

# AGRICULTURAL GUARANTEE FUND POOL



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Executive Director

# RA 10000 - The Agri-Agra Law

- The Law requires:
  - ❖ Agri Lending - 15%
  - ❖ Agra Lending - 10%
- Penalty for under compliance - .5%

# Compliance to Agri-Agra Law (RA 10000)

(billion peso)

As of December 31, 2016	All Banks	Uni / Com	Thrift	RB/Coop
<b>A. Total Loanable Funds</b>	3,529.072	3,315.058	163.370	50.644
<b>B. Minimum Requirement:</b>				
10% Agra	352.907	331.506	16.337	5.064
15% Agri	529.361	497.529	24.505	7.597
Total	882.268	829.035	40.842	12.661
<b>C. Agra Compliance</b>				
Amount	36.013	24.554	3.131	8.327
Rate	<b>1.02%</b>	<b>0.74%</b>	<b>1.92%</b>	<b>16.44%</b>
<b>D. Agri Compliance</b>				
Amount	452.188	422.559	15.047	14.582
Rate	<b>12.81%</b>	<b>12.75%</b>	<b>9.21%</b>	<b>28.79%</b>
<b>E. Total Compliance</b>				
Amount	488.201	447.113	18.178	22.910
Rate	13.79%	13.48%	11.13%	45.24%
<b>Direct: Alternative</b>	<b>50: 50</b>	<b>47:53</b>	<b>85:15</b>	<b>93:7</b>

# Why low agri-agra compliance?

- Farmers cannot put up collateral
- Formal lenders consider unsecured loans RISKY
  - typhoons as many as letters in alphabet
  - farmers have no other source of income
  - family emergencies mean no payment of loan
  - price of produce low at harvest time



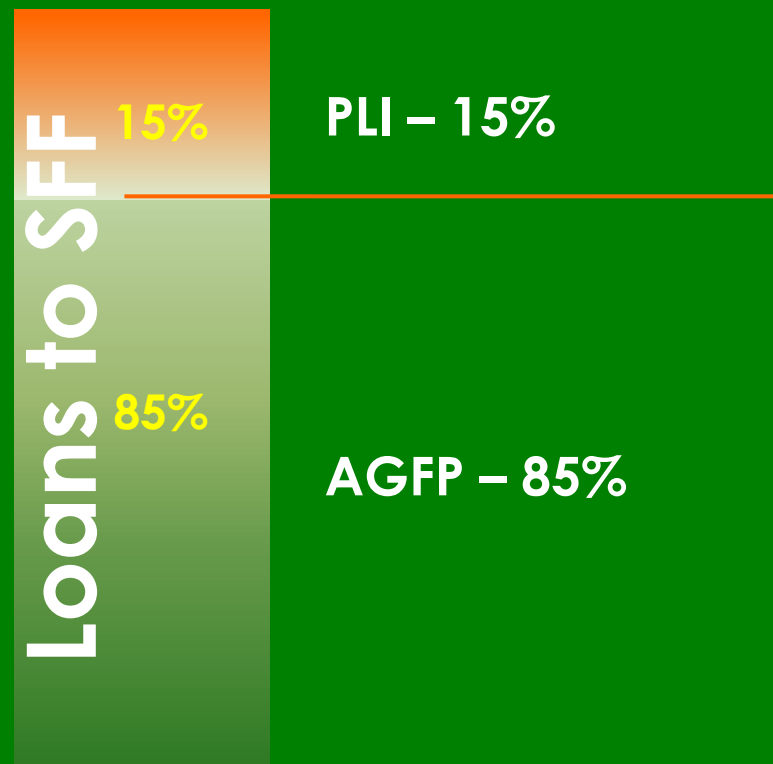
# AGFP

- To mitigate risks involved in agri lending, AGFP:
  - encourages formal lenders to lend even if borrower cannot put up collateral; and
  - guarantees unsecured food commodity loans to smallholder farmers and fisherfolk.



