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Department of Agriculture
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MEMORANDUM ORDER

No. 74
Series of 2022

SUBJECT: GENERAL IMPLEMENTING GUIDELINES OF THE CREDIT AND FINANCING FACILITY FOR OUT-OF-SCHOOL YOUTH (OSY)

WHEREAS, the Agricultural Credit Policy Council (ACPC) is mandated under Executive Order No. 113, s. 1986, to assist the Department of Agriculture (DA) in synchronizing all agriculture and fisheries credit policies and programs to review and evaluate the economic soundness of all agriculture and fisheries credit programs;

WHEREAS, the ACPC, through Resolution No. 99-01, s. 1999, serves as Program Oversight Committee of the Agro-Industry Modernization Credit and Financing Program (AMCFP);

WHEREAS, through ACPC Resolution No. 99-02, s. 1999, the DA through the ACPC, was designated as program/fund owner of the AMCFP;

WHEREAS, under the General Appropriations Act (GAA) of 2022, the amount of PhP2,515,000,000.00 shall be transferred to Government Financial Institutions (GFIs), cooperative banks, rural banks, non-government financial institutions, and viable non-government organizations, to be exclusively for the establishment of a flexible credit facility for the benefit of small farmers and fisherfolk registered under the Registry System for Basic Sectors in Agriculture, as an alternative to the rigid stringent credit facilities usually provided by the banks;

WHEREAS, the ACPC Governing Council, through Resolution No. 1, s. 2020, dated January 8, 2020, approved the implementation of the Young Agripreneurs and Agri-fishery Graduates Loan Program that aims to attract the younger generation of Filipinos to be key players in attaining our vision of a food-secure Philippines; and the Micro and Small Business Enterprises Loan Program which aims to improve the access of small farmers and fisherfolk to formal credit thereby contributing in attaining the same aforementioned goal of the DA; and Approving the Program Fund Allocation using the AMCFP;

WHEREAS, the ACPC's Memorandum for the Senior Undersecretary dated 25 November 2022, proposed the approval of the implementation of the Out-Of-School (OSY) Financing Program that aims to provide affordable and accessible credit to OSYs who are willing to engage in cattle raising; provide income opportunities to them; and help support the development of the Philippine cattle industry;

NOW, THEREFORE, I, SENIOR UNDERSECRETARY DOMINGO F. PANGANIBAN, of the Department of Agriculture, in accordance with law, hereby issues this Order for the implementation of the Financing Facility for Out-Of-School Youth (OSY) hereinafter referred to as the "Program".

SECTION I. ACRONYMS AND DEFINITION OF TERMS

ACPC	Agricultural Credit Policy Council
AFMA	Agriculture and Fisheries Modernization Act
AMAD	Agribusiness and Marketing Assistance Division (Regional counterpart of AMAS in RFOs)
AMAS	Agribusiness and Marketing Assistance Service
AMCFP	Agro-Industry Modernization Credit and Financing Program; the umbrella credit financing program created under Sections 21-23 of R.A. 8435/AFMA.
ATI	Agricultural Training Institute
CDA	Cooperative Development Authority
COP	Compliance Officers for Privacy
DA	Department of Agriculture
DPO	Data Privacy Officer
DSA	Data Sharing Agreement
FMS	Fund Management Staff
GAA	General Appropriations Act
GFIs	Government Financial Institutions, namely: Land Bank of the Philippines, Development Bank of the Philippines, United Coconut Planters Bank
ISMD	Information Systems Management Division
LCR	Loan Collection Report
LDR	Loan Disbursement Report
LGUs	Local Government Units
MOA	Memorandum of Agreement
PCIC	Philippine Crop Insurance Corporation
PBs	Partner Banks
RA 10173	Data Privacy Act of 2012 (DPA)
RFOs	Regional Field Offices of the Department of Agriculture
RSBSA	Registry System for Basic Sectors in Agriculture; an electronic compilation of basic information on farmers, farm workers, and fisherfolk—the target beneficiaries of agriculture-related programs and services
SFF	Small Farmers and Fisherfolk (defined in detail on Section IV of this Memorandum Order)
TESDA	Technical Education and Skills Development Authority

SECTION II. PROGRAM DESCRIPTION

This credit and financing facility shall provide an integrated support assistance to Out-of-School Youth within the 6 priority provinces such as financing, training, marketing and extension service.

