

**[ ADMINISTRATIVE ORDER NO. 11, S. 2015,  
October 07, 2015 ]**

**REVISED IMPLEMENTING RULES AND REGULATIONS (IRR) OF  
THE AGRICULTURAL GUARANTEE FUND POOL (AGFP)**

*Adopted: 30 September 2015*

*Date Filed: 07 October 2015*

Pursuant to Administrative Order (A.O.) No. 225-A issued by the President on May 26, 2008 as further articulated by the Department of Agriculture Administrative Order (DA-AO) No. 23, series of 2008, the following Revised Implementing Rules and Regulations (IRR) are hereby issued to govern the implementation of the Agricultural Guarantee Fund Pool (AGFP).

This guideline considers the expanded coverage of the AGFP to include livestock, fisheries and other food crops.

**1.0 PROGRAM DESCRIPTION AND PURPOSE**

The Administrative Order No. 225-A stipulates, among others, that Government Financial Institutions (GFIs) and Government Owned and Controlled Corporations (GOCCs) shall allocate and contribute five percent (5%) of their 2007 surplus for projects in palay and food production, and as contribution to the AGFP. The AGFP shall be used to mitigate the risks involved in agricultural lending thereby facilitating the provision of credit to the agriculture sector.

The AGFP shall encourage partner lending institutions (PLIs) to lend to small farmers and fisherfolk (SFF) by providing guarantee coverage to unsecured loans for agricultural food commodity production.

**2.0 DEFINITION OF TERMS:**

**2.1 Agricultural Food Commodity Production** - refers to crop, fishery, poultry and livestock production.

**2.2 Amount to be guaranteed** - amount of principal loan disbursed to the borrowers by the PLI as indicated in the promissory note (PN).

**2.3 Collection Agreement** - an agreement that binds the PLI or other collecting agents to collect from the borrowers in behalf of the AGFP.

**2.4 Deed of Subrogation** - an agreement signed by the PLI transferring its right of claims from the principal debtor to the AGFP.

**2.5 Guarantee** - is an agreement under which one party (AGFP) agrees to pay

the loan obligation of the borrower if the borrower fails to pay the loan after its maturity.

2.6 **Guarantee Fee** - amount paid by the PLI to AGFP to enroll loan to SFF for guarantee coverage.

2.7 **Partner Lending Institutions (PLIs)** - are Banks, Cooperatives, Corporations, Non-Government Organizations (NGOs) or Farmers Organizations (FOs) with juridical personality, which provide financial assistance to farmers and fisherfolk.

2.8 **Past Due Ratio** - total uncollected principal loan amount after the loan maturity net of valuation reserve against the total loan portfolio of the PLI.

2.9 **Program Institutional Manager** - refers to Land Bank of the Philippines.

2.10 **Small Farmers** - refer to -small crop growers and small livestock and poultry raisers as defined below:

2.10.1 **Small Crop Growers** - refer to owner-cultivator, tenants, leaseholders, etc. who are tilling not more than five (5) hectares of agricultural lands (RA 6657).

2.10.2 **Small Poultry and Livestock Raisers** - refer to those having the following maximum hog, poultry and livestock inventory at the time of accreditation by the PLI:

- a. **Poultry** - 2,000 layers or 5,000 broilers;
- b. **Swine** - 10 sows or 50 fatteners;
- c. **Goat/Sheep** - up to 50 heads for meat and/or dairy d. Cattle - 10 fatteners or 5 breeders;
- e. **Dairy** - 10 milking cows/carabaos

2.11 **Small Fisherfolk** - refers to the following:

2.11.1 **Coastal Fisherman** - owns or operates a fishing boat, including paraphernalia with total weight of not more than three (3) gross tons and conducts fishing activities within fifteen (15) kilometers from the shoreline.

2.11.2 **Fishpond Operator** - owner/operator of fishpond(s) of not more than five (5) hectares including those under fishpond lease agreement (FLA).

2.11.3 **Fishcage Operator** - owner/operator of fish cage(s) with total area of not more than 400 square meters.

2.11.4 Those engaged in aquaculture, which covers all forms of raising and culturing fish, shellfish, seaweed production, and other fishery species in brackish and marine areas of not more than five (5) hectares.

2.12 **Unsecured Loan** - refers to the amount of loan not covered by Real Estate Mortgage (REM) and/or chattel mortgage, or any other form of acceptable collateral.

### **3.0 ORGANIZATION AND MANAGEMENT**

The Department of Agriculture (DA), through a Governing Board, shall exercise direction and supervision, oversee implementation, and adapt strategies to ensure sustainability of the AGFP.

