Directed Credit Programs: Issues and Framework for Reform

Gilberto M. Llanto
Ma. Piedad S. Geron
Marie Christine G. Tang

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Please address all inquiries to:

National Credit Council Secretariat
Department of Finance

Gil S. Beltran
Ma. Teresa S. Habitan
Joselito S. Almario
Ma. Lourdes V. Dedal
Aurora Luz D. Villaviray
Febe J. Lim
Eric C. Tipgos

4th Floor Executive Tower Building
Bangko Sentral ng Pilipinas Complex
Roxas Boulevard, Manila
Telephone Nos: (632) 523-3825 and 525-3305
Fax No: (632) 524-4287

Credit Policy Improvement Program
Project Management Office

Gilberto M. Llanto, Ph.D
Ma. Piedad S. Geron, Ph.D
Susan R. Elizondo
Mary Ann D. Rodolfo

4th Floor Executive Tower Building
Bangko Sentral ng Pilipinas Complex
Malate, Manila
Telephone No: (632) 525-0487
Telefax No: (632) 525-0497
E-mail: cpipuser@philonline.com.ph

Introduction

In the 1970s, there was a proliferation of directed credit programs, mainly implemented in the agriculture sector. Loanable funds were earmarked for direct availment by targeted borrowers at highly concessional rates. The funds came from three sources: government budget, special time deposits at the Central Bank, and the Central Bank's rediscounting window. Most of the loans under the directed credit programs were extended by specialized banks, e.g., rural banks, development banks, and government financial institutions. Massive credit subsidies were provided to bring down the cost of borrowing for targeted sectors. This resulted in credit rationing of small borrowers, high default rates, and the capture of credit subsidies by large borrowers. Deposit mobilization was also neglected due to the availability of cheap loanable funds from the government.[2]

In the mid-1980s, the government introduced a number of financial market reforms, among them the adoption of market-based interest rates, termination of subsidized rediscounting programs at the Central Bank, consolidation of existing credit programs into the Comprehensive Agricultural Loan Fund (CALF) to serve as a guarantee for agricultural loans granted by banks, and termination of direct lending by

2 *Esguerra (1980); Neri and Llanto (1985)*

government agencies implementing credit programs. However, while these reforms were introduced and implemented in agriculture finance, there was an increased proliferation of subsidized credit in the industry and manufacturing sector, especially for the small- and medium-scale industries. A number of livelihood projects were implemented as intervention for poverty alleviation. As a result, a number of government agencies went into the financing of livelihood and income generating projects, which were actually directed credit programs.

On October 8, 1993, a Social Pact on Credit was established by a broad alliance of government, non-government, and people's organizations concerned with the delivery of credit to the countryside. To make formal credit available to the basic sectors, the Social Pact recommended, among other things, the rationalization of credit programs. In the case of directed credit programs, the first step to rationalize them was to inventory all operating government directed credit programs.

This survey provides baseline data of all directed credit programs. The analysis of data presented in this survey will provide the National Credit Council (NCC) critical information that can be used as basis for the rationalization mandate of the NCC. Aside from the information, this study also brings out the issues and a policy reform agenda that need to be considered by the NCC in its task of providing a policy environment that would facilitate the development of a viable and sustainable financial market.

Framework of Analysis

Directed credit programs (DCPs) have always been used as a convenient policy tool to direct the flow of financial resources to a specific sector of the population for a specific purpose. In most cases, the targeted sectors are those perceived by policymakers to be in need of financial resources to conduct a specific activity considered essential for development (e.g., production loan, working capital loan, processing loan, etc). DCPs are thus used as a policy tool. They are relatively easy to implement and provide government high visibility, unlike infrastructures which take a long time to build and implement. Thus, DCPs are deemed essential in alleviating the plight of the perceived disadvantaged sector of the economy. In view of their easy implementation[3] and their immediate effect on the target beneficiaries, they are usually preferred by policymakers especially when immediate results[4] are considered a priority in the design of policies.

The implementation of DCPs over the years has turned out to be a series of learning experiences. Critics pointed out various disadvantages of DCPs, a number of which are listed

3 In most cases, DCPs are implemented by setting aside a specific amount of money for re-lending under a specific program which defines clientele, purpose and the loan terms and conditions.

4 A specific program is considered to have positive results when the desired amount of financial resources have been channeled to the targeted sector.

in Adam and Vogel (1996). The review of literature in the succeeding section traces the evolution of DCPs in the Philippines as they have been altered over time to address specific concerns. On the whole, DCPs channel financial resources of the government to a targeted sector for a specific purpose. Usually provided through concessional lending, they entail hidden fiscal costs and create distortions in the credit markets.

For purposes of this study, DCPs are defined as credit programs directed toward a specific sector, with funding coming from sources external to the implementing organization. In most cases, DCP funds are either budgetary allocation, grants or loan proceeds from bilateral or multilateral donor organizations.[5] DCPs use subsidized interest rates. Credit programs using funds internally generated by the agency concerned are excluded from the survey, even if the funds are given at below-market interest rates.[6]

Several modes of implementation have been used for DCPs. ***Figure 2.1*** shows a schematic diagram of two basic models –

5 *These include credit programs with donor funding wherein the government assumes credit risks (through government guarantees) and/or foreign exchange risks, or wherein government counterpart (whether in cash or in kind) is required.*

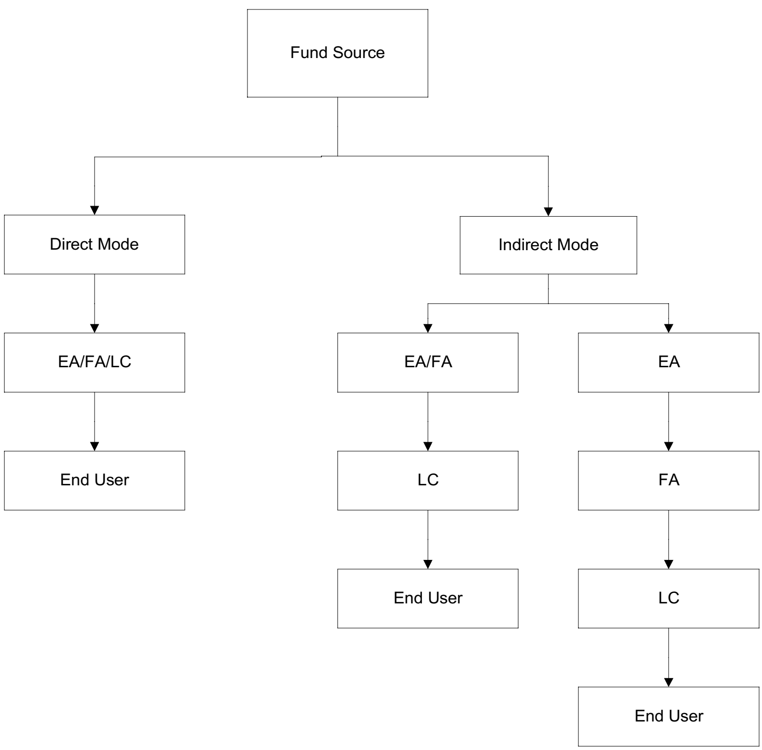
6 *They are excluded since they do not have hidden fiscal costs. These include credit programs of SSS, GSIS and HDMF for their members as well as internally-funded programs of GFIs.*

7 *These refer to funds specially constituted for the purpose of implementing directed credit programs. These include the Comprehensive Agricultural Loan Fund (CALF), the Agrarian Reform Fund (ARF), the National Livelihood Support Fund (NLSF), and the Self-Employment Assistance Revolving and Settlement Fund. The CALF, established under E.O. 113 (1986), consolidated all agricultural and agriculture-related loan funds into one general fund. The ARF was created under E.O. 229 (1987) with funds coming from the proceeds of sales of the Asset Privatization Trust, among others. The NLSF* ***(NOTE: MISSING WORDS HERE)*** *The SEA Fund, established under RA 5416, consolidated the SEA Recovery Fund at the DSWD Central Office and the SEA Trust Funds at the DSWD Regional Offices.*

the direct and the indirect models. Prior to discussing these models, it may be useful to provide the following definitions:

- *Fund source (FS)* – the source of credit funds. It includes budgetary allocations, special funds,[7] grants, loan proceeds, or internally generated funds.
- *Executing organization (EO)* – the agency which was given the funds for the credit program.
- *Fund administrator/manager (FA)* – the agency that administers and manages the funds earmarked for the credit program.
- **Lending conduit** (LC) – the institution through which funds are channeled to the end-user.