Under the program, Rural and Cooperative Banks (PBs) act as delivery channels of direct loans to eligible Out-of-School Youth (OSY) while the other program partner institutions are tasked to perform their roles to ensure the success of the program.

Under the program, the DA-ACPC shall transfer funds to eligible rural and cooperative bank (RCB) partners in the form of a Deposit Hold-Out (DHO) fund which the former shall leverage its own funds up to twice the amount of DHO fund for extending loans to eligible Out of School Youth borrowers who are willing to engage in cattle fattening project. Loans extended to eligible borrowers shall bear a total finance charge of not more than 6.85% per annum inclusive of interest of not more than four percent (4%), guarantee fee per annum based on diminishing principal balance. In addition, the Partner Banks may charge a one-time Service Fee (SF) of not more than 3% of the total loan amount.

Under the partnership arrangement, Partner Banks (PBs) shall utilize their own funds in lending to target borrowers bearing 50% credit risk on the portion of the loan not covered by AGFP Guarantee. The DHO fund, on the other hand, absorbs the other 50% of the unsecured portion. This means that, in events of loan default, and after the guarantee claims payment has been applied to 85% of the outstanding past due loan principal balance, net of insurance indemnities, the partner bank (PB) shall then debit against the DHO fund the amount equivalent to 50% of the outstanding loan balance not covered by the AGFP Guarantee.

SECTION III. OBJECTIVES

The Pilot-Program for Out of School Youth (OSY) aims to:

1. Provide affordable and accessible credit to OSYs who are willing to engage in cattle raising;
2. Generate jobs and income opportunities for OSYs; and
3. Increase beef production as a support to the development of the Philippine cattle industry.

SECTION IV. PROGRAM FUNDING

The initial amount of **Sixty Million Pesos (P60,000,000.00)** sourced from ACPC's capital outlays under the General Appropriations Act (GAA) is hereby allocated as deposit hold-out (DHO) fund to be transferred to eligible partner banks (PBs) for the purpose of the program. In turn, the PB shall lend to eligible borrowers using its own funds up to twice (2 times) the amount of the DHO fund for the pilot implementation of the program. For this purpose, additional Program funds may be sourced from the AMCFP subject to the approval by the DA Secretary or his authorized representative.

SECTION V. PROGRAM COVERAGE

- A. The program shall be pilot-implemented in the following target provinces:
1. Ilocos Norte
 2. Leyte
 3. Rizal
 4. Tawi-Tawi
 5. Surigao del Norte
 6. Bohol
- B. Other geographic areas that will be identified and deemed critical for development intervention by the DA shall also be included subject to approval by the DA Secretary or his designated authorized Undersecretary.

SECTION VI. INSTITUTIONAL ROLES AND RESPONSIBILITIES

A. Department of Agriculture

1. **Agricultural Credit Policy Council** shall be the implementing agency with respect to lending activities which involves the approval of PBs, provision of Deposit Hold-Out (DHO) funds, and monitoring and validation of loan disbursement and repayment of borrowers.
2. **Regional Field Offices** may identify additional target coverage areas for approval by the DA Secretary or his representative, as well as identify potential PBs and endorse the same to the ACPC. The DA-RFOs shall assist the ACPC in coordinating with the LGU partners to ensure smooth implementation of the program.
3. **Philippine Crop Insurance Corporation** shall provide full insurance premium subsidy to all eligible OSY borrowers under the program with insurance coverage of up to P20,000 per head for up to 10 heads or P200,000 per borrower. PCIC shall also provide free insurance to other insurable ancillary projects of eligible borrowers financed under the Program.
4. **Philippine Guarantee Corporation (PHILGUARANTEE)** may provide portfolio guarantee to eligible Rural and Cooperative Bank (RCB) Partners under the Agricultural Guarantee Fund Pool (AGFP) subject to a guarantee fee of 1.35% renewable annually.
5. **Agricultural Training Institute** shall provide resource persons for technical training/workshops organized by ACPC and/or other concerned collaborating agency to enhance the technical skills and competencies of the borrowers under the program.
6. **Agribusiness and Marketing Assistance Service** and its concerned Regional counterparts shall provide market linkages with potential livestock buyers and/or consolidators to help the OSY Entrepreneurs to dispose of their harvestable cattle on time and at a reasonable price.
7. **Local Government Units (LGUs)** shall play an important role in the provision of support to the OSY cattle raising enterprise. It is envisioned that the LGU will actively be engaged in the identification and selection of production areas as well as identification and endorsement of potential OSY beneficiaries, extension and project monitoring. Communal production areas may be made available to clusters of OSY

