



Republic of the Philippines
Department of Agriculture
OFFICE OF THE SECRETARY
Elliptical Road, Diliman, Quezon City 1101
Philippines

24 May 2006

**Administrative Order No. 8
Series of 2006**

**Subject : Amended Revised Implementation Guidelines on the Utilization of
the Agricultural Competitiveness Enhancement Fund**

WHEREAS, the Philippines has committed itself to trade liberalization as a strategy for achieving sustainable economic growth;

WHEREAS, this trade liberalization policy provides the country's agricultural producers greater opportunities for increasing exports while allowing for the lifting of import bans on most agricultural products;

WHEREAS, in order to maximize the country's gains from the policy of trade liberalization and minimize the adjustment costs in the shift toward a liberalized trade regime, government has to institute measures that would increase the agricultural sector's productivity and enable it to achieve higher levels of competitiveness;

WHEREAS, Congress enacted into law R.A. 8178, otherwise known as "*An Act Replacing Quantitative Restrictions on Agricultural Products, Except Rice, with Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and for Other Purposes*";

WHEREAS, R.A. 8178 created the Agricultural Competitiveness Enhancement Fund (ACEF) which consists of the in-quota tariffs collected from the importation of Minimum Access Volumes (MAVs) of agricultural products;

WHEREAS, there is a need to define the mechanisms and procedures that must be instituted to efficiently and effectively dispose of the ACEF;

NOW, THEREFORE, this administrative order containing the rules and regulations that will govern the disposition and utilization of the ACEF is hereby issued.

**Section I.
General Framework**

A. Declaration of Policy

The goals of the national economy are a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an

expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

B. Definition of Terms

1. **Agribusiness Enterprise** – an organization, firm or any other legal entity accredited, recognized, and/or duly registered with an appropriate government agency that is undertaking related activities in agriculture and/or fisheries.
2. **Agricultural Competitiveness Enhancement Fund (ACEF)** – refers to a Special Purpose fund created by Republic Act No. 8178, “Agricultural Tariffication Act” out of the proceeds of the in-quota MAV importations to help the agricultural sector become globally-competitive, viable, efficient, and sustainable.
3. **Agricultural Product** – refers to any product classified under Chapters 1 to 24 of the Harmonized System (HS) of tariff nomenclature in the Tariff and Customs Code of the Philippines (TCCP), as amended.
4. **Capital Outlay** – expenditure for the acquisition of fixed assets and other goods, the productive benefits of which extend beyond the fiscal year. It covers expenditures for land and land improvements, buildings/structures, furniture, fixtures, and equipment outlay (including information technology equipment and software), investments, livestock and crops.
5. **Farmer and Fisherfolk Organization or Association** – refers to farmer’s and fisherfolk’s cooperatives, associations, or corporations duly registered with appropriate government agencies who voluntarily joined together to form business enterprises or non-business organizations which they themselves own, control and patronize.
6. **Federation of Farmers’ and Fisherfolk’s Organization** – refers to a group of farmers’ and fisherfolk’s organizations, cooperatives, associations, corporations or foundations duly registered with appropriate government agencies who voluntarily joined together to form bigger and stronger business enterprises or non-business organizations.
7. **Government Organization** – any government entity organized and existing whether local, national or corporate created under or by virtue of the laws of the Philippines.
8. **Income-Generating Agricultural Development Project** – comprise of agricultural activity(ies) that utilize resources for the purpose of earning income and profits.
9. **In-Quota Tariff Rate** – refers to the tariff rates for minimum access volumes committed by the Philippines to the World Trade Organization (WTO) under the Uruguay Round Final Act.

10. **MAV Product** – an agricultural product classified under any of the four-digit TCCP HS Code headings covered by the MAV mechanism.
11. **Minimum Access Volume (MAV)** – refers to volume of a specific agricultural product that is allowed to be imported with a lower tariff as committed by the Philippines to the World Trade Organization (WTO) under the Uruguay Round Final Act.
12. **Maintenance and Other Operating Expenses (MOOE)** – expenditures for the payment of raw materials, utilities, transport costs, repairs and maintenance, which are necessary for an entity's operations.
13. **Non-Government Organization (NGO)** – a non-profit, voluntary, and autonomous organization that is committed to the task of social development and established primarily for the provision of service to entities other than its members. Such service may involve assisting citizens or people's organizations in various ways of educating, training or facilitating financial assistance to the members of target/identified groups.
14. **Out-Quota Tariff Rate** – the higher rate of customs duty reflected in the TCCP, as amended, that is levied on the quantities in excess of the MAV of an imported agricultural product.
15. **People's Organization (PO)** – refers to an independent community or class-based association to protect and advance causes of interest groups.
16. **Trade Liberalization** – the lifting of quota restrictions and the reductions of tariffs on imports.
17. **Quantitative Restriction (QR)** – refers to non-tariff restrictions used to limit the amount of imported commodities, including but not limited to discretionary import licensing and import duties, whether qualified or absolute.
18. **Special Account 183** – refers to the specific account in the General Fund where ACEF collections under the MAV are deposited with the National Treasury.
19. **Small and Medium Enterprise (SME)** – refers to any business activity or enterprise engaged in industry, agribusiness and/or services, 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 entity's office, plant and equipment are situated, must have value falling under the following categories:
 - Micro : not more than ₱ 3,000,000.00
 - Small : P 3,000,001.00 to P 15,000,000.00
 - Medium : P 15,000,001.00 to P 100,000,000.00.