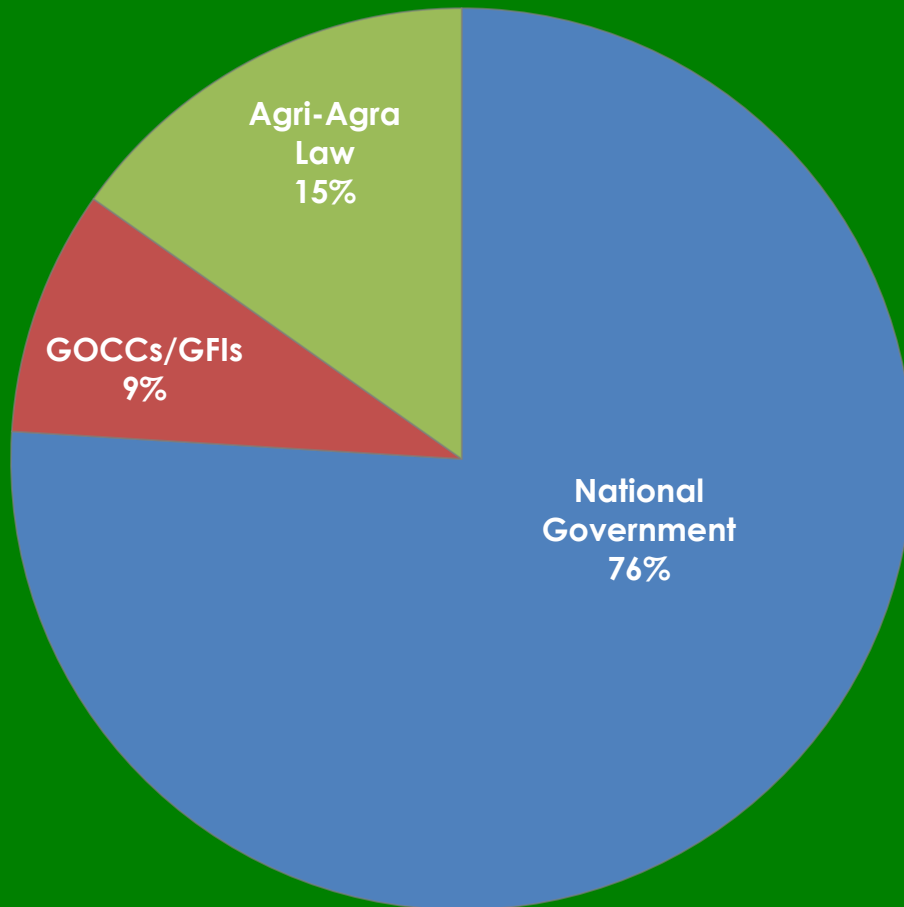
# Features of the Guarantee

- ✓ **Eligible loans:**
  - Crop production
  - Poultry production
  - Livestock production
  - Fishery production
- ✓ **Guarantees all risk, except fraud on the part of the PLI**
- ✓ **20% risk-weighted by BSP**
- ✓ **2% guarantee fee per annum**
  - 50% rebate – PCIC-insured loans
  - 50% rebate-loans to ARBs
  - 75% rebate for PCIC-insured loans to ARBS



- ✓ **85% of principal balance at the time of claim**

# Fund Composition (as of April 30, 2017)



## Sources of Seed Fund

- GOCCs/ GFIs
- National Gov't
- Agri-Agra Penalties

## Other Sources of Funds

- Guarantee Fees
- Collections/Recoveries
- Investment/Interest Earnings

**AGFP can guarantee up to P16 billion  
(3x the seed fund)**

# Guarantee Operations

as of April 30, 2017  
(in billion pesos)

	2016	2017	Cumulative
Coverage	5.413	2.128	39.133
Claims Paid	.367	.083	1.346
Guarantee Fees	.045	.083	.340
Recoveries	.206	.067	.522





# Partner Lending Institutions (PLIs)

## Performance (in billion pesos)

<b>As of 30 April 2017c</b>	<b>TOTAL</b>	<b>BANKS</b>	<b>COOPS</b>	<b>FOs/MFIs</b>	<b>SMEs</b>
<b>A. Claims Paid</b>	<b>1.345</b>	<b>.921</b>	<b>.142</b>	<b>.103</b>	<b>.179</b>
<b>B. Recoveries</b>	<b>.522</b>	<b>.449</b>	<b>.037</b>	<b>.026</b>	<b>.010</b>
<b>C. Net Claims (A-C)</b>	<b>.823</b>	<b>.472</b>	<b>.105</b>	<b>.077</b>	<b>.169</b>
<b>D. Coverage</b>	<b>39.133</b>	<b>23.549</b>	<b>4.522</b>	<b>5.150</b>	<b>5.911</b>
<b>E. Claims Rate (A/D)</b>	<b>3.43%</b>	<b>3.91%</b>	<b>3.14%</b>	<b>2.00%</b>	<b>3.03%</b>
<b>F. Net Claims Rate (C/D)</b>	<b>2.10%</b>	<b>2.00%</b>	<b>2.32%</b>	<b>1.50%</b>	<b>2.86%</b>
<b>G. Recovery Efficiency (B/A)</b>	<b>38.81%</b>	<b>48.75%</b>	<b>26.06%</b>	<b>35.24%</b>	<b>5.58%</b>

