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**GUARANTEE FACILITY FOR SPECIAL AGRI-FINANCING WINDOW
(INNOVATIVE FINANCING SYSTEM)**

1. DESCRIPTION

The Guarantee Facility is an all risks, quick claim and portfolio guarantee instituted to cushion the impact of risks in agricultural credit and thereby encourage increased lending to small farmers and fisherfolk.

2. RATIONALE

Under DA Special Order No. 438 issued by Secretary Edgardo J. Angara on August 18, 1999, a Study Team was organized to formulate innovative and affordable financing schemes for the purpose of "promoting greater private sector participation in reaching out to farmers and fisherfolk in the provision of farm inputs, equipment and facilities; promoting greater access by the farmers and fisherfolk to these inputs and equipment; and instituting the processes in availing them."

3. OBJECTIVES OF THE GUARANTEE FACILITY

3.1 Implement innovative financing schemes to promote productivity and modernization in the agriculture sector; and

3.2 Encourage lending entities (LEs) -banks, cooperatives, agriculture-based enterprise (ABEs), government and/or private colleges and universities NGOs and other peoples' organizations with juridical personality to lend to small farmers and fisherfolk with viable projects but without collateral or deficient in collateral.

4. LEGAL BASES

4.1 RA 8435, dated February 9, 1998, which mandated QUEDANCOR as the credit guarantee institution for the agriculture and fishery sectors.

4.2 RA 7393, dated 13 April 1992, which mandated QUEDANCOR to establish a credit support mechanism and guarantee system for the benefit of farmers, fisherfolk and other agricultural enterprises.

4.3 DA Special Order No. 438, which mandates the formulation of innovative financing schemes to promote greater private sector participation in reaching out to farmers and fisherfolk through mitigation of credit risks.

5. DEFINITION OF TERMS

5.1 *Small farmer* (including agrarian reform beneficiaries) refers to an actual tiller of lands not over 5 hectares.

5.2 *Small hog/poultry raiser* refers to a raiser with the following maximum inventory at any time:

Poultry	—	1,000 layers or 5,000 broilers
Swine	—	10 sows or 20 fatteners
Cattle	—	10 fatteners or 5 breeders
Dairy	—	10 milking cows
Goat	—	50 heads

5.3 *Small fisherfolk* refer to:

Fisherman operating fishing vessels with a capacity of 3 gross tons or less;

Operator of fishponds less than 5 hectares or fish cages less than 400 square meters;

Fish worker/helper in fishing boats, fishponds, hatcheries, or fish processing establishments;

Operator of seaweeds, oyster or mussel farms.

5.4 *Lending Entity* — refers to lending bank, cooperative, agriculture based enterprise, government and/or private college and university, NGO and PO with juridical personality participating in this Guarantee facility.

5.5 *Cooperative* — refers to a duly registered association of persons with a common bond of interest who has voluntarily joined together to achieve a lawful common social and 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.

5.7 *Sole proprietor* — a natural person owning a business enterprise or engaged in commercial activity.

5.8 *Partnership* — an entity of two or more persons who bind themselves to contribute money, property or industry to a common fund with the intention of dividing profits among themselves.

5.9 *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.

5.10 *Non-Governmental Organization (NGO)* — private, non-profit voluntary organization committed to the task of socio-economic development and established primarily for service.

5.11 *Peoples Organization (PO)* — refers to a non-governmental organization or community based group with juridical personality whose members are individuals.

5.12 *Agriculture-Based Enterprise* — refers to an agri-related community based enterprise with asset size of at least P1.5 million, which is engaged in the production, processing, packaging, marketing/distribution or provision of products and/or services produced, utilized, consumed or patronized by farmers and fisherfolk for the advancement of their livelihood activities.

5.13 *Unsecured Loan* — refers to an agricultural loan without Real Estate Mortgage (REM) collateral.

5.14 *Loan Portfolio* — refers to agri lending of lending entities to small farmers and fisherfolk under this Guarantee facility.

6. PURPOSE OF THE GUARANTEE FACILITY

To strengthen the securitization on loan requirements of projects/activities on agricultural crop production, livestock, poultry, and fishery such as:

6.1 Procurement of production inputs (e.g. seeds, planting, stocking and rearing materials, fertilizer) and payment for farm services (labor, animal and machines);

6.2 Purchase of farm/fishing equipment/machines, work animals and other farm implements;

6.3 Acquisition/construction of post-harvest agricultural facilities and machinery; and

6.4 Processing, packaging, marketing/distribution of products/services as consumed or patronized by farmers or fisherfolk for their livelihood activities.

7. ELIGIBILITY REQUIREMENTS OF THE BORROWERS OF ENTITIES UNDER THE GUARANTEE FACILITY

7.1 Must be a bonafide resident of a farming or fishing area for at least one year as certified by a barangay official;

7.2 Must have a viable project;

7.3 Must have sufficient experience/knowledge of the project; and

7.4 Must not have an existing loan with any other lending entities

8. LENDING ENTITY ACCREDITATION

The following organizations may be accredited as lending entities (LEs) under the Special Agricultural Financing Window:

8.1 Banks which shall refer to Universal Banks, Commercial Banks, Rural banks, Cooperative Banks, Thrift Banks (to include Savings and Loan Associations) and Development Banks;

8.2 Cooperatives duly registered with the Cooperative Development Authority;

8.3 Government and/or Private Colleges or Universities;

8.4 Agriculture-Based Enterprises (ABEs), which can be sole proprietors, partnerships or corporations; and

8.5 Non-Government Organization (NGOs), Other Peoples' Organizations (POs), with juridical personality.

Accreditation of Lending Banks. Lending Banks (LBs) intending to participate under the program shall submit to QUEDANCOR the following documents and pay a non-refundable accreditation fee/subscription of QUEDANCOR Shares of Stock:

- a. Letter-Request for Accreditation;
- b. Board resolution (original copy) authorizing the LB to participate and designating the officer(s) with specimen signatures who shall represent the LB and sign all documents pertaining to its accreditation;
- c. List of Key LB officers;
- d. Latest Audited/Certified Financial Statements for the last 3 years;
- e. List of borrowers with existing projects, loan amount, and collateral status;
- f. Copy of the LB's credit evaluation process and policies and list of loan/credit evaluation officers, including their educational background and work experience.

QUEDANCOR and the LB shall enter into an omnibus Guarantee Agreement, which specifies the guarantee loan credit limit for the concerned LB effective for two years.

Accreditation of other Rural Lending Entities . Any proprietor, partnership, cooperative, corporation, government and/or private college and university, NGOs and other people's organization with juridical personality intending to be a lending entity under the program shall submit an Application for Accreditation to QUEDANCOR together with the documents enumerated below and pay a non-refundable accreditation fee or subscription of Corporation's shares of stocks. Upon approval, QUEDANCOR and the LE shall enter into an omnibus Guarantee Agreement, which specifies the guarantee loan credit limit for the concerned LE effective for two years.

General Requirements:

- a. Duly accomplished Application for Accreditation;
- b. Duly certified Financial Statements for the last three years; and
- c. Mayor's Permit/Municipal License/Certificate of Trade Registration, (if applicable; and
- d. List of borrowers with existing projects, loan amount, and collateral status; and
- e. Copy of the LE's credit evaluation process and policies and list of loan/credit evaluation officers, including their educational background and work experience.

Additional Requirements:

For Cooperatives/NGOs/Pos

- a. Board Resolution/Secretary's Certificate (original copy) authorizing the cooperative, NGO/PO with juridical personality to participate and designating its authorized representative(s) thereof with specimen