20. **Small Farmers and Fisherfolk** – refers to natural persons dependent on small-scale subsistence farming and fishing activities as their primary source of income.

C. ACEF Source

The in-quota tariff revenues from the importation of agricultural products within the MAV shall constitute the ACEF. The fund has been assigned an account called Special Account 183, which is automatically appropriated in the General Fund. As a continuing fund, the ACEF may be utilized until 31 December 2007.

D. ACEF Use

The ACEF shall finance projects and activities that will help enhance the competitiveness of the agriculture and/or fisheries sectors. The fund shall be specifically used for the CO expenditure and MOOE requirements of projects and for public investments. The total expenditures on all projects for ACEF assistance shall not exceed the available resources in Special Account 183.

E. Intended Beneficiaries

1. The ACEF shall have as priority beneficiaries/sectors/groups involved with agricultural products the QRs of which have been lifted under RA 8178 and/or covered by the MAV mechanism; and those affected by the country's compliance with its WTO commitments; and
2. Those whose project beneficiaries include the small farmers and fisherfolk.

F. Eligible Project Proponents

1. Eligible project proponents for ACEF assistance would include any of the following:
 - a. Farmer's and fisherfolk organizations, cooperatives, federations and/or consortia of these groups;
 - b. Agribusiness enterprises including industry associations;
 - c. Non-profit organizations such as NGOs, POs and foundations;
 - d. Government organizations such as local government units (LGUs), government corporations, and other local and national government agencies; and
 - e. Academic and educational institutions such as State Universities and Colleges (SUCs) and private academic institutions.
2. Priority shall be accorded to joint venture undertakings between government and private sector groups to institutionalize transparency in project development, implementation, monitoring, and evaluation in government programs. In projects where the LGU is the proponent, partnership with

farmers and fisherfolk organization is a given project strategy, with the latter retaining the right to manage the ACEF extended to the project.

G. Eligibility Requirements from Project Proponents

1. Private sector proponents must fall within the SME category.
2. All Project Proponents must possess the application and eligibility requirements provided for in Annexes A and B of this Order.

H. Eligibility of Projects

1. General Principle

Projects and activities eligible for ACEF assistance shall be limited to those which are directly related to: (a) enhancing the global competitiveness of an agricultural product(s) in the immediate future; and (b) establishment of enabling mechanism for eligible proponents to access the ACEF assistance. Projects that shall have sector/industry-wide impact such as the establishment of common service facilities shall be prioritized.

2. Types, Activities, and Services Eligible for ACEF Assistance

- a. Section 8 of R.A. 8178 specifically listed those projects and activities that will enhance the competitiveness of agricultural products as follows:
 - i. Irrigation;
 - ii. Farm to market roads;
 - iii. Post-harvest equipment and facilities;
 - iv. Credit;
 - v. Research and development assistance, such as policy analysis and advocacy studies, socio-economic, market or scientific research, technology development and dissemination, training, and methodological studies in agricultural data generation, storage, analysis, and dissemination among others;
 - vi. Marketing infrastructure;
 - vii. Provision of market information;
 - viii. Retraining and extension services; and
 - ix. Other forms of assistance and support as recommended by the ExeCom that shall include but not limited to support services such as management services, pest and disease control measures and institutional capacity/capability strengthening activities and project proposal/feasibility study (FS) preparation.

Infrastructure projects will include construction or rehabilitation and/or upgrading of existing ones.

I. Minimum Project Criteria

The projects that will qualify for ACEF assistance, shall, at minimum:

1. Be consistent with the policies and priority thrusts under R.A. 8435 (as amended by R.A. 9281) or the Agricultural and Fisheries Modernization Act (AFMA) vis-à-vis Goals 1 and 2 under the Medium-Term Philippine Development Plan (MTPDP) and/or the current plans and programs of the Department of Agriculture (DA);
2. Be complementary to, supportive and not duplicative of, the various and current funding assistance windows/programs of DA and other government institutions;
3. Exhibit market, technical, financial, socio-economic, and organizational viability and feasibility;
4. Enhance the competitiveness of target project beneficiaries or sector(s), especially the small farmers and/or fisherfolk;
5. Provide product/service competitiveness in the local and/or foreign markets in terms of product/service prices/fees and quality;
6. Promote upstream and downstream linkages with related and/or complementary agricultural activities;
7. Provide clear and verifiable proof of sustainability of operations; and
8. Beneficial to most, and not only selected, firms or groups within a sector.

J. Financing

1. Mode

- a. The ACEF shall be extended as an interest-free loan to eligible proponents the proposed projects of which are income generating. The ACEF may also be extended as a collateral-free loan, except for those which the ExeCom may require to put up collaterals as loan security.
- b. Private sector proponents shall be required to put up an equity to their projects the amount of which will depend on the SME category to which they belong, as follows:

<u>SME Category</u>	<u>ACEF Loan</u>	<u>Equity</u>	<u>Total Project Cost</u>
Micro	80%	20%	100%
Small	70%	30%	100%
Medium	60%	40%	100%

The proponent's equity may be in the form of capital outlay, labor, land for the project site, facilities, equipment, personnel salary, and the like.

