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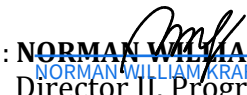
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16 December 2024

MEMORANDUM

FOR : 
MA. CRISTINA G. LOPEZ
OIC-Executive Director

THRU : 
NORMAN WILLIAM S. KRAFT
Director II, Program Monitoring and Information Systems Management


ANNALYN R. GARAY
Chief, Program Monitoring Division

FROM : 
RACHEL A. BUSTAMANTE
C.A.O. Program Monitoring Division

SUBJECT : Agricultural Guarantee Fund Pool (AGFP) 2024 2nd Quarter Status Report

We would like to submit the 2024 2nd Quarter Status Report of the AGFP). The report presents an update on the status of the AGFP detailing the fund's financial performance which include, among others, amount of guaranteed loans by partner lending institutions, number of accounts enrolled for guarantee and status of the fund. It also highlights the guarantee claims paid as well as recoveries under the program.

Further, the report outlines the issues and challenges encountered during the program's implementation and provides detailed action plans to address these concerns. These strategies are designed to overcome obstacles and ensure the program's continued implementation.

Moreover, the report has been thoroughly reviewed and approved by the AGFP officers to ensure its accuracy and completeness.

Thank you.

Agriculture Guarantee Fund Pool (AGFP)
2024 Q2 Status Report¹

1. Approved Guarantee Lines

As of June 30, 2024, the AGFP has 86 partner lending institutions with a combined outstanding guarantee line amounting to P10.5 billion (Table 1). Nearly two-thirds of AGFP's partner lending institutions are banks (63%) and 32% are cooperatives.

Table 1. Status of Approved Guarantee Lines
As of June 30, 2024

Type of Partner Lending Institution	No. of Partners	Outstanding Guarantee Lines (PhP)
Banks	54	₱6,724,000,000.00
Cooperatives	28	₱1,064,000,000.00
NGOs & Farmers/People's Org.	4	₱2,729,000,000.00
Corporations	-	-
Total	86	₱10,517,000,000

2. Guaranteed Loans

Loans guaranteed under the AGFP from January to June 2024 amount to P1.7 billion. Bank loans comprise 88% (P1.5 billion) of the total. The rest of the guaranteed loans are from cooperatives (P116 million) and NGOs & Farmers/People's Organizations (P91.4 million). As of June 30, 2024, the cumulative amount of loans guaranteed under the AGFP has reached P78.7 billion (Table 2).

Table 2. Amount of Guaranteed Loan, By Type of Partner Lending Institutions
As of June 30, 2024

Type of Partner Lending Institution	Year-To-Date (PhP)	Cumulative* (PhP)
Banks	₱1,559,926,378.62	₱58,655,470,090.95
Cooperatives	₱116,509,213.56	₱6,720,821,581.77
NGOs & Farmers/People's Org.	₱91,420,100.00	₱7,410,612,402.95
Corporations	-	₱5,911,872,318.53
Total	₱1,767,855,692.18	₱78,698,776,393.75

3. Number of Accounts Enrolled for Guarantee

During the 1st semester of 2024, a total of 21,567 small farmers and fisherfolk were provided guarantee under the AGFP (Table 3). Most of these borrowers, representing 83% or 18,041 accounts, secured loans through banks. As of June 30, 2024, the AGFP had extended its guarantee coverage to a cumulative total of 1,460,539 loan accounts involving 772,132 small farmers and fisherfolk

¹ This report has been vetted and approved by AGFP Officers, Ms. Cherrylyn Salita, Agriculture Accounts Services Dept., Agriculture Guarantee Group and Mr. Alfonso Chino O. Argonza IV, Collections and Claims Dept.



**Table 3. No. of Accounts Enrolled for Guarantee
As of June 30, 2024**

Type of Partner Lending Institution	Year-To-Date		Cumulative	
	No. Of Transaction	No. Of SFF	No. Of Transaction	No. Of SFF
Banks	19,805	18,041	988,095	485,761
Cooperatives	1,742	1,547	131,684	81,619
NGOs & Farmers/People's Org.	2,213	1,979	248,909	151,548
Corporations	-	-	81,851	53,204
Total	23,760	21,567	1,460,539	772,132

**Cumulative balances are enrolments/guarantees accumulated from 2008 up to date, including guaranteed loans of SMEs until 1st quarter of 2015.*

4. Outstanding Guaranteed Loans

As of June 30, 2024, outstanding loans with AGFP guarantee cover amount to P1.2 billion (Table 4) with 14,927 SFF borrower. Bank loans account for 91% of the outstanding guaranteed loans, while the rest (P115.6 million) are loans from cooperatives and NGOs/farmers’ organizations.

**Table 4. Outstanding Guaranteed Loans
As of June 30, 2024**

Type of Partner Lending Institution	Amount (PhP)	No. of SFF
Banks	₱1,124,618,974.67	13,227
Cooperatives	₱67,897,024.06	953
NGOs & Farmers/People's Org.	₱47,755,500.00	747
Corporations	-	-
Total	₱1,240,271,498.72	14,927

5. Status of the Fund

The AGFP seed fund as of June 30, 2024 amounts to a total of P11.15 billion (Table 5). The primary source of funding for the AGFP (96%) is remittances from the Bangko Sentral ng Pilipinas (BSP), the funds of which were drawn from penalties under RA 10000 amounting to P10.67 billion. The remaining 4%, amounting to P483.6 million, came from contributions made by government-owned and controlled corporations (GOCCs) and government financial institutions (GFIs) in compliance with Administrative Order No. 225-A.

