



ACPC Monitor

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THE ACPC INSTITUTION BUILDING PROGRAM

Financing or lending windows are generally an integral component of many rural development programs – often, as a means to help target beneficiaries gain access to production inputs, technology and other factors of production. In many instances, however, the poor capacity of targeted beneficiaries in the countryside to access credit assistance results in inefficient program targeting and, consequently, becomes a contributory factor in the overall failure of the development initiative itself.

For this reason, financial conduiting through rural financial institutions, like cooperative banks and other farmers' and fisherfolk's organizations, has evolved as a popular mode in the delivery of government credit assistance to rural folk, i.e., particularly to small farmers and fisherfolk. The strategic value of credit cooperatives and cooperative banks in terms of credit delivery is mainly attributed to the fact that their members are mostly composed of the farmers or fisherfolk themselves. The advantage of these types of institutions, in other words, owes to their unparalleled familiarity with the profile of rural borrowers and their experience and ability in reaching far-flung isolated areas, which lowers transaction costs.

By strengthening the capability of rural financial institutions in accessing credit funds and/or efficiently implementing credit programs, it is widely regarded therefore that the chances of credit access among small farmers and fisherfolk could likewise be enhanced. Complementary interventions in institution building (IB) now constitute an equally important component in integrated development initiatives.

Inventory of IB Programs

ACPC conducted a survey in the 1st semester of 2002 to account for the various IB programs being implemented by different government agencies and establish the profile of these programs. Out of 20 agencies that were asked to participate in the survey, 19 responded.

Of the 19 agencies, 7 have IB programs directly linked to rural finance, i.e., programs that have immediate impact in terms of improving credit access of beneficiary organization/s or improving credit delivery of rural finance institutions (Table 1). Another 7 agencies are involved in programs that are not as focused and have the intention of improving beneficiaries' access to a broad menu of resources and services in the long run.

Meanwhile, the remaining 6 agencies or institutions that were surveyed turned out not being involved in IB activities at all.

Among other things, the survey reveals that there is a dearth in IB programs, particularly those that link directly with rural finance. Land Bank is actually the only dominant player among the agencies that have IB programs which are directly tied to rural finance.

The budget that was allocated for IB under various agencies and programs in 2001 only totaled P63.9 Million. Out of this amount, the budget for the ACPC-Land Bank Integrated Rural Financing (IRF) Program already represented approximately half (49 percent). Meanwhile, of the P25.3 Million total actual expenditures for IB in the same year, as much as 83 percent is attributable to the same program. Further, the total budget allocated for IB under the same programs was even reduced by 29 percent in 2002 (i.e., to P45.4 Million). As of the first trimester of 2002, utilization level of the year's IB budget is only at 9 percent.

The survey also shows that none of the IB-implementing agencies is devoted solely to an IB mandate. Rather, their IB activities are only meant to complement or support their other programs or services (e.g. Land Bank's IB programs are intended to support the bank's credit delivery services).

Table 1. Distribution of IB Program Thrusts, By Agency

Type of IB Program	Agency/Program
<p><i>IB Programs directly related to rural finance</i></p>	<ol style="list-style-type: none"> 1. ACPC/UPLB <ul style="list-style-type: none"> • <i>ACPC Institutional Building Program</i> 2. Bangko Sentral ng Pilipinas (BSP) <ul style="list-style-type: none"> • <i>Course on Microfinance</i> 3. Department of Agrarian Reform (DAR) <ul style="list-style-type: none"> • <i>Cooperative Strengthening Assistance Program for Agrarian Reform Communities</i> • <i>Capability Building Component of Livelihood Credit Assistance Program (LCAP)</i> • <i>Microfinance Capability Building Program for Grassroots Banking in the ARC</i> • <i>Institutional Development Component of Credit Assistance Program for Program Beneficiaries Development (CAP-PBD)</i> 4. LBP/DA-ACPC IRF <ul style="list-style-type: none"> • <i>DA-ACPC Integrated Rural Financing Program (IRF)</i> 5. LBP/DAD IB Program <ul style="list-style-type: none"> • <i>Co-op Institutional Development Training Support</i> • <i>LBP-LGU Co-op Strengthening Partnership</i> • <i>Cooperative Strengthening Assistance Program for Agrarian Reform Communities</i> • <i>Credit Assistance Program for Program Beneficiaries Development (CAP-PBD)</i> • <i>DAR-ADB Agrarian Reform Communities Project (ARCP)/DAR-WB-ARCDP</i> • <i>Integrated Cooperative Farming System (ICFG)</i> • <i>Landbank-B2Pricenow.com Strategic E-commerce Program</i> • <i>Cooperative Business Alliance (CBA)</i> • <i>Market Capability-Building</i> • <i>Technology Promotion Center (TPC)</i> • <i>Technical Capability Program</i> • <i>LBP-French Cattle Production through Artificial Insemination (AI)</i> • <i>LBP-National Dairy Authority (NDA) Dairy Cattle Program</i> • <i>Tilapia Financing Program</i> • <i>LBP-UNDP Small Grants Programme Tie-up for Environment-Friendly Projects</i> 6. Landbank Countryside Development Foundation, Inc. (LCDFI) <ul style="list-style-type: none"> • <i>Landbank Institute/Outreach Center for Community Partnership for Development</i> 7. Caraballo & Southern Cordillera Agricultural Development Program (DA-CASCADE) <ul style="list-style-type: none"> • <i>Rural Finance Systems Component</i> 8. Agricultural & Rural Development for Catanduanes, Inc. (DA-ARDCI) <ul style="list-style-type: none"> • <i>Capability Building Courses for ARDCI staff/clients</i> 9. People's Credit and Finance Corporation (PCFC)

