LAND BANK OF THE PHILIPPINES

Public Financial Support for Philippine Cooperatives: How Accessible and Affordable to Small Farmers and Fisherfolk

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MILESTONES IN CORPORATE EXISTENCE

1. Republic Act 3844 (Agricultural Land Reform Code) 08 August 1963
   - Created LBP to finance acquisition of agricultural estates for distribution to small landholders.
2. Presidential Decree 251 (Revitalizing LBP) 21 July 1973
   - Granted expanded commercial banking powers and became the first universal bank in the Philippines.
   - Empowered LBP to grant loans to farmers' co-ops/ associations to facilitate production, marketing of crops, and acquisition of essential commodities.
   - Mandated to provide timely and adequate support to all phases of the agrarian reform program.

MILESTONES IN CORPORATE EXISTENCE

3. Republic Act 6657 (Comprehensive Agrarian Reform Law) 10 June 1988
   - Established LBP as financial intermediary of CARP, which expanded coverage to include all public and private agricultural lands; CARP funding from National Government.
   - Payment of 25%-35% cash portion to landowners; balance in the form of 10 year Agrarian Reform bonds (yield based on 91-day Treasury bill rates).
   - Official collection agent for farmer-beneficiaries (FBs) land payments (30 equal annual amortizations at 6% p.a.)
4. Republic Act 7907 (Amended LBP Charter) 23 February 1995
   - Established LBP as an official government depository.

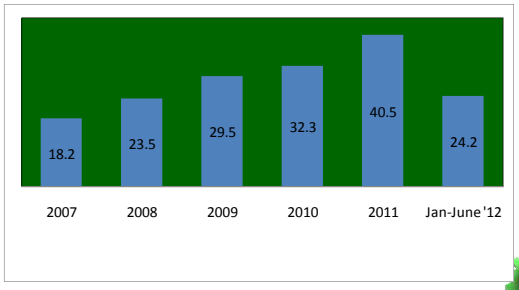
LANDBANK IN A CAPSULE

1. 100% government-owned bank focusing on countryside development and farmers & fisherfolk cooperatives
2. Among the top 5 Philippine commercial banks as of 30 June 2012 –
   - No. 4 in deposits – P 461.8 B (US$11.20 B)
   - No. 4 in assets – P 598.8 B (US$ 14.52 B)
   - No. 4 in loans – P 223.0 B (US$ 5.41 B)
   - No. 4 in capital – P 72.2 B (US$ 1.75 B)
3. The fourth largest bank in ATM network – 1,015 ATMs as of June 30, 2012
4. Attained a bank CAMELS rating of 4 in two consecutive years (April 2011 and May 2012). Highest rating granted by BSP to a Philippine bank. Second bank to attain a CAMELS rating of 4.

LANDBANK IN A CAPSULE

5. Most extensive branch network – presence in 80 provinces of the country with 328 branches and extension offices (as of June 30, 2012)
6. Single largest lender to :
   - Small Farmers and Fisherfolk Cooperatives;
   - Rural Banks;
   - Local Government Units; and
   - MSMEs (among government agencies)

LOAN RELEASES TO SMALL FARMERS AND FISHERFOLK



APPROACH FOR CREDIT AND TA FOR CO-OPS

•Credit
•TA

Other Conduits (CFIs, LGUs, SMEs, Corporate)

COOPERATIVES

Co-op Accreditation Criteria → RAAC

Special Programs:
-Credit
-Technical Assistance

Not Qualified Co-ops | Qualified Co-ops

Transform

Credit Assistance:
• Production
• Working Capital
• Acquisition of Fixed Assets

Enterprise-based Capacity building support/programs:
• Marketing
•Techno-transfer
•Business skills development

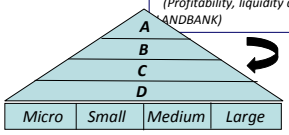
Small Farmers and Fisherfolk

COOPERATIVE ACCREDITATION CRITERIA

An instrument used to systematize and rationalize the delivery of financial and technical assistance to cooperatives.

I. Minimum Requirement
- Duly registered with the CDA
- Membership of 60
- Paid up capital of P30,000.00
- Core management team of Manager, Cashier/Treasurer and Bookkeeper
- With updated BOA
- Members have attended PMES

II. Standard Requirement
- Organization and Management
  (Membership, leadership and management, patronage of business, CBU and savings, continuing education and skills development, PSP installation, books of accounts)
- Business Operation
  (Business volume and diversification, provident services, market linkages)
- Financial and Loan Portfolio
  (Profitability, liquidity and co-op relationship with LANDBANK)



Maturity Level Classification

FINANCING PROGRAMS

REGULAR LENDING PROGRAM FOR COOPERATIVES

A wholesale credit facility available to agricultural cooperatives, which can either, be relenting to individual members as production loans or utilized to implement income-generating cooperative projects.

