

AGRICULTURAL GUARANTEE FUND POOL



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Executive Director

MISMATCH

- Farmers need access to credit from formal lenders
- Formal lending institutions perceive that agriculture lending is very risky



REALITIES IN RURAL FINANCE

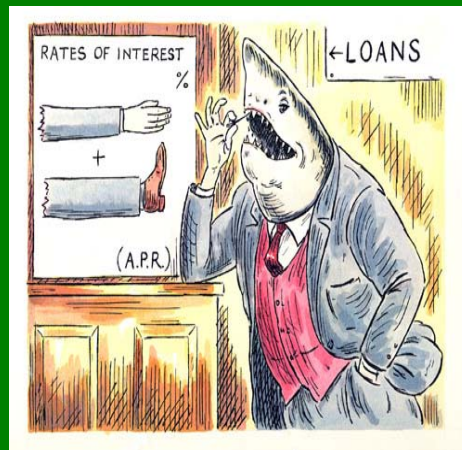


Farmers lack access to sustainable financial services



Formal Lending Institutions Perception of Lending to Small Farmers:

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



Informal Lenders provide:

- Readily available but High Cost Loan

AGRICULTURAL GUARANTEE FUND POOL (AGFP)

ESTABLISHMENT

The AGFP was established by virtue of Administrative Order No. 225-A issued on May 26, 2008.

MANDATE

- Mitigate the risks involved in agricultural lending through the provision of guarantee
- Encourage partner lending institutions to extend unsecured agricultural food commodity production loans to small farmers and fisherfolk

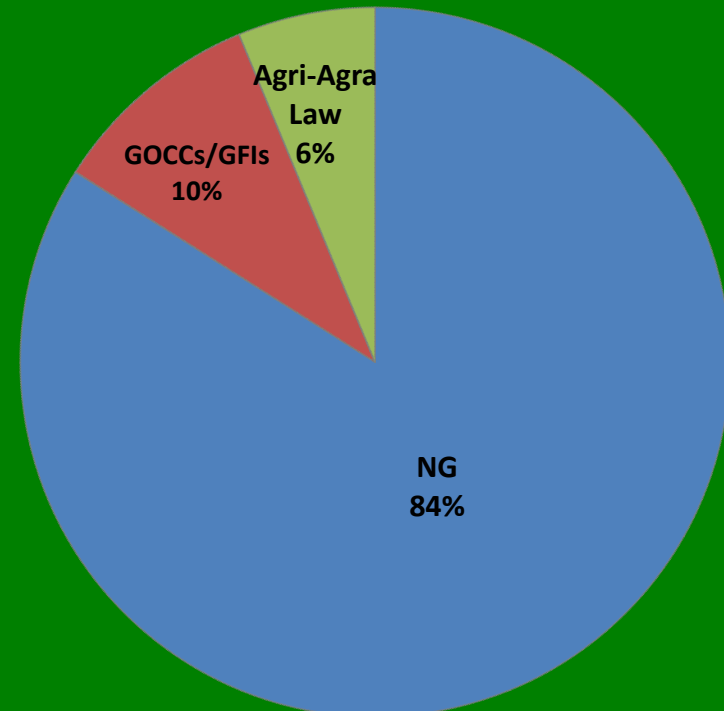
LEAD AGENCY

Department of Agriculture

INSTITUTIONAL PROGRAM MANAGER

Land Bank of the Philippines

FUND COMPOSITION



AGFP can guarantee up to P15 B

NG	- National Government
GOCCs	- Government Owned and Controlled Corporations
GFIs	- Government Financial Institutions

Organization and Management

Governing Board: Exercises direction and supervision, oversee implementation and adapt strategies to ensure sustainability of AGFP

Composition:

Chairperson: Undersecretary, Dept. of Agriculture

Members:

- Undersecretary, Dept. of Agrarian Reform
- Undersecretary, National Anti-Poverty Commission
- Asst. Secretary, Dept. of Finance
- Executive Vice President, LANDBANK
- Executive Director, Agricultural Credit Policy Council
- Academe Representative
- Partner Lending Institutions' Representative
- Executive Director, AGFP (Non-voting)

Organization and Management

Program Management Committee (PMC):

Assists the Governing Board in the execution of its functions

Composition:

Chairperson: LANDBANK Representative

Vice-Chairperson: Representative, Agricultural

Members: Representative, LANDBANK
Representative, Department of Agriculture
Representative, Department of

Organization and Management

Program Management Office (PMO):

Provides technical and administrative support to the Governing Board and in-charge of day to day operations.