**Table 5. Status of the Fund
As of June 30, 2024**

Contributor	Amount (PhP)
GOCCs/GFIs (AO 225-A)	₱483,644,900.00
Remittance from BSP (AGFP share in RA 10000 penalties)*	₱10,669,466,563.18
Total Outstanding Seed Fund	₱11,153,111,463.18

**net of bank service charges*



6. Status of Guarantee Claims Filed

From January to June 30, 2024, the cumulative guarantee claims filed against the fund amount to P325.7 million (Table 6). Of this total, P134.03 million claims have been processed, while claims amounting to P104.97 million are in process, and P86.71 million remain pending with PLIs due to incomplete documents. Moreover, claims totaling P33.02 were found to be ineligible or were withdrawn by the PLIs. The claims rate of the AGFP is 5.7%.

Table 6. Status of Guarantee Claims
As of June 30, 2024

Partner Lending Institution (PLI)	Total Claims Filed			1/Pending with PLIs (In PM)	2/Total Claims In Process (In PM)	Total Claims Processed (In PM)	3/Total Guarantee Claims Paid (In PM)	4/Claims Rate (%)
	No. of PLIs	No. of Accounts	Amount (In PM)					
			(a)					
Banks	37	11,318	318.16	86.12	103.66	128.39	97.04	6.22
Cooperatives	5	73	4.63	-	.51	4.12	2.97	2.55
FOs/ MFIs	4	244	2.92	.59	.80	1.52	1.00	1.09
Total	46	11,635	325.71	86.71	104.97	134.03	101.02	5.71

^{1/} Claims awaiting PLIs' submission of complete documents.
^{2/} Claims amounting to P0.85M have already been approved, while claims amounting to P104.12M are under evaluation.
^{3/} All guarantee claims were paid within the prescribed period.
^{4/} Claims Rate = Claims Paid / Guaranteed Loans

7. Status of Claims and Recoveries

The total guarantee claims paid by the AGFP amounts to P101 million as of June 30, 2024 (Table 7). Over half (53%) or P53.25 million has been recovered.

Table 7. Status of Claims Paid and Recoveries
As of June 30, 2024

Type	Year-To-Date		Cumulative (As of June 30, 2024)	
	Claims Paid (In PM)	Recoveries (In PM)	Claims Paid (In PM)	Recoveries (In PM)
Banks	97.04	52.51	2,856.55	1,400.44
Cooperatives	2.97	0.62	188.74	80.19
Fos/MFIs	1.02	0.13	175.24	53.57
SMEs/Corporation	0	0	178.50	10.33
Total	101.02	53.27	3,399.03	1,544.54



Issues and Challenges of Agricultural Guarantee
For 2nd Quarter of 2024

Issues/Challenges		Plans of Action to Address the Issues/Challenges
POLICY LEVEL		
1.	Global volatility of fuel prices, volatility of domestic farm-gate prices of agricultural produce, high cost of agricultural production, and lack of markets for some agricultural products heighten the risk of loan recovery for creditors and make farmer-borrowers reluctant to avail of loans.	1. Continue aggressive marketing campaign via: a. Multimedia advertisements b. Marketing letters, including emails to lending institutions' credit officers to apprise them of the benefits of the guarantee program; c. Coordinate with the federations of rural and cooperative banks, federations and unions of cooperatives, microfinance organization and other financing institutions that lend to small farmers and fishers; d. On-site client visits; e. Conduct customer interviews/surveys; 2. Coordinate with ACPC for program collaboration 3. Link lenders and support-service providers that can promote operational efficiency in agri-lending.
2.	Low productivity expected in some areas due to the occurrence of El Nino. Connected to this, farmers in agricultural areas that have irrigation problems are not confident to avail themselves of loans because of the expected low or poor agricultural productivity.	
3.	The conversion of some farmlands to commercial use.	
4.	The proliferation of low-priced imported and smuggled agricultural products discourages farmers from continuing their farming activities, which leads to non-availment of loans and enrolment for AGFP guarantee coverage.	
5.	The general policy among banks to disqualify their delinquent borrowers from re-availing of fresh loans until the defaulted amounts are settled. Since the AGFP can only cover 85% of the loan, a loan will remain classified as past due if 15% of it remains unsettled.	
6.	There are government loan programs for small farmers and fishers that are implemented through financial institutions (FIs) at zero-risk for the FI and, therefore, do not require any guarantee cover from the AGFP.	
7.	Programs of the national and local governments that provide almost all farm inputs, such as seeds, fertilizers, farm equipment and machineries, bring down the demand for farm loans.	
8.	Amendments to the Agri-Agra Credit Reform Act of 2009 and its Implementing Rules and Regulations have allowed banks to invest part of their mandated portfolio in green projects and other forms of resiliency projects and investments in rural communities. This has reduced banks' operational challenges in complying with the provisions of the law.	
9.	Many rural banks are shifting from unsecured to secured agri and non-agri lending, e.g., SMEs, etc., as these are almost zero-risk transactions that do not need a financial guarantee.	
OPERATIONAL LEVEL		
1.	Some existing partner financial institutions are not fully utilizing their guarantee lines while others are not applying for the re-establishment of their expired lines due to unresolved or unpaid claims still being acted upon by the Business Operations Group.	
2.	Farmers who already established good credit standing with some partner banks can obtain unsecured agri loans without a need for AGFP guarantee cover.	

