QUEDANCOR PROGRAM FOR AGRI-FISHERY SMALL AND MEDIUM ENTERPRISES (QP-ASME)

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1. RATIONALE

Agri-fishery entrepreneurs, small and medium enterprises and similar stakeholders are among the prized clients of QUEDANCOR over the years of its credit service. Agri-fishery projects, which are income generating, value-adding, labor-intensive, market-driven and technology-based, have proven to be the contributing components of economic growth in the countryside. Banking on its individual retail lending window facility, QUEDANCOR continues to expand its niche by reaching more credit-worthy individuals who are engaged or will engage in feasible agri-fishery and forestry-based projects through the rationalized QP ASME.

2. OBJECTIVES

2.1. Promote growth and productivity in the agri-fishery sector.

2.2. Encourage participation of the private sector, particularly the agri-business entrepreneurs in the agricultural development program; and

2.3. Improve access by individual borrowers to credit through innovative financing schemes.

3. LEGAL BASES

3.1. Republic Act (R.A.) 7393 dated 13 April 1992 mandating QUEDANCOR to establish a credit support mechanism and guarantee system for the benefit of farmers, fisherfolk, and other agricultural enterprises.

3.2. R.A. 8435 or the Agriculture and Fisheries Modernization Act dated 09 February 1998 mandating QUEDANCOR to be the credit guarantee institution for the agri-fishery sector.

3.3. R.A. 6977 dated 04 January 1991 as amended by R.A. 8289 dated 06 May 1997 or an act to promote, develop and assist small and medium scale enterprises through the creation of a Small and Medium Enterprise Development (SMED) council, and the rationalization of government assistance, programs and agencies concerned with the development of small and medium enterprises, and for other purposes.

4. DEFINITION OF TERMS

4.1. Agriculture-Based Enterprises (ABEs) – are agriculture-related and community-based enterprises engaged in integrated production, processing, packaging, marketing/ distribution or provision of products and/or services produced, utilized, consumed or patronized by farmers and fisherfolk for the advancement of their livelihood activities.

4.2. Agri-fishery Supply Chain – refers to the various activities involved in the transformation of agri-fishery commodities from production to harvesting, processing and other activities involving its by-products up to

consumption.

4.3. Aquaculture – is the propagation of natural produce of water (plants and animals) for fishing operation involving all forms of raising and catching of fish and other fishery species in fresh, brackish, and marine water areas.

4.4. Backward Integration – is a growth strategy undertaking a backward activity or activities in the agri-fishery supply chain.

4.5. Corporation – is a juridical person created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incidental to its existence.

4.6. Cooperative – is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

4.7. Farmer – is any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products in small scale, either by himself or primarily with the assistance of his immediate farm household or worker, whether he or another person owns the land under a leasehold tenancy agreement or arrangement with the owner thereof.

4.8. Federation – is a secondary level organization, which merges primary cooperatives/associations as members.

4.9. Fisherfolk – is any natural person whose primary livelihood is fishing or catching and/or gathering of other marine products, in small or commercial scale, either by himself or with the assistance of his immediate household or workers, whether the vessel, boat and other equipment used is owned by him or another person under the lease or other arrangement with the owner thereof and there is no employer/employee relationship.

4.10. Forward Integration – is a growth strategy undertaking a forward activity or activities in the agri-fishery supply chain.

4.11. Individual Borrower – shall refer to a farmer, fisherfolk, urban and rural worker, sole proprietor, partnership, corporation, cooperative, non-government organization (NGO), peoples' organization (PO), local government unit (LGU) and other organizations with juridical personality participating in the QUEDANCOR programs.

4.12. Individual Lending Window – a credit window facility provided by QUEDANCOR directly to its individual borrowers to finance their agri-fishery and forestry based projects and activities.

4.13. Input Supplier (IS) – is a manufacturer/dealer/supplier which directly distributes or markets production and other agri-fishery inputs, such as certified seeds, fertilizers, pesticides, herbicides, fingerlings, feeds and the like to its numerous clients.

4.14. Integrator – is any individual borrower who takes over a function previously provided by a supplier or distributor.

4.15. Joint Venture Agreement – is a written contract between two or more partners to undertake cooperative business activity or arrangement by fitting the different strengths of the partners together so that an outcome of value to both is achieved (e.g. marketing agreement, supply agreement , etc).

4.16. Lending Entities/Conduits/Countryside Lending Conduits (LEs/LCs/CLCs)– are private or government banks/financial institutions, viable NGOs, POs, LGUs, Cooperatives, Federations, Integrators, Associations with juridical personality, ABEs, Partnerships, Corporations, State Universities and Colleges (SUCs) and private

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colleges and universities duly accredited by QUEDANCOR to participate under its various programs.

