

PROVIDING A MEASURE TO FACILITATE GUARANTEE PAYMENTS UNDER THE MASAGANA 99 PROGRAM

LETTER OF INSTRUCTION NO. 1242, May 21, 1982

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TO:

Ministry of the Budget
Central Bank of the Philippines
Ministry of Agriculture
Philippine National Bank
Philippine Crop Insurance Corporation
Other Institutions Concerned

WHEREAS, the Masagana 99 has brought about not only rice self-sufficiency but also export capability and consequently socio-economic stability for the country.

WHEREAS, the government is committed to guarantee supervised credit losses in support of the Masagana 99 Program;

WHEREAS, a significant number of banks which participated in the K-99 are adversely affected by a high level of loan arrearages and it is necessary to restore the good credit standing of said banks;

WHEREAS, there is a need to allow rice farmers continued access to bank credit which, for one reason or another, has been denied them for failure to meet their obligations under the Masagana 99 Program.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue, of the powers vested in me by the Constitution, do hereby direct:

- The Ministry of the Budget to cause the appropriation of and to allot the amount of P450 million over a period of three years shall be constituted into a special revolving Trust Fund to be administered by the Philippine Crop Insurance Corporation for the payment of claims of the Philippine National Bank and the rural banks which participated in the Masagana 99 Program, to the extent of 85 per cent of the past due Masagana 99 loans; Provided, however, that such (a) have been in arrears for three (3) years or more as of effectivity of this LOI, and (b) were not the subject of advances/payments from the Agricultural Guarantee Fund;

The Ministry of the Budget shall release to the Philippine Crop Insurance Corporation the initial amount of P150 million out of the sum allotted for the Trust Fund on or before July 31, 1982, and P150 million in 1983, and P150 million in 1984;

- The Philippine Crop Insurance Corporation to pay out of the Trust Fund within a period of 3 years an amount equivalent to 85 per cent of the outstanding balance of past due M-99 loans referred to in Sec. 1 hereof, in accordance with the following schedule: 25% for the first year, 30% for the second year; and 30% for the third year; Provided, however, that such claims shall be supported with a schedule of loans duly certified under oath by the lending institutions that such loans are eligible under conditions stipulated under Item 1 hereof; Provided,

further, that such claims are favorably endorsed by the Central Bank;

- The above-mentioned past due loans for the farmers, inclusive of interest but exclusive of penalties and other charges, shall be restructured for a period of five (5) years by the banks concerned. Thereafter, no interest, penalties and other charges shall be imposed on such restructured loans.
- The Central Bank to restructure over a period of three (3) years past due M-99 Bills Payable inclusive of interest but exclusive of penalties. Such Bills Payable shall correspond to restructured M-99 loans of farmers under Sec. 3 hereof. Thereafter, no interest and penalties shall be imposed on such restructured Bills Payable. The Central Bank shall formulate the mechanics for the implementation of this LOI.
- The Central Bank and the Philippine National Bank to hold in custody promissory notes covered by this program for and in behalf of the Philippine Crop Insurance Corporation as administrator of the Trust Fund;
- The Philippine National Bank and rural banks to continue collection of amortization on farmers' loans and to remit such collections to the Trust Fund in such amount and in such manner as may be prescribed by the Philippine Crop Insurance Corporation;
- The Philippine Crop Insurance Corporation to (a) formulate and adopt guidelines necessary to implement the objectives of the Trust Fund, including its investment, consistent with the provisions of this LOI and the applicable Central Bank circular; and (b) render annual reports on the status of the Trust Fund to be submitted to the President, copies thereof to be furnished the Central Bank, the Ministry of agriculture, the Ministry of the Budget and other agencies concerned;
- The Central Bank and the Philippine Crop Insurance Corporation to enter into a Memorandum of Agreement covering the expenses to be incurred in administering the Program which shall be chargeable against Trust Fund.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 21st day of May, in the year of Our Lord, Nineteen Hundred and Eighty Two.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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