Figure 2.1
Implementation Models of Direct Credit Programs



Under the direct model, credit resources are lent directly to the end-user by the executing agency, which also acts as the fund administrator. Under the indirect model, two modes are identified. In the first mode, the executing agency doubles as the fund administrator and channels the credit funds through lending conduits for re-lending to end-users. In the second mode, the executing agency channels the credit funds through a fund administrator or manager which lends the funds to lending conduits for re-lending to end-users.

To gather information on the directed credit programs implemented in the country, a complete enumeration of these programs was made through a survey. The survey was implemented at the program administration level only, i.e., gathered data on program profile, operational performance, and broad financial performance. Also conducted were interviews with key program officials, including key personnel in government financial institutions (DBP and LBP) which were mainly used as conduits of a number of DCPs in reaching the end-users. Specific credit data on borrowing terms and conditions of end-users were excluded from this survey.

The framework discussed in this section is used in the description and analysis of data gathered from the survey. Directed credit programs are analyzed in terms of their fiscal costs, outreach, and sustainability. Management and implementation issues are also discussed.

Review of Related Local Literature

This section gives a brief review of recent literature evaluating DCPs in the Philippines. Except for the paper by Lamberte and Lim (1987), the review covers only studies done in the 1990s, largely on existing credit programs (see ***Annex 1***).

Lamberte and Lim provided a comprehensive background on rural financial markets, and discussed nearly all issues related to rural finance – rural formal and informal markets, rural savings, borrower behavior, and monetary and credit policies on rural financial markets. Of particular interest to this survey is their finding that massive credit subsidy to the rural sector – in the form of 38 agricultural credit programs implemented in the 1970s and early 1980s – did not work because they could not substitute for the failures in agricultural development. They thus prescribed that the government move away from specialized, supervised and subsidized credit and concentrate instead on freeing interest rates and on making macroeconomic policies neutral to all sectors of the economy.

With the shift toward market-oriented policies in the late 1980s, a new crop of literature on rural finance emerged, focusing on market failures and identifying areas for government intervention. The more recent literature centered on issues related to the design, financial viability, outreach, and impact on beneficiaries of the DCPs. A few (OECF 1995; Llanto 1993) called for the termination of DCPs implemented through non-financial government agencies.

Design issues. Esguerra (1995) and Lamberte (1992) reviewed Philippine experience with supervised credit and identified the following distinguishing features in today's credit programs: (i) the trend toward group lending rather than individual lending; (ii) the increasing use of lending conduits to implement the programs; (iii) the grant of more comprehensive financing packages rather than commodity- and activity-specific loans; (iv) the incorporation of savings mobilization features; and (v) the targeting of a much broader set of beneficiaries.

On group lending. The merits of group lending is well-known due to the experience of Bangladesh's Grameen Bank. In group lending, a loan is granted to a group of like-borrowers which re-lends the loan to its individual members. As the entire group is accountable for the loan, it effectively acts as guarantor for the individual member loans, thereby reducing the overall risk on the loan. What is crucial then to the success of this scheme is the formation and preparation of the group. In particular, Esguerra (1995) noted that group size, the development of "positive expectations," equity contribution, training and information on member-borrowers are critical factors for sustaining a group lending scheme. Indeed, many failed experiences with group lending can be traced to the group's lack of maturity and skill in fund management.

On the use of lending conduits. Given the generally poor performance of line agencies in implementing DCPs, the government has increasingly turned to financial institutions to administer the programs. The obvious advantage of using financial institutions is that these institutions are in the business of lending and, therefore, have comparative advantage in lending operations. This is borne out by Lamberte (1992), who examined programs managed by government financial institutions (GFIs) such as the LandBank and the Development Bank of the Philippines. He noted that the programs benefited in terms of: (i) scale and scope economies; (ii) credit market expertise of bankers; (iii) minimized political interference; and (iv) more flexibility in responding to the changing environment.

This may be contrasted with the programs implemented by government agencies, which not only suffered from lack of staff expertise in credit evaluation, monitoring and collection, but were also susceptible to political interference in the agencies' credit judgments (OECF 1995). Moreover, Llanto (1993) held that the participation of government non-financial institutions created distortions in the credit markets and discouraged bank expansion in rural areas. Thus, the authors are one in calling for the termination of direct lending by government agencies and argued instead for the transfer of credit programs currently managed by non-financial government agencies to GFIs.

In addition to financial institutions (private or government, commercial, thrift or rural), non-government organizations (NGOs) and cooperatives have also gained acceptance as alternative channels for DCPs, particularly to the "non-bankable" sectors. Due to their proximity to borrowers, the NGOs and cooperatives have informational edge over financial institutions and are, thus, able to realize lower screening costs. In fact, the OECF (1995) reported that cooperatives and NGOs have become a major source of formal credit in the rural areas. Nonetheless, despite their popularity, Lamberte cautioned against the promotion and nourishing of such alternative credit delivery systems, noting that some NGOs realize very high spreads from administering the credit programs. More recently, Llanto et al. (1995) pointed out the sustainability and governance problems of NGOs which prevent them from being efficient micro credit institutions.

On savings mobilization. The incorporation of savings mobilization schemes in DCPs aimed primarily to enhance the internal fund generation capacity of cooperatives and allow them to disengage themselves from external sources of funds for credit. Usually, savings mobilization involves capital build-up (forced savings from members) for the cooperative, supplemented by voluntary savings from members. Today, many DCPs that are coursed through cooperatives require deposit generation as a condition for loan access. An example is the Grameen Bank Replication Program (GBRP) which demonstrated that the poor were capable of (forced) savings on a regular basis (ACPC 1995).

Financial Viability. Most DCPs involve government subsidies in one form or another.[8] As there are competing demands for government's limited resources, the costs of running the programs are crucial to their sustainability. While there is no study estimating the overall cost involved in implementing all the DCPs in the Philippines, many studies have looked into individual programs' administrative and operational costs in terms of the lending process, manpower requirements, paperworks involved, processing time, and transaction costs.

Subbarao et al. (1996), ACPC (1995), and Llanto (1993) all pointed to the high administrative cost of running such programs as the GBRP and the DAPCOPO. In particular, Subbarao et al. claimed that the operational costs of the GBRP in the Philippines were four to five times higher than the operational costs of Grameen Bank in Bangladesh, which meant high government subsidy for the program. This was validated by the ACPC, which calculated an average government assistance of ₱0.64 per peso loan granted under the GBRP.[9]

Another concern is the poor repayment rates of DCPs. The reason behind the poor repayment is the doleout mentality of borrowers who view the loans as government money which need not be repaid. This was validated by Subbarao et al. (1996), who concluded that the unsatisfactory repayment rates of the livelihood programs they reviewed were due to an unwillingness, not incapacity, of the borrowers to repay the loans.

