



JOINT DAR-LANDBANK
Memorandum Circular No. 05
Series of 2008

SUBJECT: Amendment of the Joint DAR-LANDBANK Memorandum Circular (MC) No. 07, Series of 2006: Guidelines in the Implementation of the Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) Window III

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I. Introduction/Rationale

The Joint DAR-LANDBANK Memorandum Circular (MC) No. 07, Series of 2006: Guidelines in the Implementation of CAP-PBD Window III, specifically Section VI, Item 3, stipulates that the "maximum loan amount shall not exceed Php 1 million for the eligible borrowers in agrarian reform communities (ARCs) and Php 500,000.00 for the non-ARC cooperatives/farmers associations."

During the series of CAP-PBD Window III National Orientation and Planning Workshops held from August to September 2007, DAR and LANDBANK field implementers expressed apprehension that the said loan ceiling is inadequate to fund the agri-production requirements of the organizations' end borrowers, hence, the proponents may underfinance their proposed projects. This reservation was reinforced by the crop-specific matrix prepared by the National Technical Review Committee (NTRC), through the National Program Secretariat (NPS) using LANDBANK cost parameters, which showed a limited Program reach in terms of the number of hectares to be covered and number of ARBs to be benefited given the approved loan ceiling.

In view of the above, the National Program Management Committee (NPMC) issued Resolution No. 8, Series of 2007 on the Loanable Amount for ARC and Non-ARC Organizations and Corresponding Approving Authority, which adopts a capacity-based lending scheme under CAP-PBD Window III. The said scheme underscores the importance of determining the loan amount based on the actual project needs which may exceed the loan ceiling as provided for in MC 07, Series of 2006. The said resolution likewise provides that a higher loan ceiling may be granted to a certified organization provided that the following factors are present to ensure the success of the cooperative undertaking: (1) professional management; (2) assured market; and (3) effective collection strategies.

It is in this light that this supplemental guidelines on the Program's loanable amount for ARC and non-ARC organizations and the corresponding approving authority is issued.

II. Basic Lending Policies

A. Loanable Amount

Since CAP-PBD is a transitory program with limited funding for the next 10 years, the loan ceiling per MC No. 07 shall be maintained which is P 1 million in ARCs and P 500,000.00 in non-ARCs.

However, flexibility shall be exercised in terms of determining the loanable amount based on the actual project needs of the certified organizations, provided that the proponents are able to justify the need for a higher loan amount and the above-cited factors shall be considered to ensure successful cooperative undertakings.

B. Approving Authority

Given the flexibility in determining loan amounts, the following approving authority shall apply:

Amount of Loan	Approving Authority
✓ Loan proposals with maximum funding requirements of P 1 million in ARCs and P 500,000.00 in non-ARCs	Provincial Program Management Committee (PPMC)
✓ Loan proposals exceeding P 1 million in ARCs and P 500,000.00 in non-ARCs up to a maximum of P5 million	Regional Program Management Committee (RPMC)
✓ Loan proposals exceeding P 5 million	National Program Management Committee (NPMC)

C. Interest Rates

The existing LANDBANK lending interest rates shall be charged to loans extended under the Program.

III. Effectivity

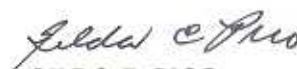
This Memorandum Circular shall take effect immediately and shall remain in force until revoked in writing. The pertinent provisions of Joint DAR-LANDBANK MC No. 07, Series of 2006 which are inconsistent with this Memorandum Circular are hereby revoked, superseded, or modified accordingly.


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