



## C<sup>3</sup> CREDIT Turns Twelve

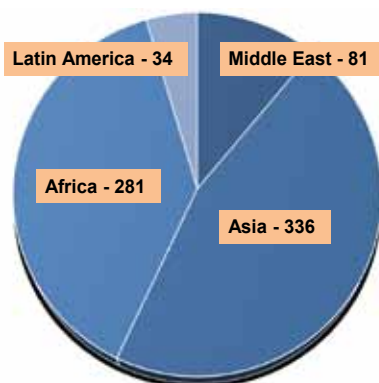


C<sup>3</sup> CREDIT, our standard seminar on SME lending and monitoring for loan officers is one of the oldest

C<sup>3</sup> packages. Long before C<sup>3</sup> was born as a brand in 2003, the first SME lending prototype was implemented by GFA in 1997 for loan officers in Southern Africa. Innovative lending methodologies for small and medium size enterprises were thereby paired with modern adult learning tools, which resulted in an active, participant-oriented and extremely dynamic training course well accepted in the banking sector.

Many of the over 700 participants in the 22 countries where CREDIT has been implemented directly by GFA since then, were trainers and the main aim of GFA's mission was to prepare those who could further reproduce content and method, therewith establishing a sustainable, well recognized course on the local training market.

Following international best practices the package frequently gained a foothold locally through C<sup>3</sup> partners such as bank training institutions, professional training institutions, universities or other private training providers who had been carefully selected, as described in detail in our reports on the Philippines or India in this newsletter.



Participants in C<sup>3</sup> CREDIT seminars on SME lending directly trained by GFA 1997 – 2009 by region

## Country Report: C<sup>3</sup> CREDIT in the Philippines



Crab meat with export potential – a typical Philippine SME

Another C<sup>3</sup> success story in the past few years has been the case of the Philippines, where C<sup>3</sup> CREDIT and other training courses related to SME lending were introduced by GFA between 2004 and 2009.

The C<sup>3</sup> activities in this country were part of the Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP) funded by the German Company for Technical Cooperation (GTZ). The objective of the financial sector component of the project was twofold: firstly, to provide access to finance to SMEs and secondly, to improve the capacities of the partner banks to manage commercially viable SME portfolios efficiently through customized advisory services and intensive training activities.

During the first program phase from 01/2004 to 08/2006 GFA, amongst other things, developed and implemented different kinds of training courses in order to upgrade the partner banks' capability in appraising, managing and monitoring SME loans. In total **five seminar prototypes on SME finance** were developed and conducted for the benefit of over 350 bankers from 48 rural banks and two thrift banks in different locations of the pilot region Visayas. Courses were aimed at specific target groups and had different content and/or depth. The training

started with several one day workshops targeting bank executives, senior staff members and other project counterparts. Later on, further training modules were added which dealt with SME lending Credit Risk Management, Marketing and Pricing.

In order to upgrade branch managers and loan officers' performance in SME lending, **three standard C<sup>3</sup> CREDIT seminars** (10 days on SME credit appraisal and monitoring) were held between September 2004 and June 2006. Participants in the three C<sup>3</sup> CREDIT courses in **Cebu-City, Tacloban** and **Bacolod** were from the Philippine Postal Savings Bank and other thrift institutions, as well as from small rural banks in the Visayas, the project's pilot region. During these seminars 60 participants and four national co-trainers were further trained. However, no sustainable training of trainers approach was achieved at this stage and trainings were implemented on a subsidized basis.

### Creating Sustainable Training Products: Second Project Phase Objective

Contrary to the approach of the first phase, the main focus during the second phase of the project from 09/2006 to 08/2009 was to enable training service providers (TSPs) to **deliver courses in**

## C<sup>3</sup> CREDIT in the Philippines (continued from page 1)



Newly licensed C<sup>3</sup> CREDIT trainers (from left): Dick Pajarillo, Cora Conde, Lothar Maria Willms (GFA) and Jay P. Supetran

**SME finance on a sustainable basis**, as part of the **exit strategy of the technical assistance**. This was achieved by institutionalizing know-how and tools with local TSPs and by choosing a sustainable and market-based approach from the start. To this end, two institutions were chosen and qualified to take **over local ownership**: in 2007 the University of the Philippines-Institute for Small Scale Industries (**UP-ISSI**) and in 2009 the Associated Resources for Management and Development (**ARMDev**).

