

Appendix 1: Handouts

Handout A: Key features of CYCI

Handout D: Sample Budget Sheet

Handout B: Role of the implementing agency

Handout E: Staff training needs checklist

Handout C: Business Plan

Key features of CYCI

- NGO style of delivery
- group lending and use of group savings as collective collateral
- democratic participation by beneficiaries
- use of peer group pressure to ensure prompt repayment
- entrepreneurial development, business and management training
- support services, marketing assistance and information
- mechanisms to ensure effective monitoring and evaluation

Role of the implementing agency

- formulate and design an appropriate credit scheme, in collaboration with other stakeholders;
- take responsibility for the day-to-day operation of the credit scheme;
- manage the loan fund and borrower repayments;
- empower beneficiaries through entrepreneurship, business and management training and ongoing counselling;
- access financial services by either (1) creating innovative linkages with formal financial institutions while remaining outside of them, or (2) transforming itself into a formal financial institution; and
- monitor the scheme through regular reviews with beneficiaries, and report back to lead agency, funders and other authorities.

Business Plan

- Proposed intervention
 - Overall objective
 - Specific goals
 - Target group(s)
 - Promotion and publicity
 - Timeframe
 - Work plan
 - Anticipated outcomes

- Operational capacity
 - current staff capacity
 - what staff will be needed to implement the programme
 - proposal to increase staff if necessary

- Training programme
 - of staff to implement the programme
 - of beneficiaries

- Budget and funding
 - start-up costs
 - operating costs
 - training costs
 - capital costs (loan fund)
 - sources of income and funding
 - sustainability target

- Monitoring, evaluation and reporting
 - key indicators
 - logical framework
 - collection of field data

Handout D

Sample Budget Sheet

	Year 1	Year 2	Year 3
Revenues			
Interest from loans			
Interest from investments			
Other sources			
Total revenues			
Expenditures			
Staff salaries			
(list staff members and their salaries)			
consultancy fees			
sub-total salaries/consultancy fees			
Overheads			
office rental			
office furniture			
office equipment			
office supplies (stationery, postage stamps, etc.)			
Telephone			
utilities (electricity, water, heating)			
bank charges			
transportation/travel costs (for field visits, etc.)			
advertising and promotion			
Insurance			
repairs and maintenance			
sub-total overheads			
Other expenses			
cost of capital			
loan losses			
sub-total other expenses			
Total expenditures			
Surplus/deficit			
Funds required:			
Operating funds (enter deficit or subtract surplus)			
Loan capital			
Total funds required			

Sources: UNDP, 1997; Commonwealth Secretariat, 1998

Staff training needs checklist

- A working knowledge of the CYCI, including:
 - goals and objectives
 - basic terms and concepts
 - key defining features
 - key stakeholders
 - institutional arrangements
 - structures, procedures and mechanisms
 - holistic approach

- financial management skills for the management of the loan fund, including:
 - negotiations with formal financial institutions, e.g., commercial banks
 - screening and approval of loan applications
 - setting of interest rates for loans and savings
 - determination of loan sizes and repayment schedules
 - loan disbursement and repayment collection

- the capacity to provide training to the beneficiaries in such areas as:
 - formation and maintenance of credit groups
 - financial management of loans and businesses
 - entrepreneurship and business skills
 - marketing
 - personal development and motivation

- the capacity to enter the areas where the communities of beneficiaries are located and carry out:
 - baseline surveys and participatory rural appraisal
 - promotion and marketing of the credit programme
 - recruitment of potential beneficiaries
 - business counselling
 - ongoing mentorship and guidance
 - assistance in developing the technical skills of beneficiaries
 - monitoring, evaluation and reporting

- language and communications skills
 - in areas where a range of different local languages are spoken
 - in areas where literacy rates are low and communication with beneficiaries must be carried out verbally or using visual signs, maps, models, etc.

Appendix 2: Overheads

Overhead 1: What is the CYCI?

Overhead 2: Overview of Orientation Course

Overhead 3: Approaches to Micro-Credit

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Overhead 5: Mission, Scope Goal and Objectives of the CYCI

Overhead 6: Institutional Arrangements and Enabling Environment

Overhead 7: Questions for Stakeholder Analysis

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Overhead 11: Participatory Rural Appraisal

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Overhead 13: Staff roles and responsibilities

Overhead 14: Promoting and publicising the programme

Overhead 15: Criteria for assessing applications

Overhead 16: CYCI beneficiary training programme: Essential areas to be covered

Overhead 17: Credit Group Formation

Overhead 18: General Management of the Programme

Overhead 19: The accounting system

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Overhead 23: Types of indicators

Overhead 24: Portfolio performance indicators

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What is the CYCI?