Composition:

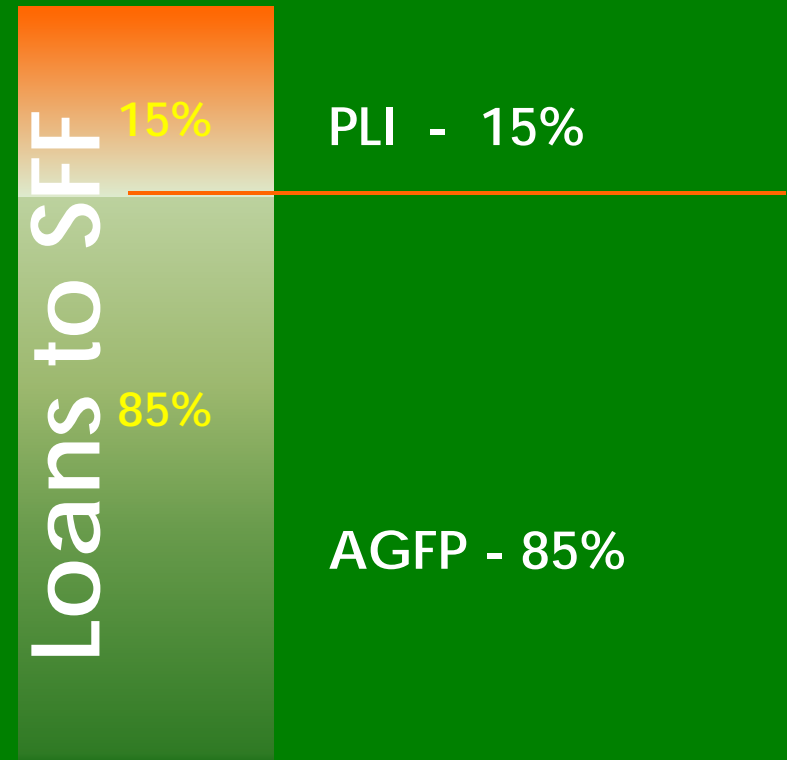
Head: Program Executive

Divisions:

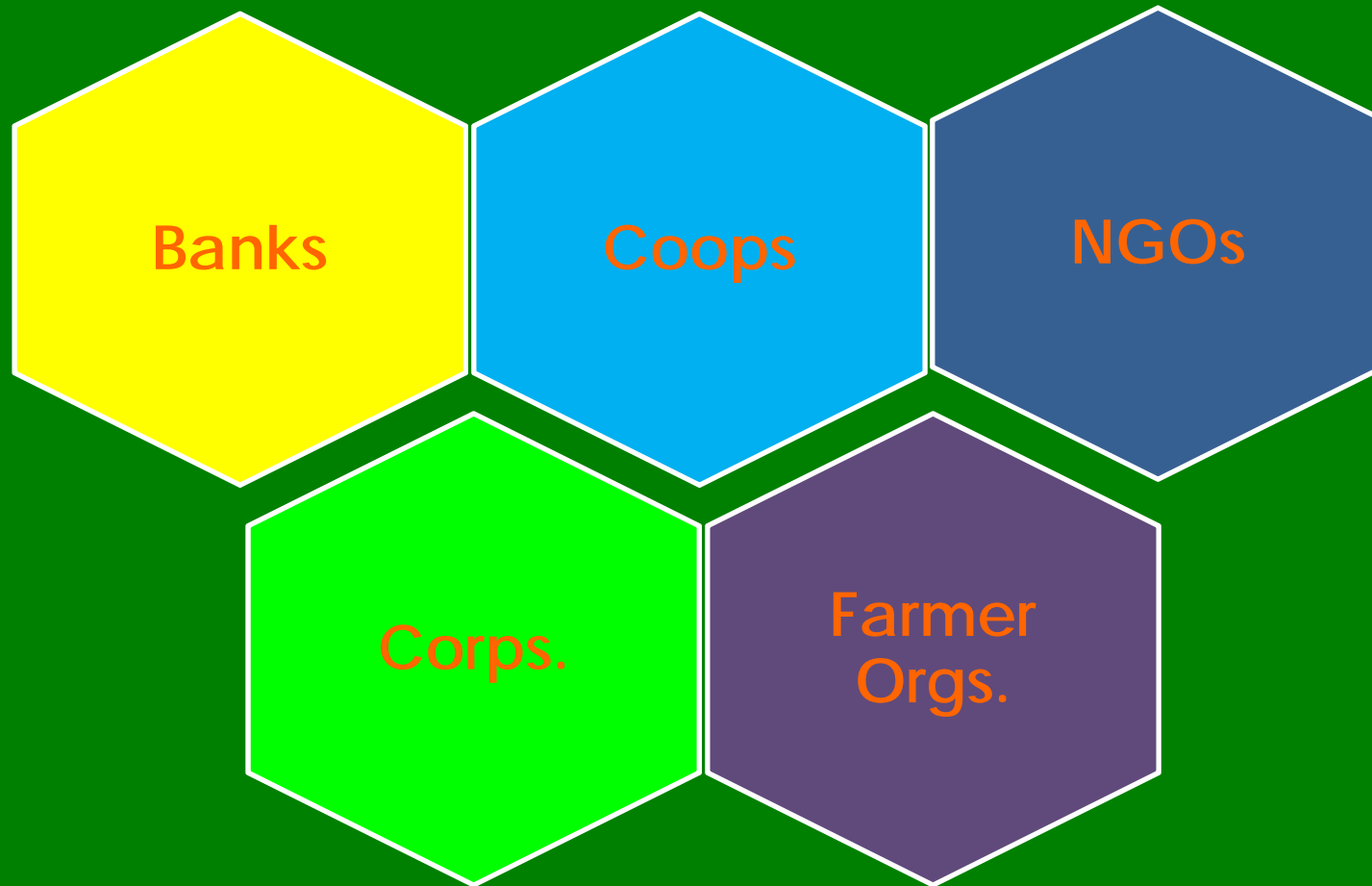
- Marketing and Accounts Management Division
- Claims and Recovery Division
- Finance and Administration Division
- Internal Audit Division

