



**JOINT DAR-LANDBANK MEMORANDUM CIRCULAR
NO. 03, Series of 2018**

**SUBJECT: IMPLEMENTING RULES AND REGULATIONS ON THE CREDIT ASSISTANCE
PROGRAM FOR PROGRAM BENEFICIARIES DEVELOPMENT (CAP-PBD) WINDOW
III PROGRAM EXTENSION**

A. RATIONALE

The Department of Agrarian Reform (DAR), in partnership with the Land Bank of the Philippines (LANDBANK) implements the Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) that provides financing to ARBs and non-bank eligible ARB cooperatives (Coops) and farmers associations (FAs) for their crop production and enterprises/livelihood. The program is coupled with technical support along institutional development, enterprise development, and capacity development.

The CAP-PBD was implemented in 1996-2006 as a credit program for non-bank eligible ARB Organizations for production, trading capital and fixed assets under Window I and funded five (5) rubber replanting projects of five (5) plantation-based cooperatives under Window I.

The program was extended for another 10 years renamed as CAP-PBD Window III. CAP-PBD Window III continued to serve the requirements of non-bankable eligible cooperatives and FAs of ARBs in agrarian reform areas, comprising of agrarian reform communities (ARCs) and non-ARCs for the period CY 2006-2016.

After 20 years of implementation, CAP-PBD has outlived its purpose of providing credit to non-bankable eligible organizations/ARBs particularly with the presence of more competitive subsidized credit programs. However, to ensure continuous provision of credit assistance and capacity development interventions to the existing CAP-PBD Window III borrowers, the Presidential Agrarian Reform Council Executive Committee (PARC Execom), approved on 16 February 2017 the program extension for another two (2) years.

B. OBJECTIVES

Generally, the CAP-PBD Window III Extension Program aims to continue the provision of credit assistance to existing CAP-PBD Window III cooperative/FA borrowers to ensure their sustained economic development.

Specifically, the program aims to:

1. Provide credit for agriculture-based livelihood/enterprises and other projects to existing Cooperatives and FAs with current accounts whose credit lines will expire



within the next two (2) years and those cooperatives with past due accounts and require restructuring of their loans;

2. Facilitate the establishment of agri-based enterprises coupled with institutional development activities to ensure these are viably managed by the cooperatives and FAs and by the ARB borrowers;
3. Capacitate cooperatives and FAs thru customized technical assistance on institutional development and strengthening for effective operation and management of their agri-based enterprises and livelihood projects as well as their credit worthiness; and
4. Capacitate field implementers to enable them to provide coaching and mentoring activities to CAP-PBD Window III clients.

C. COVERAGE

The CAP-PBD Window III Extension shall cover qualified cooperatives and FAs as identified in the program documents.

D. PROGRAM FUND

DAR shall made available a total amount of Php 59,882,461.00 to the Program, to be used as follows:

Php50,862,361.00	As credit fund to be channeled through eligible conduits for on-lending to ARBs to finance various agricultural projects and other similar projects.
Php9,020,100.00	As institutional, enterprise and capacity development (CAP-DEV) and program management to be used solely for development activities of the covered 60 cooperatives and FAs in accordance with the approved work and financial plan.

E. GENERAL GUIDELINES

1. The 2-year extension shall continue to fulfill the objectives of CAP-PBD W3 and shall adopt all applicable existing policies and procedures.
2. New loan applications from existing and new borrowers (up to 2 years) shall be accepted after the approval of the Program by the PARC ExeCom and the signing of the Memorandum of Agreement (MOA) and Program Implementing Rules and Regulations between the DAR and LANDBANK.
3. The cooperatives and FAs with existing current accounts, as well as those new borrowers identified by DAR, shall continuously be provided with credit and



development assistance until their credit line expires and/or promissory note matures. For term loans, credit shall be provided for the unreleased portion of the loan only.

