

# CORE REFERENCE MATERIALS

## Selection of PFIs

**PROPOSED BARANGAYS/SITIOS PER MUNICIPALITY**

<b>Municipality</b>	<b>Barangay</b>	<b>Sitio</b>
Don Marcelino	Dalupan	Kunalom
		Mayago
		Lagasawan
	Lapuan	Kalabunay
		Kabasagan
		Baklod
		Bisang
		Labe
Malita	Pangaleon	Lenna
		Kepanan
		Tafgao
		Kialaw
	Macol	
Magsaysay	Upper Bala	Belen
		Labidangan
		Konotkot
		Cabilao
	Tacul	Siogan
		Kawa
		Paraiso
		Ogsing
Sta Cruz	Coronon	Binuangon
		Kibaranganm
		U-Langan
		L-Langan
	Zone II (Poblacion)	Loay
		Balalan
		Dioloy
		Quiiit

## Selection Criteria for Partner Financial Institutions

### General Selection Criteria

For the selection of partner financial institutions (PFIs), we will consider the following general parameters:

Coverage by the FI. Preference is given to financial institutions (FI) that are covering more than one selected municipality.

Experience in micro-lending. If the financial institution already has some experience in micro-lending, it is an indication of the financial institution's stance towards innovations and financial experimentation. Meaning, it is veering away from "pawnshop mentality" or collateralized lending. It could also be a barometer of the risk-taking posture of the financial institution.

Priority of savings mobilization. The financial institution puts premium on savings when it has intensive savings campaigns and has creative ways of promoting it. Moreover, its inclination to try savings products with the poorest upland farmer suggests that it is open for financial experimentation.

Emphasis on intensification of FI presence within municipality. Many banks pursue growth by branching out to capital towns and/or higher-class municipalities. UDP prefers those bankers who believe in intensifying the bank presence in the local market. This will mean more interest in penetrating other sectoral markets in the municipality, i.e. the upland sector.

Experience in participatory planning and work methods. This is a sign of willingness to design financial products in a participatory way. This is good customer orientation.

Keen on developing alternative risk-reducing measures. This means that the financial institution is ready to try lending safeguards other than hard collateral.

Small percentage of the loan portfolio dedicated to salary loans. Over dependence on clients with discernable regular cash flow pattern like wage earners, teachers, etc. is a sign of conservatism. UDP prefers those who are always seeking, experimenting and developing new clients like the upland communities.

Prefers to operate in a subsidy-free environment. With clear vision of attaining financial self-sustainability in the medium term.

Service orientation. Willingness to "downgrade" a number of service procedures to a level understandable and practical to upland clients.

Reduction of transaction costs for both savers and borrowers. Readiness to try group-based financial schemes.

With access to capacity building institutions. Preferably with technical assistance given by institutions like LANDBANK-Cooperative Development Assistance Group (CDAG), USAID- Microenterprise Access to Banking Services (MABS), CUES, FTC and the like.

Intention to include gender aspects in policy.

The above-mentioned general criteria will be used in determining the possibility to establish collaboration between an FI and the UDP:

Capacity and willingness to:

1. Work in the upland areas where UDP will work.
2. Implement the Financial Scheme, as mutually agreed upon, to address the upland population.
3. Hire staff to implement this scheme and to assume their financial costs gradually over a three-year period.
4. Invest up to P750.000 per municipality in the UDLF over a four (4) year period, starting in 2001.
5. Commitment to train staff, top management and key officers to sharpen skills and upgrade capabilities and know-how.
6. Existence of policy to use interest rates that cover all costs.
7. A past due ratio of maximum 25%.
8. Willing to document and disseminate experiences under UDP.

#### **Additional Selection Criteria for Banks**

In good standing with Bangko Sentral ng Pilipinas.  
Enjoys rediscounting line with LANDBANK.

It would also be good if the bank is presently active in local federation or confederation. Such for a could be good venue for disseminating UDP experiences

#### **Additional Selection Criteria for Cooperatives**

Maintains a healthy ratio between loan portfolio (on-lending) and members equity and reserves (MER). Preferably the ratio is P 6 worth of loans per every P 1 MER.

One third of the members should have at least a share capital of P 5,000 and on increasing trend the last five years.

Classified as Class A or B, if LANDBANK- assisted.

Good internal control system.

Self-imposed reserves to service the withdrawal of savings.

Employment of professional staff for the management of the cooperative and of the financial services section.

Other factors to be taken into consideration:

Mission/vision is well defined and communicated down the line. BOD, management and staff are aware of the mission and vision.

Adhere to the principle of self-help, self-responsibility and self-administration.

Management and staff are in good terms with important leaders and respected in UDP areas.

Affiliation to local/national cooperative aggrupations.

It is envisioned that the selection of PFIs for UDP areas shall proceed based on the framework discussed below:

Level 1: A suitable partner financial institution operating in the municipality is present. Although further negotiations still have to take place.

Level 2: There might be a suitable partner financial institution, but further investigations or discussions need to be done before a possible partner financial institution might be selected.

Level 3: No financial institution can be found in the municipality. However, other arrangements might have to be worked out e.g., tapping the services of a PFI from a neighboring municipality.