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



Eligible Lending Institutions



Eligibility Requirements

BANKS

1. Satisfactory credit standing with creditors, if any
2. CAMELS Rating of at least 3
3. Past Due Ratio **net of valuation reserve**, of not more than 15%
4. At least two-year track record in lending to farmers
5. Capital Adequacy Ratio of at least 10%
6. Adequate Reserve Requirement
7. Profitable on the year preceding the application and as of the time of application for guarantee line

Eligibility Requirements

COOPERATIVES

1. Registered with Cooperative Development Authority (CDA)
2. Satisfactory credit standing with creditors, if any
3. Past Due Ratio net of valuation reserve of not more than 25%
4. At least two-year track record in lending to farmers
5. Risk-asset ratio (for credit cooperative) of not less than 10%
6. Complete part or full-time core management team
7. Profitable on the year preceding the application and as of the time of application for guarantee line

Eligibility Requirements

Non-Government Organizations (NGOs)

1. Registered with Securities and Exchange Commission (SEC)
2. Satisfactory credit standing with creditors, if any
3. Past Due Ratio net of valuation reserve of not more than 25%
4. At least two-year track record in lending to farmers
5. Complete part or full-time core management team
6. Net surplus on the year preceding the application and as of the time of application for guarantee line

Process Flow



Establishment of Guarantee Line

- ✓ PLI requests for AGFP Guarantee Line
 - Letter Request
 - Board Resolution
 - Signature Card
 - Financial Statements
 - Certification from Creditor/s
 - Declaration of Loan Portfolio
 - Basic Business Information (Business Profile)
 - Registration with Registering Entity
 - CAMELS Rating
 - Projected releases
 - Certificate of Good Standing issued by CDA (for Coops)

- ✓ Guarantee Lines are renewable annually

- ✓ PLI may apply for additional guarantee line at any time

Guarantee Coverage

Requests for Coverage must be:

- ✓ Within **60 days** from loan release
- ✓ Undamaged crops/commodities at the time of enrolment for guarantee cover
- ✓ By batch of PNs
 - Releases for the month are enrolled within 15 days from month end
 - Batch maturity date shall be reckoned from maturity of the youngest PN

Guarantee Coverage

Requests for Coverage must be:

- ✓ Supported by masterlist¹ of eligible borrowers
 - Electronic file to be submitted by e-mail to agfpcoverage@gmail.com using AGFP enrolment template
 - Signed copy to be submitted through courier

¹ *Non-submission within **15 calendar days** from date of payment of guarantee fee shall render the coverage null and void*

² *Enrolment for coverage in excess of the approved line is considered material misrepresentation and may result to revocation or termination of guarantee line*

