

[ADMINISTRATIVE ORDER NO. 04, S. 2018, July 30, 2018]

**REVISED IMPLEMENTING RULES AND REGULATIONS (IRR) OF
THE AGRICULTURAL GUARANTEE FUND POOL (AGFP)**

Adopted: 10 April 2018

Date Filed: 30 July 2018

Whereas, Administrative Order (A.O.) No. 225-A was issued by the President on May 26, 2008;

Whereas, RA 10000 or "The Agri-Agra Reform Act of 2009" provides that 90% of the penalties collected due to non-compliance shall be allocated between the AGFP and the PCIC;

Whereas, under AO No. 225-A, the Department of Agriculture (DA), in coordination with the Land Bank of the Philippines (LANDBANK), was directed to draw up the mechanics and administrative arrangements as well as issue the implementing guidelines for the AGFP;

Whereas, the DA, in coordination with LANDBANK, issued Department of Agriculture Administrative Order (DA-AO) No. 23, series of 2008 and amendments thereto through DA-AO No. 23-A s. 2008, DA-AO No. 23, s. 2009, DA-AO No. 24 s. 2013, and DA-AO No. 11, s. 2015;

Whereas, the AGFP Governing Board deems it necessary to amend the AGFP Implementing Rules and Regulations (IRR) to improve the over-all effectiveness of the AGFP;

Now, therefore, the DA, in coordination with LANDBANK, hereby issues this Revised Implementing Rules and Regulations (IRR) to govern the implementation of the Agricultural Guarantee Fund Pool (AGFP).

This guideline considers the expanded coverage of the AGFP to include livestock, fisheries, and other food crops as defined under items 2.1 and 2.2 of this Revised IRR.

1.0 PROGRAM DESCRIPTION AND PURPOSE

The Administrative Order No. 225-A stipulates, among others, that Government Financial Institutions (GFIs) and Government Owned and Controlled Corporations (GOCCs) shall allocate and contribute five percent (5%) of their 2007 surplus for projects in palay and food production, and as contribution to the AGFP. The AGFP shall be used to mitigate the risks involved in agricultural lending thereby facilitating the provision of credit to the agriculture sector.

The AGFP shall encourage partner lending institutions (PLIs) to lend to small farmers and fisherfolk (SFF) or their organization by providing guarantee coverage to unsecured loans for agricultural food commodity production, thereby mitigating the risks involved the risks involved in lending to the agri-agra sector.

2.0 DEFINITION OF TERMS:

2.1 **Agriculture and Agrarian Reform Credit** – shall refer to loans granted for the following activities:

2.1.1 Agriculture and fisheries production including processing of fisheries and agri-based products and farm inputs;

2.1.2 Acquisition of work animals, farm and fishery equipment and machinery;

2.1.3 Acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items; and

2.1.4 Rehabilitation of farms resulting from natural calamities.

2.2 **Agricultural Food Commodity Production** – refers to agricultural and fish production including processing of agri and aqua-based products, farm inputs and/or processes across the food commodity value chain.

2.3 **Amount to be guaranteed** – refers to eighty five percent (85%) of the principal loan disbursed to the borrowers by the PLI as indicated in the promissory note (PN).

2.4 **Collection Agreement** – an agreement that binds the PLI or other collecting agents to collect from the borrowers on behalf of the AGFP.

2.5 **Guarantee Agreement** – is an agreement where:

2.5.1 One party (AGFP) agrees to pay the loan obligation of the borrower to the PLI if the borrower fails to pay the loan after its maturity;

2.5.2 The PLI transfer/subrogates its rights of claims from the principal debtor to the AGFP; and

2.5.3 The PLI is bound to collect from the borrowers on behalf of the AGFP.

2.6 **Guarantee Fee** – amount paid by the PLI to AGFP to enroll loan to SFF or their organization for guarantee coverage.

2.7 **Partner Lending Institutions (PLIs)** – are Banks, Cooperatives, Corporations, Micro-Finance Institutions (MFIs), Non-Government Organizations (NGOs) or Farmers/Fisherfolk Organizations (FOs) with juridical personality, whose loans to small farmers, fisherfolk or their

organizations are guaranteed by AGFP.

2.8 **Past Due Ratio, net** – PLI's total uncollected principal loan amount after the loan maturity net of valuation reserve against the total loan portfolio of the PLI net of valuation reserve.

2.9 **Program Institutional Manager** – refers to Land Bank of the Philippines.