The Commonwealth Youth Credit Initiative (CYCI) is a micro-credit and enterprise development initiative designed to promote youth employment and alleviate poverty among the young people of the Commonwealth. It is normally implemented by a lead agency in partnership with an implementing agency, usually an NGO with experience in micro-credit, enterprise development and/or youth development.

Overview of Orientation Course

- Unit 1. Introduction
- Unit 2. Background: micro-credit and the Commonwealth
- Unit 3. Overview of the CYCI Model
- Unit 4. Enabling environment of CYCI
- Unit 5. CYCI stakeholders: roles and responsibilities
- Unit 6. Action points for lead agency

Approaches to Micro-Credit

Minimalist approach

Practised by:

- Grameen Rural Bank (Bangladesh)
- MicroStart Guide (UNDP)

Guiding principles:

- provision of credit alone is sufficient to stimulate productive economic activity for poor people
- provision of training, business counselling, information technology and other services is valid, but costs may render it unsustainable

Holistic approach

Practised by:

- CYCI
- ICECD (India)

Guiding principles:

- provision of micro-credit as part of an integrated package that includes skills, marketing and management training, and business counselling
- running a successful business requires skills which emergent entrepreneurs may not readily possess

Strategic objectives of the Plan of Action on Youth Empowerment

1. Develop and implement measures to promote the economic enfranchisement of young people and their participation in the economy.
2. Strengthen social support systems and collaboration between key stakeholders in youth empowerment.
3. Develop and strengthen youth ministries/departments, national youth policies, and legislative and constitutional provisions impacting on youth affairs.
4. Promote positive national role models and self-images for young people, and foster their sense of responsibility and self-esteem.
5. Promote the full participation of young people in decision-making at all levels, including communities and local, provincial and national governments.
6. Take affirmative and direct action to establish gender equity for all young people, and equality of treatment and outcomes for youth in special circumstances.
7. Promote a democratic, stable and peaceful environment in which the human rights of young people as defined in international covenants are fully implemented and in which they can fully accept their responsibilities.
8. Encourage action for the development and maintenance of human resource and intellectual capital.
9. Promote measures to improve access to information and communications technology (ICT) and to provide young people with the skills to make use of it.
10. Advocate measures to broaden youth participation in sporting and cultural activities as a means of promoting positive values and advancing human development.

Mission, Scope Goal and Objectives of the CYCI

Mission: to assist in providing young entrepreneurs with an integrated package of low-cost, easily accessible credit and enterprise training and development, so as to assist them in becoming economically self-sufficient, participating in economic activity and contributing to national economic and development goals.

Scope: The CYCI is sufficiently flexible to meet the varying development needs of countries throughout the Commonwealth. It comprises inter-linked components which provide the opportunity for countries to select and combine the components most appropriate to their own needs and circumstances. The CYCI was conceived, developed and implemented for young people aged 15 to 29, but it can be adapted for any social group or stratum that a lead agency may wish to assist. It is particularly suited to those entering into entrepreneurial activity for the first time.

Goal: to contribute to national, regional and international efforts to reduce youth unemployment and alleviate poverty in Commonwealth countries.

Specific objectives:

- to promote the development of sustainable micro-enterprises employing young people
- to promote economic growth and national development
- to demonstrate a model of good practice in micro-credit for young people
- to attract the interest of donors, governments and development agencies.

Institutional Arrangements and Enabling Environment

Institutional arrangements

- Lead agency and point of contact
- Management Advisory Board
- Implementing agency.

Enabling environment

- Peace, democracy and political stability
- Political Will
- Adequate Financial and Human Resources
- Supportive Policy, Legal and Administrative Frameworks
- Culture of Entrepreneurship and Co-operation
- Supportive Infrastructure

Questions for Stakeholder Analysis

1. What does this stakeholder want from and expect of the CYCI?
2. What will constitute success for the initiative, in the eyes of this stakeholder?
3. What other goals and interests does the stakeholder have which may
(1) complement (2) conflict with the goals and interests of the CYCI?
4. What is the relationship between this stakeholder and the others?

