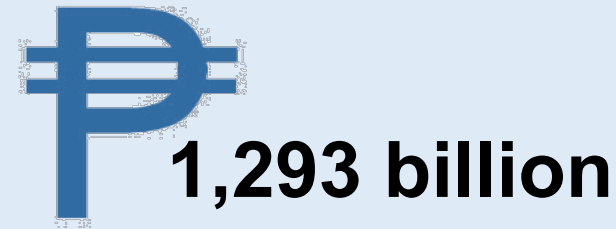
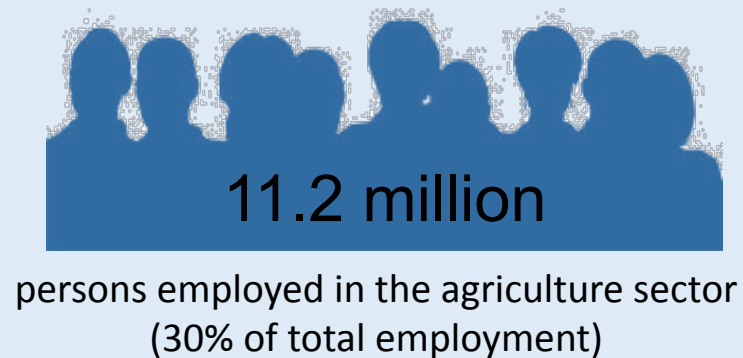
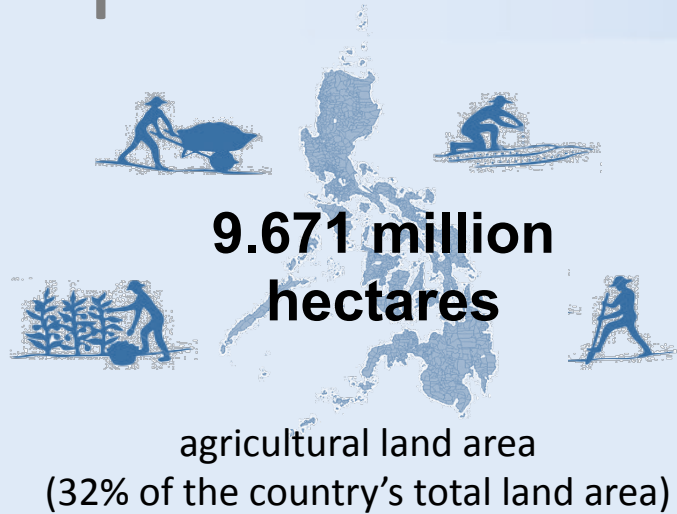


Agricultural Value Chain Financing Framework

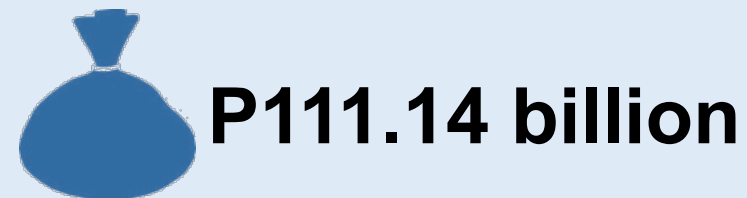
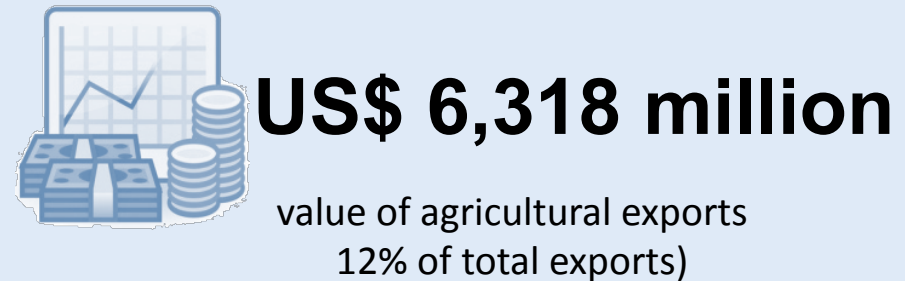


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Importance of the Agriculture Sector



Gross Value Added in agriculture & fishing
(10% of GDP)



amount spent by the government for the agriculture
sector (5.5% of total national expenditures)



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Source: Philippine Statistics Authority (2014)