Part of this equity can also be generated from other public or private sources, which they themselves shall have to identify and access.

- c. The ACEF may also be extended as:
 - i. an interest- and collateral-free loan for projects of small farmers and fisherfolk the funding requirement of which fall below the minimum amount of ACEF assistance provided for in this Order; and
 - ii. a funding support to various public investments especially those which are programmed under, but unfunded by, the DA regular budget under the General Appropriations Act (GAA).

A separate set(s) of guidelines shall be issued for these other modes of ACEF assistance.

2. Amount of ACEF Assistance

The minimum amount of ACEF assistance is Five Hundred Thousand Pesos (₱500,000.00). A maximum amount may be set by the ExeCom.

3. Loan Disbursement and Repayment Mechanism

Loan disbursement and repayments shall be governed by existing guidelines, procedures, rules and regulations of the government on the release of funds to, and collection of loans from, the proponents. These shall form part of the Project Loan Agreement/Contract between the DA and the project proponent/s, the provisions of which are provided for in Annex C of this Order.

4. Loan Security

Should the proponent fail to comply with any provision particularly the loan amortization schedule provided for in the Loan Agreement/Contract with DA, the latter shall take legal and/or remedial measures to secure the loan.

5. Fund Allocation

- a. Ninety percent (90%) of the total available ACEF shall be allocated to finance ExeCom-approved project proposals. Of this, an allocation which shall be determined by the ExeCom shall be set aside to finance those which are provided for in Section I.J.1.c of this Order.
- b. The remaining ten percent (10%) shall be used for expenses covering administrative, operational, monitoring and evaluation concerns, to include the conduct of relevant studies and other developmental undertakings, and provision of technical assistance related to the proper and efficient utilization of, and access to, the fund as may be required and approved by the ExeCom.

Section II. Organizational Structure

A. Committees in the Senate and the House of Representatives

The Appropriate Committees in the Senate and the House of Representatives provided for in RA 8178 and the AFMA shall conduct a periodic review of these guidelines and the implementation of which to ensure their consistency with the provisions of RA 8178 and the AFMA.

B. ACEF Project Executive Committee

1. **Composition.** There shall be created an ACEF Project Executive Committee (ExeCom) which shall be composed of the following:

Chair : DA Secretary
Co-Chairs : Chair and Co-Chair, Congressional Oversight Committee on Agriculture and Fisheries Modernization (COCAFAM)

Members : One (1) DA Undersecretary
One (1) Representative from an Attached Agency/Corporation
One (1) Representative from a Government Financing Institution (GFI)
Two (2) Private Sector Representatives from the National Agricultural and Fisheries Council (NAFC)
One (1) Representative, Small Farmers Sector
One (1) Representative, Small Fisherfolk Sector

2. **Functions.** The ExeCom shall perform the following functions:
 - a. Review, approve, and prioritize project proposals/feasibility studies recommended by the NTC for ACEF assistance;
 - b. Forward to the Department of Budget and Management (DBM) the list of approved project proposals together with their respective work and financial plans for the corresponding release of Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA);
 - c. Regularly update the Appropriate Committees in the Senate and the House of Representatives on the status of ACEF utilization;
 - d. Approve and/or cause the review of policies and guidelines relevant to the identification and prioritization of project proposals as well as the methods and procedures for project evaluation, appraisal and monitoring; and
 - e. Regularly meet at least once a month, preferably during the first Thursday of each month, to deliberate project proposals and/or review and approve policies/guidelines (The Chair may opt to cancel the regular meeting and/or call for a special meeting; and/or with written notice,

delegate to another member the authority to preside over a meeting in case of his/her absence).

3. A quorum during meetings shall mean the presence of a simple majority of members with the presence of the Secretary and/or the member authorized by the Secretary to preside over.

C. ACEF Project Technical Committees

1. **Composition.** There shall be created ACEF Project Technical Committees at the DA Central Office as well as in each DA Regional Field Unit (RFU), as follows:

- a. National Technical Committee (NTC)

Chair : Undersecretary for Policy and Planning
Vice-Chair : Assistant Secretary for Policy and Planning
Members : Director, Project Development Service (PDS)
Representative, Planning Service (PS)
Representative, Field Operations Service (FOS)
Representative, Agribusiness and Marketing Assistance Service (AMAS)
Representative, NAFC
Representative, Bureau of Fisheries and Aquatic Resources (BFAR)
Representative, Agricultural Credit Policy Council (ACPC)
Representative, Quedan and Rural Credit Guarantee Corporation (QUEDANCOR)
Representative, STAG Secretariat

- b. Regional Technical Committee (RTC)

