilities - Sustainable credit services - Insurance services - Payment system services - Cash transfers service	- Workshop group discussion - Metaplan - Lecturette	30 minutes
The Financial Service Providers	- To determine the financial service providers in the community - To let the community understand that the poor can be service providers too	- Private moneylenders - Traders/input dealers - Cooperatives - Banks - NGOs	- Workshop group discussion - Metaplan - Lecturette	30 minutes

Session	Objective	Topics	Methodology	Time
The Size of Savings and Credit Markets	- To have an estimate of the savings and credit markets - To have a clear picture of how FSC will operate in the community	- Cash flow pattern of upland households - Financial intermediation in the uplands - Sectoral flows	- Workshop group discussion - Metaplan - Lecturette	60 minutes
A Case for Financial Service Center (FSC)	- To discuss FSC - To elicit feedback on FSC	- RFSS framework - FSC principles - FSC operational definition - FSC governance structure - Proposed FSC rules - FSC internal controls - Membership - Needed capacity building measures - Steps in organizing FSC - FSC sustainability	- Workshop group discussion - Metaplan - Lecturette	40 minutes
Generation of Commitments	- To generate commitments on the setting up of FSC	- Legal personality of FSC - Share capital - Membership - Start-up date	- Plenary discussion - Metaplan	30 minutes
Action Planning	- To identify necessary activities pertinent to formation of FSC	- Planning matrix	- Plenary discussion - Metaplan	30 minutes

3. Post- RSMT

- This stage is essentially a follow up to the RSMT proper. Its intention is to substantiate all commitments generated during the RSMT proper. The RSMT Proper should be able to generate the following commitments:

  - Decision to establish FSC in the barangay (preferably including the resolution on the legal personality of FSC)

  - Indicative activity plan to set up the FSC (necessary activities and timetables)

  - Decision to organize SLG

  - Pledge to save at certain frequency (e.g., daily, weekly, etc.)

  - Agreement on the system for collecting savings

  - Acceptance of Partner Financial Institution

  - Agreements on the authorized signatories for depositing SLG savings

  - Start-up date of savings

  - Indicative institution building framework for SLG and FSC

- It is probable that the above-mentioned commitments were done in haste. Or such were made half-heartedly. Or worst, the upland communities just went with the RSMT motion without full understanding of what they pledged as commitments. The Post RSMT therefore is an attempt to firm up all the commitments made.

- The conduct of Post RSMT is just like doing RSMT proper. All those who attended the RSMT Proper should also be present in Post RSMT. All the materials and RSMT paraphernalia (e.g., metaplan cards) brought during the RSMT Proper should similarly be used during the Post RSMT. It is possible that the Post RSMT will be conducted exactly the same as RSMT Proper. The UDLF Field Officers should be very careful in assessing if indeed a repeat of RSMT Proper is called for.

- The Post RSMT is not limited to only to the follow up to the commitments made during the RSMT Proper. In fact, its main focus is the capacity building requirements of SLGs and FSC. This is the reason why an indicative institution-building framework is very important as one of the commitments to be generated during the RSMT Proper. This makes Post RSMT a continuing process until such time the desired SLG and FSC are established according to the liking of the upland communities. It could be two to five years or could be perpetual. It could be even after the technical life of UDP.

? The Post RSMT activities should commence immediately after RSMT proper. Never conduct RSMT Proper if there is no assurance that Post RSMT activities will be immediately undertaken. Otherwise, this will just cause frustration to the upland communities.

Part V. Concluding Remarks

A. The improved SLG Organizing Strategy

1. As viewed from PFIs' Contextual Experience

? The experience in the first barangay was very enlightening. It proved once again that savings promotion work will run counter to the expectation of the upland households for credit, credit, and credit.

? The inclination for credit, credit, and credit seems to be more noticeable and resounding if the proponent of the program is from the government (as in this the local government as the forefront of UDP).

? To confine the fieldwork on savings and withhold anything that pertains to credit was found out to be shortsighted. The needs of the upland households for savings and credit services always go together. To compartmentalize it is asking for trouble. This drove many of the UDLF Field Officers into trouble, figuratively speaking.

? For those UDLF Field Officers who came out "victorious" in savings promotion work - congratulations. But there is a persistent feeling that the happiness associated with victory could be short-lived. Eventually the upland households will demand for credit services. This is a perceived reward for their "self-sacrifice" in going through the savings regimen. Hence, they might as well initiate discussions on credit. The best way to discuss credit is within the understanding of FSC. This applies to savings too.

? In other words, the UDLF Field Officers would be most effective in their savings promotion activities if they make FSC as their entry point. All they need to discuss about RFSS neatly falls in line with FSC.

? It is in the above light that a change of tactic is in order — FSC as the new battlecry.

2. Consistency with RFSS

? It should be emphasized that the change in tactic does not run counter to RFSS. The RFSS, one should recall, is the replicable savings-based financial system that the UDP is trying to model in the uplands. The FSC is the rallying point of RFSS.

? In fact, no discussions on RFSS will proceed without mention of FSC as its core.

B. The Post UDP Scenario

1. The Need for Continuous Effort to Improve Strategy/Methodology

- This instructional manual is written in a way that it could be sensed as almost spoon-feeding. If it were, the motive is just make sure that SLG organizing and savings promotions works for the second barangay will be more effective. Hopefully, this manual will spare the UDLF Field Officers from the difficulties they encountered in the first barangay.

- This instructional manual or the strategies contained in it are not final. It might be undergoing another round of revisions or finetuning once the UDLF Field Officers start fieldwork in the third barangay.

- All revisions or finetuning should be done to ensure that FSC should be in place during the technical life of UDP. Or even beyond UDP.