

AGRICULTURAL GUARANTEE FUND POOL



EDNA A. ATIENZA
Executive Director

CREATION of AGFP

Administrative Order No. 225-A

(May 26, 2008)

- Required the GOCCs and GFIs to contribute 5% of their 2007 surplus to AGFP
- No contribution from GSIS and SSS which claim that due to the trust-fund nature of its funds, it cannot contribute 5% of their 2007 surplus to the AGFP

RA 10000 - The Agri-Agra Law

- The Law requires:
 - ❖ Agri Lending - 15%
 - ❖ Agra Lending - 10%
- Penalty for under compliance - 0.5%
 - ❖ 45% to PCIC
 - ❖ 45% to AGFP
 - ❖ 10% to BSP (Admin Cost)

Compliance to Agri-Agra Law (RA 10000)

(billion peso)

As of December 31, 2016	All Banks	Uni / Com	Thrift	RB/Coop
A. Total Loanable Funds	3,529.072	3,315.058	163.370	50.644
B. Minimum Requirement:				
10% Agra	352.907	331.506	16.337	5.064
15% Agri	529.361	497.529	24.505	7.597
Total	882.268	829.035	40.842	12.661
C. Agra Compliance				
Amount	36.013	24.554	3.131	8.327
Rate	1.02%	0.74%	1.92%	16.44%
D. Agri Compliance				
Amount	452.188	422.559	15.047	14.582
Rate	12.81%	12.75%	9.21%	28.79%
E. Total Compliance				
Amount	488.201	447.113	18.178	22.910
Rate	13.79%	13.48%	11.13%	45.24%
Direct: Alternative	50: 50	47:53	85:15	93:7

Why low agri-agra compliance?

- Farmers cannot put up collateral
- Formal lenders consider unsecured loans RISKY
 - typhoons as many as letters in alphabet
 - farmers have no other source of income
 - family emergencies mean no payment of loan
 - price of produce low at harvest time



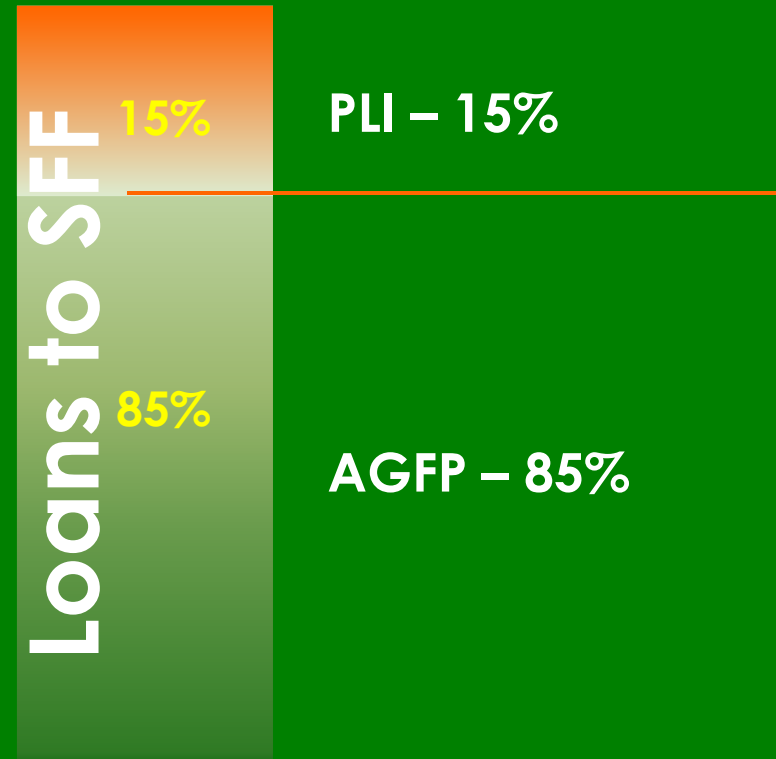
AGFP's Mandate

- To mitigate the risks involved in agri lending, AGFP:
 - encourages formal lenders to lend even if borrower cannot put up collateral; and
 - guarantees unsecured food commodity loans to smallholder farmers and fishers.