2.10 **Related Interests** – shall refer to the following:

2.10.1 **Stockholdings of Family Groups or Related Interests** – Stockholdings of individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common-law, shall be considered stockholdings of family groups or related interests (Circular 332 s. 2002);

2.10.2 **Corporate Stockholdings** – Two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests (Circular 332 s. 2002);

2.10.3 **Related Non-Governmental Organization (NGOs)/Foundations** – those NGOs/Foundations that are incorporated by any of the stockholders and/or directors and/or officers of the PLI shall be considered related interests (Circular 725 s. 2011)

2.11 **Small Farmers** – refer to small crop growers and small livestock and poultry raisers as defined below:

2.10.4 **Small Crop Growers** – refer to owner-cultivator, tenants, leaseholders, etc. who are tilling not more than five (5) hectares of agricultural lands (RA 6657).

2.10.5 **Small Poultry and Livestock Raisers** – refer to those having the following maximum hog, poultry and livestock inventory at the time of accreditation by the PLI:

- a. **Poultry** – 2,000 layers or 5,000 broilers;
- b. **Swine** – 10 sows or 50 fatteners;
- c. **Goat/Sheep** – up to 50 heads for meat and/or dairy;
- d. **Cattle** – 10 fatteners or 5 breeders;
- e. **Dairy** – 10 milking cows/carabaos

2.12 **Small Fisherfolk** – refers to the following:

2.11.1 **Coastal Fisherman** – owns or operates a fishing boat, including paraphernalia with total weight of not more than three (3) gross tons and conducts fishing activities within fifteen (15) kilometers from the shoreline.

2.11.2 **Fishpond Operator** – owner/operator of fishpond(s) of not more than five (5) hectares including those under fishpond lease agreement (FLA).

2.11.3 **Fishcage Operator** – owner/operator of fish cage(s) with total area of not more than 400 square meters.

2.11.4 Those engaged in aquaculture, which covers all form of raising and culturing fish, shellfish, seaweed production, and other fishery species in brackish and marine areas of not more than five (5) hectares.

2.13 **Seed Fund** – refers to the total contributions to the AGFP from GOCCs and GFIs (AO No. 225-A), National Government and share in penalties for non-compliance by banks to RA 10000 (The Agri-Agra Reform Act of 2009).

2.14 **Unsecured Loan** – refers to the amount of loan not covered by Real Estate Mortgage (REM), chattel mortgage, and/or deposit hold-out.

2.1 ORGANIZATION AND MANAGEMENT

The Department of Agriculture (DA), through a Governing Board, shall exercise direction and supervision, oversee implementation, and adapt strategies to ensure sustainability of the AGFP.

3.1 Guarantee Fund Governing Board (Governing Board)

3.1.1 The Governing Board shall be composed of the following:

Chair	- DA Undersecretary
Members -	Representative, DAR (at least Assistant Secretary) Representative, DOF (at least Assistant Secretary) Representative, NAPC (at least Assistant Secretary) Representative, LANDBANK (at least Vice President) Representative, ACPC (at least Deputy Executive Director)

Representative,
Academe
Representative,
Partner Lending
Institution (PLI)
Program Executive
Director (Ex-Officio,
Non-voting)

The members of the AGFP Governing Board coming from government agencies shall be officially designated by the heads of their respective offices. Representatives from the Academe and PLI shall be appointed by the Secretary of Agriculture. GB Members shall appoint their respective Technical Assistants.

3.1.2 The GB shall set policy directions and oversee the implementation of AGFP. Specially, the GB shall:

Exercise Authority and Supervision and Supervision over the PMO through the Program Executive Director;

- Approve the Organizational Structure and staffing complement of the PMO;
- Set and approve policies, programs, and procedural guidelines that will govern the program implement;
- Define approving authorities for guarantee line(s) and guarantee claim payment(s);
- Approve the AGFP Annual Work and Financial Plan;
- Set guarantee line limits, guarantee fees, and credit ceilings per hectare/commodity;
- Approve the leveraging ratio in coordination with the Bangko Sentral ng Pilipinas (BSP);
- Oversee the utilization and investment of the AGFP Fund;
- Submit annual reports of the status of the Fund to the DA Secretary;
- Authorize the Institutional Manager or the Program Executive Director to enter into contracts as it may deem necessary;
- Create Committee(s) and working group(s) as it may deem necessary;
- Delegate approving authorities for the guarantee line and/or guarantee claims to the PMC/PMO as it may deem