The use of financial institutions as program implementors augured well for DCPs. The usual finding is that programs run by financial institutions have higher repayment rates compared to those handled by non-financial institutions. This may be attributed to the fact that financial institutions have their own criteria in approving loan applications over and above the criteria set by the individual programs, so that they are able to reduce their risk exposure (Lamberte 1992). On the other hand, non-financial institutions, such as the Department of Agriculture, cater largely to small rural borrowers, so that the poor repayment performance reflected problems attendant to small farmer lending (Esguerra 1995).

8 *Subsidies may come in such forms as direct budgetary allocation, lower-than-market interest rates, loan guarantees, and administrative support.*

9 *In the case of the IRF, Llanto noted that it has lower administration cost due to the credit line financing approach it followed.*

Outreach and impact on beneficiaries. The ultimate measure of success for DCPs is whether or not they were able to reach their target beneficiaries. The usual indicators include the number and type of beneficiaries, their income level, and program impact in terms of employment generation and better access to credit. The number of beneficiaries who are able to graduate into the formal financial system is another test of a DCP's success.

The use of non-conventional lending conduits to implement the programs has considerably improved the outreach of DCPs. The DCPs have particularly benefited from the existence of branches of financial institutions in the rural areas. On the other hand, the use of financial institutions also proved to be advantageous to end-borrowers as credit became more accessible and transaction costs were reduced (Lamberte 1992).[10] In general, Llanto (1993) found that, to some extent, agricultural DCPs were able to increase the access of the rural sector to credit. However, he noted that such access remains insignificant compared to the loans extended to big borrowers by the banking system.

In terms of program impact, studies on individual credit programs gave varying results on how the programs affected the beneficiaries' standard of living. For example, the ACPC (1995) reported that the GBRP has made a significant impact on the standard of living of its beneficiaries. In contrast, Subbarao et al. (1996), in a study of 54 livelihood programs, concluded that the benefit-cost ratios of the programs were unfavorable (except two) and that the incremental employment and income effects were negligible. Further, they noted that the programs served the nearpoor and nonpoor households more than the ultrapoor households.

Several other issues remain. One has to do with the proliferation of credit programs in the country. A recent OECF (1995) study in the Philippines counted 111 government-sponsored credit programs covering the following areas: agriculture, livelihood, forestry, young professionals and studentry, technology transfer, exports, business, government, hospital, education, housing and others.[11] The study found that many of the DCPs have similar functions and clientele leading to duplication and waste of government resources. It thus argued for a credit coordinating body to put order into the various programs, determine the mobilization of resources for DCPs, and ensure their efficient utilization.

A second issue has to do with the monitoring and data collection systems of the agencies implementing DCPs. Many of the programs were found to have weak monitoring systems, making any measurement of accomplishments, or more realistically, program implementation costs, difficult. Hence, the general prescription is to have the implementing agencies put in place more effective monitoring systems to allow performance evaluations of the DCPs.

A third and more important issue relates to the role of the government in credit markets. In theory, the role of the government is limited to cases of market failure. For instance, the government has a role to play in producing information to address the information asymmetry in credit markets (Llanto 1990). In this respect, this role takes on the form of creating an environment conducive to financial intermediation

10 Likewise, in a paper focused on credit unions, Lamberte (1995) noted that coursing loans through credit unions could widen further the range of income classes that could benefit from the programs.

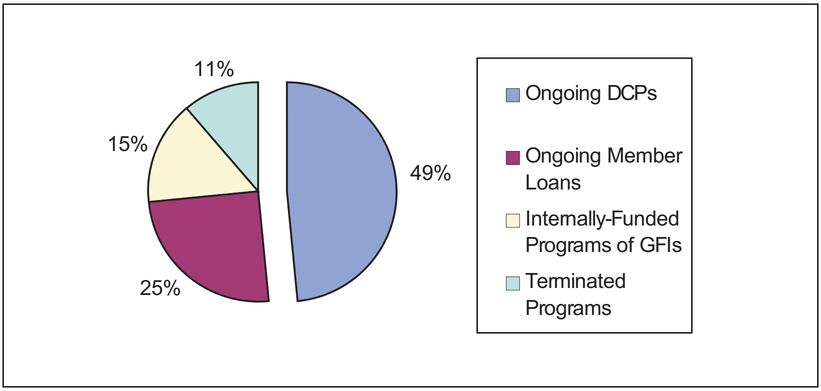
11 The study included the programs of the SSS and the GSIS which this survey excluded.

primarily through the provision of physical and institutional infrastructure to support rural development (Esguerra 1995). In contrast, the DCP approach involves the direct intervention of government by way of channeling subsidized financial resources to target sectors.

Survey Results

For the period 1994-1996, the survey identified a total of 177 DCPs administered by various government institutions *(Figure 4.1)*. As of December 1996, 89% of these programs were still ongoing; the rest have been terminated (but are, nonetheless, being serviced for collection). Of the 157 ongoing programs, 71 are either member-loan programs of government pension funds (SSS, GSIS, HDMF) or are internally funded programs of government financial institutions. For purposes of this survey, these programs were excluded since they lend out funds generated from their own members. Thus, the survey effectively covers 86 DCPs implemented by 21 executing agencies.

Figure 4.1
Credit Programs of Government Institutions by Program Status



Executing agencies may be government line agencies and their attached bureaus, government non-bank financial institutions (NBFIs), government-owned and controlled corporations (GOCCs), and government financial institutions (GFIs). Government line agencies own the most number of DCPs, followed by the GFIs *(Figure 4.2)*. Together, they manage almost 80% of the programs, with line agencies overseeing 37 programs and GFIs handling 31 programs. Among the former, the more active agencies are the DA (12 programs), the DTI (9 programs), and the CDA (5 programs). On the other hand, the two GFIs – LBP and DBP – manage 21 and 10 programs, respectively.