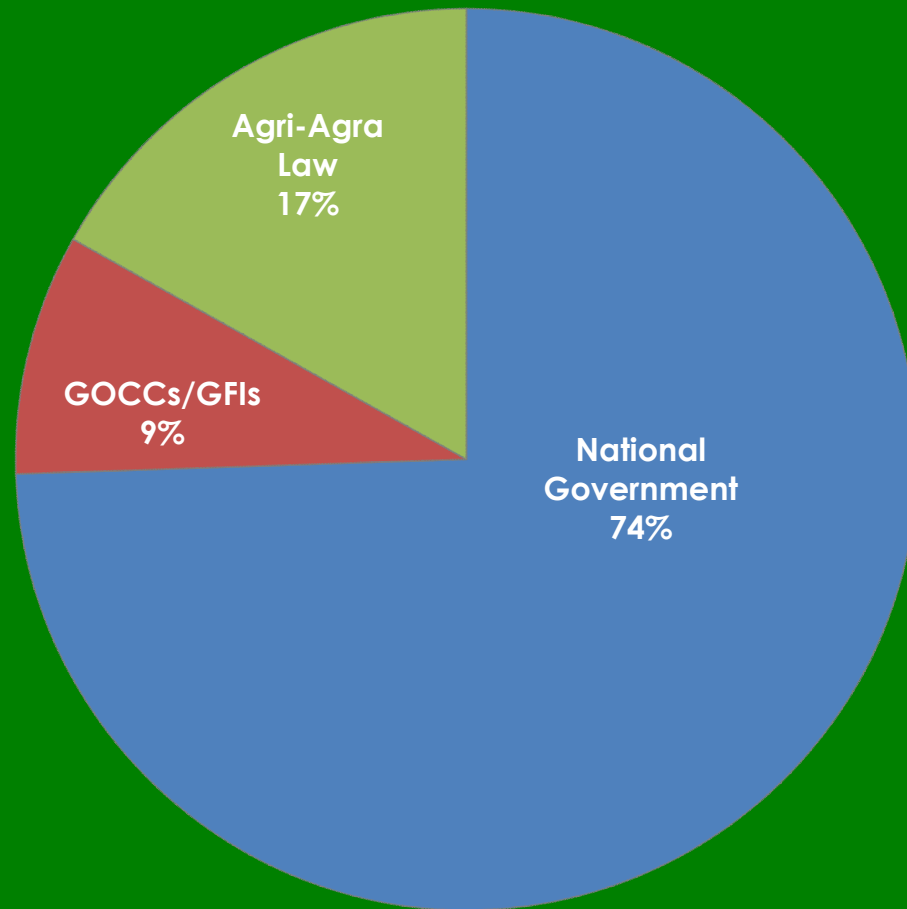
Features of the Guarantee

- ✓ 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
 - 50% rebate – PCIC-insured loans
 - 50% rebate-loans to ARBs
 - 75% rebate for PCIC-insured loans to ARBS



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

Fund Composition (as of June 30, 2017)



Sources of Seed Fund

- GOCCs/ GFIs
- National Gov't
- Agri-Agra Penalties

Other Sources of Funds

- Guarantee Fees
- Collections/Recoveries
- Investment/Interest Earnings

**AGFP can guarantee up to P16 billion
(3x the seed fund)**

Performance

(in billion pesos)

As of 30 June 2017	TOTAL	BANKS	COOPS	FOs/MFIs	SMEs
A. Claims Paid	1.426	0.993	0.148	0.106	0.179
B. Recoveries	0.558	0.478	0.041	0.029	0.010
C. Net Claims (A-C)	0.868	0.516	0.107	0.077	0.168
D. Coverage	39.983	24.286	4.598	5.188	5.911
E. Claims Rate (A/D)	3.57%	4.09%	3.22%	2.04%	3.02%
F. Net Claims Rate (C/D)	2.17%	2.12%	2.33%	1.48%	2.84%
G. Recovery Efficiency (B/A)	39.12%	48.06%	27.74%	27.40%	5.79%

Organization and Management

The Department of Agriculture, in coordination with LANDBANK, exercises direction and supervision over the AGFP through a Governing Board (GB) and a Program Management Committee (PMC).

LANDBANK acts as the program institutional manager.