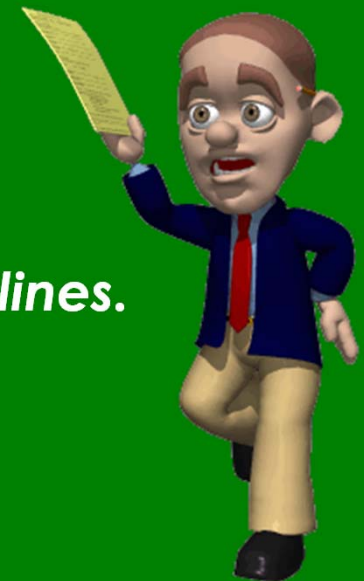
Guarantee Fee Rates

Activity	Guarantee Period	Guarantee Fee				
		Regular		ARB		
		Not PCIC Insured	PCIC Insured	Not PCIC Insured	PCIC Insured	
Palay Production	5 months	0.85%	0.45%	0.45%	0.25%	
Pineapple (Plant)	23 months	3.85%	1.95%	1.95%	1.00%	
(Ratoon)	20 months	3.35%	1.70%	1.70%	0.85%	
Sugarcane (Plant)	14 months	2.35%	1.20%	1.20%	0.60%	
(Ratoon)	12 months	2.00%	1.00%	1.00%	0.50%	
Corn	6 months	1.00%	0.50%	0.50%	0.25%	
Cassava	14 months	2.35%	1.20%	1.20%	0.60%	
Other short term crops/ commodities	7 months	1.20%	0.60%	0.60%	0.30%	
Fishpond/ fishcage operations	Bangus	8 months	1.35%	0.70%	0.70%	0.35%
	Tilapia	7 months	1.20%	0.60%	0.60%	0.30%
	Prawn	8 months	1.35%	0.70%	0.70%	0.35%
	Crab	8 months	1.35%	0.70%	0.70%	0.35%
	Catfish	8 months	1.35%	0.70%	0.70%	0.35%
Poultry/ Livestock	Layer	20 months	3.35%	1.70%	1.70%	0.85%
	Broiler	3 months	0.50%	0.25%	0.25%	0.15%
	Goat (breeding)	7 months	1.20%	0.60%	0.60%	0.30%
	Goat (fattening)	7 months	1.20%	0.60%	0.60%	0.30%
Poultry/ Livestock	Hog (breeding)	14 months	2.35%	1.20%	1.20%	0.60%
	Hog (fattening)	7 months	1.20%	0.60%	0.60%	0.30%
	Cattle (fattening)	8 months	1.35%	0.70%	0.70%	0.35%
	Cattle (breeding)	11 months	1.85%	0.95%	0.95%	0.50%
	Carabao (breeding)	15 months	2.50%	1.25%	1.25%	0.65%
Note: * Milk Production	Carabao (dairy)*	11 months	1.85%	0.95%	0.95%	0.50%
	Goat (dairy)*	6 months	1.00%	0.50%	0.50%	0.25%
	Cattle (dairy)*	11 months	1.85%	0.95%	0.95%	0.50%

Guarantee Coverage

Refund of Guarantee Fees shall be Net of Twenty Percent (20%)¹ administrative cost under but not limited to the following circumstances:

- ✓ *Enrolment for coverage beyond the approved loan ceiling of the crop/commodity;*
- ✓ *Enrolment for coverage beyond the approved guarantee line of the PLI;*
- ✓ *Enrolment of PLIs with no approved guarantee lines.*



¹Effective February 1, 2016


SAMPLE MASTERLIST OF BORROWERS

ID	PLI_BRANCH	LAST_NAME	FIRST_NAME	MI	BIRTH_DATE	STREET_ADDRESS	BARANGAY	TOWN	PROVINCE	ZIP_CODE	COMMODITY	HECTARAGE_OR_NO_OF_HEADS	PCIC_INSURED	ARB_BORROWER	AMOUNT_OF_LOAN	DATE_OF_LOAN_RELEASE	PROMISSORY_NOTE_NO	PN_MATURITY_DATE	SECURITY_OR_COLLATERAL
1	Cabanatuan	Javier	Harold	E	12/21/1980	Mabini Street	Labangan	San Jose	Occidental Mindoro	5100	Palay	5	Yes	No	100,000.00	12/25/2015	123456	3/30/2016	None
2	Cabanatuan	Marcos	Juan	T	7/15/1972	Rizal Avenue	Salvacion New	Rizal	Occidental Mindoro	5200	Palay	3	Yes	Yes	30,000.00	12/25/2015	89763	2/28/2016	None
3	Cabanatuan	Zapanta	Celia	J	5/12/1960	Boni Drive	Dagupan	Calintaan	Occidental Mindoro	5300	Palay	1	No	Yes	10,000.00	12/25/2015	98726	2/28/2016	None
4	Cabanatuan	Zulueta	Myrna	L	6/6/1970	Magsaysay Avenue	Panay	Sablayan	Occidental Mindoro	5500	Palay	5	Yes	No	100,000.00	12/25/2015	76272	2/25/2016	None

