

[OWWA MEMORANDUM OF INSTRUCTIONS NO. 099, September 04, 1990]

PRESCRIBING THE GENERAL POLICIES AND IMPLEMENTING GUIDELINES ON THE UTILIZATION AND DISBURSEMENT OF THE OWWA EXPANDED LIVELIHOOD PROGRAM FUND

In the interest of the service and pursuant to the authority vested by law to the Administrator of the Overseas Workers Welfare Administration (OWWA) Department of Labor and Employment (DOLE), the following guidelines and procedures in the utilization and disbursement of the OWWA Expanded Livelihood Fund (ELF) hereinafter referred to as the FUND, are hereby prescribed for the guidance and observance of all concerned.

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GENERAL POLICIES**

The FUND shall refer to the P 20 M revolving fund appropriated pursuant to Board Resolution No. 101, series of 1990, dated August 22, 1990. The Fund shall be requested quarterly based on the projected financial requirement of the Department. To effect fund transfer, a letter request address to the Administrator thru the Resource Management Department (RMD) shall be initiated by the Re-integration Programs Department (RPD). Upon approval of the request, the Fund shall be transferred and deposited in a current and savings account with the Land Bank of the Philippines (LBP) herein after referred to as the BANK under three (3) new accounts to facilitate fund transfer and disbursement.

The principal, interest earned out of the deposit/investment, the interest earned from the loan extended under the program the 2% surcharge on delinquent accounts, proceeds of the sales or acquired Assets and any special Appropriation shall form part of the FUND.

Uses of Fund - The P 20 M FUND shall cover the following items, to wit:

1. Bridge Fund for NLSF loan
2. Loan Fund for Non Collateralized Window
3. Seed Fund for Small & Microenterprise Financing Scheme

P 3.0 M
1.4 M
15.6 M

P20.0 M

Item 1 shall be exclusively utilized for paying amortization to National Livelihood Support Fund (NLSF) in cases wherein actual collection is not sufficient to meet

maturing obligation.

Item 2 shall be intended to finance socio-economic projects qualified under the Non-collateralized Financing Scheme (Non- colat). This scheme shall be fully decentralized and it's full implementation shall be entrusted to the Regional Units.

This Fund shall be transferred to the Regional Units and shall be disbursed in accordance with this Memorandum and the Financial Management for Regional Operation. Each region is allocated a total of P100,000.00.

A Monthly Report on Disbursement shall be submitted to the Fund Management Division (FMD)-RPD for recording who in turn shall endorse the same to the Resident Auditor for post audit.

Item 3 shall be used to finance the multilevel livelihood program financing scheme classified as follows: Micro-enterprise financing, Small Enterprise Financing and Impact Project.

All applications filed under the NLSF-OWWA Tie-up but were not accommodated due to insufficient fund shall likewise be applied under the scheme aforementioned.

Non-Collateralized Loan Window - The non-collateralized loan window shall be available to individual projects which shall require additional capital of P5 ,000.00 and below and group loans of a P50,000.00 loan ceiling.

Instead of collaterals as loan security, a Guarantor System shall be utilized in the loan facility. The program shall accept individual as loan guarantor for individual loan and individual and/or organization for group loan.

Capital Build-Up/Incentive Scheme - Under the capital build-up scheme an individual loan availee under the Program shall be required to open a savings account (deposit only) with any reputable bank.

The proponent shall be required to deposit an initial P200.00 deposit from the savings account. The amount shall be considered a the proponent's equity for the project.

In the course of loan amortization, the proponent shall make a deposit equivalent to 25% of the amortization due on the loan per period aside from the payment of the regular downpayment of the loan to be paid under the Program.

The same shall apply to each group member of group proponents with individual projects.

The scheme for individual loan availees shall also apply to group proponent implementing a single project.

The Project Monitoring Officer (P.M.O.) shall inspect bank books of program availees to ensure compliance under the Program.

All programs availees shall be granted a privilege of applying for a re-loan upon loan maturity. The second loan shall be authorized subject to the recommendation of the (P.M.O.).

Withdrawal of any/all savings by the proponent under the Program shall be allowed upon loan maturity if the proponent does not intend to reapply for a new loan. Otherwise, withdrawal of any/all savings by the proponent shall only be authorized

upon the maturity of the second loan, except in cases when the project requirement is above P5 ,000.00.

Proponents of both individual and group loans can only avail of the Program twice.

Guarantor System - Instead of collateral/s as loan security, a Guarantor System shall be utilized in the loan facility. The project shall accept individual as loan guarantor for individual loans and individuals or organizations for group loans.

Criteria For Qualification As Guarantor

For Individual as Guarantor:

1. He must not be a spouse of the applicant;
2. He must be locally employed; and
3. His salary per annum must be P12 ,000.00 or more for individual projects and P100,000.00 for group projects, with Income Tax Return (ITR) or Certificate of Employment and ID card as proofs.