Figure 4.2
Government Institutions Implementing DCPs

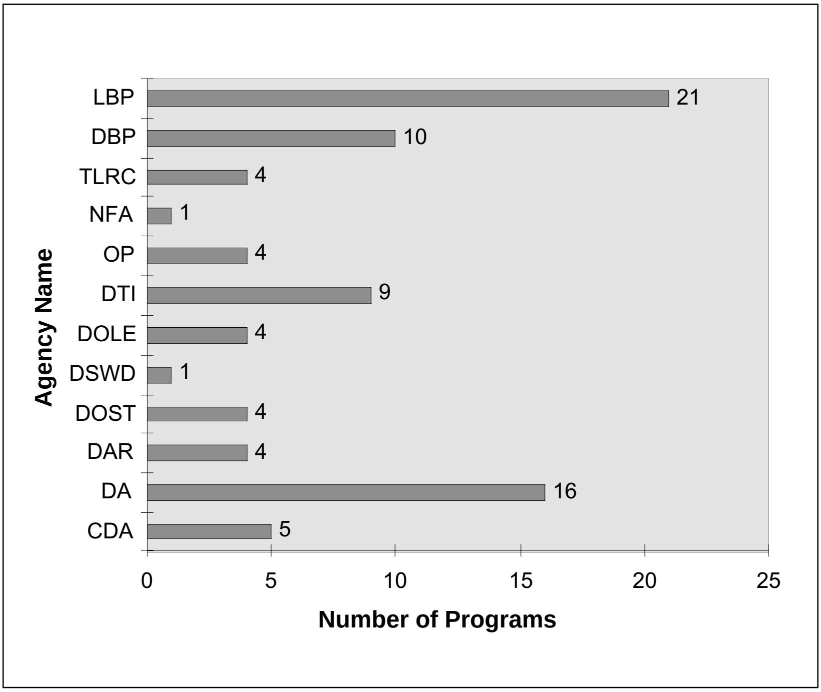


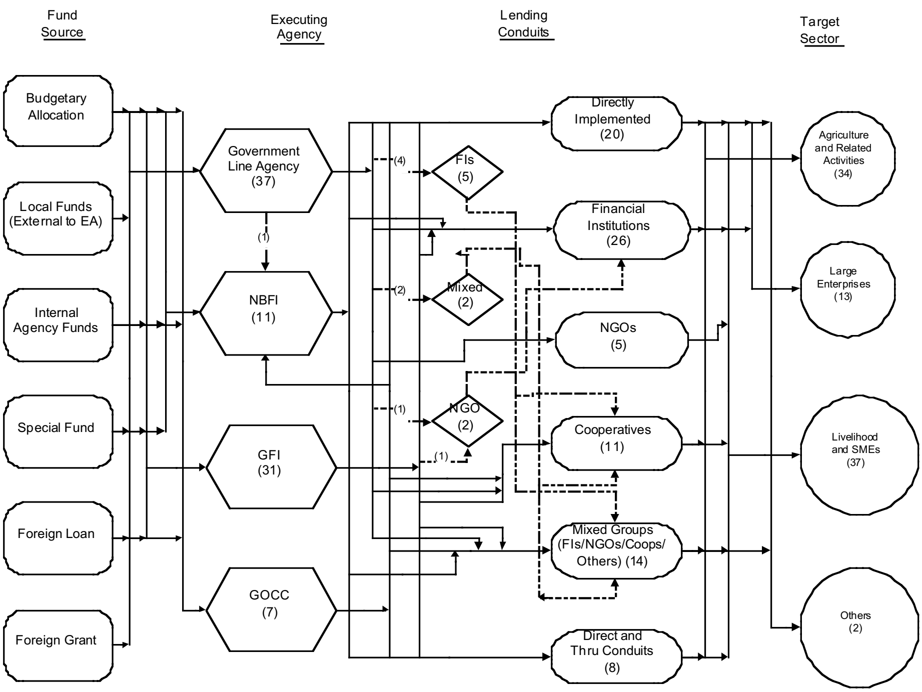
Figure 4.3 summarizes the 86 ongoing programs in terms of their source of funds, who owns them, how they are implemented, and what sector they target. Each of these aspects will be discussed in the following sections. It is enough to point out at this time that the complex structure of the programs makes it quite difficult to trace program funds from source to end-user, which entails moving through a labyrinth of credit conduits of varied shapes and sizes.

Program Profile

By Fund Source

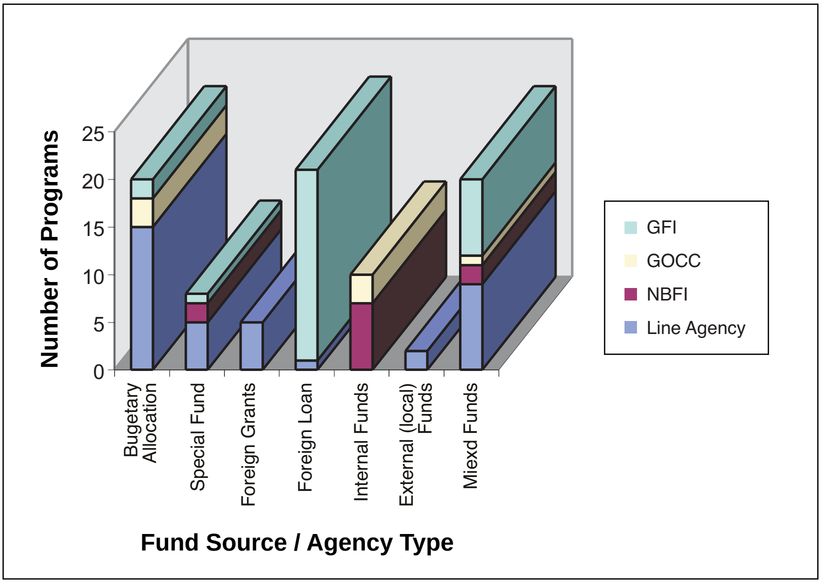
The major sources of funding for DCPs are budgetary allocation, foreign loans, internal agency funds, special funds constituted for the programs, and foreign grants. Budgetary

Figure 4.3
Flow of Funds Chart for Directed Credit Programs



appropriation is most important for programs of government line agencies. Of the 20 programs funded out of government budget, 15 are programs of government line agencies ***(Figure 4.4)***. Moreover, in another nine programs of line agencies, budgetary allocation is supplemented by other fund sources for additional support. An important component of government budgetary appropriation consists of Congressional Initiative Allocation (CIA) of senators and Congressional Development Fund (CDF) of congressmen. The survey identified six programs funded solely from CIA/CDF.[12]

Figure 4.4
Profile of DCPs By Fund Source, By Agency Type



12 These six programs do not include the LBP's 5:25:70 Countryside Partnership Scheme, which combines CIA/CDF with internal LBP funds. It may also be worthwhile to note that some agencies receiving CIA/CDF do not allocate the funds to any specific program but use the funds to supplement other program funds. The authors believe that there are many more DCPs funded by CIA/CDF, but these remain unreported. Some of these are directly implemented by various staff members of the legislators.

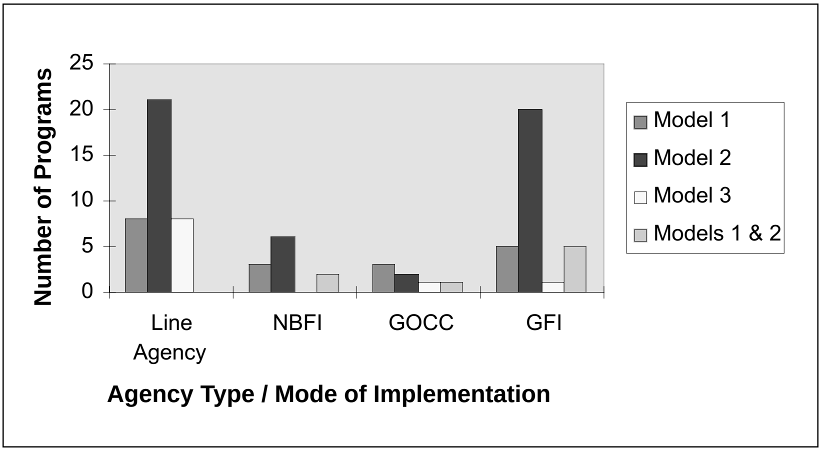
Foreign funds, particularly from multilateral organizations such as the World Bank and the Asian Development Bank (ADB), are another major source of funds. Almost all DCPs funded by foreign loans are programs of GFIs (carrying National Government guarantees) while programs funded by foreign grants belong to line agencies. Overall, foreign loans finance 21 programs, 20 of which are under GFIs, while foreign grants finance five programs, all under line agencies. The latter are mostly non-credit programs (e.g., infrastructure) of the Department of Agriculture, which merely include credits as minor components of the programs.

Meanwhile, special funds finance eight programs, with the CALF funding four of them. The ARF solely funds one program but is also used in combination with internal LBP funds to finance five LBP programs. Internally generated funds of government NBFIs and GOCCs are also utilized for credit programs, providing capital for 10 of these institutions' programs. Meanwhile, two programs of DOST source their funds from DBP, which is mandated by law to provide funds for the programs.