SAMPLE ONCOLL PAYMENT SLIP

ONCOLL PAYMENT SLIP

This is your receipt when machine validated

 <p>LAND BANK OF THE PHILIPPINES ONCOLL PAYMENT SLIP</p>	Date <div style="border: 1px solid black; padding: 2px; display: inline-block;">01-16-2016</div>
Please check the appropriate mode of payment. <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Check <input type="checkbox"/> Debit from Account	
MERCHANT/AGENCY DEPOSIT ACCOUNT NUMBER <div style="border: 1px solid black; padding: 2px; display: inline-block;">3 4 0 2 2 3 1 5 3 9</div>	MERCHANT/AGENCY NAME <div style="border: 1px solid black; padding: 2px; display: inline-block;">AGFP</div>
Reference Number 1 <div style="border: 1px solid black; padding: 5px; display: inline-block;">ABC BANK, INC.</div>	Printed Name and Signature of Payor/Depositor/Representative
Reference Number 2 <div style="border: 1px solid black; padding: 5px; display: inline-block;">GLC No. 2016-001</div>	T1(2DBO) 15:48 Trxn. Seq. #: 72000 LOCAL CHECK Payment
Reference Number 3 (Numeric)	Clearing Acct. No. <div style="border: 1px solid black; padding: 2px; display: inline-block;">3402-2315-47</div> Partner's Name <div style="border: 1px solid black; padding: 2px; display: inline-block;">ABC BANK, INC.</div> G. Line Confirmation No. <div style="border: 1px solid black; padding: 2px; display: inline-block;">2016-001</div> Check No. <div style="border: 1px solid black; padding: 2px; display: inline-block;">8888888888</div>
Amount <div style="border: 1px solid black; padding: 2px; display: inline-block;">P1,827.50</div>	Amount <div style="border: 1px solid black; padding: 2px; display: inline-block;">1,827.50</div>

ACCOUNT NUMBER

GUARANTEE COVERAGE

3402-2315-39

Guarantee Claims

Requests for Guarantee Claims must be:

- ✓ Filed within **60 days** from batch maturity date
- ✓ Supported with complete documentary requirements¹:
 - List of accounts with reason for default
 - Duly accomplished PNs
 - Disclosure Statements
 - PLIs affidavit of non-payment
 - Duly received demand/collection letter issued by the PLI to the borrower
 - Statement of Account of the borrower
 - Proof of occurrence of calamity, pest or disease, if applicable
- *Non-submission of complete documents within 60 days shall result to non-payment of the batch being claimed.*
- *Request for claims payment not supported by complete documents will be deemed not submitted.*



Guarantee Claims

Payment of the guaranteed 85%:

- ✓ 50% - after validation of enrolment of accounts
- ✓ 30% - net of invalid claims after review of complete documents
- ✓ 20% - net of recoveries and invalid claims, after field validation

- ❖ AGFP payment shall be applied to the principal loan of the borrower



Guarantee Claims

Validation of Guarantee Claims:

- ✓ Claims received within the month shall be considered one Batch of Claims.
- ✓ 20% of batch claimed – for field validation
- ✓ 10% invalid accounts will render whole batch invalid

Claims found invalid after validation:

- ✓ Treated as Accounts Receivable by AGFP from the PLI
- ✓ Must be remitted to the AGFP within 30 days from Notice, otherwise penalties shall apply



REASONS FOR INVALID CLAIMS:

INVALIDATION OF INDIVIDUAL ACCOUNTS

- ✓ Defective PNs
 - Signature on PN differs from signature on another document
 - Alterations/corrections/erasures not countersigned by borrower
 - Material discrepancies on dates on PN (date of release is later than maturity date)
 - No signature
 - Undated (loan release and/or maturity date)
 - Amount of loan not indicated
 - Loan amount in figures is different from loan amount in words
- ✓ Loan amount of PN differs from amount covered per Masterlist submitted
- ✓ Ineligible borrower (not SFF)
- ✓ Loan not enrolled for coverage
- ✓ Loan is secured by REM/CM or other collaterals

INVALIDATION OF ALL CLAIMS IN THE BATCH

- ✓ Restructured Loans
- ✓ Secured Loans
- ✓ Willful misrepresentation

Recovery/Collection

Deed of Subrogation with Collection Agreement

- ✓ Rights, claims and demands of the PLI against the borrowers are deemed subrogated to AGFP upon approval and payment of claims by AGFP and receipt by the PLI.

