



AGRICULTURAL GUARANTEE FUND POOL (AGFP)



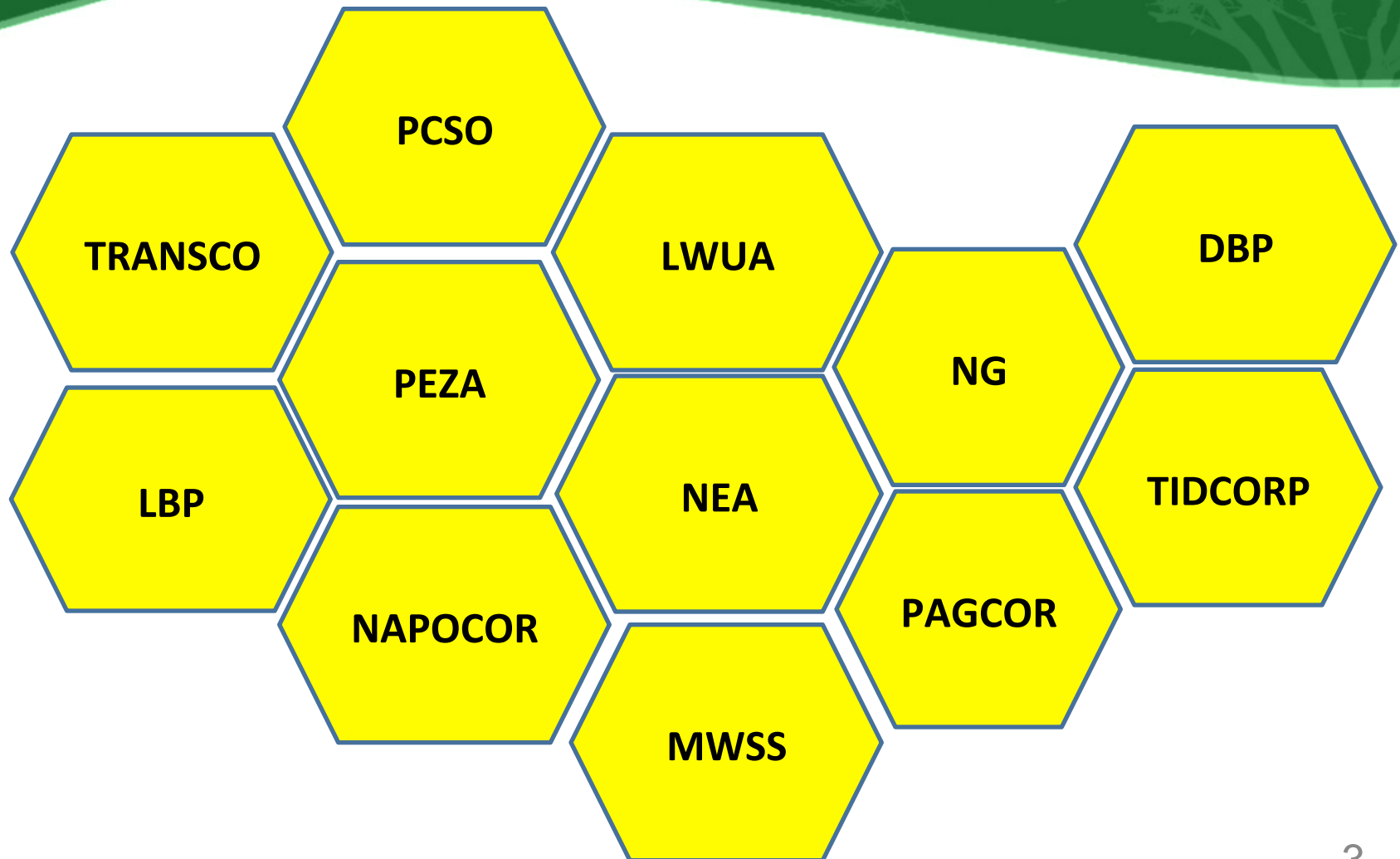
Enabling Law:



- Administrative Order No. 225-A
- dated May 26, 2008
- mandated GOCCs and GFIs to allocate 5% of their 2007 surplus for rice and food production



Contributors to the Fund



What is AGFP?



Agricultural Guarantee Fund Pool

- ✚ Is a Department of Agriculture - led program with LANDBANK as institutional manager
- ✚ Mitigates the risks involved in agricultural lending
- ✚ Encourages partner financial institutions and other lending entities
 - ✚ to lend unsecured agricultural food commodity production loans
 - ✚ to small farmers and fisherfolk

Lending and Borrowing Mismatch



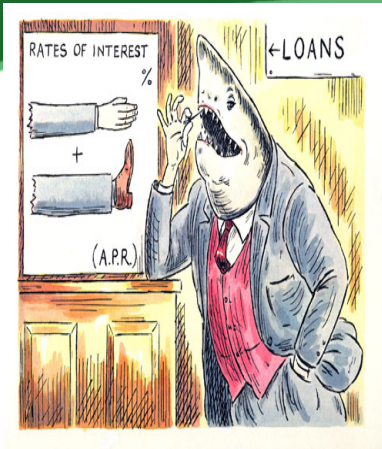
MISMATCH



Filipino Farmers'
need for access
to credit

Lending Institutions'
perception that
lending to the
agricultural sector is
very risky.