beneficiaries who don't have their own production areas to undertake their own cattle fattening projects.

8. **Partner Banks** shall act as fund administrator and shall be responsible for the loan processing, documentation, approval, disbursement and collection of loans from the eligible borrowers. The PBs shall provide the ACPC, on a regular basis, the list of borrowers who have availed the loan assistance and report of collection using the report format prescribed under the Program.

SECTION VII. IMPLEMENTING GUIDELINES

A. Eligible Partner Banks (PBs)

Partner Banks that shall implement the program are cooperative banks and rural banks that have satisfactory record under the ACPC credit programs, and/or pass the following criteria:

1. Satisfactory credit standing with creditors, if any;
2. CAMELS (or BSP equivalent) rating of at least 3;
3. Past due ratio of not more than twenty-five percent (25%);
4. At least two-year track record in lending;
5. Capital adequacy ratio of at least ten-percent (10%);
6. Adequate reserve requirement;
7. Profitable on the year preceding the application and as of the time of application for credit fund;

B. Eligible Borrowers

1. Eligible borrowers under the program are Out of School Youth (OSY) and satisfies the following eligibility criteria:
 - a. Must be 18-24 years old;
 - b. Must be willing to borrow and engage in cattle fattening;
 - c. Must have a certificate of training or willing to undergo training cattle fattening (Large Ruminant Production) from an accredited training provider;
 - d. Must be of good moral character;
 - e. Must be registered or is enrolled for inclusion in the RSBSA;
 - f. Must not have a full-time job at the time of application;
 - g. Must belong to a cluster of at least 5 borrowers in the same geographic area.
2. Not qualified to avail loans under the program are OSYs who are:
 - a. Children and/or dependents of parents who are existing borrowers with outstanding loan balances under any of ACPC's credit programs;
 - b. Juvenile delinquents with pending court cases (consult with Atty. Noel).

C. Eligible Loan Purpose

Funds extended to eligible OSYs shall be utilized as working Capital to finance the following:

1. Acquisition of cattle stock, feeds and vet supplies
2. Establishment/construction of a cattle housing; and,

3. Cost of Labor.

D. Loanable Amount

Eligible borrowers may borrow loans up to the amount of Php 200,000 per borrower to finance three (3) fatteners, the construction of cattle housing requirement including cost of labor for a period of up to 12 months but not to exceed P1,800 per month.

E. Savings Component

As part of educating the OSY-borrowers on the importance of savings as part of building-up their assets and social security, a savings component shall be implemented under the program as follows:

1. For the first year, the amount of P300 shall be deducted from the proceeds of the loan intended for cost of labor per month. The amount shall be credited to the borrower's deposit account to be opened by the OSY-borrower with the PB;
2. Every year, a minimum of 5% based on the borrower's net income for the year shall be deposited to his/her deposit account with the PB. The borrower may opt to deposit more than 5% of the net income;
3. Withdrawals from the subject deposit account shall not be allowed except in case of health/medical emergencies and calamity situations.

F. Loan Maturity and Manner of Repayment

The maturity and mode of payment shall be as follows:

1. Loan maturity shall not exceed five (5) years.
2. Loans may be amortized annually or semi-annually depending on the project cash flow; and,
3. A grace period on principal repayment of up to one (1) year may be granted based on the project cash flow.

G. Equity

Eligible borrower shall put up the equity on the second year and the year after of the project by acquiring additional head of cattle and the corresponding expenses for feeds, vet supplies and labor. The business operation should maintain at least 5 heads of cattle on the third year until the loan is fully paid.