4. Cooperative borrowers which have passed the LANDBANK's Enhanced Cooperative Accreditation Criteria (ECAC) and have remaining CAP-DEV requirements to pass the Risk Assessment Accreditation Criteria (RAAC) shall be continuously provided with interventions to be able to graduate into the regular lending window of the LANDBANK, subject to the CAP-PBD guidelines.
5. The debt to equity ratio requirement shall be waived.
6. Loans of cooperatives and FAs which have been past due can only be restructured one (1) year before the termination of the program.
7. Past due accounts for more than three (3) years shall be turned over to the DAR through the Task Force Collection (TFC).
8. Outstanding current loans shall be continuously collected by the LBP Lending Centers (LC) until the loan is fully paid.
9. Budgetary requirement for the provision of credit and ID/ED and program management shall be charged against the remaining fund of CAP-PBD Window III while part of institutional and enterprise development budget may also be charged against the LANDBANK Support Fund.
10. LANDBANK thru the Development Assistance Department (DAD)/Lending Program Management Group (LPMG), shall disburse the CAP-PBD Support Fund which shall be utilized to cover expenses for the development interventions, program management and administrative support in accordance with the approved Work and Financial Plan for the year, subject to LBP Codified Approving and Signing Authority (CASA)
11. At the end of the program, the remaining CAP-PBD fund balance shall be turned over/remitted to DAR. However, funds equivalent to approved but unavailed portion of loans/lines and programmed/accrued expenses shall remain with LANDBANK under consummated.

F. PROGRAM COMPONENTS/ACTIVITIES

1. Institutional Development (ID)

The ID interventions aim to strengthen the capacity of the organization in providing services to its members and enhance the profitability of the funded agri-based enterprises and businesses that will lead to its sustainability. Interventions are geared towards reinforcing the functionality of the organizations' structures and systems that would ensure profitable operations and management of its services and enterprises.

This component shall also focus on the provision of technical assistance in setting-up mechanisms for good governance that are appropriate to the organizations' needs.



2. Enterprise Development (ED)

This component aims to improve the competencies of the organizations in establishing and managing agri-based enterprises which will be funded under the program.

The clustering approach in setting-up and managing agri-enterprise shall be introduced. This involves strengthening the organization in developing, operating and managing their funded agricultural production project according to market demands. The clustering approach, consisting of sequential step of preparing the ARBs to link with the markets and assist them to be effectively organized into production units or clusters, will be adopted to assist the ARBO and ARBs to have a more focused, more efficient and market-oriented farming system.

The capacity development interventions under this component will ensure that the organization is being equipped with the competencies on: (a) business identification, expansion, and diversification; (b) business plan preparation; (c) financing and resource mobilization; (d) compliance with regulatory requirements; (e) development and installation of business policies, systems and procedures; (f) establishment of basic production and processing facilities; (g) market identification and linkaging; (h) technology promotion and adoption; (i) financial management; (j) enterprise evaluation and assessment; and (k) linkaging and alliance building.

3. Credit Assistance (CA)

This component shall assist the organization in accessing the needed capital to establish or expand its agri-enterprise. Loans for agriculture-based enterprise/ livelihood projects shall continuously be provided to cooperatives with current account status, as well as those new borrowers identified by DAR, whose credit lines shall expire within the next two (2) years and or promissory note matures. For term loans, credit shall be provided for the unreleased portion of the loan. The existing policy on the amount and conditions in the availment of credit shall be used.

Credit assistance can be availed by Cooperatives and FAs to finance individual and collective/coop-managed projects and at the same time develop individual and institutional entrepreneurial management skills.

4. Capacity Development for field Implementers

This component ensures harnessing the knowledge and skills of field implementers in providing technical coaching and mentoring assistance to cooperatives FAs and ARBs in managing their enterprises and their organizational governance.