Realities in RURAL FINANCE



Informal Lenders

- High Cost of Loan



Formal Lenders

- Non-bankable
- High Credit Risk
- High Cost of Service Delivery



Farmers

LACK OF ACCESS to Sustainable
FINANCIAL SERVICES

Benefits of AGFP Guarantee

Lending Institutions

- Confidence in agri-lending
 - Expand loan portfolio
 - Increase income
 - Serve more clients
 - Manage risk better
 - Cash availability even when clients fail to pay
- AGFP guaranteed loans are 20% risk weighted by the BSP (Circular No. 713), for Banks

SFF

- Access to formal credit
 - Unsecured
 - Reasonable interest rates
 - Productivity

Who are eligible partners of AGFP?





Eligible Borrowers/ Eligible Loans

Unsecured loans

Small Farmers

a. Crop Production

Tillers of not more than 7 hectares (ha)

b. Poultry/Livestock Production

Poultry/Livestock Raiser of:

- Up to 2,000 layers or 5,000 broilers
- Up to 10 sow level or 50 fatteners
- Up to 50 heads of goat/sheep
- Up to 5 cattle breeders or 10 cattle fatteners
- Up to 10 milking cows



Eligible Borrowers/ Eligible Loans

Unsecured loan

Small Fisherfolk

- a. Fish Cage Operator
Loan amount up to P250,000 per operator
- b. Fishpond Operator
Up to 5 ha
- c. Coastal Fisherman
Up to 3 gross tons fishing boat
Fishing activities w/in municipal waters (15-km radius from shore)
- d. Engaged in Aquaculture
Up to 5 ha

Program Features

- ✚ Guarantees up to 85% of the outstanding principal loan balance upon maturity
- ✚ Guarantees all risks except fraud on the part of the lending institution
- ✚ Guarantee Fee per annum - 2% for loans to regular borrower

Program Features

- ✚ Coverage within 60 days from date of loan release
- ✚ Payment of guarantee claims within 60 days from receipt of complete documents

Process Flow

**Establishment of
Guarantee Line**

**Guarantee
Coverage**

**Request for
Claims
Payment**

**Recovery of
Subrogated
Receivables**

Process Flow

1 Establishment of Guarantee Line

Lending institutions shall **request for guarantee line**

Guarantee Line is renewed annually



1

Establishment of Guarantee Line

REQUIREMENTS

Request for Guarantee Line

Board Resolution, if applicable

Financial Statements: Interim and Annually for three years

CAMELS Rating of at least 3

Capital Adequacy Ratio of not less than 10

Report on Compliance to the Mandatory Agri-Agra Credit

Basic Business Information (Business Profile)

Guarantee Agreement

AGFP Implementing Rules

Specimen Signature (may be incorporated in the Board resolution)

Process Flow

2 Guarantee Coverage



Lending Institutions shall request for guarantee coverage:

- in batches of PNs
- supported by list of borrowers.

- Effective upon payment of guarantee fee
- Valid until loan maturity but not to exceed the production cycle of the crop plus a 2-month extension period.

2

Guarantee Coverage

REQUIREMENTS

Request for Guarantee Coverage

Masterlist of Borrowers

Proof of Guarantee Fee Payment

Process Flow

3

Request for
Claims
Payment

Guarantee claims
shall be **filed within**
60 days from Batch
Maturity Date* together
with the supporting
documents



* The last maturity date in the batch indicates the time for requesting guarantee claims

3

Request for
Claims
Payment

REQUIREMENTS

Request for Guarantee Claims Payment

Affidavit of Non-Payment

Duly received demand/collection letter to the sub-borrower

Statement of Account of the sub-borrower as of maturity date

Copy of Promissory Note & Discount /Disclosure Statement

Proof of occurrence of calamity, pests and/or disease
occurrence, if applicable

Deed of Subrogation with Collection Arrangement

Process Flow

4

Recovery of
Subrogated
Receivables



85% of any collection made from individual subrogated account **remitted** by the LI to the **AGFP** until the total obligation of such sub-borrower with the AGFP has been fully settled.

4

Recovery of Subrogated Receivables

REQUIREMENTS

Monthly Collection Reports

Remittance of Recoveries

Program Updates (as of October 31, 2014)

- ✚ Guarantee fees:
 - ✚ 2% for regular borrowers
 - ✚ 1% for ARBs
 - ✚ 50% discount on loans insured with PCIC
- ✚ 65 RBs participated in AGFP Workshops
- ✚ P369M in guarantee claims paid to 50 banks
- ✚ P130M of subrogated PNs recovered



AGFP and RBAP

**Partners for the
Small Farmers and
Fisherfolk!**



**Thank
You!!!**

**MS. EDNA A. ATIENZA
Program Director**

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