PLI must remit to AGFP:

- ✓ 85% of any collection made
- ✓ Not later than 15 days after reference month
(Collection for the month of October must be remitted not later than November 15)
- ❖ 30% Recovery Efficiency is required for renewal of Guarantee Line.
- ❖ 30% is based on claims paid more than 6 months

ACCOUNT NUMBER

RECOVERIES/COLLECTIONS

3402-2315-47

APPROVED LOAN CEILING

Commodity	Approved Loan Ceiling	
	Amount	Unit
Ampalaya		Per hectare
Direct Seeding	90,000.00	
Seedling	115,000.00	
Baguio Beans	50,000.00	Per hectare
Black Pepper	30,000.00	Per hectare
Broccoli	86,000.00	Per hectare
Cabbage	92,000.00	Per hectare
Carrots	70,000.00	Per hectare
Cassava	50,000.00	Per hectare
Cattle		Per Animal
Breeding	20,000.00	
Fattening	22,000.00	
Cauliflower	80,000.00	Per hectare
Celery	90,000.00	Per hectare
Corn	42,000.00	Per hectare
Cucumber	45,000.00	Per hectare
Eggplant	96,000.00	Per hectare
Free-range chicken		Per 100 birds
Broiler	10,000.00	
Layer	86,000.00	
Garlic	113,000.00	Per hectare
Ginger	70,000.00	Per hectare
Hog		Per Animal
Breeding	80,000.00	
Fattening	15,000.00	
Honeydew	60,000.00	Per hectare

APPROVED LOAN CEILING

Commodity	Approved Loan Ceiling	
	Amount	Unit
Lettuce	75,000.00	Per hectare
Malunggay		Per hectare
Direct Seeding	64,000.00	
Cuttings	70,000.00	
Melon	60,000.00	Per hectare
Milkfish		
In Fishpond	100,000.00	Per hectare
In Cages	250,000.00	Per 400 sq.m.
Mongo	22,000.00	Per hectare
Okra	68,000.00	Per hectare
Onion (red)	152,000.00	Per hectare
Onion (white)	151,000.00	Per hectare
Palay		Per hectare
Inbred	50,000.00	
Hybrid	60,000.00	
Inbred – Seed Production	50,000.00	
Hybrid – Seed Production	65,000.00	
Papaya	112,000.00	Per hectare
Patani	40,000.00	Per hectare
Patola	46,000.00	Per hectare
Peanut	30,000.00	Per hectare
Pechay	30,000.00	Per hectare
Pineapple		Per hectare
Plant	298,000.00	
Ratoon	230,000.00	
Pole Sitao (Stringbean)	106,000.00	Per hectare
Potato	143,000.00	Per hectare

APPROVED LOAN CEILING

Commodity	Approved Loan Ceiling	
	Amount	Unit
Radish	50,000.00	Per hectare
Sayote	50,000.00	Per hectare
Seaweed		Per hectare
Fixed-bottom Monoline	52,000.00	
Floating Long-line	65,000.00	
Shallot	35,000.00	Per hectare
Snap beans	46,000.00	Per hectare
Sorghum	35,000.00	Per hectare
Soybeans	40,000.00	Per hectare
Squash	46,000.00	Per hectare
Sugarcane		Per hectare
Plant	60,000.00	
Ratoon	45,000.00	
Sunflower	33,000.00	Per hectare
Sweet Peas	100,000.00	Per hectare
Sweet Potato	50,000.00	Per hectare
Sweet/Hot/Bell Pepper	70,000.00	Per hectare
Taro (Gabi)	35,000.00	Per hectare
Tomato	72,000.00	Per hectare
Turnips	40,000.00	Per hectare
Upo	30,000.00	Per hectare
Vegetables (Multicrop)	53,000.00	Per hectare
Watermelon	48,000.00	Per hectare
White Potato	60,000.00	Per hectare