Chair : Regional Executive Director, DA-RFU
Vice-Chair : Regional Fisheries Director, BFAR
Members : One (1) Regional Technical Director
Chief, Agribusiness and Marketing Assistance Division (AMAD)
Chief, Regional Agricultural Engineering Group (RAEG)
Chief, Regional Integrated Agricultural Research Center (RIARC)
Representative, QUEDANCOR
Representative, Regional Agricultural and Fishery Council (RAFC)
Representative, Fisheries and Aquatic Resource Management Council (FARMC)

2. **Functions.** The NTC/RTCs shall perform the following functions:

- a. Review and recommend to the ExeCom for approval pre-qualified project proposals;

- b. Develop a set of criteria for evaluating projects for approval by the ExeCom;
 - c. Cause the conduct of site/field validation to ensure veracity of the data or information contained in the project proposals;
 - d. Rank and prioritize proposals for endorsement to the Secretary and/or the ExeCom based on project feasibility indicators and other project acceptability indicators based on, but not limited to, the minimum project requirements listed in Section I.I of this Order;
 - e. Ensure that proposals submitted include documentation activities of the project;
 - f. Review and recommend for ExeCom approval guidelines for the identification and prioritization of project proposals as well as rules/requisites, methods and procedures for project evaluation, appraisal and monitoring, and overall judicious, impartial and effective implementation of these guidelines;
 - g. Review and recommend for ExeCom approval budget requirements for ACEF administrative, operational, monitoring and evaluation concerns as submitted by the respective ACEF Project Technical Secretariat;
 - h. For the RTCs to initially process project proposals that are site specific to their respective regions, and to endorse to the NTC those approved at their level;
 - i. For the NTC to report to the ExeCom all project proposals that have been reviewed and pre-qualified by the NTC and those approved by the Secretary per Section III.C.1.a of this Order; and
 - j. Regularly meet at least once per month, preferably on the second Tuesday and fourth Thursday of each month for the NTC and RTCs, respectively, to deliberate project proposals and/or review policies/guidelines (The NTC/RTC Chairs may opt to cancel the regular meeting and/or call for a special meeting; and/or with written notice, may delegate to another member the authority to preside over a meeting in case of his/her absence).
3. A quorum during meetings shall mean the presence of a simple majority of members with the presence of the Chair and/or the member authorized by the Chair to preside over.

D. ACEF Project Technical Secretariat

1. **Composition.** There shall be created an ACEF Project National Technical Secretariat (NTS) at the DA Central Office and Regional Technical Secretariat (RTS) in each DA RFU. The functions of the NTS shall be lodged with the PDS while those of the RTS lodged with the Planning/Project Development Units of the respective RFUs.

2. **Functions.** The NTS/RTS shall assist the ExeCom and the NTC/RTCs fulfill their respective functions, and shall perform the following:
 - a. Undertake initial screening/pre-appraisal including site inspection/field validation of project proposals for NTC/RTC and ExeCom deliberation;
 - b. Provide the necessary staff support to the ExeCom and NTC/RTCs;
 - c. Inform and update the proponents on the status of the project proposals which they have submitted for ACEF assistance;
 - d. Provide the ExeCom with a report on the projects approved by the Secretary per Section III.C.1.a of this Order as a matter of information;
 - e. Prepare regular updates and reports for information and reference;
 - f. Cause the involvement of concerned DA and/or non-DA agency(ies) in the judicious evaluation of project proposals;
 - g. Facilitate the processing of fund disbursements for approved projects;
 - h. Conduct regular monitoring of the actual implementation of ACEF-assisted projects; and
 - i. Through the NTC/RTCs, propose to and seek approval from the ExeCom the engagement of additional staff, consultants/experts for the evaluation of project proposals and monitoring of on-going ACEF-assisted projects.

E. Enabling Budget for Administrative and Processing Activities

1. To effectively carry out the functions of the various ACEF Committees and Secretariat, an enabling budget provided for in Section I.J.5.b shall be allocated to the committees/secretariat/offices above, the guidelines wherefore shall be prepared by the NTS and endorsed and approved accordingly by the NTC and ExeCom, respectively.
2. Specifically, the budget shall enable the NTS/RTS to carry out their tasks of project proposal screening, appraisal/evaluation, pre-implementation and implementation, as well as monitoring and post-project evaluation, to include information dissemination activities at the national and regional levels.

**Section III.
Procedures**

A. Project Identification and Formulation

1. Projects for possible ACEF assistance shall be identified and formulated by prospective project proponents from the private and/or government sector.

2. A substantive project proposal following the prescribed project proposal (FS) format, together with other application requirements that are provided for in Annexes A and B, respectively, of this Order, shall be prepared and submitted to the RTS for projects which are regional in scope, or to the NTS for projects the coverage of which cuts across regions, or which are national in scope.
3. Concerned DA Units, Bureaus and/or Attached Agencies/Corporations may provide technical assistance to the proponents in the conduct of feasibility studies whose coverage are within their respective jurisdictions and/or mandates.
4. As necessary, corresponding budget from the ACEF shall be tapped to assist small farmers'/fisherfolk's groups in the preparation of their project proposals/FS as provided for in Sections I.H.2.a.ix and I.J.5.b of this Order.