### **3.1 Guarantee Fund Governing Board (Governing Board)**

3.1.1 The Governing Board shall be composed of the following:

Chair - DA Undersecretary

Members Representative, DAR (at least Assistant Secretary)

- Representative, DOF (at least Assistant Secretary)

Representative, NAPC (at least Assistant Secretary)

Representative, LANDBANK (at least Vice President)

Representative, ACPC (at least Deputy Executive Director)

Representative, Academe

Representative, Partner Lending Institution (PLI) Program Executive Director (Ex-Officio, Non-voting)

The members of the AGFP Governing Board coming from government agencies shall be officially designated by the heads of their respective offices. Representatives from the Academe and PLI shall be appointed by the Secretary of Agriculture. GB Members shall appoint their respective technical assistants.

3.1.2 The GB shall set policy directions and oversee the implementation of AGFP. Specifically, the GB shall:

- Exercise Authority and Supervision over the PMO through the Program Executive Director;
- Approve the Organizational Structure and staffing complement of the PMO;
- Approve policies, programs, and procedural guidelines that will govern the program implementation;
- Approve the AGFP Annual Work and Financial Plan;
- Set guarantee line limits and credit ceilings per hectare/commodity;
- Approve the leveraging ratio in coordination with the Bangko Sentral ng Pilipinas (BSP);
- Oversee the utilization and investment of the AGFP Fund;
- Submit annual reports of the status of the Fund to

the DA Secretary;

- Authorize the Institutional Manager or the Program Executive

Director to enter into contracts as it may deem necessary;

- Create Committee(s) and working group(s) as it may deem necessary;
- Delegate authority to the PMO as it may deem necessary.

### **3.2 Internal Audit Committee of the GB**

3.2.1 Internal Audit Committee (IAC) of the GB shall be created by the GB. The IAC Chair and two (2) other members of the committee shall be appointed by the GB Chair from among members of the GB.

3.2.2 The IAC shall review the reports of the Internal Audit Division (IAD)

of the PMO and shall report the results of the review to the GB on a regular basis.

### **3.3 Program Institutional Manager**

3.3.1 Pursuant to Section 3.4 of the DA Administrative Order No. 23, series of 2008, LANDBANK shall act as the Program Institutional Manager (PIM) for all guarantees extended by AGFP. The PIM shall:

- Act as administrator of the PMO
- Provide office space to the PMO
- Provide the PMO with the facilities required for its operations
- Book and disburse operational expenses based on the GB approved work and financial plan/resolutions
- Enter into agreement with concerned parties as approved by the Governing Board;
- Issue instructions to the LANDBANK Trust Banking Group and Cash Department to effect withdrawals from the AGFP Accounts, as approved by the Governing Board or its designated approving authorities.

3.3.2 In case where LANDBANK itself is the institution being guaranteed by the AGFP, approvals shall be made by the GB. The LANDBANK Representative in the GB shall inhibit himself/herself during the discussion and/or deliberation to avoid conflict of interest.

### **3.4 Program Management Committee (PMC)**

The Program Management Committee (PMC) shall assist the GB in the execution of its functions.

3.4.1 The PMC shall be composed of the following:

- Chair - LANDBANK Representative (1)
- Vice-Chair - DA-ACPC Representative (1)
- Members - LANDBANK Representative (1)

- DA Representative (1)
- DAR Representative (1)

3.4.2 The Chair of the PMC shall come from the Program Institutional Manager and shall be designated by the President of Land Bank of the Philippines. The Vice - Chair and members of the PMC shall be designated by the heads of their respective offices.

3.4.3 The functions of the PMC are as follows:

- Confirm guarantee line and guarantee claims payment approvals made by the PMO;
- Approve/disapprove guarantee lines and guarantee claims payment within its delegated authority;
- Recommend for GB approval requests for guarantee lines and guarantee claims payment beyond its authority;
- Perform other tasks/acts as may be assigned by the GB.

### 3.5 **Program Management Office (PMO)**

3.5.1 The PMO shall provide technical and administrative support to the Governing Board in carrying out its functions.

Specifically, the PMO shall:

- Execute policy decisions of the Governing Board (GB);
- Prepare annual work plan and operating budget of the AGFP for review by the PMC and endorsement to the GB for approval;
- Recommend policies and procedures for GB approval;
- Prepare monthly financial statements, and other reports to the GB;
- Conduct activities to promote awareness and interest among targeted partners of the AGFP;
- Facilitate and conduct meetings, conferences, workshops, and training activities;
- Process, evaluate, approve/disapprove guarantee lines/claims and elevate those that are beyond its approving authority to the PMC/GB;
- Validate guarantee claims;
- Process request for claims payment within the prescribed period;
- Manage the guarantee portfolio of the AGFP and make recommendations to the GB for the utilization/ investment of the Fund;
- Perform other tasks as may be assigned by the GB.

3.5.2 The PMO shall be headed by a Program Executive Director (PED) appointed by the GB. The PMO shall have four (4) Divisions:

- Marketing and Accounts Management Division (MAMD)
- Claims and Recovery Division (CRD)
- Finance and Administration Division (FAD)
- Internal Audit Division

The GB shall exercise supervision over the Internal Audit Division.