

**[ DSWD ADMINISTRATIVE ORDER NO. 03, S.  
2007, February 20, 2007 ]**

**IMPLEMENTING GUIDELINES ON THE DSWD'S MICRO-FINANCE  
PROGRAM**

**1.0 Background/Rationale**

The Department of Social Welfare and Development (DSWD) continuously implements its Self Employment Assistance Kaunlaran (SEA-K) Program with the acknowledgement that economic activity is an important component of the empowerment of the marginalized and vulnerable sector of the country's population.

The SEA-K Program was inspired by how the widows and orphans of World War II were able to make ends meet. They were provided with handicraft materials which were converted into saleable items and they got paid for the piece they produced. Similar programs evolved from 1954 and 1968, namely Vocational Rehabilitation Services, Self-Help Groups for Disaster Victims, Settlement Fund and the Economic Advancement Program.

In 1971, the term Self-Employment Assistance was coined and developed. The concept of social responsibility was introduced in the program which deals with the "roll-on" funding scheme or the transfer of capital from one client to another.

In the early part of 1990, the letter "K" (which stands for "Kaunlaran" or development) was added to the program title, thus, the SEA-K.

Recognizing the success of the SEA-K Program in enabling people to help themselves, Her Excellency President Gloria Macapagal Arroyo cited the Program in most of her speeches on poverty alleviation. Thus, in EO 558 dated 08 August 2006 and EO 558-A dated 27 October 2006, the President singled-out DSWD among the government non-financial institutions to directly engage in micro-finance to serve the needs of the poor and the marginalized sector of the economy. In the President's instruction, the DSWD was tasked to act as a micro-finance conduit in areas where there are no available microfinance institutions. Being aware of the Department's expansive network at the community level the President is certain that the grassroots communities and barangays that are ready for microfinancing would be reached.

The primary reason behind the engagement of the Department in microfinance activity is the obligation of the government to extend credit programs to poor individuals or families who are yet to be served by private financial institutions.

**2.0 Program Objectives**

The objectives of the DSWD's Micro-Finance Program are as follows:

2.1 To provide credit assistance, preferably to non-farm enterprising poor, in areas where participating financial institutions such as banks, cooperatives and non-governmental organizations do not engage in micro-lending.

2.2. To augment family income of poor individuals or families and elevate their socioeconomic situation above the marginal status.

2.3 To enable the target clientele to manage their income generating activities in a more sustainable manner through the provision of necessary services such as social preparation and capacity building activities.

2.4 To develop the enterprising poor into responsible users of formal (ending services through the technical support of the program.

### **3.0 Program Components**

The DSWD's Micro-Finance Program has the following program components

#### **3.1 Social Preparation**

This involves the provision of group sessions on self-enhancement, volunteerism, leadership and social responsibility. A successful and effective social preparation would result in the following: a) raising of the program participants level of self-awareness on his/ her potential resources and capability obligation to be economically self-reliant; b) acquisition of positive work attitude and sense of community; c) attainment of values and priorities that will guide the proper utilization of income generated from the micro-enterprise, and, d) development of a sense of social responsibility in the repayment of credit obligations incurred after availing the loan/credit assistance.

#### **3.2 Capability Building**

Capability building and technical assistance involve the conduct of skills training activities related to entrepreneurial development, basic-business management, product and quality improvement, bookkeeping, cash flow management, practical skills development and other similar services. This will be done in partnership with the LGUs and in coordination with other government and private agencies providing related services, Inclusion of gender issues shall also be considered as part of the capability building activities.

#### **3.3 Provision of Credit Assistance**

This involves the provision of credit assistance to the target borrowers for them to establish and operate a feasible micro-enterprise that would generate sustainable employment and income. Recovery of the credit assistance depends on the amount of loan provided to the program participants which may either be one year or two years (see details on item 5.5)

Each individual borrower can avail of a minimum of P5,000 and maximum of P50,000 loan/credit assistance.

The credit/loan assistance to be provided to the potential borrowers shall carry an interest rate similar to the one being charged by QUEDANCOR, which currently stands at 24% per annum or 2% per month. The interest rate to be charged will be computed on a flat rate or straight line method.

### **3.4 Savings Mobilization for Equity Capital Build-Up and Related Funds Build-up**

Savings mobilization for equity capital build-up will ensure sustainability of the enterprise even after the full return of the credit/loan assistance. This motivates the program participants to save and invest their own capital for enterprise expansion or diversification.

Related funds build-up includes mandatory savings for operational and emergency funds. Operational funds will ensure availability of funds that will meet basic or essential operating expenses. Emergency funds will be utilized to support members who are faced with crisis and family emergencies such as death, serious illness, etc.

The total savings to be mobilized will be 20% of the total loan. Of these savings, 10% will comprise the capital build-up, 7% will cover the emergency fund and 3% for operational fund.

### **3.5 Accessing of other Support Services**

The target participant shall be trained on how he/she can access other needed services. Existing NGOs and other social service providers shall be coordinated to systematize active networking at the community level.

## **4.0 Implementing Strategy**

The following shall be the general policies in implementing the DSWD's Micro-Finance Program:

4.1 DSWD Offices shall coordinate with the concerned Local Government Units (LGUs), People's Organizations (POs), Non Government Organizations (NGOs), National Government Agencies (NGAs) and other entities with regard to the identification of beneficiaries. This entails the process of socio-economic assessment and community-awareness raising by allowing the potential borrowers to experience the opportunity to be involved in the conduct of participative data gathering, analysis and appraisal of community resources.

4.2 The borrowers for the Program should meet the following eligibility requirements: a) must pass the Means Test (see attached\*), an instrument to gauge family income and assets; b) must be located in the 47 unserved municipalities (see attached list") and barangays identified by the People's Credit and Finance Corporation (PCFC); c) must be physically fit, interested and with ongoing income generating project; d) must have resided in the community for the past six months prior to his/her application and must signify that he/she intends to stay in the community for at least two (2) more years; e) must be 21 years of age (potential borrowers below the age requirements, must be at least 16 years of age and must submit parental/guardian consent; f) must be willing to abide by rules and accept technical assistance from the Project Evaluation Officer (PEO), Local Government