B. Evaluation and Pre-Qualification

1. The submitted project documents shall be initially screened and pre-appraised by the RTS or NTS as to the conformity of these documents with Annexes A and B as well as all other provisions of the guidelines herein.
2. Project proposals that have passed the initial screening and pre-appraisal process shall be evaluated and pre-qualified by the RTC or NTC. For those which have passed the evaluation/pre-qualification of the RTC, these shall be endorsed to the NTC for final evaluation/pre-qualification with the assistance of the NTS.
3. A short list of project proposals that have passed the final evaluation and pre-qualification process shall be endorsed to the Secretary/ExeCom for review and possible approval.
4. Any fraudulent submission of documents by a prospective proponent shall cause the disqualification of said proponent to avail of assistance from the ACEF.

C. Approval and Financing

1. The final review and approval of all pre-qualified project proposals shall be as follows:
 - a. the DA Secretary as Chair of the ExeCom may directly approve project proposals the ACEF requirements of which shall be set and decided upon by the ExeCom, except for those which the Secretary may want to refer to the ExeCom for final review and approval; and
 - b. the ExeCom shall automatically review and deliberate for possible approval project proposals the ACEF requirements of which are above the amount set by the ExeCom per Section III.C.1.a above.

2. The approved project proposals and their corresponding work and financial plans shall be endorsed by the ExeCom Chair to the DBM, to enable the latter to issue the corresponding SARO/NCA for the endorsed projects.
3. The release of funds and disbursements for projects the proponents of which comes from the government sector shall follow the usual fund release, accounting and audit systems of the government. For private sector projects, the release of funds and disbursement procedures shall follow existing government accounting and auditing rules and regulations.
4. The proponents of approved proposals shall enter into a Loan Agreement/Contract with the DA. The Loan Agreement/ Contract shall contain provisions for fund release, disbursement, loan payment and other relevant information which are provided for in Annex C of this Order.

D. Pre-Implementation and Implementation

1. The proponents of approved projects for ACEF assistance shall be assisted by the NTS/RTS during the conduct of all pre-implementation activities.
2. Upon signing of the Loan Agreement/Contract and subsequent release of funds, the proponents shall immediately implement their projects. This shall be done in coordination with NTS/RTS and the concerned DA Units, Bureaus and/or Attached Agencies/Corporations.

E. Monitoring and Post-Project Evaluation

1. The disposition and utilization of the ACEF shall be monitored and reviewed by the Appropriate Committees in the Senate and the House of Representatives provided for in RA 8178 and the AFMA.
2. The regular monitoring of the actual implementation of projects shall be conducted by the NTS/RTS, to include the following:
 - a. Actual usage of total funds released;
 - b. Status of implementation/completion of project;
 - c. Status of project operations;
 - d. Financial status of the project to include incomes/revenues;
 - e. Competitiveness aspect of the project;
 - f. Status of current markets for the project (expanded, new markets, etc.);
 - g. Employment generated, and other social benefits gained;
 - h. Payment status (for income-generating projects);
 - i. Value-added on project; and
 - j. Other relevant information.
3. The DA shall facilitate the conduct of an external audit in monitoring the operational, financial, and management aspects of all ACEF-assisted projects.

4. Independent firms like SUCs, NGOs, and those in the private sector may be tapped to conduct post-project performance evaluation of all ACEF-assisted projects.
5. All monitoring activities shall be done by the NTS/RTS in coordination with concerned DA Units such as the RFUs, the DA Finance/Accounting Group, Bureaus, Attached Agencies and/or Corporations, including the Commission on Audit (COA), based on a set of monitoring and evaluation guidelines to be developed by the NTS as approved by the NTC/ExeCom.

**Section IV.
Transitory Provision**

Without prejudice to all previously submitted project proposals which have been processed and approved by the various RTCs and endorsed to the NTC on or before 30 April 2005, such are exempted from the coverage of this Order, and subject to the provisions of Administrative Order (AO) 10, series of 2000 (which Amended AO 39, series of 1999), as amended by AO 22, series of 2005 and AO 1, series of 2006.

**Section V.
Repealing Clause**

All provisions in the AOs mentioned in Section IV of this Order are hereby repealed.

**Section VI.
Separability Clause**

The provisions of this Order are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

**Section VII.
Effectivity**

This Administrative Order shall take effect immediately.

DOMINGO F. PANGANIBAN
Secretary

Annex A.
ACEF Project Proposal (Feasibility Study) Format

1.0 Project Title : _____

2.0 Project Type : Irrigation
 Farm-to-Market Road
 Post-Harvest Equipment & Facilities
 Research & Development Assistance
 Marketing Infrastructure
 Provision of Market Information
 Retraining and Extension Service
 Other Forms of Assistance (please specify: _____)

3.0 Proponent(s)

3.1 Type(s) : Government Sector Group

- LGU
- Government Corporation
- State University and College
- Other Government Agency
- Other (please specify: _____)

Private Sector Group

- CDA-Registered (Cooperative/Federation)
- SEC-Registered Non-Stock/Profit (PO/NGO/Foundation)
- SEC-Registered Stock/Profit (Corporation/Association)
- DTI-Registered (Single Proprietor/Registered Business)
- Other (please specify: _____)

3.2 Name : _____

3.3 Address : _____

4.0 Coverage

4.1 Location : Specify particular region(s), province(s), municipality(ies)/
city(ies) where the:

4.1.1 Main project activities is/are located; and

4.1.2 Intended market is/are.

4.2 Product : Specify the type/kind of agricultural/fishery product(s)/
commodity(ies) or support service(s) the project shall be
involved with

5.0 Duration

5.1 **Pre-Implementation.** The number of days/months required to complete all pre-implementation activities must be specified.