G. BASIC LENDING POLICIES (For Credit Component)

1. Eligible Borrowers/Conduits



The program shall cover qualified new and existing borrowers/conduits which include:

- a. Cooperatives (Coops)
- b. Farmers Associations (FAs) with ARB members

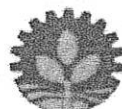
2. Eligibility Criteria

- a. With juridical personality (duly registered with Cooperative Development Authority (CDA), Securities and Exchange Commission (SEC) and other registering agencies)
- b. With complete part time or full time Core Management Team (Manager, Cashier/ Treasurer and Bookkeeper)
- c. With operations and lending manual in place
- d. With books of accounts, accounting and internal control system
- e. Others:
 - 1) With minimum paid-up capital of P15,000.00
 - 2) With past due ratio of not more than 25%
 - 3) With capital build-up and savings mobilization program

3. Eligible Sub-Borrowers: Agrarian Reform Beneficiaries (ARBs)

4. Loan Features

a. Purpose	<ul style="list-style-type: none">• Working Capital to augment conduit's funds for relending to ARBs to financed their various agricultural projects and other related projects• To finance coop-managed projects
b. Loanable Amount	<p><u>For Conduit:</u></p> <ul style="list-style-type: none">• Up to 80% of the total project cost but not to exceed P5.0 Million per conduit• Loans of more than P5.0M shall be subject to endorsement by the Local Program Management Committee (LPMC) and clearance/approval by the National Program Management Committee (NPMC) <p><u>For Sub-borrowers</u></p> <ul style="list-style-type: none">• Up to 80% of the total project cost or in accordance with the prescribed loan ceiling per commodity, whichever is applicable



c. Eligible Sub-Loan Purpose	<ul style="list-style-type: none"> • Agricultural Production • Livestock Production and Aquaculture • Working Capital • Fixed Asset Acquisition (i.e., farm machineries and equipment, etc.)
d. Repayment Term	<p><u>New Loan Releases:</u></p> <p><u>For on-lending:</u></p> <ul style="list-style-type: none"> • Up to two (2) years, payable monthly, quarterly, semi-annually or lump sum coinciding with the maturity of the loan of ARB sub-borrowers <p><u>For Coop-Managed Project</u></p> <ul style="list-style-type: none"> • Up to two (2) years, payable monthly, quarterly, semi-annually or lump sum based on cash flow of the project • A grace period may be allowed on the principal based on the cash flow of the project but not to exceed two (2) years <p><u>Note:</u> Existing accounts with a term of more than two (2) years shall continue to pay their loans up to the maturity of the promissory notes (PN)</p>
e. Interest Rate	<p>For Short Term Loan - 8.5% p.a.</p> <p>For Term Loan - 9.5% p.a.</p>
f. Pass-on Rate	<p>For Short Term Loan - 15% p.a.</p> <p>For Term Loan - 16% p.a.</p>
g. Penalty	3% p.a. based on the unpaid principal and interest to be charged after the lapsed of the 60-day grace period
h. Incentive	A rebate of 3% per annum shall be granted as incentive to borrowers who have fully settled their loans on or before the due date
i. Collaterals/Securities	<p>Any or combination of the following:</p> <ul style="list-style-type: none"> • Assignment of sub-borrowers' promissory notes (PNs) and underlying collaterals, if any • Assignment of inventory, receivables and proceeds of marketing contract • Chattel mortgage/real estate mortgage on object of financing • Assignment of proceeds of insurance or guarantee claims, if applicable



j. Other Terms and Conditions

- 1) A special Credit Facilities Proposal (CFP) shall be used by the LBP Lending Centers (LCs) to package the loans under the Program;
- 2) Loan restructuring may be done even before the loan becomes past due. The following are the considerations for restructuring or refinancing of the accounts:
 - Admission by the conduit that it can no longer comply with the amortization schedule due to business reverses and unfavorable events beyond its control, which will greatly impair cash flow and/or liquidity of the project;
 - The borrower still has the capacity and willingness to pay its loan obligation; and
 - A written repayment plan shall be submitted to ensure capability to meet the loan amortization under a new repayment terms.
- 3) All accounts that have been past due for the past three (3) years shall be automatically turned-over to the DAR with the following documents:
 - Deed of Assignment between DAR and LBP
 - Promissory Note
 - Real Estate/Chattel Mortgage, if applicable

