

**[ DA ADMINISTRATIVE ORDER NO. 23, S. 2008,  
July 07, 2008 ]**

**IMPLEMENTING GUIDELINES OF ADMINISTRATIVE ORDER NO.  
225-A**

WHEREAS, on the 26th of May 2008, President Gloria Macapagal-Arroyo issued Administrative Order No. 225-A, amending Administrative Order No. 225, mandating government-owned and controlled corporations and government financial institutions to allocate five percent (5%) of their 2007 surplus for projects in rice and food production and as contribution to an Agricultural Guarantee Fund Pool;

WHEREAS, under the said Administrative Order, the Department of Agriculture, in coordination with the Land Bank of the Philippines, was directed to issue the implementing guidelines as well as draw up the mechanics and administrative arrangements for the Agricultural Guarantee Fund Pool;

NOW, THEREFORE, the Department of Agriculture, upon coordination with the Land Bank of the Philippines, hereby issues the following implementing guidelines, mechanics and administrative arrangements of the Agricultural Guarantee Fund Pool;

*SECTION 1. Purpose of the Agricultural Guarantee Fund Pool* - The Agricultural Guarantee Fund Pool (hereinafter referred to as the AGFP") shall be used to provide guarantee coverage to unsecured loans/financing extended by financial institutions and other parties to new small farmers engaged in rice and/or food production projects/activities.

*SECTION 2. Source of Agricultural Guarantee Fund Pool and Remittance of Fund Contribution* -

Section 2.1 The source of the AGFP shall be the fund contributions of government owned and controlled corporations and government financial institutions out of their 2007 surplus.

Section 2.2 Each contributing corporation/institution shall enter into a Memorandum of Agreement (MOA) with the Department of Agriculture (DA) specifying therein the amount of contribution, as supporting document to the fund remittance to the AGFP.

Section 2.3 The fund contribution shall be remitted directly by the contributing institution to the Land Bank of the Philippines Trust Banking Group at the Account Name: T.A. No. 05-206, Savings Account No. 3401-0722-75 which shall serve as the trust account of the AGFP.

Section 2.4 The DA shall enter into a trust agreement with the Land Bank Trust Banking Group that will prescribe fund administration arrangements of the AGFP

trust account including the authority to Land bank Trust Banking Group to invest unencumbered funds in government securities and bonds. All earnings of the Fund shall accrue to the AGFP. The Land Bank Trust Banking Group shall prepare and submit to DA quarterly reports of the status of the trust fund. Such report shall be furnished by the DA to the contributing corporations/institutions.

### SECTION 3. *Supervision of the Agricultural Guarantee Fund Pool*

Section 3.1 The DA shall exercise supervision over the AGFP including its utilization provided however that the principal of the AGFP shall be utilized for the purposes it was established as indicated in Section 1 and provided further that earnings of the AGFP may be utilized to cover operating expenses of the Guarantee Fund Governing Board Committee(s), and Program Management Unit herein established that are incidental in the administration and management of the AGFP.

#### Section 3.2 Guarantee Fund Governing Board

Direction and supervision over the AGFP shall be exercised by the DA through a governing board of the fund composed of: (a) DA Undersecretary duly designated by the Secretary of Agriculture as the Chairperson of the Guarantee Fund Governing Board (Fund Board); (b) a representative from the National Anti-Poverty Commission (NAPC) with a rank of at least an Assistant Secretary; (c) Land Bank Executive Vice President for Agrarian and Domestic Banking Sector; (d) representative of the Agricultural Credit Policy Council (ACPC) with a rank of at least Deputy Executive Director and (e) a representative of the Government Corporation/Institution that has the highest fund contribution to the AGFP, with a rank of at least Vice-President.

The Fund Board is authorized to approve AGFP coverages, guarantee claims, leveraging ratio and operating budgets. Initially, the leveraging ratio shall be set at 1:1 (AGFP balance vis-a-vis Guarantee Coverage). For the succeeding period, the Fund Board shall set the leveraging ratio based on the performance of the AGFP. The Fund Board shall also be responsible for overseeing the effective utilization of the AGFP and shall render quarterly reports of the status of the AGFP to the DA Secretary. The Fund Board may create committee(s) and working group(s) as it may deem necessary to effectively carry out its functions including the delegation of authority in the approval of guarantee coverage and guarantee claims. Such committee(s) may be composed of representatives of agencies attached to the DA such as the ACPC and such other agencies with experience in implementing or supervising guarantee programs.

#### Section 3.3 Program Management Unit

A Program Management Unit (PMU) shall be established which shall provide the technical and administrative support to the Governing Board and its Committee(s) in carrying out their functions. The PMU shall report to the Fund Governing Board and shall be composed of the following:

(a) Program Management Committee (PMC) - to be composed of two representatives each from the ACPC and Land Bank. The PMC shall execute the Fund Board's Policy decisions and render supervision to the PMU staff.