5.2 **Implementation.** The target number of years the project will be implemented must be specified and should at least be equivalent to the period until the ACEF loan is fully paid.

6.0 Funding Requirement

6.1 **ACEF Loan** : P _____

6.2 **Equity** : P _____ [counterpart of the proponent]
P _____ [from other sources]

6.3 **Total** : P _____

7.0 Contact Person

7.1 **Name/Position** : _____

7.2 **Address** : _____

7.3 **Phone No.** : _____ (landline/fax nos.)
_____ (cell no.)

7.4 **E-mail** : _____

8.0 The Project

8.1 **Justification.** The following information should be included in this Section:

8.1.1 A brief but complete description of the current state of development of the agricultural product/commodity and/or support services sub-sectors (e.g., grains, livestock, fisheries, high value commercial crops, rural infrastructure, marketing and credit, research and development, etc.) which the proposed project intends to support;

8.1.2 The potentials for development of the sub-sectors involved in the project area, including the level and kind of demand for agricultural products/commodities and/or services involved which the project intend to meet or create;

8.1.3 The existing efforts/interventions of government and private sector groups to develop the sub-sectors involved; and the possible upstream and downstream linkages with these existing efforts/interventions which the proposed project may create;

- 8.1.4 The proposed project's consistency with the policies and priority thrusts of the DA's Plans and Programs and its support to, and/or complementation with, the regularly funded activities of the DA;
 - 8.1.5 The perceived problems and/or constraints, which the project intends to address, including the causes and evidences of these problems/constraints;
 - 8.1.6 Relevant information on how the intended beneficiaries (e.g., farmers/fisherfolk, agribusiness enterprises, etc.) will directly or indirectly benefit from the project, including the direct and indirect benefits which the project may have on the proponents as well;
 - 8.1.7 A brief description of the likely situation after project financing has been completed (i.e., contributions, impacts, and/or changes brought about by the project);
 - 8.1.8 The strategies/measures to be done to ensure project sustainability after project completion; and
 - 8.1.9 Information on other important considerations, such as the following:
 - a. negative and/or positive impacts of the project on the environment including the possible measures to mitigate and/or enhance such;
 - b. involvement of, and impacts on, particular interest groups such as women's groups, tribal minorities, small and marginalized farmers/fisherfolk, etc.;
 - c. significance of the project in alleviating poverty; and
 - d. participation of private sector groups in project identification, formulation, development, and implementation.
- 8.2 **Project Description.** A brief overview of the proposed project should be presented here. This section should also indicate the type of project to be implemented including the specific interventions being proposed under the project.
- 8.3 **Objectives.** The project proposal should present two types of objectives as follows:
- 8.3.1 Development objectives, which represent the achievement of a broader development goal (as defined in DA Plans and Programs) at the sub-sector level to which the project is intended to contribute to. These should also pertain to various performance indicators such as increased agricultural productivity, farm incomes, and levels of support services provided, etc.

8.3.2 Immediate objectives, which should be able to indicate what the project itself is expected to achieve, including the desired impacts of the project on the principal beneficiaries, the project area, and the agricultural sub-sectors involved. They must also in turn collectively contribute to the achievement of the development objectives.

(These may be elaborated into a project objective tree to provide an overview on how the desired project impacts are transformed into developmental gains.)

8.4 **Beneficiaries.** Depending on the objectives of the project, the beneficiaries should be classified into:

8.4.1 Primary (direct) beneficiaries; and

8.4.2 Secondary (indirect) beneficiaries.

(The institutional [organizational and entrepreneurial] capacity of the target beneficiaries before and after project implementation should also be indicated here. How the project beneficiaries will sustain the generation of project benefits even after the termination of financing support should also be discussed here.)

8.5 **Location.** This section should indicate the advantages and disadvantages of locating the project in the proposed site. It should further specify the influence area of the project, or the magnitude of the geographic area where project impacts will be directly and indirectly felt. The following project location development factors should also be considered: (i) existing zoning ordinances and land use plans of LGUs; (ii) national land use and conversion policies; and (iii) environmental protection guidelines/clearances, among others. A location map of the proposed project site should also be included.

8.6 **Scope.** This refers to the magnitude of work to be done within the activity, resource and time boundaries of the project. It should be able to indicate the specific activities to be undertaken over a specified time frame and schedule, and given the appropriate resources required to undertake such activities. Project scope should be presented in terms of the following:

8.6.1 Components, where the immediate objectives of the project should be transformed into major project components, indicating among others, the specific outputs, activities, resource requirements, and time frame of activities per project component (Outputs are planned outcomes of project activities that, taken together, should achieve the immediate objectives. Activities consist of the substantive tasks to be carried out in order to produce a specified project output. Resources required include, but are not limited to, funding, manpower, supplies and equipment, vehicle, etc.); and

8.6.2 Strategies, where the operational schemes to be employed in the conduct of specific activities to attain the desired outputs during

project implementation should be presented and thoroughly discussed in this section. This should include how the project benefits will be delivered by the proponents to the intended beneficiaries.