For Organization/s as Guarantor:

1. Must be duly registered with appropriate government regulatory agency; and
2. Current Ratio must not fall below 2:1

Micro-Enterprise Financing - Micro-enterprise Financing shall be open to all individual projects which require additional capital of over P500.00 to P15 ,000.00; and to group loan requiring additional capital of P5,000.00 to P500,000.00 but whose total project cost shall not exceed P 50,000.00.

Evaluation of project proposal under micro-financing shall be decentralized on a region-to-region basis.

Small Enterprise Financing - Small Enterprise Financing shall be open to individual/group projects which require an additional capital of over P15 ,000.00 to P50,000.00 whose total project cost shall not exceed P 1.0 M. Group loan shall have a loan ceiling P500,000.00.

Impact Projects - Impact projects shall be open to group project that will meet any or both of these criteria: 1) That the project has the potential to launch small ventures out of the original project industry and/or 2) That the project has a potential to have significant impact on the community especially with regard to employment generation and the fostering of self-reliance among the project participants.

Criteria for Impact Project Financing

1. Impact projects shall reach the greater number of beneficiaries aside from radiating significant influence in the community operation. Necessarily, impact projects shall be inter- sectoral in scope to be fully responsive to community development;
2. Impact project shall address the felt needs of the beneficiaries at the proper time;

3. Impact project shall establish both forward and backward linkages. This means that an original project industry must possess the potential consequent ventures. Backward linkages are ventures that shall service the needs of the original projects while forward linkages are ventures resulting from the operations of the original project; and
4. Impact projects shall not be divorced from social responsibility and shall not undermine the social values nor add to the existing ills that beset society.

Eligible Projects - The Fund for item no. 3 shall be used to finance agri-business, manufacturing, trading, transport, service oriented projects and other lucrative livelihood endeavors which may be considered by the RPD.

Project with short gestation period, fast sales turnover labor intensive and requiring less capital outlay shall be eligible under the program. The following are indicative but not exclusive list of projects.

1. Trading (i.e Sari-sari store, food vending, fruit and vegetables vending, garments trading, mini-mart, grocery, dried fish trading, rice/grain retailing ,etc.)
2. Light Service Oriented Business (i.e. small cafeteria, barber shop, beauty parlor, rice mill, roving thresher & etc.)
3. Agri-business (i.e. mushroom culture & spawn production, cutflower production, orchid growing, goat raising, cattle fattening, duck raising, black pepper, fruit & vegetable processing, meat & fish processing ceramic artwork production, pottery making, brick and tile production, production of essential oil from local plants, integrated coconut processing, soap making, table egg production, commercial dairy products, etc.)
4. Manufacturing (i.e. noodles, fish sauce, soy sauce, vinegar, native cakes and other delicacies, cereals, peanut butter, candies, tofu, etc.)
5. Transport Service (i.e. pedicab, tricycle, jeep, taxi and etc.)

Loan proceeds shall be used for working capital, site improvement, and or purchase of equipment/tools.

Loan Ceiling - Individual applicants shall have a loan ceiling of P50 ,000.00 and a maximum of P500,000.00 for group loans.

Interest Rate

Non-Collateral Loan Window -

Individual	10%
Group	6%
P500.00-15,000.00	12%
over P15,000.00	15%

Debt Equity Ratio -

1. Non-Collateral Loan Window 95:05

2. Micro-Enterprise Financing
85:15 for secondary beneficiary and group projects
95:05 for primary beneficiary
3. Small Enterprise Financing
80:20 for secondary beneficiary and group projects
85:15 for primary beneficiary
4. Impact Project with TPC
exceeding P1.0 M. 80:20

Eligible Borrowers - For Micro, Small Enterprise and Impact Projects

Primary Beneficiary - This refer to the OCW-Returnees or his immediate family whose overseas employment has ceased.

Secondary Beneficiary - This refer to the immediate family of an OCW who is still gainfully employed. The immediate family of the OCW refers to the legitimate spouse of a married OCW who bears his marital consent. In the case of single OCW his parents and single brothers or sisters may avail the loan provided with proper authorization from the OCW.

For Non- Colat - Dependents of deceased/disabled OCW's as well as those affected by man made or natural calamities or those who are not gainfully employed and could not produce collaterals.

Loan Requirements - All documents shall be prepared in quadruplicate to be distributed as follows:

Original Copy	-	COA-OWWA Resident Auditor
Duplicate Copy	-	FMD
Triplicate Copy	-	Regional File
Quadruplicate Copy	-	Proponent

Upon Application for Individual Borrowers

1. Proof of OWWA Contribution;
2. Loan Application Form;
3. Business Plan;
4. Any document/s attesting to the applicant's identity/ relationship to OCW: Birth Certificate of OCW in case she/he is single OCW: authorizing his/her parents to borrow: Death Certificate of deceased OCW-Spouse.
5. Latest Residence Certificate
6. Pertinent Business Permit/Licenses

For start-up/revival pre-release condition

On-going upon application

Loans applied under the Non- Colat shall be exempted in securing Business Permit/Licenses except for group loans.