4) Loan Approvals

4.1 All accounts endorsed by DAR shall be evaluated and approved by LBP based on the following:

Transaction	Authorized Signatory
a. Establishment and Renewal of Lines/Loans <ul style="list-style-type: none">• Up to P5.0M• Over P5.0M to P10.0M ^{1/}	<ul style="list-style-type: none">• LBP Lending Center Head• LBP Lending Center Head plus Lending Group Head
b. Loan Restructuring	<ul style="list-style-type: none">• LBP Lending Center Head plus Lending Group Head

^{1/} subject to the endorsement by the LPMC and clearance/approval by the NPMC

4.2 For the identification and endorsement of potential borrowers, the LBP Agrarian Operations Center (AOC) assigned shall work with his/her DAR counterpart to reach out systematically to ARBs especially those who have fully paid their land amortizations.



5) Basic Documentary Requirements

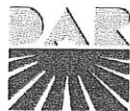
Conduits shall submit the following documents to the LANDBANK Lending Centers (LCs) covering the area:

- a. Endorsement by DAR of eligible conduits
- b. Board Resolution duly signed by the Board of Directors (BOD) of the applicant-
 1. Authorizing the conduit to borrow funds, negotiate and enter into agreement with LANDBANK (*indicating the type of credit facility and amount applied for*) and designating at least two (2) officers of the conduits (*with their respective specimen signatures*) authorized to endorse Promissory Notes and sign all papers pertaining to Loan Application;
 2. Authorizing the designated signatories to sign, endorse loan documents, deed of assignments, notes and other documents pertaining to the loan obtained from LBP;
- c. List of Incumbent Members of the BOD and principal officers;
- d. Audited Financial Statements (FS) for the preceding year, if available, and interim FS for the current year;
- e. List of members with their corresponding address, work area, farm location and paid-up capital, duly certified by its Secretary and attested by its Chairperson;
- f. Farm Plan and Budget, if applicable;
- g. Business Plan, if applicable; and
- h. Photocopy of manual of operations and accounting and internal control system.

H. INSTITUTIONAL IMPLEMENTATION STRUCTURE

1. National Program Management Committee (NPMC)

The NPMC shall continue to be the policy-formulating body of the program. It shall exercise direction and supervision, oversee implementation and adopt strategies to ensure sustainability of the CAP-PBD extension.



The NPMC shall be composed of the following:

- Chairperson : Secretary, DAR
- Vice-Chairperson : Head, Agricultural and Development Lending Sector, LANDBANK
- Members : Head, Provincial Lending Group, LANDBANK
Head, Lending Program Management Group, LANDBANK
Undersecretary, Support Services Office, DAR
Undersecretary, Legal Affairs Office, DAR
Undersecretary, Finance, Management and Administration Office, DAR
Director IV, Presidential Agrarian Reform Council (PARC) Secretariat, DAR

The NPMC shall perform the following:

- 1.1 Act on issues pertaining to the implementation of the Program;
- 1.2 Deliberate and approve new program policies and guidelines and decide on the matters of delinquent accounts;
- 1.3 Deliberate and approve the program's annual work and budget plan; and
- 1.4 Hold its regular meeting at least once every semester and may call for a special meeting as the need arises.

2. National Technical Review Committee (NTRC)

The NTRC shall implement the policies, operational systems, procedures and guidelines approved by the NPMC. It shall coordinate the activities of DAR and LANDBANK and facilitate the flow of information from the NPMC to the field implementers. Its members shall be composed of the following:

- Chairperson : Director IV, Bureau of Agrarian Reform Beneficiaries Development (BARBD), DAR
- Vice Chairperson : Head, Program Management Department I (PMD I), LANDBANK
- Members : Director IV, Financial and Management Service (FMS), DAR
Director IV, Project Management Service (PMS), DAR
Head, Development Assistance Department (DAD), LANDBANK

The NTRC shall perform the following:

- 2.1 Implement the policies approved by the NPMC;



- 2.2 Formulate the criteria and guidelines on the evaluation of the project proposals subject to the approval of the NPMC;
- 2.3 Recommend proposals relative to credit, ID, ED and CAP-DEV submitted by Local Program Management Committee (LPMC) to NTRC, for approval by the NPMC;
- 2.4 Act on issues that need attention on matters pertaining to the implementation of policies and guidelines under the program; and
- 2.5 Hold its regular meeting at least once every quarter and may call for a special meeting as the need arises.