H. Mode of Loan Release

Subject to the assessment of the PB, the loan shall be in accordance with the following:

1. Staggered or lump sum for the acquisition of cattle stock, feeds, vet supplies and construction of cattle housing as determined by the PB;
2. Monthly for the cost of labor net of the savings deposit retention requirement.

I. Interest Rate and Other Finance Charges

1. Loans availed under the program shall bear interest and other finance charges as follows:
 - a. Interest Rate: 4% per annum (diminishing balance)

- b. Service Fee: 3% (one time)
 - c. Guarantee Fee: 1.35% per annum
 - d. Credit Life Insurance (PCIC): 1.35% per annum (diminishing balance)
 - e. Livestock Insurance (PCIC): FREE
2. Interest shall not be pre-deducted and is based on diminishing principal balance computed at the end of each amortization payment.

J. Loan Security

The loan shall be covered by any or a combination of the following:

- 1. Assignment of livestock inventory;
- 2. Assignment of insurance of the borrower, if any (e.g. mortgage redemption insurance with PCIC or other insurance companies/institutions); and/or,
- 3. Co-makers acceptable to the PB.

K. Documentary Requirements

1. Application Requirements for Partner Banks (PBs)

- a. Letter of Intent/Application for Funding;
- b. Board Resolution authorizing the MSE/cooperative/association to apply as PB and designating its authorized signatories to enter into an agreement with ACPC (if applicable);
- c. Certified True Copy of the Certificate of Registration from SEC/CDA/DOLE/other government-registering entity;
- d. Certified True Copy of the latest Articles of Incorporation or Articles of Cooperation;
- e. Audited financial reports for the past three years preceding the date of project implementation; for those who have been in operation for less than three years, financial reports for the years in operation and proof of previous implementation of similar projects;
- f. Secretary's Certificate for Incumbent Officers together with the Certificate of Filing with the SEC/Certificate of Approval by CDA;
- g. Sworn Affidavit of the Secretary of NGO/PO that none of its incorporators, organizers, directors or officers is an agent of or related by consanguinity or affinity up to the fourth civil degree to the official of the agency authorized to process and/or approve proposed MOA, and release funds;
- h. Disclosure of other related business, if any;
- i. Certificate of Good Credit Standing from any formal credit institutions including amount of line and status, if any;
- j. Endorsement from any office/unit of the DA (e.g. Regional Field Office, BFAR); and
- k. For banks, certification as to latest CAMELS (or other BSP equivalent) and Management Rating with consent from the bank for ACPC to validate such rating with the Bangko Sentral ng Pilipinas;

2. Application Requirements for Borrowers

All borrowers must comply with the following requirements:

- a. One (1) valid government-issued ID with picture;

- b. One (1) 1x1 photo taken within the last three (3) months;
- c. Business Plan;
- d. Proof of registration/enrollment in the RSBSA; and,
- e. Training Certificate from accredited Training Institutions
- f. Additional requirements for borrowers under the special credit windows shall be defined under the separate term sheets to be provided.

SECTION VIII. GENERAL PROCEDURES

A. Procedures for Partner Banks:

1. Deposit Hold-Out (DHO) Fund Approval

- a. The ACPC shall conduct program orientation for interested Partner Banks.
- b. The applicant may submit advance electronic copies of the documentary requirements (Section VII.K1.) via the ACPC online portal or may submit the hard copies of original documents directly to ACPC via courier service. For the online submissions, the hard copies of the original documents shall be submitted upon advise by the ACPC through mail or courier service.
- c. Upon receipt of the documentary requirements, the ACPC shall:
 - i. validate the eligibility of the Partner Bank;
 - ii. evaluate and process, the application; and
 - iii. approve/disapprove the request for fund availment.
- d. The ACPC shall inform the Partner Bank (PB) of the approved DHO fund and its corresponding terms and conditions through a Notice of Deposit Hold-Out (DHO) Fund Approval. A Memorandum of Agreement (MOA) shall be executed by and between the ACPC and the PB including the lending policies and procedures that shall form an integral part of the MOA.