As of December 31, 2015

Guarantee Coverage	P 31.1 billion
Total Claims Paid	P 895.3 million
Recoveries/Collections	P 247.7 million
Guarantee Fees Collected	P272.5 million

As of December 31, 2015 - Banks

Guarantee Coverage	P 17.2 billion
Total Claims Paid	P 571.4 million
Recoveries/Collections	P 213.2 million
Guarantee Fees Collected	P153.6 million

As of March 31, 2016

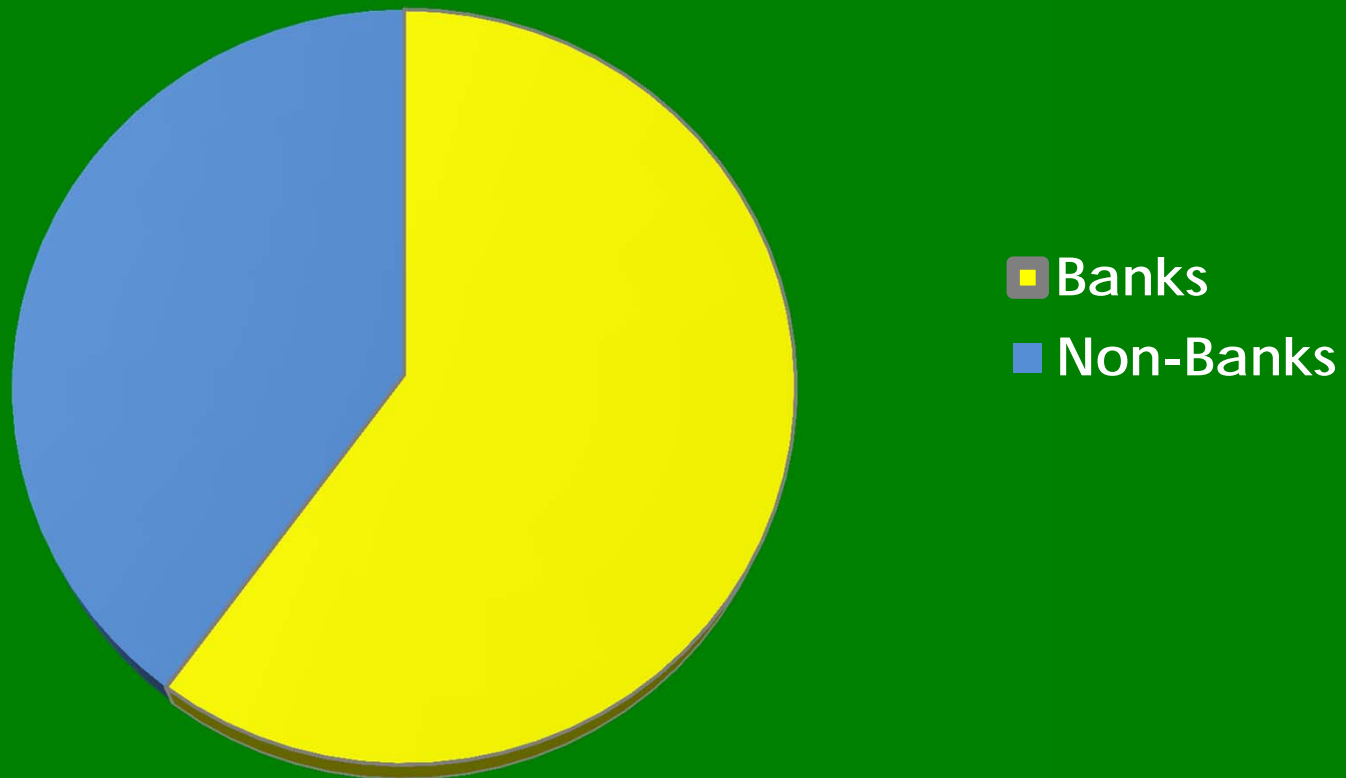
Guarantee Coverage	P 32.4 billion
Total Claims Paid	P 962.7 million
Recoveries/Collections	P 301.3 million
Guarantee Fees Collected	P283.3 million