4.17. Small and Medium Enterprises (SMEs) – are business firms or industries engaged in agri-business whether single proprietorship, cooperative, partnership or corporation whose total assets inclusive of those arising from loans but exclusive of the land on which the particular business office, plant and equipment are situated must have value falling under the following:

Small : Php 3 M to Php 15 M
Medium : above Php 15 M to Php 100 M

4.18. Non-Government Organization (NGO) – is private, non-profit voluntary organization committed to the task of socio-economic development and established primarily for service.

4.19. Partnership – is an entity of two or more persons who bind themselves to contribute money, property, or industry to a common fund with the intention of dividing profits among themselves.

4.20. Peoples Organization (PO) – is a non-governmental organization or community-based group with juridical personality whose members are individuals.

4.21. Product Supplier (PS) – is a manufacturer/dealer/supplier who directly distributes/ repackages raw, semi-processed or fully processed agricultural, aquatic, poultry, livestock, and other agri-related commodities and supplies such as rice, corn, general merchandise, fish, fruits, vegetables, chicken, meat, fertilizers, feeds, pesticides and other agri-fishery products to retailers and wholesalers duly accredited by QUEDANCOR to participate under this program.

4.22. Service Provider – is a private company/government agency that provides services (e.g. labor and medical services) to farmers, fisherfolk and other entities participating under the various QUEDANCOR programs.

4.23. Sole Proprietor – is a natural person owning a business enterprise or engaged in commercial activity, earns all profits and assumes all losses.

4.24. Special Window Mode (SWM) – a mode of lending provided by QUEDANCOR directly to its clients where access to the credit market is not available or not convenient.

5. SCOPE

5.1. Eligible Clientele

Individual borrowers engaged or will engage in the production of eligible agri-fishery and forestry based projects/activities mentioned in section 5.2.

5.2. Eligible Projects

The following are the projects to be funded by the program:

5.2.1 Production

a. Grains;
b. Fisheries;
c. Livestock and Poultry; and
d. High Value Commercial Crops

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1. Food crops
2. Industrial crops

5.2.2 Non Production, Integrated and Other Agri-fishery and Forestry based Projects/Activities

a. Retailing, wholesaling, marketing/trading/distribution, packaging, processing/manufacturing of agri-fishery products, e.g. grains, fruits and vegetables, meat, fish, feeds and feed ingredients and other agricultural inputs; and

b. Acquisition/fabrication and upgrading/repair of machinery and equipment, construction/acquisition/upgrading of agri-fishery facilities and other related activities.

Other viable projects not mentioned above but duly recommended/endorsed by appropriate government agencies, farmer's organizations, NGO's and the like may be covered upon evaluation by the concerned QUEDANCOR officers and approval by the President and CEO.

6. STATEMENT OF POLICIES

6.1. Purpose of Loan

Provide direct credit access to target clients who are engaged or will engaged in the production of agri-fishery commodities covered by the program circulars which were phased out as listed in Annex A[*], livelihood and other agri-fishery and forestry based projects. Other agri-fishery activities may also be accommodated subject to submission of production cost for approval by the QUEDANCOR President and CEO.

6.2 Delivery Mode

The program shall be implemented under the SWM facility.

6.3 Eligibility Requirements

6.3.1 General Requirements

a. Must be duly accredited by QUEDANCOR in accordance with the existing Accreditation Guidelines;

b. Must not have an outstanding past due loan with any LE/CLC and/or QUEDANCOR;

c. Must be duly registered/licensed by the appropriate government agency, if applicable;

d. Must have sufficient knowledge/experience or willing to undergo training on the project;

e. Must be willing to enter into a Memorandum of Agreement/Contract Growing Agreement with an established accredited market-buyer/IS, if applicable; and

f. Must own the project site (for agri-fishery construction/acquisition/ up- grading) or must have a lease agreement with the owner of the project site, which shall not be shorter than the term of the loan.