Action Points for Lead Agency

Set-up

- developing a Plan of Action
- setting up institutional arrangements
- strengthening the enabling environment
- obtaining funding

Staff and institutional training

- training government. staff
- training NGO staff
- training of trainers

CYCI programme implementation

- Approval of business plan
- Funds delivered to NGO
- MAB meetings

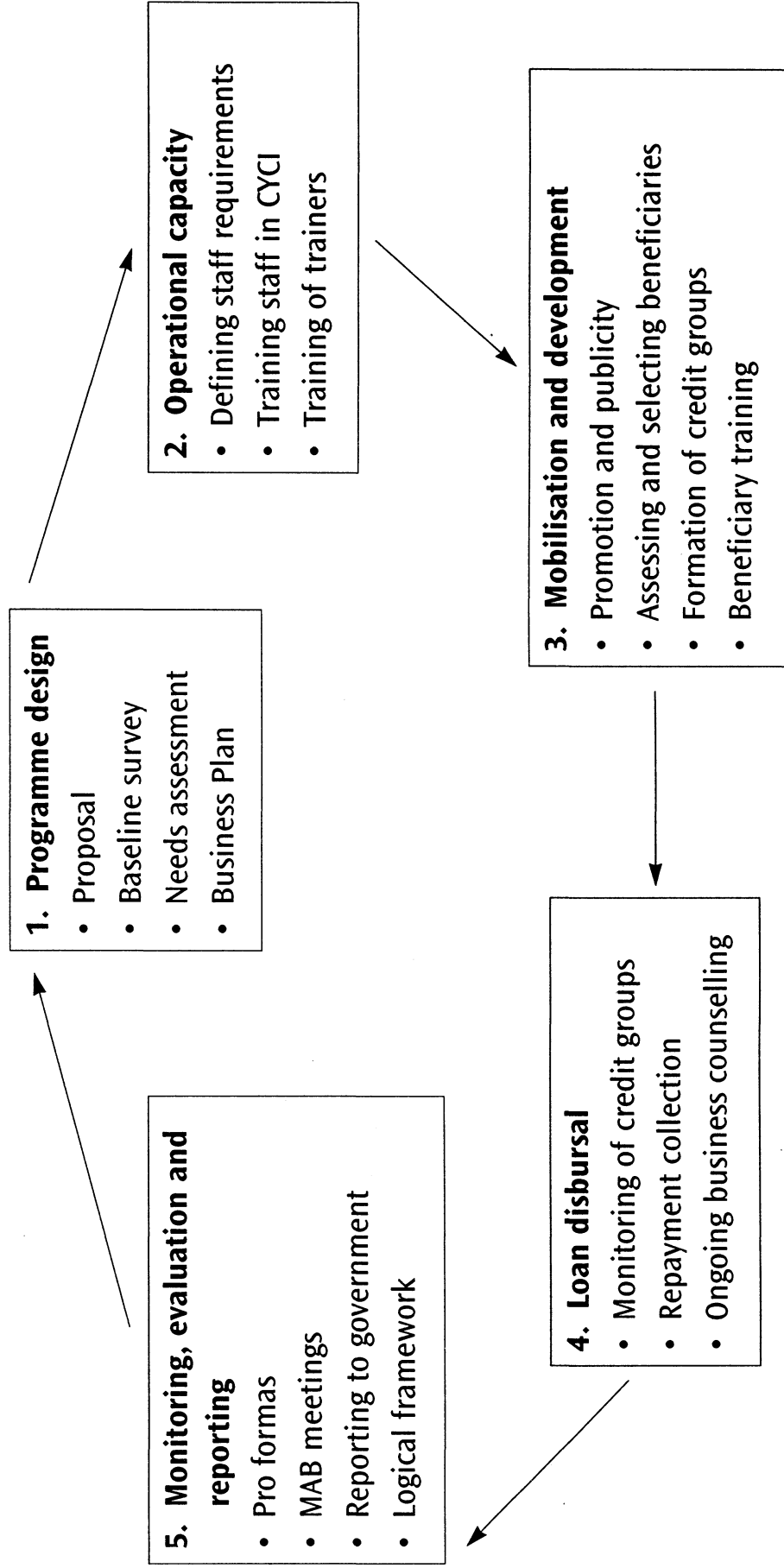
Selecting the partner agency

- sending out request for proposals
- selecting an agency based on proposals received
- signing a legal and financial agreement with the selected agency

Monitoring and evaluation

- monthly report
- quarterly report
- annual report
- logical framework

Overview of CYCI Programme Cycle



Overview of Implementation Course

- Unit 1. Introduction
- Unit 2: Programme Design
- Unit 3: Building Operational Capacity
- Unit 4. Mobilisation and Development
- Unit 5. Loan Disbursal and Management
- Unit 6: Monitoring and Evaluation

