



Joint DAR-LBP

Memorandum Circular No. 04
Series of 1999 2000

**Subject: GUIDELINES ON THE RE-AVAILMENT OF LOANS
GRANTED UNDER THE CREDIT ASSISTANCE
PROGRAM FOR PROGRAM BENEFICIARIES
DEVELOPMENT (CAP-PBD)**

I. Background/ Rationale

The Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) was conceptualized to provide credit support to Agrarian Reform Beneficiaries' organizations who cannot yet qualify under the accreditation criteria of government and private financing institutions. The said credit support aims to serve as a venue to develop the ARB organizations' entrepreneurial competence and credit worthiness, leading to their qualification to avail of the different credit windows of financial institutions. The guidelines that shall govern the implementation of CAP-PBD were issued as contained in Memorandum Circular No. 26 series of 1996. Supplemental guidelines on the Restructuring and/or Refinancing of loans granted under CAP-PBD were likewise issued as Memorandum Circular No. 13 series of 1999.

Since the implementation of CAP-PBD in 1997 up to September 1999, a total of 71 cooperatives have availed of loans amounting to Php 50.628 million covering 92 projects and benefitting 3,752 ARBs. Of these organizations, who have availed of CAP-PBD loans, 5 have fully paid, 44 are current accounts, and 22 are past due accounts. Of those who have fully paid 2 have re-availments, and have graduated into the regular window of the Land Bank of the Philippines. There is a growing number of borrower organizations seeking for re-availments since their organization, although undergoing strengthening activities have not yet achieved the indicators stipulated under the Cooperative Accreditation Criteria of the Land Bank of the Philippines. The existing guidelines (Memorandum Circulars 26, 12 and 13) of CAP-PBD do not include specific provisions on re-avayment.

Recognizing that it is very difficult for borrower organizations to attain credit worthiness and attain the desired maturity indicators under the Cooperative Accreditation Criteria of the Land Bank of the Philippines in just one (1) loan cycle and in the light of the foregoing program status, this Joint Memorandum Circular is being issued.

II. Policies on Re-Availment/s under the CAP-PBD

- A. Borrower ARB organizations may re-avail of loans under the CAP-PBD under the following conditions:
1. Borrower organization has fully paid their CAP-PBD loans;
 2. Borrower organization cannot yet meet the Cooperative Accreditation Criteria of the Land Bank of the Philippines;
 3. The project being proposed to be funded under the re-availment is of the same nature and type as the one previously funded;
 4. The total loan amount being applied for under the re-availment does not exceed the original loan, except as a result of inflationary costs and expansion in area and membership;
 5. Expansion of previously funded project may also qualify for funding;
 6. The re-availment shall contribute to the strengthening of the borrower organization in terms of its business operations and services.
- B. The total number of loan availments per borrower organization under the Program shall not exceed three (3) loan cycles for production loans and 1 year term for trading capital available via a 120-day promissory note;
- C. The re-availment proposal should be accompanied by: (a) an organizational strengthening plan, (b) updated classification under Cooperative Accreditation Criteria of the LBP, (c) field validation report to determine the status of the initial loan.
- D. To ensure that institutional development interventions shall be undertaken to help borrower organization attain the indicators under the Cooperative Accreditation Criteria of the Land Bank of the Philippines' regular lending window, the Cooperative Loan and/ or Cooperative Services Division of the Land Bank of the Philippines and the Department of Agrarian Reform Provincial Office (DARPO)-Beneficiaries Development Coordinating Division (BDGD), shall assist the cooperative in the preparation of the organizational strengthening plan. The funding for the institutional development activities can be taken from the CAP-PBD program management fund and the internal resources of the borrower organization on a cost-sharing basis.

III. Procedures


The procedures to be observed in re-availing of loans under the program shall be the same procedures as stipulated in MC 26 series of 1998^{1st}, except for the accreditation of the cooperative.

All orders, memoranda, circulars and issuances inconsistent herewith are hereby amended or repealed accordingly.

This Memorandum Circular shall take effect immediately.

Diliman, Quezon City, MARCH 24, 2000


HORACIO R. MORALES, JR.
Secretary, DAR



FLORIDO P. CASUELA
LBP President and Chief
Operating Officer