Rationale: Agricultural Value Chain Financing Framework

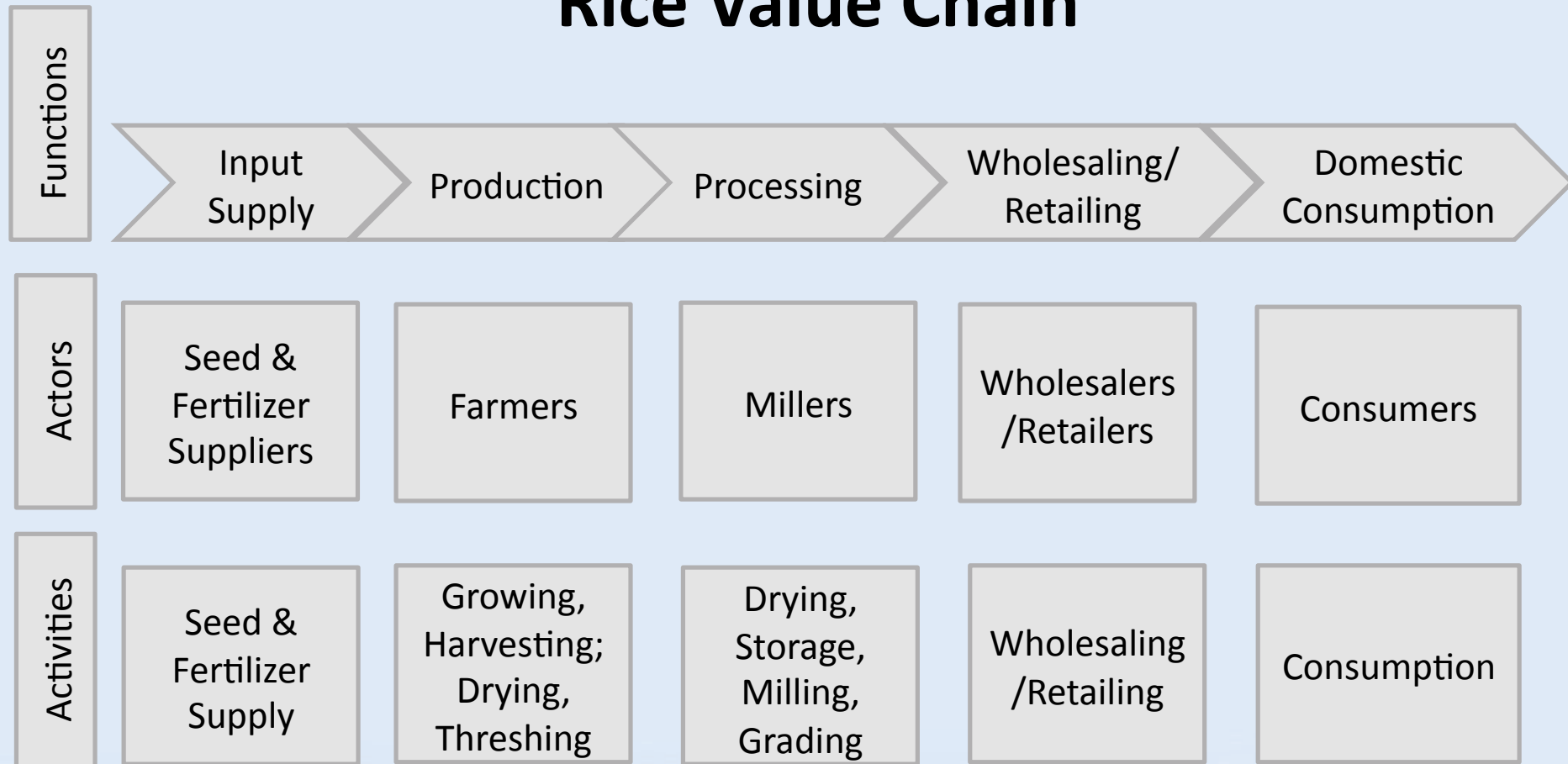
- To channel financing to the agriculture sector and promote financial inclusion
- Through agri value chain, the credit risk of participating smallholder farmers/fisherfolks is greatly reduced



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What is an Agri Value Chain?

Rice Value Chain



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The Framework

- Definition of terms
- Features
- Types of credit products
- Disaster contingency mechanism
- Regulatory incentives



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Definition of terms

- Value chain
- Value chain finance
- Agricultural value chain analysis
- Value chain aggregator



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Features of an agri value chain program

- Adequate policies and procedures
- Comprehensive value chain analysis
- Innovative loan disbursement schemes
 - Cash disbursements
 - Loan/fund transfer to suppliers
 - Anchor firm (institutional buyer)-triggered loan release



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Disaster contingency mechanism

- To be incorporated in the program
- To lessen risks on both the lender and the borrowers
 - For the lender:
 - Transfers of risks, e.g. insurance, guarantees, etc.
 - Diversification
 - Limits
 - For the borrowers: loan restructuring, renewals

Regulatory treatment on affected loans:

- ✓ Shall not be automatically adversely classified and recognized as past due
- ✓ New loans granted to affected borrowers will not be adversely classified



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Types of credit products

- Trade receivables finance
- Factoring (purchase of receivables)
- Warehouse receipts financing



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Regulatory incentives

- Compliance with agri-agra requirements
- Additional 25% of SBL (for related party aggregators)
- Exemption from individual and aggregate ceilings on DOSRI loans (for related party aggregators)
- Recording of initial costs as assets rather than outright expenses



In summary . . .

- Agri value chain framework – a guide to promote agri value chain financing without sacrificing prudential standards
 - Adequate policies & processes
 - Conduct of value chain analysis
 - Innovative loan disbursement schemes
 - Disaster contingency mechanism
 - Regulatory incentives



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Thank you.



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