By Mode of Implementation

As discussed in Section 2, there are three primary modes of DCP implementation — direct from executing agency to end-users, indirect through lending conduits to end-users and indirect using fund administrators through lending conduits to end-users. Of the 86 programs classified by model type, only 20 programs (23%) follow the traditional direct lending approach by the executing agency *(Figure 4.5)*. Moreover, among the 20, only eight are directly implemented by government line agencies (notably CDA and DOST), while six are run by GFIs. The rest are divided between NBFIs and GOCCs.

Figure 4.5
Profile of DCPs By Mode of Implementation, By Agency Type



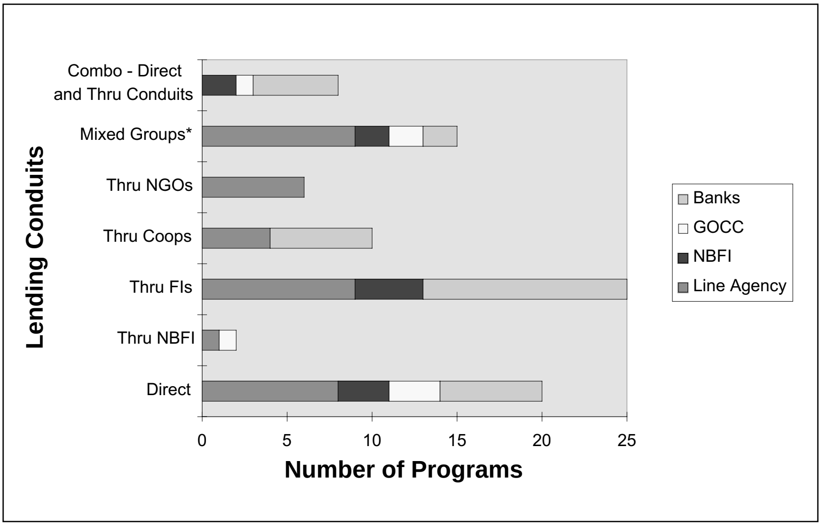
The majority of the programs (48 out of 86) channel funds through lending conduits (Model 2). Again, these are mostly programs of line agencies and GFIs. However, more than half of the programs under NBFI management also channel funds through conduits. Meanwhile, Model 3 programs, wherein funds are coursed through a fund administrator, which in turn uses lending conduits to reach the target beneficiaries, comprise 11% of the programs. The bulk of these programs are owned by line agencies using financial institutions to administer program funds.

In addition to the three basic models, some programs follow a combination of Models 1 and 2. In these case, the executing agency lends directly to program beneficiaries and at the same time uses lending conduits. These programs are mostly managed by GFIs which give loans both for group (e.g., NGOs, cooperatives) projects and for re-lending to individual projects of group members.

By Lending Conduits

In all, 58 programs adopt Models 2 and 3 using a varied mix of lending conduits — financial institutions, cooperatives, NGOs and other organized groups. By far, the most popular conduits are financial institutions, with 25 programs tapping these institutions' expertise in credit delivery ***(Figure 4.6)***. Almost half of these are GFI programs channeling funds through other financial institutions (i.e., private commercial banks, thrift banks and rural banks). There are also nine programs of government line agencies that use financial institutions (both government and private) as conduits.

Figure 4.6
Profile of DCPs By Type of Lending Conduit, By Agency Type

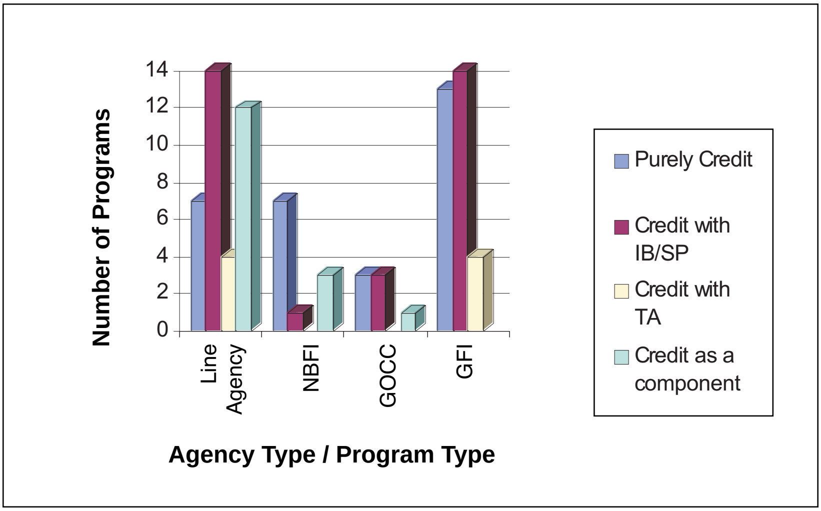


Since DCPs are theoretically designed for the basic sectors which are outside the reach of financial institutions, community-based groups such as NGOs, cooperatives, associations and people's organizations are increasingly used for credit delivery. Cooperatives are the favorite among the present crop of DCPs coursed through such groups, especially among LBP and DA programs. On the other hand, NGOs are principally used under the programs of DTI. A relatively significant number of programs (26% of the 58 Models 2 & 3 programs) use other types of organized groups or a mixture of such groups to reach their target beneficiaries.

By Program Type

DCPs today are divided into three main types — purely credit programs, credit programs with various support features, and programs in which credit is only a portion of the entire intervention process. Recognizing that credit alone does not work, many of today's DCPs supplement credit with such features as institution building (IB), social preparation (SP), savings mobilization, technical assistance, marketing assistance, and the like. Of the 86 ongoing programs, only 30 are purely credit programs, almost half of which are programs of GFIs, particulary DBP ***(Figure 4.7)***. On the other hand, 40 of the programs involve institution building of cooperatives or associations and social preparation of their respective members. Some of these programs also include technical assistance for program beneficiaries.[13] Active in these types of programs are government line agencies and the LBP; together, they manage 35 of the 40 programs.

Figure 4.7
Profile of PDPs By Agency Type, By Program Type



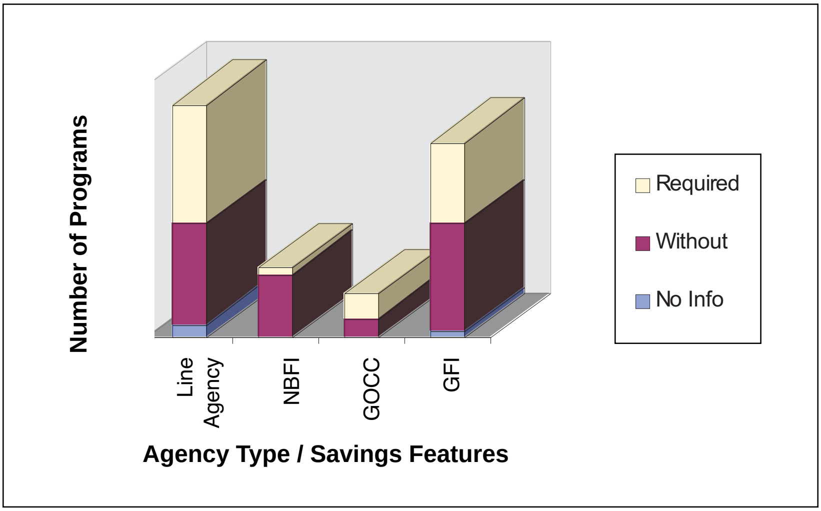
An important feature of institution building programs is savings mobilization, which may involve capital build-up for the group (cooperatives, associations, etc.) as a whole, and savings generation for group members. In whatever form, savings in credit programs are mainly "forced" and are tied to loans. Usually, the cooperative either deducts a percentage of the borrower's loan as his contribution to the group's savings effort or adds in some percentage in the borrower's loan amortization as forced savings. In the case of some institutions like LBP and CDA, the existence of a capital build-up program is one of the criteria used to accredit cooperatives.[14] Hence, even some purely credit programs effectively require savings

13 *Funding for these extra components may be included in the program funds or may be sourced from the interest earnings on program funds deposited with the conduit bank. In many cases, government agencies or NGOs negotiate with banks (such as LBP) for a tie-up scheme, in which the former provide training and technical assistance while the latter provide credit assistance.*

14 *Specifically, the criteria states that the cooperative must have an "ongoing capital build-up program resulting in annual incremental equity equivalent to ₱500 per member."*

mobilization for accessing loan. In still other programs of government agencies, group members are required to save a percentage of their loan as forced savings.[15] In all, 37 programs require borrowers to save in order to access loans ***(Figure 4.8)***.