### Identifying Trainers for Multiplying the C<sup>3</sup> Training Courses

Eleven local trainers were selected from a group of 42 candidates and given further instruction for the delivery of the training courses. They are now qualified to implement trainings which maintain C<sup>3</sup>'s high quality standards and methodological principles. To initiate the training and capacity building, a **Training of Trainers (ToT) Scheme** based on GFA's general C<sup>3</sup> approach was developed and imple-

mented in the years 2007 and 2008. The first step in a typical C<sup>3</sup> ToT program is a three-day ToT workshop (C<sup>3</sup> TRAINER) on C<sup>3</sup> training techniques. This is to familiarize participants with **basic concepts of participatory and action-oriented training techniques**. It is followed by a 10-day course on **SME credit appraisal and monitoring** (C<sup>3</sup> CREDIT).

This is geared towards acquainting the trainees with the technical concepts of appraising an SME loan application and how this is reflected in the C<sup>3</sup> exercises. Benchmarks are set with respect to learning points, tools and sequencing of each training session.

After concluding this first step, those trainers with good potential for multiplying the C<sup>3</sup> training courses were recommended to the TSPs. They then completed their training by implementing a C<sup>3</sup> CREDIT under full responsibility while being coached by an international senior C<sup>3</sup> CREDIT trainer. In addition during this phase 66 loan officers were trained.

### Local Marketing & Adaptation

Since 2008 UP-ISSI, one of the the local providers, has been fully responsible for the marketing of the courses run by the accredited local trainers. At the beginning, there seemed to be great interest in the training courses in the banking sector. However, not enough participants actually signed up. It soon became obvious that the pricing and especially the packaging (i.e. 10 full days as total course duration) were the reasons for this situation. In other words: the product was not fit for the market, demand did not meet supply. Therefore an alternative 6-day



Participants giving input

course, which did not include the practical field work, was offered in place of the original 10-day training. Also a few additional tools useful for SME lending were developed through the project. Furthermore, participating banks expressed a great need for coaching assistance in the banks, after the training. This assistance was provided by the project and demonstrates that **learning takes place at an accelerated rate, if the learner is able to apply new knowledge and skills** immediately at his or her place of work and in a real-life situation. The importance of the C<sup>3</sup> field work concept is herewith proven and it would seem vital to integrate it into the course concept. It is, however, not financially feasible for the banks. This is a contradiction which is very difficult to reconcile within the environment of subsidized technical cooperation.

### Outreach & Sustainability

Up to now UP-ISSI has conducted a considerable number of C<sup>3</sup> CREDIT trainings and has qualified over **700 bankers** from **140 financial institutions** all over the Philippines, while GFA's input was steadily reduced. ARMDev, which started with C<sup>3</sup> training activities in May 2009, so far has run two C<sup>3</sup> CREDIT seminars with 36 participants. The training courses were fully paid for by participants, which shows that supply (local trainers, pricing and methodology) has now met demand from banks. We hope to see a long-lasting continuation of C<sup>3</sup> courses in the Philippines and wish our Philippine partners all the best for their future C<sup>3</sup> activities.



Topics covered during C<sup>3</sup> CREDIT courses on SME lending and monitoring

## C<sup>3</sup> CREDIT – Empowering India’s Rural Bank Training

The Indian National Bank for Agriculture and Development (NABARD) and KfW Entwicklungsbank have a long history of cooperation. In 2008 GFA was appointed to assist with consultancy services to the implementation of a credit line for refinancing of NABARD’s Non-Farm Sector (NFS) lending program to improve the continuous credit supply to small village industries. As part of the comprehensive implementation package, credit officers in participating banks and cooperatives are being trained directly by MSME finance experts. These trainers have longstanding practical experience in cash-flow-based lending technologies and general bank management mainly in Eastern Europe.

To complement the banking knowledge transfer and to institutionalize best-practice training methodologies at highest possible outreach, GFA conducted two **C<sup>3</sup> Training of Trainers workshops**. These took place at BIRD (Bankers Institute of Rural Development) and NBSC (National Bank Staff College), at their respective training premises in Lucknow, India. Both institutions are prime training providers in this field. They operate nationwide and are highly reputed in the promotion of the rural Indian economy and the rural financial industry. These sectors do not yet adequately participate in the economic upswing of India although the majority of the population lives in rural areas. Therefore, human resource capacities are urgently needed at the conjunction of the rural sector and the financial sector.

The management staff and loan officers of rural financial institutions (RFI) in the three pilot states **Chhattisgarh, Rajasthan and Orissa** have been selected by KfW, NABARD and GFA for continuous training measures. Since sustainability is one of GFA’s outstanding goals, both NBSC and BIRD have been involved from the beginning in order to be enabled to assume a leading role in capacity building in rural economies once the project has come to an end. The participants the two ToT workshops are experienced trainers from these two institutions, mostly with background in cooperative and commercial banking. Most participants only have limited experience in rural, non-farm lending and action-based training methods.