2. DHO Fund Release

- a. The PB shall open a separate "interest-bearing" bank account in a government bank exclusively for ACPC where the DHO fund released by the ACPC shall be deposited and maintained; and,
- b. The PB shall in turn utilize its own funds to lend to eligible OSY-borrowers under the program with the DHO fund serving as security to said eligible loans extended under the program in accordance with the MOA to be executed between ACPC and the PB.

3. Loan Disbursement to Eligible Borrowers

- a. The PB shall utilize its own funds for extending loans to eligible borrowers in accordance with the approved Program policies and guidelines as well as the provisions of the Memorandum of Agreement between ACPC and PB;
- b. The PB shall submit to ACPC a report on the loan disbursements within thirty (30) days after disbursement to eligible borrowers;
- c. The PB shall ensure the submission of accomplished forms to PCIC for the free premium subsidy of the appropriate PCIC insurance coverage for all program borrowers.

4. Loan Collection from Eligible Borrowers

The PB shall collect all loan principal and interest from borrowers and provide ACPC a quarterly report on the status of collections and loan repayment performance.

B. Procedures for Lending to Eligible Borrowers

1. Interested applicants shall submit their documentary requirements directly to the PB's branch office nearest to their location.
2. Alternatively, applicants may forward their loan applications to the Municipal Agriculture Office (MAO) that has jurisdiction of the production area of the borrower. The MAO, in turn, shall forward the application directly to the appropriate PB or thru the assistance of the concerned ACPC Focal Person; and,
3. The PB shall review the completeness of the documentary and all other requirements submitted by the loan applicants and evaluate the same for possible financing in accordance with these guidelines.

SECTION VIII. IMPLEMENTING STRUCTURES

- A. A Program Management Committee (PMC) shall be created to be constituted by representatives from DA, ACPC, BAI, ATI, PCIC and AMAS, with the following functions:
1. Provide direction and formulate policies for the program;
 2. Monitor the over-all performance of the Program;
 3. Act on issues or concerns relative to program implementation; and
 4. Cause the conduct of program evaluation; and
 5. Review and approve the proposed annual work plan and budget of the program.

The PMC shall be composed of the following:

Chairperson: Undersecretary, DA
Members: ACPC, BAI, ATI, AMAS and PCIC

- B. A Technical Working Group (TWG) shall be created to be constituted by representatives from DA, ACPC, BAI, ATI, AMAS and PCIC with the following functions:
1. Provide technical and secretariat support to the PMC;
 2. Ensure that policies, operational systems, procedures and guidelines approved by the PMC are implemented;
 3. Install and maintain a monitoring system for the program; and
 4. Prepare the annual work plan and budget of the program for approval by the PMC.

The TWG shall be composed of the following:

Chairperson: Deputy Executive Director, ACPC
Members: Representatives of ACPC, BAI, ATI, AMAS and PCIC

The ACPC shall establish a Program Secretariat who shall provide support to the PMC and TWG.

SECTION IX. MONITORING, EVALUATION AND INFORMATION SYSTEMS

A program monitoring and evaluation system established and adopted under the various existing ACPC program shall be adopted. Such system shall be able to:

1. Track the progress of the projects supported under the pilot program; and,
2. Validate compliance with program guidelines at different program levels;

SECTION X. CAPACITY BUILDING

The ACPC shall coordinate with concerned program partner institutions for the conduct of training and business planning workshops for potential borrowers endorsed by the Local Government Unit (LGU) and/or DA-RFO. The ACPC shall, in collaboration with the Agricultural Training Institute, other concerned partner institutions and other government agencies organize/facilitate the appropriate technical trainings/workshops to enhance the technical skills and competencies of the borrowers in cattle fattening and other ancillary activities. Marketing assistance shall be extended to the borrowers through AMAS and its Regional Office counterparts.

SECTION XI. COMPLIANCE WITH R.A. 9510 OR CREDIT INFORMATION SYSTEM ACT

In compliance with the Credit Information System Act, or Republic Act 9510, the PBs may submit the basic credit data of eligible borrowers to the Credit Information Corporation (CIC). The eligible borrowers shall give its consent to the PBs to disclose credit information about the borrower to program partners and other credit bureaus or institutions.