Figure 4.8
Profile of DCPs By Agency Type, By Savings Features



Finally, a good number of programs include credit only as minor components of the programs, or use credit in tandem with other financial assistance (e.g., loan guarantees). Most of these are programs of government line agencies, such as those of the DA mentioned above.

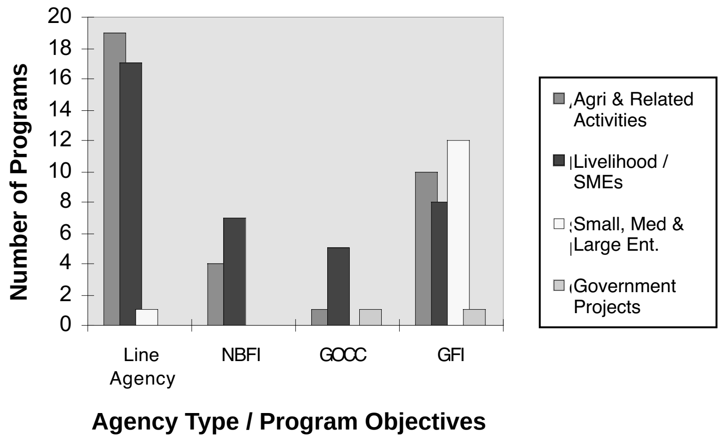
By Target Sector

Compared to DCPs in the 1970s, today's DCPs target a wider range of sectors – agriculture, enterprises of small, medium and large scale (SMEs and SM&L), and livelihood.

15 For instance, DSWD's SEA-K requires association members to give an additional 50% for their weekly payment as part of their savings under the program.

Agriculture continues to be the favorite target of DCPs, with 40% of them catering to agriculture and related activities. More than half (19 programs) of the agricultural programs are implemented by government line agencies, while one-third (10 programs) are under GFIs *(Figure 4.9)*. Programs for agriculture consist of loans for production and seasonal operating capital, fixed asset acquisition (e.g., post harvest facilities), and marketing activities. Most of these are directed at farmer cooperatives and their members and involve institution building, social preparation, or technical assistance components.

Figure 4.9
Profile of DCPs By Agency Type, By Program Objectives

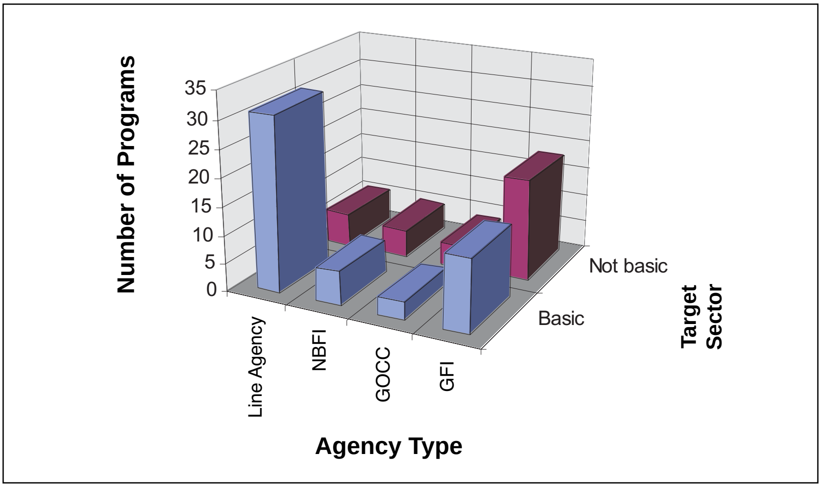


Besides agriculture, line agencies are also active in providing credit for livelihood activities. Of the 17 livelihood programs, nine are run by line agencies. Livelihood programs consist of financial assistance for income-generating projects of beneficiaries and usually involve institution building. There are several programs for small- and medium-scale enterprises

(SMEs) supported mostly by line agencies and NBFI. These programs generally aim to encourage entrepreneurship and provide loans to expand the operations and increase the capacity of small businesses. In comparison to line agencies, GFIs are more inclined to provide credit to small, medium, or large agricultural or industrial enterprises. The bulk of this credit comes from foreign-funded programs of DBP for plant construction, expansion or modernization, as well as for machinery and equipment acquisition.

In terms of the basic sectors, a classification of programs by their stated objectives indicate that 53 of the 86 programs are targeted at such groups as the poor and the non-bankable ***(Figure 4.10)***. As expected, the majority of these programs are administered by line agencies. In comparison, there are 33 DCPs which cater to sectors that normally would have more access to regular bank credit. Some of these programs provide credit at subsidized interest rates either at the conduit or at the end-user level.

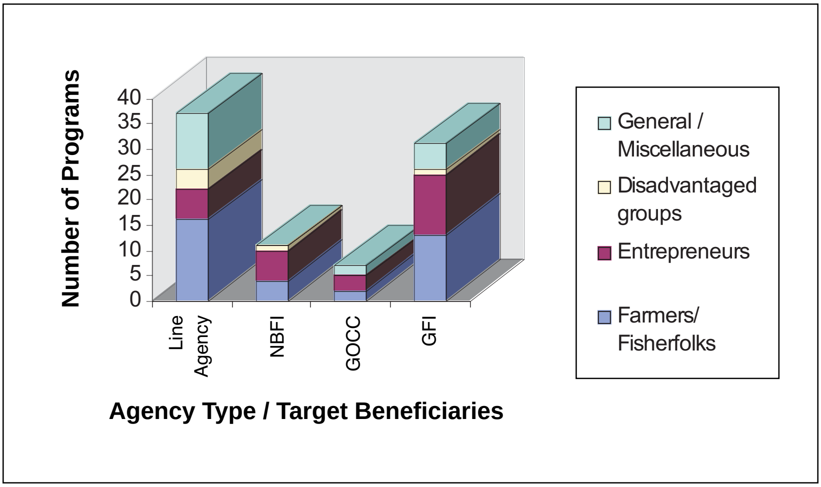
Figure 4.10
Profile of DCPs By Agency Type, By Target Sector



In terms of specific groups, seemingly anyone can have access to any credit program. There are DCPs for market vendors, inventors, military personnel, rebel returnees, employees, traders, etc. However, farmers and fisherfolk continue to be the main beneficiaries of DCPs (***Figure 4.11***), particularly of programs managed by line agencies and GFIs (in particular, LBP). Entrepreneurs are likewise a favorite group, especially among banks. Almost half of the 27 programs for entrepreneurs are under bank management.