6.3.2 Additional Requirements

a. For Sole Proprietors

1. Must be 18 to 65 years old at the time of application. The age of the borrower must not exceed 65 at the loan maturity; and

2. Must be a Filipino citizen.

b. For Partnerships

Must be one hundred percent (100%) Filipino owned.

c. For Corporations/Cooperatives/Federations/POs/NGOs

1. Must have juridical personality with authority to contract/borrow/lend money;

2. Must be good standing with the CDA (for cooperatives); and

3. Must have current officers of good moral character.

d. For LGUs

1. Must have an authority from the Sangguniang Bayan signed by all members authorizing the LGU to:

a. Apply for a loan under the program, enter into a loan agreement with QUEDANCOR and designating its authorized representatives thereof with specimen signatures;

b. Assign to QUEDANCOR its IRA to the extent of the project cost (if applicable);

c. Allow automatic debt payment arrangement for loan amortization with a government depository bank and to provide QUEDANCOR the name of the bank, its account name and number;

d. Assign any but not limited to receivables, proceeds of franchise/rights/ lease or goodwill and other revenues as payment of its loan to QUEDANCOR upon commencement of operations of the project; and

e. Indicate that such resolution is binding upon the successors of the duly elected officials until the full settlement of the loan.

2. Must be willing to provide training, technical and other support needed by its constituents.

6.3 Loan Requirements

Borrowers shall submit the loan requirements outlined in Annex A depending on the type of the borrower/organization and amount of the loan.

6.4 Security Arrangements

The security arrangements and basis of valuation are those prescribed in Annex C.

In addition, borrowers (except LGU, National Government Agencies and Government Owned and Controlled Corporations) shall issue post-dated checks (PDCs) to cover all loan amortizations, and execute Joint and Several Signatures (JSS) of Officers or authorized representative/s for Cooperatives, and other entities with juridical personality.

6.5 Loanable Amount

6.5.1 For Production Loan

The suggested loanable amount prescribed in Annex B may be used as basis in determining the loanable amount but not to exceed P 5 Million.

6.5.2 Non Production, Integrated and Other Agri-fishery and Forestry based Projects/Activities

The loanable amount shall depend on the borrower’s project cost, cash flow and/or capacity to pay/financial condition, or as may be determined by the QUEDANCOR – CAG but not to exceed P5 million.

6.6 Term of Payment

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The term of the loan shall be based on the type of loan or project, as follows:

6.6.1 Production Loan

Term of loan shall be guided by the suggested loan term per commodity/crop mentioned in Annex B.

6.6.2 Non Production Agri-fishery Related Activities

a. Marketing/Trading/Processing/Manufacturing

The term of the loan shall depend on the cash flow of the project and/ or QUEDANCOR's source of funds, within a period not exceeding three (3) years.

b. Acquisition/Fabrication/Repair of Agri-Fishery Machinery and Equipment

The term shall depend on the cash flow of the project within a maximum period of five (5) years but not to exceed 50% of the optimum economic life of the machinery and/or equipment to be acquired/fabricated/repaired.

c. Acquisition and Construction/Repair of Facilities

The term shall depend on the cash flow within a maximum period of seven (7) years but not to exceed 50% of the optimum economic life of the facility to be acquired/constructed/upgraded.

Existing guidelines on the construction of Agri-Fishery Facilities under the various QUEDANCOR programs shall be made as basis in the implementation of the same.

For projects funded or sourced from private/government financial institution or the like, the term of the loan shall not exceed the term of the sourced fund.

Agricultural commodities that are long gestating in nature may be allowed for a longer period, on a case-to-case basis, subject to the evaluation and recommendation by the concerned QUEDANCOR field officers and approval by the President and CEO.

Also, a grace period on the payment of the principal and/or interest may be allowed on a case-to-case basis, subject to evaluation by the CAG and the appropriate Credit Committees, and approval by the concerned QUEDANCOR Officers in accordance with the Specifications of Authority on Loan Approvals.

6.7 Mode of Payment

The loan shall be payable monthly, quarterly, or semi-annually as determined by the QUEDANCOR-CAG.

6.8 Interest Rate

For production, and other agri-fishery and forestry based projects/activities, the interest rate shall be sixteen percent (16%) per annum.

For purely retailing/wholesaling of agri-fishery commodities and other products, interest rate shall be fixed at two percent (2%) per month.

For loans involving integrated activities/projects (i.e. production with marketing or processing with marketing), applicable interest rate shall be based on the major activity/ project.

6.9 Interest for the Grace Period

For cash Loans, interest for the grace period shall be deducted in advance (front- end) from the proceeds of the loan.

For Non-Cash Loans, interest for the grace period shall be added to the principal or paid on the first amortization. If added to the principal loan, the same shall be subject to the usual interest as that of the principal.

6.10 Rebate on Interest Rate

A rebate equivalent to one (1%) percent per annum computed based on the principal amount of the loan shall be refunded to the borrower or the IS, or whoever actually pays the loan to QUEDANCOR, for prompt and on time payment of the loan amortizations.

For loans with a term of up to one (1) year, the rebate shall be refunded upon full payment of the loan or on maturity date, which may be deducted either from the borrower's last amortization, if last payment is through the QUEDANCOR Cashier, or through the voucher, if last payment is with the bank.