SECTION XII. COMPLIANCE WITH RA 10173 OR DATA PRIVACY ACT OF 2012

- A. To protect the fundamental human right of privacy of communication while ensuring free flow of information to promote innovation and growth; and to ensure that personal information in information and communications systems under the PROGRAM are secured and protected, all collection, storage, processing, and sharing of personal and sensitive personal information of loan applicants, borrowers, and other parties involved in the program shall comply with provisions of Republic Act No. 10173, also known as the Data Privacy Act of 2012 (DPA).
- B. The conduct of a Privacy Impact Assessment (PIA) shall be conducted for the PROGRAM in compliance with Section 20(c) of the DPA and Section 29 of its IRR to determine/assess: a) risks and effects of collecting, maintaining and disseminating personal and sensitive personal information of loan applicants, borrowers, and other parties involved in the PROGRAM; b) protections and processes for handling information to alleviate any potential privacy risks; and c) options and methods for individuals to provide consent for the collection of their personal and sensitive personal information.
- C. To ensure the PROGRAM's compliance with the DPA, its IRR, issuances by the National Privacy Commission (NPC), and other applicable laws and regulations relating to privacy and data protection, Compliance Officers for Privacy (COP) shall be designated in each of the ACPC units following Section 21(b) of the DPA and Section 50(b) of its IRR. The COPs must have due regard for the risks associated with the data processing operations in their respective units, taking into account the nature, scope, context and

purposes of processing. Accordingly, he or she must prioritize his or her activities and focus his or her efforts on issues that present higher data protection risks.

D. The COPs shall be tasked to oversee the following in the handling of personal and sensitive personal information within their respective units:

1. Monitor, assess, and ensure their respective unit's compliance with the DPA, its IRR, and other applicable laws, policies, and regulations relating to privacy and data protection in the event of performance of any of the following activities by their unit: 1) collection; 2) storage; 3) processing; and 4) sharing of personal and sensitive personal information of loan applicants, borrowers, and other parties involved in the PROGRAM;
2. Cooperate with, coordinate with, and seek advice from the DPO regarding matters concerning data privacy and security;
3. Coordinate with the ACPC Data Protection Officer (DPO) as regards any possible need to: 1) execute a privacy rights notification and data collection consent in the event of any requirement in their unit to collect personal and sensitive personal information directly from loan applicants, borrowers, and other parties involved in the PROGRAM; and 2) execute a Data Sharing Agreement (DSA) in the event of any requirement in their unit to share personal and sensitive personal information of loan applicants, borrowers, and other parties involved in the PROGRAM;
4. In coordination and cooperation with the ACPC DPO, assist in facilitating the following as may be required in the performance of activities, measures, project/s, or systems implemented by their respective units in connection with the PROGRAM: 1) execution of a privacy rights notification and data collection consent in the event of any requirement in their unit to collect personal and sensitive personal information directly from loan applicants, borrowers, and other parties involved in the PROGRAM; and 2) preparation and signing of a DSA as may be needed by their unit in the event of any requirement to share personal and sensitive personal information of loan applicants, borrowers, and other parties involved in the PROGRAM;
5. Immediately report to the ACPC DPO any complaints and/or the exercise by data subjects of their rights (e.g., requests for information, clarifications, rectification or deletion of personal data);
6. Immediately report to the ACPC DPO any data breach and security incident within 24 hours;
7. Assist in informing and cultivating awareness on privacy and data protection within their respective units;
8. Recommend the development, review and/or revision of policies, guidelines, projects and/or programs relating to privacy and data protection, as deemed necessary.

SECTION XIII. APPROVING AUTHORITIES

The ACPC Executive Director or DA Secretary, or his duly designate representative, shall be the signing and approving authority for the Agreements, obligation requests, disbursement vouchers and fund transfers as per levels of authority in accordance with the DA General Memorandum Order No.3, s. 2016.

SECTION XIV. EFFECTIVITY

This Memorandum Order shall take effect immediately upon approval.

Done this 5th day of December 2022.

DOMINGO F. PANGANIBAN
Senior Undersecretary



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