

RURAL BANKS AND ACPC : FOSTERING FINANCIAL INCLUSION FOR THE ATTAINMENT OF INCLUSIVE GROWTH



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Goal: Increase formal borrowing among small farmers and fisherfolk from 57% in 2007 to 85% by the year 2016.

A goal that can only be achieved with the cooperation of the rural banking sector.



Constraints to Credit Access

- complicated and lengthy procedures and documentary requirements that overwhelm the farmer-borrowers
- double-digit interest rate
- high cost of money
- commodity-specific credit
- lack of, or inadequate financial institutions in the rural areas
- late releases of loans





Agricultural Credit Policy Council (ACPC)

Since its creation in 1986, ACPC has pursued policy reforms in agri-credit:

- deregulating interest rates;
- eliminating subsidies;
- doing away with direct lending by non-financial government institutions.
- encouraging banks to provide rural folk adequately priced and sustainable credit.





ACPC was mandated by AFMA (R.A. 8435) in 1997 to:

1. Terminate direct credit programs of non-financial government institutions, and
2. Consolidate their funds into the AMCFP (Agro-Industry Modernization Credit and Financing Program) – the umbrella credit program for agriculture and fisheries





In developing and implementing AMCFP programs, we, in the ACPC, believe that there is no “specificity” concept in agricultural finance. No “one size fits all,” so to speak.





ACPC develops innovative financing programs under the AMCFP to address the particular requirements of marginalized farmers and fisherfolk who cannot put up the collateral required by banks.

The objective of designing such innovative financing schemes is to give the farmers and fisherfolk the opportunity to be productive and acquire the necessary tools so that they can be mainstreamed into the credit arena.



Programs under the AMCFP

- 1) Cooperative Banks Agri-Lending Program (CBAP)
- 2) Agri-Microfinance Program for Small Farmers and Fisherfolk (AMP) thru People's Credit and Finance Corporation (PCFC)
- 3) The Sikat Saka Program (Food Staples Sufficiency Program)
- 4) Agriculture and Fisheries Financing Program (AFFP)
- 5) Rehabilitation Support Program for Calamity Affected Farmers & Fishers
- 6) Agrarian Production Credit Program (APCP)



1. Cooperative Banks Agri-Lending Program (CBAP)

- Started October 2011, aimed at enhancing the capacities of cooperative banks to provide sustainable lending to agricultural borrowers.
- Extends stable, low cost funding support to eligible cooperative banks that lend to small farmers and fishers at full credit risk under their existing farm loan products.
- Employs a depository mode of credit delivery: special time deposits placed directly in partner cooperative banks, eliminating the need for a wholesaler, resulting in lower pass-on rates to small farmers and fisherfolk.



CBAP

Provide P400 M fund in
Special Time Deposits



(3% p.a.)

Cooperative
Banks



Lends funds to
eligible borrowers
at interest not
exceeding 15%



Small farmers
and fishers

2. Agri-Microfinance Program (AMP) for Farm and Fishing Households

- Started September 2009 with the People's Credit and Finance Corporation or the PCFC
- Extends lending services to small farming and fishing households
- Aims to reduce poverty and improve the quality of life of marginalized farmers and fisherfolk households in El Niño and calamity-stricken areas by providing opportunities for agricultural financing to increase productivity and incomes



ACPC-PCFC AMP

ACPC extends P200 M
program fund as loan



(3% p.a.)

PCFC



Acts as fund
Wholesaler at full
credit risk

Microfinance
Institutions (MFIs)



Retails funds
to eligible
borrowers at
market rate



Members of Agri-
Households

3. DA-Landbank-AMCFP Sikat Saka

- The DA Sikat Saka Program is an initiative of the Department of Agriculture as a component of the Food Staples Sufficiency Program.
- The DA & LANDBANK forged a partnership to provide direct credit assistance to small farmers for palay production.
- The DA tapped its agencies and corporate arm and the Irrigators' Associations to provide integrated support to small palay farmers including extension and administrative services, assured market and irrigation.



4. The Agriculture and Fisheries and Financing Program (AFFP)

- **Goals:**
 - to help contribute to the attainment of inclusive growth through financial inclusion of the unbanked and under-banked sectors in agriculture.
- **Objectives:**
 - increase credit access of small farming and fishing households
 - to help enhance the productive capacity, competitiveness, and income-earning potential of the said households
 - to provide credit-enhancement and other support services to optimize the benefits and potential impact of credit to target areas and beneficiaries



PROGRAM GEOGRAPHIC COVERAGE

- | | | | |
|----|----------------|----|---------------------|
| 1 | Abra | 20 | Masbate |
| 2 | Agusan del Sur | 21 | Mountain Province |
| 5 | Apayao | 22 | Sultan Kudarat |
| 6 | Camarines Sur | 23 | Surigao del Norte |
| 9 | Davao Oriental | 24 | Surigao del Sur |
| 10 | North Cotabato | 25 | Western Samar |
| 13 | Northern Samar | 26 | Zamboanga del Norte |
| 14 | Romblon | 27 | Siquijor |
| 17 | Sarangani | 28 | Eastern Samar |
| 18 | Ifugao | | |

19 Kalinga



RA 10000 or the Agri-Agra Reform Credit Act of 2009.

Among the tasks delegated to the ACPC:

- Certify the eligibility of bonds and other debt securities that may be purchased by banks as alternative compliance to the law
- Accredited non-bank rural financial institutions (RFIs) such as cooperatives, people's organizations, and SMEs that banks may lend wholesale funds to also as alternative compliance to the new law.



Risk Mitigating Interventions

Credit Guarantee

As of 2013, the AGFP has attracted the participation of 118 rural banks. We expect more rural banks to join the bandwagon since the AGFP RBAP Guarantee Partner Support Program is now in full swing.

Crop Insurance

ACPC is currently crafting a convergence plan with the Philippine Crop Insurance Corporation or PCIC for the provision of insurance protection to farmers who availed themselves of loans under the AMCFP against loss of crops and/or non-crop agricultural assets.



Our role in government is to provide the most conducive policy environment and, if necessary, the seed fund for piloting innovative lending programs. But due to resource limitations, we can only do so much.

We therefore need the RBAP as partners to fully implement the innovations that government has initiated.



**Daghang
Salamat!**





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