However, for loans with a term of more than one year, the rebate may be refunded as follows:

6.10.1 deducted from the next amortization or payment of the borrower; or

6.10.2 to be paid annually through the voucher.

The rebate is subject to issuance of a Certification from the concerned DO/RO Accountant for the correctness of the rebate computation and the borrower's/IS entitlement to the said rebate.

6.11 Service Fee (SF)

6.11.1 For Borrowers

SF shall be two (2%) percent per transaction for loans with a term of up to one (1) year, and three (3%) percent per annum for loans with a term of more than one (1) year.

a. For Cash Loan

SF for the first year shall be deducted from the loan proceeds while succeeding SF shall be billed and collected annually, computed based on the outstanding principal.

b. For Non-Cash Loan

1. If loan is to be paid in lump sum, SF is collected upon maturity of the loan. In case the borrower pays in advance/with partial payment prior to maturity of the loan, SF shall be applied/deducted on the advance payment or first partial payment.

2. If loan is amortized, SF for the first year is added to the first loan amortization. Succeeding SF, based on the outstanding principal, shall be collected every anniversary date of release of loan.

6.11.2 For IS/PS/SP

For projects which will involve the participation of accredited IS/PS/SP, QUEDANCOR shall charge a SF of two and one-half (2.5%) percent of the inputs/services delivered/provided and shall be deducted from the payment of QUEDANCOR to IS/PS/ SP.

For government entities participating as IS/SP (i.e. Philrice, LGU, NFA, etc), SF shall be waived.

6.12 Group Credit Life Insurance (GCLI)

In case the loan is covered by a Real Estate Mortgage (REM), Non-Interest Bearing Cash Trust Fund, Deed of Assignment of Liquid Risk-Free Assets, Deed of Assignment of Acceptable Shares of Stock in government/private corporations/Bonds and other related investments, Deed of Assignment of Receivables /Deed

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of Assignment of Stocks-in-Trade/ Inventories and other related securities, the unsecured portion shall be covered by GCLI.

GCLI shall be secured by the eligible borrowers upon approval or prior to the re- lease of loan.

6.13 Manner of Release

The loan shall be released in cash or in the form of PO/JO/CIS either in full or in tranches as determined by the QUEDANCOR-CAG.

For loans involving the construction of agri-fishery facilities, the manner of release shall be as follows:

6.13.1 Loans with construction period of 60 days or less shall be released in two tranches, as follows:

a. Fifty percent (50%) of the loan upon verification of 20% accomplishment of the project; and

b. The balance (2nd tranch) of 50% of the loan amount shall be released after completion of 50% of the project.

6.13.2 Loans with construction period of 60 days up to 120 days shall be released in three (3) tranches, as follows:

a. Thirty percent (30%) upon verification of 20% accomplishment of the project; and

b. The balance consisting of two (2) tranches (2nd & 3rd tranches) and each equivalent to 35% of the loan, shall be released only after the 50% and 70% of the project is accomplished, respectively.

6.13.3 Loans with construction period of over 120 days shall be released in five (5) tranches, as follows:

a. Twenty percent (20%) upon verification of 20% accomplishment of the project; and

b. The balance consisting of four (4) tranches (2nd, 3rd, 4th & 5th tranches) and each equivalent to 20% of the loan shall be released after 40%, 60%, 80% and 100% of the project is accomplished, respectively.

The amount of release for each tranch shall correspond to the amount of accomplishment based on the Construction Progress Report prepared by QOO-DO-LMG, certified by the DS and validated by CAG Unit Head. Likewise, the construction period shall be determined based on the submitted Project/Construction Timetable.

For construction release, initial tranch shall be made upon 20% completion/accomplishment of the project.

For upgrading/renovation/rehabilitation, the initial release shall be made upon approval of the loan.

Every loan release (tranch) shall be covered by a Promissory Note (PN).

6.14 Computation of Interest, Surcharges, Penalties, and Application of Payment

6.14.1 Interest chargeable on outstanding principal after maturity date shall be the same rate as stated in the Promissory Note (PN).

6.14.2 Surcharge of 2% per month shall be collected on the unpaid amortization until the date of actual payment but not beyond the maturity date.

6.14.3 Penalty shall be 2.5% per month of the unpaid principal upon the demand for full payment or maturity date, whichever comes first.

6.14.4 Application of Payment shall be in accordance with the following order of priority:

a. Insurance Premium;
b. Service fee, if applicable;

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c. Penalty, if applicable;
d. Surcharge, if applicable;
e. Interest;
f. Applicable Tax; and
g. Principal.

