



Republika ng Pilipinas
KAGAWARAN NG REFORMANG PANSAKAHAN
(DEPARTMENT OF AGRARIAN REFORM)
Tanggapan ng Kalihim
Diliman, Lungsod ng Quezon
D-505

RB 2/22/72
In reply, please address:

THE SECRETARY
Department of Agrarian Reform
P.O. Box No. 2093
Manila

DEPARTMENT MEMORANDUM
CIRCULAR NO. 1
Series of 1972 **RB**

T O : All Regional Directors, Branch Managers,
Land Superintendents, Team Leaders and
Other Field Personnel
Department of Agrarian Reform

To accelerate the attainment of the objectives of the Agrarian Reform Program of the Government, especially in the granting of production loans under supervised credit to beneficiaries of agrarian reform and to increase agricultural productivity, Rural Banks in land reform areas are required to actively participate in a program of supervised credit on a guaranteed basis under a fund called the Agricultural Guarantee Fund. This Fund has been created pursuant to the provisions of Republic Act No. 6389 (An Act to Accelerate the Implementation of the Agrarian Reform Program by Creating an Agrarian Special Account in the General Fund, Providing the Necessary Funds Therefore, and for Other Purposes) and its administration and operation are under the Agricultural Guarantee Fund Board.

The purpose of the said Fund is to guarantee seventy (70%) per centum of the losses for production loans to be extended by Rural Banks to our farmers in land reform areas due to crop failure caused by natural calamities, pests and diseases, and other causes beyond their control, while the remaining thirty (30%) per centum of the loss is to be absorbed by the rural banking system.

As of the end of 1971, there are five hundred and thirty rural banks in the country and more rural banks are being organized because of favorable incentives given by the Government like the creation of the said Agricultural Guarantee Fund; availability of government counterpart funds for capitalization through the Development Bank and the Central Bank; removal of the equity participation of Rural Banks in the World Bank \$12.5 million credit line for farm mechanization; introduction of the supervised credit system of financing; refinancing and rediscounting schemes; etc.

In its meeting of February 16, 1972, the Agricultural Guarantee Fund Board has approved a resolution making the guarantee coverage of the Fund effective as of January, 1972. In other words, the operation of the Fund commenced last month which means that beneficiaries

of agrarian reform and other tillers of the soil who may have secured production loans from Rural Banks under the scheme of supervised credit and within the context of the rules and regulations of the Board may be covered by the guarantee of the said Fund.

For the benefit of all farmers in land reform areas, you are hereby directed to give the widest dissemination in your respective territorial jurisdiction as to the existence of the Agricultural Guarantee Fund mentioned above, and its advantages to them. For your guidance in the information drive referred to herein, copy of the Rules and Regulations governing the administration and operation of the Agricultural Guarantee Fund is enclosed. It is also directed that you make a careful study of these Rules and Regulations to avoid misleading information or misconception.

Quezon City, Philippines, February 22, 1972.



CONRADO F. ESTRELLA
Secretary

Encl.: As stated.