As of March 31, 2016 - Banks

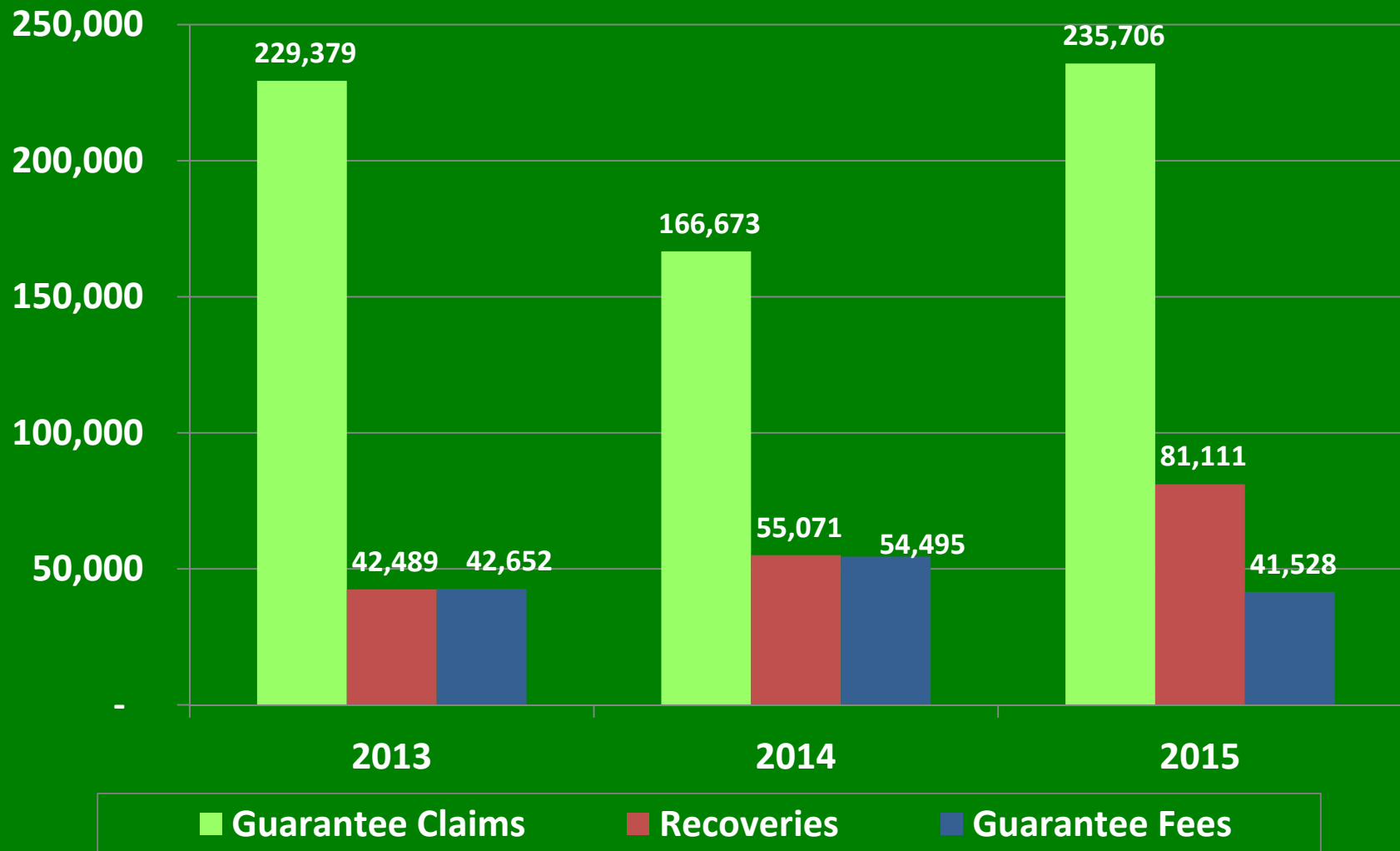
Guarantee Coverage	P 18.2 billion
Total Claims Paid	P 631.2 million
Recoveries/Collections	P 264.3 million
Guarantee Fees Collected	P161.7 million

Guaranteed Loans – as of March 31, 2016

Total Coverage: P32,395.01 M



3-Year Comparative Guarantee Claim Payments, Collections/Recoveries and Guarantee Fees Collected



Other Updates

- Automatic Guarantee Program (AGP) of up to 50% of Lending Institutions' credit line with LBP and soon with BPI.
- Validators will be hired and deployed to areas with high concentration of coverage.
- Partner Lending Institutions (PLIs) may request for briefing of their point persons, preferably jointly with other PLIs.
- Faster processing of claims payment with ongoing automation
- Deed of Subrogation with Collection Agreement (DSCA) have been incorporated in the Guarantee Line Agreement

Thank you.