(The proposal should also clearly define how the project can be transformed from a public-supported investment project into a self-reliant project. It should also indicate how it will be able to adjust to evolving development challenges such as sustainable agricultural development, social reform and poverty alleviation, and gender and development concerns.)

8.7 Implementation Schedule. A Bar Chart of activities on a quarterly or monthly basis by project component should be presented, given the following format:

ACTIVITIES	Year 1				Year 2...				...Year N			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Project Component #__												
• Activity 1												
• Activity 2												
• etc.												
Project Component #__												
• Activity 1												
• Activity 2												
• etc.												

(The bar chart of activities may also be translated into a PERT-CPM to show how the different project activities are interrelated/linked and dependent upon each other.)

8.8 Budgetary Requirements. The budgetary requirements of the project must be presented in detail, or by breaking down the project into the major project components/activities with the corresponding expenditure requirements of each, given the following format:

Component/ Activity	ACEF (P)	Proponent Counterpart (P)	From Sources (P)	Other (P)	TOTAL (P)

(A miscellaneous expense account can be used for small expenditure items. In addition, a reserve for contingency, roughly equivalent to the inflation rate, should be provided. Please note the usual government audit and accounting system in preparing the proposed budgetary requirements.)

- 8.9 **Project Analysis.** This section must establish the viability of the project for ACEF assistance, through analyses of the following:
- 8.9.1 Competitiveness Aspect, where objectively verifiable indicators of the competitiveness enhancement that the project shall bring about should be shown in terms of any of the following:
- a. the price of the commodity/product involved must be lower/at par with same/similar products being imported/of various competitors; and that the quality of which must be higher/at par with those being imported/of various competitors;
 - b. the commodity/product involved will be used as a substitute for certain products being imported; and
 - c. the commodity/product involved will be exported (new or increased exports).
- 8.9.2 Market Aspect, where markets for the product/service should be established, by identifying and providing description/information and realistic assumptions on the following:
- a. commodity/product and/or service to offer;
 - b. demand and supply analysis/projections;
 - c. target markets and marketing arrangements;
 - d. marketing program and personnel;
 - e. projected marketing/selling expenses;
 - f. projected selling prices and sales volume; and
 - g. other basic market assumptions.
- 8.9.3 Technical Aspect, where the technical soundness/appropriateness of all aspects in the production of the commodity/product involved should be established, by identifying and providing detailed and precise description/information on the following (with corresponding prices/costs, and where applicable):
- a. product/service technical description;
 - b. farm size/location;
 - c. planting/growing/harvesting/operating schedule;
 - d. raw materials requirement;
 - e. machine/equipment requirement;
 - f. manpower requirement;
 - g. building and facilities requirement;
 - h. farm lay-out;
 - i. utilities, fuel and other input requirements;
 - j. equipment repair/maintenance schedule;
 - k. waste disposal system; and
 - l. production cost per unit.

8.9.4 Financial and Economic Aspects, where the financial and the economic viability of the project must be proven, through the following:

- a. identification of costs and benefits, and related information/assumptions
 - i. Some of the important costs for financial analysis purposes may be identified as follows: physical goods, labor, land, contingency allowances, taxes, insurance, debt service, subsidies, etc. For economic analysis purposes, other costs may also include: system costs, sunk costs, contingencies, working capital, transfer payments, depreciation, consumer surplus, and externalities.
 - ii. Benefits may include: increased value of output; greater physical production; quality improvement; changes in location and time of sale; changes in grading and processing; cost reduction; gains from infrastructure development and mechanization; reduced transportation costs; avoidance of losses; and secondary benefits such as multiplier effects and economies of scale.
 - iii. Other information/assumptions pertinent to the conduct of sound financial and economic analyses may be required by the ExeCom, NTC/RTC or NTS/RTS.

(A detailed listing of the identified costs and benefits of, including other related information and assumptions used for, the proposed project should be submitted.)

- b. conduct of financial analysis
 - i. The fundamental reason for undertaking a financial analysis of projects is to ascertain the benefits and costs of such projects and then decide which alternative will give the greatest return on investment.
 - ii. The three discounted measures of project worth which will be used for ACEF projects are the following: (1) Benefit-Cost Ratio (BCR); (2) Net Present Value (NPV); and (3) Financial Internal Rate of Return (FIRR).
 - iii. Other measures of project worth which should be determined as well include, among others: (1) Payback Period (PP); (2) Return on Investment (ROI); and (3) Breakeven Point (BEP).
- c. conduct of economic analysis
 - i. The main reason for undertaking an economic analysis of projects is to determine whether or not the project shall result

in an efficient use of resources from an economic point of view.

