

[QUEDANCOR CIRCULAR NO. 479, S. 2011, January 24, 2011]

REVISED IMPLEMENTING GUIDELINES ON ACCREDITATION SYSTEM

1. RATIONALE

QUEDANCOR management's decision to reinvigorate its credit guarantee programs and revitalize its valued partnership with the lending entities and other industry support players, such as bonding and insurance companies and input suppliers, necessitates a strengthened accreditation system to effectively deliver accessible guarantee services to the agri-fishery sector.

2. OBJECTIVES

- 2.1 Establish a simplified but efficient accreditation policies, rules and procedures for the benefit of lending entities and other program partners; and
- 2.2 Encourage participation of more viable lending institutions, insurance companies and other industry support players that can be utilized as partners, fund source or links in the implementation of various agri-fishery guarantee programs and other developmental initiatives of the corporation.

3. LEGAL BASES

- 3.1 Section II, (c) of Republic Act No. 7393 dated 13 April 1992, empowering the reorganized Quedan and Rural Credit Guarantee Corporation to "set up a system for accrediting the participation in the corporation's various programs by borrowers, lending entities, financing institutions, bonding and insurance companies."
- 3.2 QUEDANCOR Board Resolution No. 119 dated 11 February 1987 approving the implementation of an accreditation system for its various programs.

4. DEFINITION OF TERMS

- 4.1 **Accreditation** – is the process of granting approval to lending entities, insurance and bonding companies, input suppliers and similar stakeholders to render service to QUEDANCOR borrowers, after compliance with the requirements and passing the credit evaluation conducted by QUEDANCOR.
- 4.2 **Accreditation Fee** – is the amount charged by QUEDANCOR for the conduct of evaluation on stability or reliability of the program partners/stakeholders to

defray administrative expenses incurred in the processing of the application for accreditation.

- 4.3 **Agriculture-Based Enterprises (ABEs)** – agriculture-related and community-based enterprises engaged in production, processing, packaging, marketing/distribution or provision of products and/or services produced, utilized, consumed or patronized by farmers, fisherfolk and rural workers for the advancement of their livelihood activities.
- 4.4 **Application fee** – the amount to be paid by the borrower without end beneficiaries for the processing of loan application, subject to the eligibility requirements set forth in the QUEDANCOR program circulars, in lieu of the accreditation fee.
- 4.5 **Association** – is an organized body of people who have a common interest, activity or purpose.
- 4.6 **Borrower** – a farmer, fisherfolk, rural worker, retailer, sole proprietor, partnership, corporation, cooperative, federation and similar entity, with juridical personality, interested to borrow in any QUEDANCOR program.
- 4.7 **Commercial Supplier (CS)** – an individual or entity engaged in business as input supplier, agri-fishery machinery supplier and similar entity which directly distribute, repackage or sell agriculture and fishery and fishery related inputs or products such as seeds, fertilizers, pesticides, herbicides and raw materials, whether semi-processed or fully processed, used for production, aquatic, poultry, livestock, etc., including labor, to borrowers of QUEDANCOR and/or accredited LE.
- 4.8 **Cooperative** – an association of persons, duly registered with the Cooperative Development Authority (CDA) with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.
- 4.9 **Corporation** – a juridical person created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incidental to its existence and duly registered with the appropriate government registration office.
- 4.10 **Credit Evaluation** – the process of validating the financial stability, integrity and reliability of applicants applying for loans or accreditation under the QUEDANCOR programs.
- 4.11 **Federation** – a secondary level organization which have primary cooperatives/associations as members.
- 4.12 **Insurance Company (IC)** – duly registered entities such as partnerships, corporations and similar businesses including government-owned or controlled corporations, engaged as principals in the insurance business as duly authorized by the Insurance Commission.
- 4.13 **Guarantee Agreement (GA)** – a contract entered into by and between QUEDANCOR and the Lending Entity (LE) for accreditation purposes

specifying the programs to be implemented by the latter with the former sharing the loan fund and/or providing the guarantee, and stating all the terms and conditions thereof.