3. National Program Secretariat (NPS):

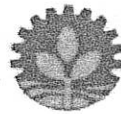
The Rural Credit and Microfinance Division (RCMD) of the Bureau of Agrarian Reform Beneficiaries Development (BARBD) of DAR and PMD I and DAD LANDBANK shall serve as the Program Secretariat. It shall be chaired by the CARPO, RCMD, BARBD-DAR. The NPS shall perform the following functions:

- 3.1. Review proposals relative to credit and ID/ED CAPDEV interventions submitted by the Local Program Management Committee (LPMC) and forward the same to the NTRC for review and endorsement to facilitate the downloading of funds;
- 3.2 Prepare and recommend to the NTRC the program's annual work and financial plan taking into consideration the inputs from the regions/provinces concerned;
- 3.3 Conduct field visits to monitor the status of implementation of the funded projects/enterprises;
- 3.4 Coordinate with DAR field offices and LANDBANK in the preparation of program status/accomplishment report;
- 3.5 Provide necessary staff support and secretariat services to NPMC and NTRC;
- 3.6 Prepare program status report, including utilization and earnings of the funds, for submission to the NTRC and NPMC.

4 Local Program Management Committee (LPMC)

The LPMC shall act as an oversight body in the implementation of the program within the region. It shall be composed of the following:

Chairperson	:	Regional Director, DAR
Vice Chairperson	:	Concerned Lending Center Head, LANDBANK
Members	:	Regional CARPO-RPBDD, DAR
		Provincial Agrarian Reform Program Officer II (PARPO II)
		Concerned, DAR
		Account Officer, Lending Center concerned, LANDBANK



It shall continue to perform the following functions:

- 4.1 Review and prepare request for funding of the approved credit facility proposal;
- 4.2 Develop and lead in the implementation of ID, ED and CAP-DEV components;
- 4.3 Review and approve Regional ID/ED/CAP-DEV work and financial plan and submit the same to the NPMC for approval;
- 4.4 Conduct regular quarterly LPMC meeting to assess the status of program implementation for credit and ID/ED/CAP-DEV components;
- 4.5 Act on issues pertaining to the implementation of projects funded; and
- 4.6 Submit quarterly reports to NPMC through the NTRC.

The Regional CAP-PBD Point Person with the support of the Provincial PBDD Point Person concerned shall act as the Program Secretariat. It shall work closely with the LANDBANK Lending Center concerned.

I. AMENDMENT

The IRR may be amended upon agreement of the DAR and LANDBANK.

J. TERMINATION

Upon termination of the Program, the DAR shall request LANDBANK to submit final accounting reports of the funds. All unutilized funds and collections shall be remitted by LANDBANK to the Bureau of the Treasury (BTr).

The program terminal report shall be prepared and submitted by DAR and LANDBANK to the Presidential Agrarian Reform Executive Committee.

K. EFFECTIVITY

The Joint Memorandum Circular shall take effect upon its signing and shall remain effective for two (2) years unless otherwise amended/renewed and shall supersede all previous issuances inconsistent herewith.

Diliman, Quezon City, 15 March 2018.

DEPARTMENT OF AGRARIAN REFORM

LAND BANK OF THE PHILIPPINES

By:

ATTY. JOHN R. CASTRICIONES

Secretary

Department of Agrarian Reform

Office of the Secretary

ISLJ-18-01240

ALEX V. BUENAVENTURA

President and CEO