Consequently, GFA designed and implemented customized workshops which combined the generic C<sup>3</sup> TRAINER course content and methodology with specific exercises from the C<sup>3</sup> CREDIT manual.

**The first course** held in March (five days) aimed at introducing the participatory, action-based training approach and structured learning exercises. As is common for C<sup>3</sup> courses, participants were directly involved in most of the sessions and could therewith contribute to success in terms of the learning effect. This workshop consisted of three modules:

- C<sup>3</sup> training and moderation concept as well as adult learning methodologies (learning by doing, visualization standards, use of media etc.).
- Introduction to the experience-based learning cycle.
- Training practice, the development of personal training skills, effective communication in training situations.

**The second course**, planned for December will last six-days. Since it is a continuation of the first it has the same group of local trainers as participants. During the course, participants will continue with the **development of tailored exercises** geared to the peculiarities of the Indian rural finance context. In addition, they will further develop their personal training skills. Course content will be:



*Participant’s passport: Getting to know each other*

- Preparation and implementation of practical exercises by participants – coached by trainers including feedback sessions.
- Target-group oriented seminar design and curriculum development.
- “Hands-on” exercises in real-life situations including feedback session.

The exercises will be carried out with guest students from the staff of rural financial institutions in order to put the methods into practice more effectively. GFA is confident that this two-step ToT approach will not only complement the ongoing capacity building activities in the KfW credit line course. It will also ensure that the know-how and the current momentum of vitalizing the rural finance markets will remain driving forces behind economic and social development in India.



*Participants with C<sup>3</sup> trainers Lothar Willms (in the front, second from left) and Steffen Kuhl together with team leader Rauno Zander in Lucknow*

## C<sup>3</sup> CREDIT – Content and Methodology

The C<sup>3</sup> CREDIT course on SME (Small and Medium Enterprises) finance and monitoring covers all relevant aspects necessary



Field work: Checking reality of a loan applicant in Bireuen, Indonesia

to appraise a loan application, including topics like entrepreneurial competencies, marketing, and technical as well as financial viability of the loan proposal. In addition, it focuses on other aspects in the context of SME lending activities, such as internal credit policies and procedures and credit monitoring. Thus participants are familiarized with all phases of the lending process and are enabled to efficiently build up and manage daily SME credit operations.

The core element of the training course constitutes the **fieldwork**, when participants in groups **assess real credit applications**. Main aim of this practical part of the training course, which usually lasts up to half the course, is that participants learn to apply newly acquired skills, tools and knowledge in their real working environment, under realistic conditions. Dur-

ing this training phase, trainees work in groups on one project. Each group analyses the client's business proposal, discusses findings, elaborates reports, and presents their conclusions to a credit committee. This committee is usually composed of heads of loan departments or other credit staff, usually hierarchically superior to participants.

The **training methodology** and style used during the courses is based on the **action learning cycle**, typical for C<sup>3</sup>, where experience is at the center of the didactical approach and participants play an active role. This means participants do not learn through the trainers' lecturing but based on their own experience gained prior to or during the course. The role of the trainer is to facilitate and to stimulate this learning process through condensed input, well elaborated exercises and perfect moderation.

## The People - from our Pool of Selected International CREDIT Trainers



**Marret Schadwinkel** learned her profession as a banker at Deutsche Bank in 1997. Ms Schadwinkel is an economist. She worked in the field of MSME banking as a full staff member and retainer for GFA till 2008, when she started a Micro-Finance Operation in Brandenburg (Germany). She has been a C<sup>3</sup> trainer since 2003 and is actively involved in the development of the MSME finance sector mainly in Africa and Asia, through numerous consulting assignments for GFA.  
*Languages:* German, English

**Diana Cordes** has been a permanent staff member of GFA Financial Systems Development Department since 2007. She has implemented action-oriented trainings for adults in various contexts. As C<sup>3</sup> trainer for CREDIT she conducted trainings in the GTZ "SMEDSEP program" in the Philippines and within the context of the EU Private Sector Support Program Component II in Vietnam.  
*Languages:* German, English, Portuguese, Spanish



**Lutz Grashof** is an economist and specialist in both microfinance and SME finance with a background in commercial banking. He has a longstanding working relationship with GFA for consulting and training missions in the MSME banking sector. Lutz has been a senior C<sup>3</sup> trainer since 2003. So far his focus has been on the CREDIT module, where he has given instruction to loan officers and/or bank trainers in Ghana, Uganda and the Philippines.  
*Languages:* German, English