# Members of the Governing Board

Agency	Position in the GB	Designated Representatives
DA	Chairperson	Undersecretary Evelyn G. Laviña
DAR	Member	Undersecretary Rosalina L. Bistoyong
DOF	Member	National Treasurer Rosalia de Leon
LANDBANK	Member	Senior VP Edward John Tanco Reyes
ACPC	Member	Exec. Dir. Jocelyn Alma R. Badiola
Academe	Member	Dr. Gilberto M. Llanto
PLI	Member	Atty. Mary Ann Tupasi-Saddul
NAPC	Member	Undersecretary Roseller Barinaga
AGFP-PMO	Member (Non-voting)	Exec. Director Edna A. Atienza



# Eligible Lending Institutions



# Process Flow



# Issues and Concerns

<ul style="list-style-type: none"> <li>• <b>AGFP Sustainability</b> <ul style="list-style-type: none"> <li>➤ <b>Included in GAA</b></li> </ul> </li> </ul>	<p><b>AGFP sources of funds:</b></p> <ul style="list-style-type: none"> <li>➤ <b>45% share in agri-agra non/under-compliance penalties</b></li> <li>➤ <b>guarantee fees</b></li> <li>➤ <b>recoveries / collections</b></li> <li>➤ <b>earnings from investments</b></li> <li>➤ <b>can guarantee up to P16 billion</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Allow expanded scope and wider client outreach</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Long-gestating crops: under consideration</b></li> <li>• <b>Scaling-up initiative to promote Agricultural Guarantee (SIPAG) Facility for LBP and BPI conduits</b> <ul style="list-style-type: none"> <li>➤ <b>approved by AGFP Governing Board in February 2017</b></li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>100% guarantee coverage</b></li> </ul>	<p><b>85% guarantee is a mechanism so PLIs can properly vet their borrowers</b></p>



# Issues and Concerns

<p><b>Remove Claim Payment Recovery</b></p>	<ul style="list-style-type: none"><li>• 30% requirement for renewal is way below actual recovery efficiency:<ul style="list-style-type: none"><li>• BANKS: <b>47.03%</b></li><li>• Overall: <b>37.31%</b></li></ul></li><li>• Claims paid due to major calamities are excluded from recovery efficiency computation for <b>2 years</b></li></ul>
<p><b>AGFP to deposit to RB amount of guarantee line</b></p>	<ul style="list-style-type: none"><li>• BSP requires investment only in government securities and deposits in government bank in order to assign 20% risk weight.</li></ul>
<p><b>Include:</b></p> <ul style="list-style-type: none"><li>• non-food crops</li><li>• Agri value chain</li></ul>	<ul style="list-style-type: none"><li>• AO that created AGFP specific on food crops; need to amend AO.</li><li>• Bill filed by Rep. Arthur Yap includes post harvest, farm machinery, etc.</li><li>• May include agri value chain</li></ul>



# Bills in Congress

Particulars	Remarks
<p><b><u>House Bill No. 2459</u></b>            Filed on 8.3.16            by:  <b>Rep. Arthur C. Yap</b></p>	<ul style="list-style-type: none"> <li>• An act institutionalizing the Agricultural Guarantee Fund Pool and renaming it as the Agricultural Guarantee Corporation.</li> <li>• <i>Expands coverage to guarantee post production and for other purposes</i></li> <li>• <i>Passed the Committee on Government Enterprises and Privatization on May 23, 2017.</i></li> </ul>
<p><b><u>House Bill No. 3522</u></b>            Filed on 9.7.16            by:  <b>Rep. Enrico A. Pineda</b>            and  <b>Rep. Michael Odylon L. Romero</b></p>	<ul style="list-style-type: none"> <li>• An act increasing the penalties on the lending institutions for non-compliance and under compliance with the provisions of R.A. 10000, amending for the purpose section 10 thereof, and for other purposes.</li> <li>• <i>Proposes to increase the penalties for under/non-compliance from <b>0.5% to 2.5%</b></i></li> </ul>



Thank you.