Participatory Rural Appraisal

Techniques

- open-ended interviews
- transect walk
- facilitating investigation, analysis and presentation by local people
- participatory modelling and diagramming
- social mapping
- timelines and trend analysis
- seasonal analysis
- comparisons and ranking
- use of secondary sources

Good practice

- establish a relaxed, friendly rapport
- have patience, humility, willingness to learn, respect for local knowledge
- identify potential key informants
- get involved - do local tasks and activities
- use visual techniques to share information
- combine various participatory methods
- use local indicators to establish priorities
- share information widely

Designing the loan and savings package

Types of loans

- working capital loans
- fixed asset loans

Key issues

- size of loans
- number of loans
- period of loan cycle
- calculating sustainable interest rates
 - covering costs
 - flat rate and declining balance methods
- savings

Staff roles and responsibilities

Programme manager

- providing overall leadership and guidance
- hiring and supervising programme staff
- overseeing finances and programme administration
- establishing linkages with donors, banks, etc.
- supervising programme development
- sitting on CYCI Management Advisory Board

Loan supervisor

- designing and implementing field activities
- hiring and supervising field officers
- reviewing loan applications and approving loans
- managing loan disbursement and repayment collection
- meeting regularly with other programme staff.

Support staff

- assisting in communications between the loan supervisor and the filed officers
- general administrative duties

Field officers

- promoting and developing the programme
- assisting in the formation and training of credit groups
- assisting beneficiaries in making loan applications
- collecting loan repayments and following up on late payments/defaulters
- business counselling, motivation and support

Trainers

- training programme staff, field officers and programme beneficiaries in the workings of the CYCI
- training field officers in entrepreneurship development, business counselling, and motivation
- training beneficiaries in financial management, entrepreneurship, business skills, marketing, personal development and self-esteem

Source: UNDP, 1997

Promoting and publicising the programme

Preparation

- familiarisation of staff
- communications plan
 - dates times and locations of planned field visits
 - names of community leaders, representatives of youth groups and others to be contacted
 - promotional materials to be developed
 - local media that can be of use in promotional activities
- preparation of brochures, posters, and visual aids

Field visits

- Initial contact visit
- Information workshop

Sensitisation of other agencies

- commercial banks
- other NGOs working in the area
- other agencies and organisation

Criteria for assessing applications

To what extent:

- does the applicant have a genuine need for the full package of services that the CYCI offers?
- does the applicant have a clear understanding of the principles and practicalities of the programme?
- is the applicant fully aware of the responsibilities of beneficiaries?
- is the applicant highly motivated?
- does the applicant have a clear idea of what use s/he would make of the loan?

What is the applicant's social, economic, cultural profile?

Beneficiary training programme: Essential areas to be covered

- Overview of CYCI methodology
- Motivation, awareness, leadership skills, communications skills, personal development and growth
- Development of a business idea - including identification of business opportunities, product selection, feasibility study, setting goals and targets
- Marketing
- Credit, savings and financial management skills, including bookkeeping and reporting to the implementing agency
- Formation of savings and credit groups
- Preparation of a business plan and loan application

Credit Group Formation

Good practice guidelines for group formation

- Groups should normally be of 5-10 members.
- Groups may be all-women, all-men or mixed.
- Members should all be from the same community.
- Members should not be from the same household.
- Democratic procedures: group members should elect their own officers and draw up their own rules and regulations.
- All group members contribute to a savings fund from which payments can be made in case of defaults.
- Group formation should be voluntary and where possible based on natural or already existing groups.

Establishing rules and regulations on:

- eligibility criteria for joining the group
- criteria and procedure for expulsion from the group
- criteria and procedures for approving loan applications
- maximum number of members
- procedures for electing group officers, length of term, removal from office
- attendance at meetings
- collection of loan payments
- group savings

Roles and functions of group officers

- Group leader
- Group treasurer

Rights of group members

- to peer support and encouragement, courtesy and respect
- to have their business plans and loan applications considered by the group
- to a fair and impartial decision regarding group approval of their application

Responsibilities of group members

- to make prompt loan repayments
- to contribute to a savings fund which can be used to make loan repayments if any group member defaults
- to treat their fellow members with courtesy and respect, and provide moral support and encouragement.

