

**THE COMMONWEALTH YOUTH CREDIT  
INITIATIVE TOOLKIT**

**MODULE 3**

**Management,  
Monitoring and  
Evaluation**

# General and Financial Management of the Programme

## Governance

In addition to the internal governance mechanisms of the implementing agency, the CYCI recommends that a Management Advisory Board (MAB) be set up to oversee the implementation of the programme. The MAB consists of representatives of key stakeholders in the CYCI and meets regularly to supervise and advise on programme implementation. It reviews the monthly and quarterly statements provided by the implementing agency (see Section 5) and makes recommendations accordingly. Other functions of the MAB include setting general policies for the programme and raising funds (UNDP, 1997).

Members of the MAB include:

- a representative of the lead agency for the CYCI (such as the designated point of contact);
- a representative of the implementing agency (usually the programme manager);
- a community leader such as a teacher or traditional leader in the target community;
- a local bank manager; and
- a prominent local business person.

## Record-keeping and Accountancy

The record-keeping needs of the implementing agency fall into two parts:

- a 'portfolio system' which tracks the loans and repayments of individual borrowers; and
- a general accounting system recording all the financial transactions of the organisation (CGAP, 1998).

### *The accounting system*

The CYCI implementing agency will require the services of a trained and competent bookkeeper to maintain ongoing records of all financial transactions of the organisation. The organisation will also require a professional accountant, who may be hired on a consultancy basis, to make financial statements based on the records kept by the bookkeeper. The accountant may also assist the bookkeeper in the establishment of record-keeping systems most appropriate to the needs of the particular organisation. Careful bookkeeping is a key ingredient of success for a micro-finance institution, because it provides information that is essential for effective decision-making regarding the management and ongoing development of the programme.

The establishment and operation of a complete bookkeeping and accounting system is beyond the scope of the CYCI Toolkit, and requires the services of a qualified and competent accountant and bookkeeper. The implementing agency of the CYCI would normally require an accounting system that includes the following elements (CGAP, 1998):

- chart of accounts
- general journal
- general ledger
- subsidiary ledgers (accounts receivable, inventory, fixed assets)
- transaction reports
- financial statements.

In seeking to establish such a system, or to upgrade the existing bookkeeping system in an organisation, the following principles should be borne in mind:

**Figure 1: Co-ordinating the Management Advisory Board**

**Selecting members:** The members of the Management Advisory Board should be drawn from a mix of areas – government, banks and businesses, NGOs, training institutions, community leaders, youth representatives. There should be a good gender balance. Most importantly, members should be committed to the success of the initiative.

**Focus on key tasks:** it is important to keep a focus on the main tasks at hand, and not allow the MAB to get side-tracked onto trivial or irrelevant issues.

**Building a team:** MAB members are normally volunteers. Motivating them is important. Some key ways of doing this are:

- Involve board members in the design of the programme. Give them a sense of ownership.
- Keep them informed of developments at all times.
- Encourage informality and open discussion at meetings.
- Remind board members of the purpose of the MAB and the CYCI.
- Emphasise the benefits the programme brings, and celebrate its successes.
- Ensure that the advice of the MAB is listened to and acted upon. Members need to feel that what they say is important and respected.

- **identify information needs clearly:** in the design of financial and other statements, consult the users of the statements to ensure that the right information is included;
- **build in flexibility:** different stakeholders need different information at different times – ensure that systems for the issuance of reports can meet these needs;
- **provide the right amount of information:** there should be enough information to provide a complete picture, but not so much that it is impossible to extract the specific information that is needed; and
- **use descriptive account numbers:** the chart of accounts should be structured so that each account has a number that easily identifies what kind of account it is. For example, the first digit could identify whether it goes under assets, a liabilities or equity. Subsequent digits could identify whether the item pertains to loans, savings, training, marketing, or some other facet of the organisation's operation. For a more detailed analysis of how to structure a chart of accounts for a micro-finance institution, see CGAP (1998).

Part of the responsibility of the accountant would be to produce the quarterly and annual reports described in Phase 5 of this module, Monitoring, Evaluation and Reporting.

#### *The portfolio tracking system*

Phase 4 in this module, which describes the process of disbursing loans, outlines a simple system for tracking the portfolio of loans. Some indicators for monitoring and evaluation using information contained in this system are outlined in Phase 5.

The system as outlined can be kept manually, i.e. on paper. However, it is recommended that where possible a computer software system be used, supported by manual record on paper where necessary (e.g. on field visits).

#### **Computer Software for Record-keeping**

The choice of which computer software package to use in the implementation of the CYCI depends on a number of factors, including the size of the organisation, the number of beneficiaries, and the resources

available. No single system exists which meets all the needs of all micro-finance institutions. Many institutions adapt existing systems to suit their own needs, or hire a software developer to custom-build a system to their own specifications (CGAP, 1998).

Some currently available systems, together with a checklist of criteria for evaluating

software options<sup>1</sup> are described in Appendix I. They are presented for information purposes only; there may be other systems not mentioned that are more appropriate to some users' needs. The CYCI does not recommend any particular system, and individual agencies should determine their best option based on their specific requirements.

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<sup>1</sup>Information about these software packages is drawn from CGAP (1998), Ledgerwood (1999) and supplier sales information.