A total of 18 DCPs serve a more general mix of beneficiaries (no specific target group) and non-traditional groups such as OCWs and inventors, while six others cater to the disadvantaged sectors such as the ultra poor, the disabled, the homeless, women, and victims of disasters. Government line agencies are expectedly more active in servicing such groups.

Figure 4.11
Profile of DCPs By Agency Type, By Target Beneficiaries



By Interest Rates at Various Levels[16]

There are various levels of interest rate from fund source to end-user, starting with the cost at which funds are transferred from source to the executing agency. From the executing agency, funds may either be transferred to the lending conduit or to the end-user at different interest rates. If the program involves a fund administrator, another level of interest charges is added. Since the survey covers only the program level, interest rate charges from the conduit to the end-user are not reported in the survey.

From fund source to executing agency. Based on available information on 71 programs, program funds are mostly passed on from the fund source to the executing agency at zero cost to the executing agency (35 programs) ***(Table 4.1a, b)***. The majority, or 29 of the programs, are of line agencies with funds coming mostly from government budget and foreign grants. For 11 foreign loan-financed programs, funds are passed on to the executing agency at interest rates between 0.75% and 10%. However, despite the low interest rates, foreign loans carry other costs for the executing agency. For LBP, for instance, these other costs include service fees (ranging from 0.1% to 1%), foreign exchange risk cover (3% average), and guarantee fee (1%) paid to the national government for the latter's guarantee on the loan.

16 Initial survey results indicate that some programs provide loans at "market" rates. This will be the subject of an ensuing CPIP study on "Formulation of Appropriate Interest Rate Structure on Loans."

Table 4.1a
Profile of Directed Credit Programs
By Agency Type,
By Interest Rate from Fund Source to Executing Agency

Interest Rate	Line Agency	NBFI	GOCC	GFI	Total
0%	29	1	3	2	35
0.75% - 5%	0	0	0	4	4
6% - 10%	0	0	0	7	7
0% + fund gen. cost of banks	3	0	0	1	4
Fund gen. cost of agency	2	9	3	7	21
No Information	3	1	1	10	15
Total	37	11	7	31	86

Table 4.1b
Profile of Directed Credit Programs
By Fund Source,
By Interest Rate from Fund Source to Executing Agency

Fund Source	Budgetary Allocation	Special Fund	Foreign Grants	Foreign Loan	Internal Funds	External (lc) funds	Mixed Funds	Total
0%	20	5	5				5	35
0.75% - 5%	0	0	0	4	0	0	0	4
6% - 1a0%	0	0	0	7	0	0	0	7
0% + fund gen cost of banks	0	0	0	0	0	0	4	4
Fund gen cost of agency					10	2	9	21
No Information		3		10			2	15
Total	20	8	5	21	10	2	20	86

For 21 of the programs (primarily of NBFIs and GFIs), the pass on rate from fund source to the executing agency depends on the fund generation cost of these agencies since the programs are funded out of internal agency funds. Generally, for bank-managed programs, the cost of funds for internally funded programs is the average deposit rate, while for NBFIs and government corporations, the pass on rate is not based on an explicit cost of funds. Thus, non-financial government agencies involved in DCPs will have varying "cost of funds" depending on its sourcing and utilization of agency budgets.

Finally, in 12 of the programs, the average cost of program funds for the executing agency is equal to the weighted average rate on funds from various sources. For instance, the DAR-LBP Countryside Partnership Program has 25% of the funds at 0%, and 70% at LBP's average fund generation rate.

From executing agency to fund administrator. If the executing agency doubles as fund administrator, then at the next level, funds are directed either at lending conduits or end-users. However, if another entity is used as fund administrator, then funds may be transferred in either of two ways: (a) as a loan with corresponding interest charges; or (b) as a trust fund account for which the fund administrator charges a percentage management fee. Based on available information on 10 DCPs, the executing agencies are usually line agencies and the fund administrators either GFIs or government NBFIs. The pass on rate from executing agencies to fund administrators range from 0% to 6%.

From executing agency or fund administrator to lending conduits. Interest rates to lending conduits may be applied uniformly across conduits or depending on such characteristics as loan purpose and loan maturity. Uniform interest rates may range from 0% to any "market-based" rate. On the other hand, programs with interest rates based on loan purpose typically depend on whether the loan will be used for working capital, fixed asset acquisition or marketing. Generally, working capital loans are charged lower interest rates than fixed asset loans.

Some programs with mixed funding sources use different interest rates for each fund source. This is done since some fund contributors specify the maximum or minimum rate to be charged.[17] Still, in other programs, interest rates depend on loan maturity, giving premium to longer-term loans.

From executing agency to end-user. Interest rates to end-users are likewise applied in various ways. In many cases, the rates are applied uniformly across borrower types and loan types and generally, range from 0% to 24%. In other cases, they are based on loan purpose (higher for fixed asset loans than for working capital loans), maturity (higher for medium- to long-term loans than for short-term loans), collateral requirements (higher for non-fully collaterized loans than for fully collateralized loans) and firm size (higher for larger SMEs than for smaller SMEs). Moreover, interest rates to end-users may be applied either on diminishing loan balance (e.g., GFI programs) or on a flat-rate basis (e.g., PITC program).

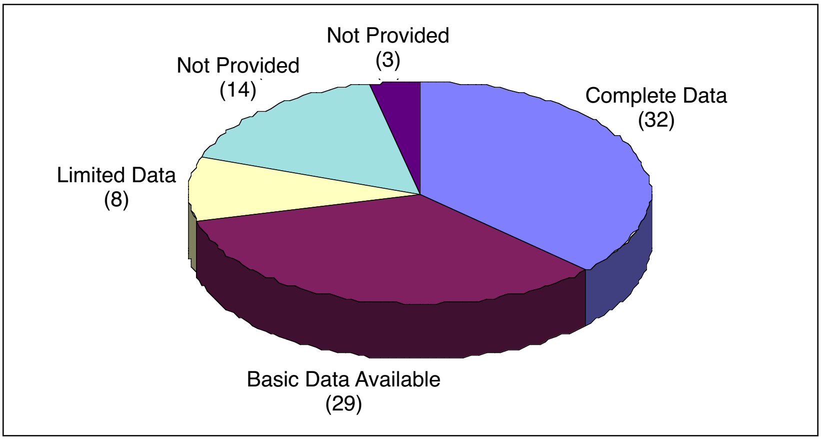
Program Performance

This survey tried to compile background information on the programs from program documents and interviews with key agency officials. It was, however, not as successful in gathering financial data on the DCPs. The main reason is that

17 For instance, under ACPC-LBP 5:25:70 scheme, ACPC funds are lent at 0% interest while LBP funds are lent depending on loan purpose. Production and working capital loans are charged 12% interest, while fixed asset acquisition loans are charged 14%. In addition, a 2% fee is included as LBP's supervision cost.

most of the agencies do not generate the data on individual programs in the form requested by the survey. Rather, most of the programs have available only basic data (e.g., loans granted, loans outstanding, loans matured and collected, number of borrowers). Others have a minimal set of data which are not even enough to calculate repayment rates. Still other programs, mainly internally funded programs of banks and GOCCs, do not have their own sets of data as program funds are managed together with other agency funds. In all, there are only four programs with complete data, including individual financial statements ***(Figure 4.12)***. Half of the rest of the programs generated only a basic set of data, while one-third did not submit financial information because: (a) they were newly launched programs and have not granted loans as yet; (b) the agencies managing the programs were not able to fill out the forms on time; and (c) the data were simply not generated by the concerned agencies.