LEAD AGENCY

Department of Agriculture

INSTITUTIONAL PROGRAM MANAGER

Land Bank of the Philippines

Role of LANDBANK as Program Institutional Manager

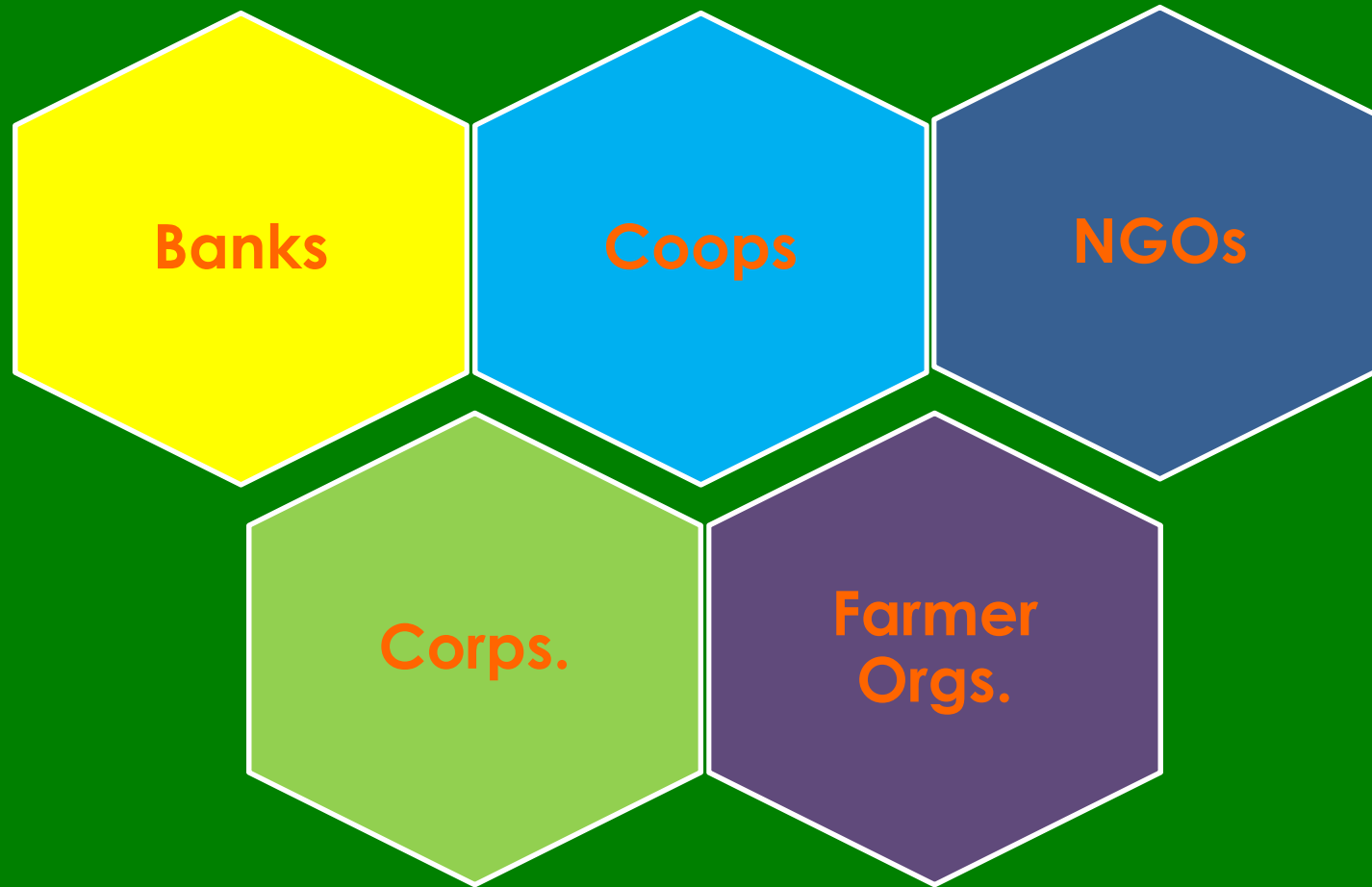
- AGFPs trustee-bank;
- Provides backroom support to the Program Management Office (PMO):
 - Maintains operating fund thru LANDBANK-Agrarian Accounting Office (AAO)
 - Procures office equipment and supplies
 - Provides logistical support
- Houses the PMO and provides facilities required in performing its tasks;

Governing Board

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

Agency	Position in the GB	Designated Representatives
DA	Chairperson	Undersecretary Evelyn G. Laviña
DAR	Member	Undersecretary Rosalina L. Bistoyong
DOF	Member	National Treasurer Rosalia de Leon
LANDBANK	Member	EVP Edward John Tanco Reyes
ACPC	Member	Exec. Dir. Jocelyn Alma R. Badiola
Academe	Member	Dr. Gilberto M. Llanto
PLI	Member	Atty. Mary Ann Tupasi-Saddul
NAPC	Member	Undersecretary Roseller Barinaga
AGFP-PMO	Member (Non-voting)	Exec. Director Edna A. Afienza

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

NGOs/MFIs

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



Bills in Congress

Particulars	Remarks
<p><u>House Bill No. 2459</u> Filed on 8.3.16 by: Rep. Arthur C. Yap</p>	<ul style="list-style-type: none"> • An act institutionalizing the Agricultural Guarantee Fund Pool and renaming it as the Agricultural Guarantee Corporation. • <i>Expands coverage to guarantee post production and for other purposes</i> • <i>Passed the Committee on Government Enterprises and Privatization on May 23, 2017.</i>
<p><u>House Bill No. 3522</u> Filed on 9.7.16 by: Rep. Enrico A. Pineda and Rep. Michael Odylon L. Romero</p>	<ul style="list-style-type: none"> • An act increasing the penalties on the lending institutions for non-compliance and under compliance with the provisions of R.A. 10000, amending for the purpose section 10 thereof, and for other purposes. • <i>Proposes to increase the penalties for under/non-compliance from 0.5% to 2.5%</i>



AGFP Address & Contact Details

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Thank you.

