



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 680
Series of 2010

Subject: Rules and Regulations for the Provision of Micro-Agri Loans

Section 1. Statement of Policy. The Bangko Sentral ng Pilipinas adopts a holistic approach in addressing social and economic objectives through microfinance. Microfinance utilizes an innovative technology and methodology that has proven successful in providing the appropriate financing for microentrepreneurs who were previously underserved by the formal financial system. Through the years, it has been evident that the microfinance technology and methodology can be appropriately utilized to deliver other types of financial services in a sound, prudent and sustainable manner, including credit for small farming activities.

Section 2. Minimum Criteria to Determine Banks' Capacity to Offer Micro-Agri Loans. The BSP will review the application based on the following basic principles:

1. To ensure that the banks have the capacity and technical capability to offer micro-agri loans
2. To ensure that the provision of micro-agri loans uphold adequate and appropriate risk management systems and procedures as well as the microfinance best methodologies and technologies

Based on the above principles, the BSP may consider the banks' micro-agri loans as microfinance loans upon satisfaction of the following requirements:

1. The bank must have a track record of at least two years in implementing sustainable microfinance programs, including acceptable portfolio-at-risk (PAR) levels as evaluated against prevailing BSP standards.
2. The bank must have an appropriate micro-agri loan product manual to be included in the bank's microfinance manual as one of the types of services or products offered to prospective clients. Loan/ account

PANANALAPING MATATAG, BANSANG PANATAG

officers must be trained about the micro-agri loan product and that the details of the program can be communicated clearly to the clients.

Section 3. Basic Product Characteristics. The micro-agri loan product shall have the criteria/ characteristics of a microfinance loan as provided in existing regulations in addition to the following product characteristics:

Subject	Particulars
Purpose/ Term	✓ Short term purposes only (up to 12 months) whether it is for farm activities, agri-business, agri-related fixed assets, among others.
Eligibility	✓ Multiple income generation activities (farm and off-farm) ✓ Farm activities at least 2 years in operation ✓ Existing borrowers with good track record based on banks' policies
Loan Amount	✓ Up to PhP 150,000 ✓ Loans to start small and increase incrementally based on banks' policies
Loan Value	✓ Capacity to pay based on household cash flow analysis
Payment	✓ Frequent amortization (weekly, semi monthly, monthly) ✓ Lump sum payment may be considered an option of up to 40% of loan amount
Security	✓ Like microfinance loans, collateral substitutes may be required

Section 4. Appropriate Risk Management. Micro-agri loans shall be subject to the same risk management mechanisms required for microfinance loans including, but not limited to the following:

1. Clients' ability to repay based on cash flow analysis and affordability especially the new clients. The prospective client must have other sources of income sufficient for the periodic payment of the loan while the loan project is not yet generating income, evaluated through household cash flow analysis
2. Adequate loan monitoring, collection, control, provisioning consistent with existing BSP regulations
3. The loan product is included in the banks' microfinance manual as one of the types of services or products offered to prospective clients
5. The micro-agri loans must have a sub-control ledger.

Section 6. Regulatory Treatment. The approved micro-agri loan product will be considered as a microfinance loan and have the same regulatory treatment as provided by existing microfinance regulations.

Section 7. Effectivity. This Circular shall take effect fifteen calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD.



ARMANDO L. SURATOS
Officer-in-Charge

3 February 2010