General Management of the Programme

- Governance
 - Management Advisory Board
- Record-Keeping and Accountancy
 - The accounting system
 - The portfolio tracking system
- Computer software for record-keeping

The accounting system

Key elements

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

Good practice

- identify information needs clearly
- build in flexibility
- provide the right amount of information
- use descriptive account numbers

Selecting computer software

Ease of use

- interface and screen design
- manuals and documentation
- hands-on tutorials
- help menus
- automatic error detection

Features

- linked accounting and portfolio tracking
- interest rate calculation
- repayment methods and schedules
- different loan and savings products
- calculation of key indicators
- adaptable to local languages
- data disaggregated by gender
- customised to specific needs
- report issuing capabilities

Compatibility and system requirements

- operating system
- system requirements (memory, hard disk space, processor speed)
- local and wide area networks?
- Compatibility with existing systems

Support

- technical support by telephone
- technical support through the Internet
- technical support through site visits
- user training

Costs

- basic purchase price
- installation fees
- additional user charges
- additional charges for use on different sites
- training costs
- technical support costs

Security

- passwords and levels of authorisation
- data protection
- back-up systems
- documents tracking

Source: adapted from Ledgerwood (1999)

Processing loans

Processing of Loan Applications

- loan application
- assessment
- approval

Repayment collection

- passbook
- transfer report
- beneficiary record

Issuing the loan

- promissory note
- beneficiary passbook
- compulsory savings

Dealing with defaulters

- prompt action
- peer pressure
- sanctions

Providing ongoing business counselling and support

- motivation and personal growth
- leadership skills
- business administration and management
- general problem-solving
- delinquency advice
- product development
- marketing advice

Types of indicators

Implementation indicators

- **Portfolio performance indicators**
 - portfolio at risk
 - loan write-off ratio
 - current repayment rate
- **Productivity and efficiency indicators**
 - field officer productivity
 - office staff productivity
 - programme staff productivity
 - operating cost ratio
 - cost per unit of currency
- **Financial sustainability indicators**
 - operational self-sufficiency
 - financial self-sufficiency

Impact indicators

- **At the enterprise level**
 - output
 - asset accumulation
 - technology
 - employment
 - income
 - market
- **At the household level**
 - income
 - asset accumulation
 - savings
 - consumption
 - empowerment
- **At the community level**
 - employment
 - income
 - health & well-being
 - education

Portfolio performance indicators

$$\text{Portfolio at risk} = \frac{\text{unpaid balance of loans with payment past due}}{\text{total of unpaid balance of loans (including past due)}}$$

$$\text{Loan write-off ratio} = \frac{\text{amount written off over the period}}{\text{average outstanding portfolio over the period}}$$

$$\text{Current repayment rate} = \frac{\text{number of payments received during the period}}{\text{number of payments falling due during the period}}$$

Productivity and efficiency indicators

$$\text{Field officer productivity} = \frac{\text{number of loans outstanding}}{\text{number of field officers}}$$

$$\text{Office staff productivity} = \frac{\text{number of loans outstanding}}{\text{number of office staff members}}$$

$$\text{Programme staff productivity} = \frac{\text{number of loans outstanding}}{\text{total number of programme staff members}}$$

$$\text{Operating cost ratio} = \frac{\text{operating costs over a given period}}{\text{average outstanding portfolio over the same period}}$$

$$\text{Cost per unit of currency} = \frac{\text{operating costs over a given period}}{\text{total amount lent over the same period}}$$

Financial sustainability indicators

$$\begin{aligned} \text{Operational self-sufficiency} &= \frac{\text{operating income}}{\text{operating costs} + \text{loan loss provisions}} \\ \text{Financial self-sufficiency} &= \frac{\text{operating income}}{\text{operating costs} + \text{financing costs} + \text{loan loss provisions} + \text{cost of capital}} \\ \text{Adjusted cost of capital} &= [\text{inflation rate} \times (\text{average equity} - \text{average fixed assets})] \\ &+ [(\text{average funding liabilities} \times \text{market rate of debt}) - \text{actual financing costs}] \end{aligned}$$

Tools for monitoring and evaluation

- *Monthly Report*
- *Quarterly Statement*
- *Annual Report*
- *Logical Framework*
- Minutes of meetings, e.g. Management Advisory Board, others
- Evaluation reports (mid-term and terminal)

Logical Framework

	Narrative summary	Objectively verifiable indicators	Sources of verification	Assumptions and risks
Goal				
Purpose				
Inputs				
Outputs				
Budget				