- ii. The three methods which will be utilized for comparing the cost and benefit streams to arrive at investment decisions are, among others, the following: (i) BCR; (ii) Net Present Worth (NPW); and (iii) Economic Internal Rate of Return (EIRR). This should include a comparative analysis on a with- and without-the-project situation.

d. conduct of sensitivity analysis

This should indicate how possible changes in events will affect the financial and economic viability of projects. It may involve changing the values of key variables such as decreasing benefits and/or increasing costs, and determine how such changes will affect the BCR, NPV/NPW, FIRR/EIRR, and the other feasibility indicators.

e. preparation of projected financial statements

The projected financial statements of the project which would cover its implementation period until the ACEF loan is fully paid on an annual basis must be presented here, as follows:

- i. cash flow (the first year of project implementation should be presented on a monthly basis);
- ii. income statement; and
- iii. balance sheet.

8.9.5 Socio-Economic Aspect, where the social benefits of the project should be indicated and quantified, as follows:

- a. direct benefits to project beneficiaries (e.g., increased incomes, employment opportunities, etc.); and
- b. indirect and other benefits to the community/locality, small farmers/fisherfolk in the project area, and other stakeholders.

8.9.6 Organizational/Management Aspect, where the management capability of the organization and the overall viability of the organization itself should be established, by providing the following:

- a. organizational and administrative requirement, where:
 - i. the key project implementors and cooperators/coordinating entities including their respective roles and availability should be described in detail (This may be done through a functional organizational chart highlighting the relationship between the

responsible unit and the cooperating/coordinating units within and outside the project set-up.);

- ii. in the case of relationships with outside organizations, the institutional arrangements in line with project implementation should also be defined; and
- b. other organizational concerns such as: the management and technical capability and qualification of both the organizational and project officers/members and personnel/staff; and the availability of support/office facilities and fixtures, and other administrative requirements.

Annex B. Application Requirements

1.0 From the Private Sector

1.1 Those with at least three years of operation

- 1.1.1 Board Resolution/Letter of Intent citing: (a) request for ACEF assistance; (b) proposed equity contribution; and (c) designated representative who shall transact with DA for and in its behalf, attaching three specimen signatures;
- 1.1.2 Registration certificate from: Securities and Exchange Commission (SEC); Cooperative Development Authority (CDA); Department of Trade and Industry (DTI); Department of Labor and Employment (DOLE); Department of Social Welfare and Development (DSWD); or any other appropriate agency (to include by-laws);
- 1.1.3 Notarized certification from appropriate entities that the proponent had successfully implemented projects before and/or is currently implementing successful projects (or that it has the institutional capability to implement projects);
- 1.1.4 List of/details on projects previously undertaken and/or currently being undertaken (to include proofs of undertaking);
- 1.1.5 Audited financial statements during the last three years of operation; and
- 1.1.6 Certification from a GFI that proponent is of good credit standing (no past due loan/record of property foreclosure), or its equivalent, if applicable.

1.2 Those with less than three years of operation

- 1.2.1 Items 1,2,3,4 and 6 above, where applicable;
- 1.2.2 Audited financial statements for the last two (2) years of operation, if applicable;
- 1.2.3 Marketing contract and/or purchase order from a market buyer(s), or their equivalent, for the period covering the start of project implementation until the ACEF loan is fully paid;
- 1.2.4 Proof of required equity contribution or capital build-up as stipulated in Section I.J.1.b in the form of cash deposits in the bank;
- 1.2.5 Proof that the organization is professionally managed by a competent staff; and

- 1.2.6 Proof that the project will use a pioneering technology as endorsed by any appropriate government office, if applicable.

2.0 From the Government Sector

2.1 Local Government Units

- 2.1.1 Sanggunian Resolution and/or corresponding Sanggunian citing: (a) request for ACEF assistance; (b) proposed equity contribution; and (c) designated representative who shall transact with DA for and in its behalf, attaching three specimen signatures;
- 2.1.2 Certification from the Bureau of Local Government Finance (BLGF) that the ACEF loan is within the borrowing capacity of the LGU; and
- 2.1.3 Proof that the project is within and/or included in the approved Area/Local/Provincial Development Plan.

2.2 State Universities and Colleges, Government Corporations and Other Government Agencies

- 2.2.1 Board Resolution/Letter of Intent citing: (a) request for ACEF assistance; (b) proposed equity contribution; and (c) designated representative who shall transact with DA for and in its behalf, attaching three specimen signatures; and
- 2.2.2 Proof that the project is within and/or included in the proponent's charter/mandate.

Annex C.
Loan Agreement/Contract Provisions

1.0 Proponents of approved project proposals shall enter into a Loan Agreement/Contract with the DA or its designated appropriate attached agency, GFI, or government corporation prior to the release and disbursement of the ACEF loan.

2.0 The Loan Agreement/Contract shall, at the minimum, have to contain the following information:

Article I- Basic Covenant

- Section 1- Loan Amount
- Section 2- Loan Term
- Section 3- Utilization of Loan Proceeds
- Section 4- Loan Payments
- Section 5- Loan Security

Article II- Defaults

- Section 1- Events of Default
- Section 2- Effects of Default

Article III- Conditions for Release

Article IV- Effectivity

3.0 During the effectivity of the Loan Agreement/Contract, proponents shall not use the funds for money market, placement, time deposit, and other forms of investments not related to the project.