6.15 Renewal, Pre-termination, Re-availment and Restructuring

6.15.1 For amortized loans, renewal is when at least 50% of the outstanding loan has been paid and a subsequent loan is booked rendering the previous loan as fully settled before maturity date. The outstanding principal plus any unpaid interests and surcharges up to settlement date shall be deducted from the proceeds of the subsequent loan.

For non-amortized loans, renewal may be allowed under the following circumstances:

a. When upon maturity date, the corresponding accrued interest and other charges shall have been fully paid leaving only the principal as outstanding balance.

b. When, after the first renewal, the borrower has partially paid at least 30% of the outstanding principal balance of the renewal account and provided that the corresponding interest and other charges shall have been paid prior to the second or succeeding loan renewals.

The outstanding principal plus any unpaid interest and surcharges up to settlement date shall be deducted from the proceeds of the subsequent loan.

6.15.2 Pre-Termination is when a loan is fully settled before the maturity date;

6.15.3 Re-Availment is when a loan is fully settled on or before the maturity date and the borrower subsequently avails of a new loan;

6.15.4 Restructuring is when a loan is in arrears or past due but no legal action has yet been filed and a new amortization schedule and/or maturity date is agreed upon.

6.15.5 Additional loan refers to a loan being availed by the borrower in addition to an existing outstanding loan without necessarily pre-terminating his/ her current outstanding loan.

6.16 Pre-Termination Fee

A pre-termination fee of three (3%) percent based on the outstanding principal shall be charged/added to the outstanding payable of the borrower who applies/requests for pre-termination of loan. However, no such fee shall be collected/charged for restructured or rescheduled accounts and in cases where the Bank or Financial Institution, which buys or rediscounts the PNs of QUEDANCOR borrowers, is not charging QUEDANCOR such fee.

Likewise, no pre-termination fee shall be charged for accounts paid in full within 30 calendar days prior to maturity date.

6.17 Loan Documentation

Proper documentation shall be the responsibility of the concerned DO. This shall cover the LAF, PN, duly notarized REM/CM/Deed of Assignment and other loan documents. The Deed of REM and/or CM shall be duly registered with the Registry of Deeds.

The DO Cashier shall forward the original loan documents to the Documents' Custodian within three (3) working days from release of the loan in accordance with the established guidelines on the filing and safekeeping of loan

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and collateral documents.

6.18 Borrower's Loan Index

The Finance Group of the QUEDANCOR District Office (DO) shall update the borrower by providing a photocopy of its monthly updated Loan Index.

6.19 Training and Other Support

The Credit and Guarantee Department (CGD) of QUEDANCOR shall coordinate with the concerned government agencies and other government and private training institutions in providing training and capability building to borrower-clients. They shall be trained in all facets of their eligible projects such as production, processing, packaging, manufacturing, marketing and other related undertakings.

6.20 Certificate of Loan Settlement (CLS) and Release of Mortgage

QUEDANCOR Administrative and Finance Services Group (AFSG)/Finance Group (FG) shall issue the Certificate of Loan Settlement (CLS) to the borrower upon full settlement of the loan in accordance with the issued guidelines for this purpose. The CLS shall support the Release of Mortgage which shall be evaluated and endorsed by the QOO-CAG and approved based on the existing guidelines on Specifications of Authority. Correspondingly, the borrower shall execute an Agreement in Compliance to Audit Findings which requires the borrower to settle any deficiency in the loan payment as a result of a final audit.

6.21 Reporting on Loan Releases and Collection of Accounts Receivables

The report for loan releases and collection of accounts receivables shall be made per commodity and per project based on the report format required by the Corporate Receivables and Payables Department (CRPD).

6.22 Project Monitoring

The projects to be undertaken by the borrowers shall be periodically monitored in accordance with the guidelines issued for this purpose.

7. SPECIAL PROVISIONS

7.1 There shall be a periodic consultation among the officers of QUEDANCOR, participating government agencies and clients/borrowers for the purpose of enhancing the effectiveness of this program.

7.2 The QUEDANCOR reserves the right to promulgate such rules and regulations (including exceptions thereto) and adopt other measures as may be incidental to, appropriate and necessary for the attainment of the objectives of this program.

7.3 A higher amount of loan may be allowed for existing accounts upon meritorious grounds.

8. EFFECTIVITY

This circular shall cover all QUEDANCOR programs under Individual Lending Scheme (except special programs) and shall take effect upon its approval.

Adopted: 18 Jan. 2006

(SGD.) NELSON C. BUENAFLOR
President and CEO

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[*]Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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