- 4.14 **Lending Entity (LE)** – private or government financial institutions (i.e. universal, commercial, development, savings/thrift and rural and cooperative banks) and other qualified agri-fishery related entities engaged in lending activities that are specifically accredited by QUEDANCOR to participate in its programs.
- 4.15 **Non-governmental Organization/Peoples Organization (NGO/PO)** – private, non- profit voluntary organization, committed to the task of socio-economic development and established primarily for service.
- 4.16 **Partnership** – a group of two or more persons, not necessarily registered with a government registration office, who bind themselves to contribute money, property or industry to a common fund with the intention of dividing profits among themselves.
- 4.17 **Retail Facility** – when a loan is availed by the borrower under the guarantee program for its own use to fund viable agri-fishery business activity/ies.
- 4.18 **Sole Proprietor** – a natural person other than farmer/fisherfolk/rural worker owning a licensed or registered business enterprise and engaged in commercial activity, earns all profits and assumes all losses.
- 4.19 **Supplementary Guarantee Agreement (SGA)** – a subsequent agreement to the Guarantee Agreement, which allows the LE to participate in other programs of QUEDANCOR.
- 4.20 **WHOLESALE Facility** – availment of loan by an entity with re-lending activity under the Sole Guarantee program where loan availed will be solely used to fund loans of its borrower-beneficiaries. QUEDANCOR's guarantee shall be on the loan of the entity-borrower.

5. SCOPE

This circular shall cover the policies, rules and procedures that will govern the accreditation of borrower-wholesalers, LEs, bonding/insurance companies, commercial suppliers and similar stakeholders, to provide goods and services to QUEDANCOR clientele, categorized as follows:

Facility/Category

Type of Client/Organization

5.1

Borrowers

a. Wholesale Facility

Cooperatives, associations, federations, organizations, corporations and similar entities engaging in re-lending activities

b. Retail

Farmers, fisherfolk, rural and urban workers,

Facility	retailers, sole proprietors, partnerships, corporations, cooperatives and similar organizations where the loan availed are solely for its own use.
5.2 Lending Entities	<p>Banks</p> <p>Universal and commercial banks, savings/thrift and rural and cooperative banks</p> <p>Non-Banks</p> <p>Cooperatives, federations, non-government organizations, and other qualified agri-fishery related entities engaged in lending entities</p>
5.3 Other Program Partners Stakeholders	Bonding and insurance companies, input suppliers, service providers (labor), product suppliers, agri-fishery machinery suppliers, etc.

6. STATEMENT OF POLICIES

6.1 Eligibility Requirements

6.1.1 For Borrowers

a. Retail Facility

- Must pass the eligibility requirements set forth in the governing QUEDANCOR program circular; and
- Must be engaged in viable agri-fishery project/business

b. Wholesale Facility

- Must have a satisfactory management capability to undertake lending activity, as evidenced by:
 - at least two (2) years track record in lending operations with established lending policies and procedures;
 - presence of financial and internal control systems consistent with the generally accepted accounting principles; and
 - presence of full time and qualified management staff
- Must pass the following criteria:
 - latest networth figure of at least P300,000.00
 - acceptable long term debt to equity ratio not exceeding 5:1 including the loan being applied for;
 - past due rate of not more than 25% or collection rate for current loans of not less than 70%; and

- with positive growth of capital accounts/assets and positive trend in profitability for the last two (2) years of operations

6.1.2 **LEs**

a. **Banks**

- Must have been in operation for at least two (2) years, with lending policies and procedures in place;
- Must be duly licensed/authorized to operate by the Bangko Sentral ng Pilipinas (BSP) or appropriate licensing/registering government office/agency (i.e. Securities and Exchange Commission);
- Must have an acceptable past due ratio (PDR) per BSP's standards;
- Must have a Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk (CAMELS) rating of 3 and below; and
- Must have officers of good moral character.

b. **Non-Banks**

- Must be engaged in viable agri-fishery project business
- Must have a satisfactory management capability to undertake lending activity, as evidenced by:
 - at least two (2) years track record in lending operations with established lending policies and procedures;
 - presence of financial and internal control systems consistent with the generally accepted accounting principles; and
 - presence of full time and qualified management staff.
- Must pass the following criteria:
 - latest networth of at least P1,000,000.00;
 - acceptable long term debt to equity ratio not exceeding 5:1;
 - past due rate of not more than 25% or collection rate for current loans of not less than 70%; and
 - with positive growth of capital accounts/assets and positive trend in profitability for the last two (2) years of operations
- Must not have past due loans with QUEDANCOR and/or with other lending institutions/banks; and
- Must have officers of good moral character.

6.1.3 **Insurance Companies**

- Must have been in operation for at least two (2) years;
- Must be duly registered/licensed by appropriate