Eligible Borrowers
Cooperatives qualified under the regular criteria of the Bank.

Eligible Projects
Agricultural production such as crop, poultry, fishing and livestock
Other agri-based projects

Loan Purpose
Production Loan (PL)
Working Capital (WCL)
Fixed Asset Loan (FAL)

Loanable Amount
Depends on project needs/loan ceilings for traditional and high value crops which should not exceed 80% of the project cost

Loan Maturity
For PL : normally less than 2 years, except for long-gestating crops
For WCL: not more than 1 year
For FAL: based on projected cash flow but not more than the economic life of the fixed asset; usually, 3 years and above

Interest Rate
Prevailing Market Benchmark Rate + Spread

Repayment Terms
Equal quarterly, semi-annual or annual amortizations depending on the production cycle of the project and projected cash flows.

Collateral Requirements

For PL
Deed of Assignment of PCIC insurance/guarantee coverage
Deed of Assignment of Produce
Deed of Assignment of Sub-borrowers' PNs

For WCL and FAL
Real Estate Mortgage (REM)
Chattel Mortgage (CM)
Other acceptable collaterals per LANDBANK CASA

Documentary Requirements
- Certification of Registration with Articles of Cooperation and By-Laws
- Information Sheet of the Board of Directors and Officers
- Cooperative Board Resolution authorizing the cooperative to borrow and designating at least 2 officers to negotiate and sign loan documents
- Audited Financial Statements for the last 3 years or interim financial statements for new cooperatives
- Loan Application
- Project Proposal

DEVELOPMENT ADVOCACY PROGRAM

- Aims to further expand LBP's reach to increase financial assistance to the small farmers and fisherfolk as well micro, small and medium enterprises.
- Involves setting up of a Development Advocacy Fund to be used to support new lending approaches, technologies and conduits, including emerging markets and products

PROGRAM FEATURES

Eligible Accounts
- Accounts that failed the Bank's regular RAAC (except character)/accreditation criteria, or without collateral but with viable projects and established/confirmed markets
- Accounts that make use of non-traditional lending modalities (Receivables Financing, Purchase Order Financing, Household Cashflow Based Financing)
- Accounts that make use of credit enhancement instruments (e.g. market contracts, guarantee covers)

Eligible Borrowers

- Cooperatives
- Federations
- Associations
- Non-Government Organizations
- Small and Medium Enterprises
- Agri-business Entities

Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) – Window III)

- A tie-up with the Department of Agrarian Reform which aims to provide financial assistance and technical support to non-bank eligible ARB cooperatives;

Upland Southern Mindanao-Credit and Institution Building Program Credit Assistance Program (USM-CIBP)

- A partnership with DA-ACPC which caters financial and technical assistance to upland farmers cooperatives in Southern Mindanao

KEY COOPERATIVE STRATEGY

- ❑ Accreditation of Class A and B, municipal-based cooperatives to absorb good-paying members (GPMs) from disenfranchised co-ops.
- ❑ Provision of capacity-building support to potential key coops to transform them into full-fledged key coops.
- ❑ Provision of incentives to accredited KCs with certificate of good standing.

DA SIKAT-SAKA CREDIT PROGRAM

A pilot program jointly implemented with the Department of Agriculture which provides small farmers direct access to credit.

LENDING POLICIES:

Eligible Borrower: Small Rice Farmer

Eligibility Criteria:

- The farmer must own at least 1 hectare of irrigated rice land but not more than 5 hectares;
- Must be a member in good standing of an Irrigator's Association;
- Must have a purchase order or marketing contract for the produce.

Eligible Project : Rice Production

Loan Limit : Based on the farmer's needs but not to exceed LANDBANK's loan ceiling for rice production.

BUSINESS DEVELOPMENT AND CAPACITY-BUILDING FOR COOPERATIVES

Enterprise development and institution-building assistance are given to cooperatives depending on their maturity level.. For strong and mature co-ops

Class A and B
Focus on strengthening and expansion of enterprises. Intervention covers business development, market linkage facilitation, technology innovation and transfer, and business management capacity building.

Class C and D
Assistance includes both enterprise development and institution building (IB). The IB support addresses the weak areas of the cooperative identified in the Coop Accreditation Criteria.

LAND BANK OF THE PHILIPPINES