	<ul style="list-style-type: none"> • <i>Institutional Loan Component of the Rural Microenterprise Finance Project</i> • <i>ADB Technical Assistance: Strengthening Rural Microenterprise Finance Project Apoyo Los Programas de Microfinanciacion de Filipinas</i>
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Type of IB Program	Agency/Program
IB Programs with broad objectives	<ol style="list-style-type: none"> 1. Agricultural Training Institute (ATI) <ul style="list-style-type: none"> • Capability Building Program 2. Bureau of Rural Workers-Department of Labor & Employment (BRW-DOLE) <ul style="list-style-type: none"> • Rural Workers Organization and Development Program • Promotion of Rural Employment through Self-Employment and Entrepreneurship Development Program (PRESEED) 3. Department of Agrarian Reform (DAR) <ul style="list-style-type: none"> • Integrated Farming Bio-Systems (IFBS) • Joint DA-DAR IPM Program in ARCs • Gender-Based Effectiveness Skills Training (G-Best) • Information, Education, Communication and Motivational (IECM) Materials Development • Enhancing Livelihood Opportunities thru the Development and Marketing of Processed Food Products • Institution Building for Plantation Agrarian Reform Cooperative (IBPARC) • DAR-Nestle Philippines Coffee Development Program 4. Local Government Academy (LGA) 5. National Food Authority (NFA) <ul style="list-style-type: none"> • Training Course on Grains Post Harvest Technology and Cooperative Enterprise Management 6. Philippine Coconut Authority (PCA) <ul style="list-style-type: none"> • Regional PCA & Farmer-Leaders' Reorientation, Teambuilding & Operational Planning Workshop on Coconut Development Programs 7. Cooperative Development Authority (CDA) <ul style="list-style-type: none"> • Institutional Development Program for Research, Information, Training and Project Development

The ACPC Institution Building Program

The Magna Carta for Small Farmers (RA 7607)

The development of the ACPC IB Program was in response to RA 7607 of 1992 (otherwise known as the Magna Carta for Small Farmers) which authorizes the Department of Agriculture (DA), through the ACPC and other concerned agencies, to give subsidies for activities that will enhance small farmers' access to credit (Section 21). The same law further provides that the DA, in coordination with the ACPC, LGUs and other government agencies, shall advocate for the establishment of

cooperative banks and promote the growth of their network (Section 22).

General Objectives and Guidelines of the IB Program

The ACPC IB Program is intended for two types of organizations. The first type includes *apex organizations or federations of farmer's organizations and farmer-owned financial institutions*.

For eligible organizations under this category, the program extends grants to subsidize activities related to

capital and savings mobilization; management information systems projects; social preparation activities for small farmers; management training; and establishment, organization and strengthening of cooperative banks and other farmer-owned financial institutions.

Qualification for the IB grants requires an organization to have the following:

- A juridical personality, with at least 3 years experience in organizing and conducting institution-building activities;
- At least 10 member-organizations under its supervision that are provincial based or with a provincial network; and
- The required financial and manpower resources as equity counterpart for the conduct of the IB activities.

The second type of eligible IB grantees falls under the category of *educational or training institutions*. There are three eligibility criteria for organizations belonging to this category:

- An existing unit or department conducting management training programs/courses;
- At least 3 years experience in conducting management training program/courses; and
- An existing network for organizing and conducting on-site training activities.

Through the grants provided by the ACPC IB Program, qualified apex organizations and federations are subsidized up to 70 percent of their total IB project requirements. For educational and training institutions, on the other hand, the ACPC IB grants may subsidize up to 100 percent of the total project budget.

Program Beneficiaries

The ACPC IB Program formally started in October 1998 with the signing of Memoranda of Agreement between the ACPC and 3 cooperative banks that would initially avail of the program. By the end of the same year, a total of 10 institutions had already entered into agreement with ACPC for the implementation of separate IB projects.

As of 2001 (November), some 18 organizations/institutions have already benefited from the ACPC program. As shown in Table 2, twelve of the organizations are cooperative banks, while the rest are federations of cooperatives and one academic institution. Officers and staff of the organizations/institutions, numbering close to 3,000 (i.e., 2,971), have already completed the various training programs for capability

enhancement. Meanwhile, the lone academic institution-beneficiary under the program (i.e., the UPLB Institute of Development and Management) was able to develop training modules on Management Development as well as conduct a related research study. The training materials were later used in short-term courses aimed at further enhancing the competence of cooperative banks. All in all, the funding allocated by the ACPC IB Program to these eighteen organizations totals around P5.6 Million.

Among the activities that have been undertaken by beneficiaries through the training/workshops and related capability building activities subsidized by the IB Program are (a) strategies to raise additional pledges or capital for cooperative banks and other schemes for resource generation, (b) organizational and human resource development that help in making an organization stronger and more responsive, (c) training on the use of information technology for more efficient bank operations, (d) installation of computer software, and (e) *Lakbay Aral* or exposure trips to successful cooperatives and coopbanks, and (f) research studies and the development of training materials (Table 3).

ACPC IB Program Performance

Table 2 shows that all of the ACPC IB Program beneficiaries have not fully availed of the funds that they were allocated with. Three reasons are cited for this: (a) lower actual cost of some of the IB projects (versus the projected cost); (b) the failure of other project proponents to reimburse all their IB-related expenditures or failure to present proper documentation for reimbursement of expenses; and (c) difficulty in meeting the required number of participants.

Notwithstanding the low fund utilization levels, however, feedback obtained through ACPC's field monitoring activities indicate that IB Program beneficiaries are cognizant of the program's contribution in improving the capability of their organizations, especially with regard to their service delivery functions. The coopbanks, for instance, particularly appreciate the *Investors' Fora*, which consequently proved helpful in the expansion of their loan portfolio, growth in their incomes and assets, and increase in the trust & confidence of creditors in the coopbanks.

Likewise, a post-training workshop conducted by UPLB-IDMG for the Management Development Program revealed that the management capability of the participants was greatly enhanced.

Table 2. Recipients of the ACPC IB Program, Over the Period 1998-2001

Name of Organization	Funding Allocation	Fund Utilization (%)	No. of Participants
Cooperative Bank of Benguet	79,500.00	27.54	88
Cooperative Bank of Camarines Norte	139,500.00	47.35	47
Cooperative Bank of Camarines Sur	48,962.50	30.64	83
Cooperative Bank of Davao del Sur	191,000.00	50.42	61
Cooperative Bank of Pampanga	91,400.00	54.08	266
Cooperative Bank of Quezon Province	63,900.00	12.84	52
Cooperative Bank of Zambales	258,800.00	87.47	245
Cooperative Banks Federation of the Philippines	1,036,800.00	79.20	84
Cooperative Rural Bank of Aklan	97,200.00	36.62	1,182
Cooperative Rural Bank of Tarlac	200,000.00	74.74	140
Davao Oriental Area Marketing Cooperatives Federation	179,500.00	0.00	0
Floridablanca Federation of MPCl	190,000.00	15.29	87
Mindanao Federation of Cooperative Banks	730,000.00	62.01	113
Nueva Ecija Marketing Cooperative	629,760.00	36.48	117
Samboangan Bayanihan Integrated Cooperative	130,000.00	61.92	245
San Jose Agricultural Federation of Cooperatives, Inc.	200,000.00	94.84	66
South Cotabato Cooperative Bank	173,000.00	46.16	95
Institute of Development & Management, UP at Los Baños	1,150,000.00	91.91	
TOTAL :	5,589,322.50	64.55	2,971

Table 3. Projects/Activities Financed by the ACPC IB Program

Activity/Project	Number of Institutions	Amount (P)
Investors Forum	9	249,640.65
Capital Build-Up & Savings Mobilization	4	44,392.31
Management Development & Productivity Seminar		
Marketing	1	15,360.00
Leadership & Supervision	8	532,156.83
Credit & Finance	2	85,981.25
Cost Reduction & Production	1	72,504.00
Lakbay Aral	1	4,864.00
Basic Coop Banking Course	2	746,190.00
Training & Installation of Computerized Accounting System	4	279,120.00
Planning & Review Workshop	10	520,762.58
Case Study Research & Course Module Development	1	1,057,000.00
TOTAL :	43*	3,607,971.62

* Total number exceeds the number of participating institutions due to multiple number of projects undertaken by project proponent.

Concluding Remarks

Through its IB Program, ACPC has helped fill a long-standing vacuum in the provision of IB assistance to complement rural financing programs. Consequently, ACPC has developed into a major player in IB. The ACPC-LBP IRF Program alone already provides capability/institution building services to almost a quarter (i.e., 23 percent) of the LBP-assisted cooperatives. Further, the ACPC IB Program is the only program that provides institution-building services for cooperative banks.

To help guide ACPC in further strengthening the program and expanding its benefits, the following support activities could be considered:

1. The conduct of follow through review/assessment workshops for determining the effectiveness of the training programs and the changes necessary to improve the training methodology, based on first-hand observations and experience of participants; and
2. The conduct of an in-depth analysis also aimed at determining the IB Program's strong and weak points. Although initial reports, including the results of assessment workshops, may indicate that the program is successful in building the capability of the intended beneficiaries, a study that can isolate the effect of the IB assistance on both credit access and utilization would be able to provide a more accurate assessment of the effect of the IB Program.

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