Figure 4.12
Data Availability for Directed Credit Programs*



* Data gathered updated using the data in the following studies: a) Assessment of the Role and Performance of Government Non Financial Agencies (GNFAs) in Implementing Directed Credit Programs; and b) Assessment of the Performance of Government Financial Institutions (GFIs) and Government Owned and Controlled Corporations (GOCCs)/Non-Bank Financial Institutions (NBFIs) in Implementing Directed Credit Programs.

Given data limitations, the following discussion on program performance is restricted only to those programs that provided the needed information. Care must be taken in generalizing the results considering the number of programs reporting for each variable.

Fiscal Cost

Data on initial fund allocation for 63 DCPs (representing 73.3% of the total number of DCPs) show that more than ₱40 billion, or 1.8% of GNP in 1996,[18] were invested in the programs of the different agencies ***(Table 4.2)***. The bulk of these funds were sourced from foreign loans which provided a total of more than ₱34 billion for 19 programs (representing 90% of total foreign loan-funded programs). On the average, foreign loans provided funding of ₱1.8 billion per program, which is 22 times larger than the average size of a government budget-funded program. While most of these funds are GFI borrowings, they nonetheless carry national government guarantees.

Table 4.2
Directed Credit Programs
Initial Fund Allocation, In millions of pesos

Fund Source	Line Agency		NBFI		GOCC		GFI		Total	
	# Rep	Amount	# Rep	Amount	# Rep	Amount	# Rep	Amount	# Rep	Amount
Budgetary	13	1,280.78			3	119.79	3	62.71	19	1,463.28
Allocation o/w CIA/CDF	5	457.11					1	85.40	6	542.51
Special Fund	5	511.80	1	202.00			1	355.00	7	1,068.80
Foreign Grants	4	398.50							4	398.50
Foreign Loan	1	663.61					18	33,555.65	19	34,219.26
Internal Funds			3	1,416.41					3	1,416.41
Mixed Funds*	5	1,375.04							5	1,375.04
Total	33	4,686.84	4	1,618.41	3	119.79	23	40,510.86	63	40,483.80

* Budgetary allocation and foreign funds

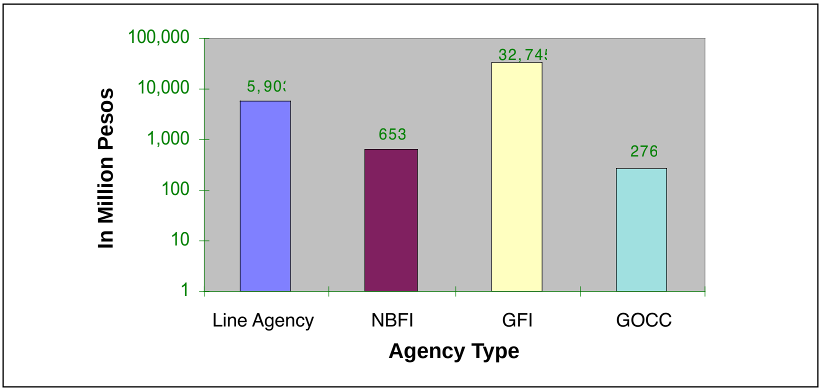
18 GNP for 1996 is ₱2,283 billion.

Budgetary allocation furnished a total of ₱2,006 million for twenty-five programs (representing 95% of programs funded from the budget), or an average of ₱80 million per program. Most of these funds (or ₱1,281 million) were infused into programs of line agencies. Funding for six of the programs came from CIA/CDF of senators and congressmen amounting to ₱542 million. This translates into ₱ 90 million per program, indicating that programs funded from the budget proper received lower-than-average funding allocation than programs funded from CIA/CDF.

Combined funds from foreign sources and budgetary allocation contributed another ₱1.4 billion to five programs of line agencies, or ₱275 million per program. On the other hand, internal funds of government NBFIs furnished another ₱1.4 billion to support three DCPs, or an average of ₱472 million per program.

Loans Outstanding. As of December 1996, loans outstanding under 63 DCPs (representing 73.3% of total DCPs) amounted to ₱39.6 billion ***(Figure 4.13)***. This translates into ₱628 million per program which is a little bit lower than the initial allocation per program. The bulk (82.7%) of outstanding loans belong to 22 programs of GFIs totaling ₱32.7 billion, or an average of ₱1.5 billion per program. In contrast, outstanding loans of programs under other agency types are much smaller. Line agencies reported a total of P5.9 billion outstanding loans for 32 programs or about P184 million per program. In the case of 5 programs of NBFIs, their loans amounted to ₱652.6 million or ₱130 million per program. On the other hand, GOCCs have the smallest loans outstanding at ₱275.9 for 4 programs or ₱ 69 million per program.

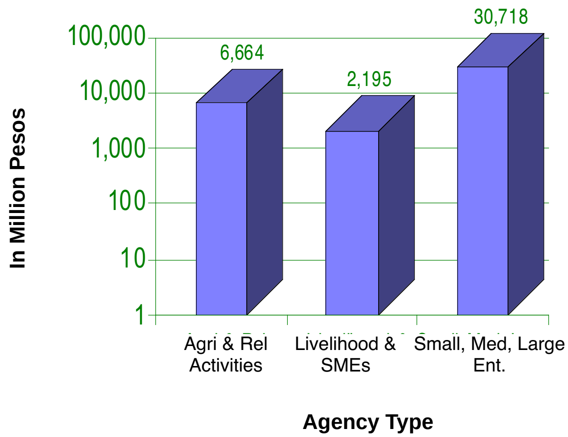
Figure 4.13
Loans Outstanding Under 63 DCPs* By Agency Type, As of Dec. 1996



* The number of reporting programs by agency type is as follows: 32 for line agencies, 5 for NBFI, 22 for GFI, and 4 for GOCC

In terms of target sector, the same data set shows that ₱30.7 billion are outstanding loans of small, medium and large (SM&L) enterprises under 12 programs ***(Figure 4.14)***. These are mostly foreign loan-funded programs of the DBP with loan sizes in the tens and hundreds of million pesos. On the average, outstanding loans per program catering to the sector is ₱2.6 billion. In comparison, outstanding loans of programs serving the agricultural sector follow a far second with loans of ₱6.7 billion for 28 programs, or an average of ₱238 million per program which are 11 times lower than the average loans under the SM&L program.

Figure 4.14
Loans Outstanding Under 63 DCPs By Target Sector, As of Dec. 1996



* The number of reporting programs by agency type is as follows: 28 for agriculture and related activities, 23 for livelihood and SMEs, 12 for small, medium and large enterprises.

Outreach

Total Borrowers. Data on 64 DCPs (representing 74.4% of total DCPs) for the two years 1995-96 show that a total of 67,821 borrowers received loans under the programs *(Table 4.3)*. These borrowers include not only individual and corporate borrowers but also group borrowers, such as NGOs and cooperatives which use the funds both for their own projects and for re-lending to group members. There was a huge jump in the number of borrowers from 1995 to 1996. This increase is due primarily to the DA's *Gintong Ani Program* which introduced direct lending to individuals in 1996 and to some programs which started in 1996.

Individual borrowers under the *Gintong Ani Program* made up the bulk of total borrowers for the past two years. However, ignoring for the moment the individual borrowers under the *Gintong Ani Program* (to make data for the two years comparable), the table shows that there are more cooperative borrowers in the last two years than any other borrower type. In 1996 however, the numbers went down by 6% compared to 1995. On the other hand, a remarkable increase of 167% was registered by NGO borrowers, indicating that these group had been actively participating in the directed credit market.

Table 4.3
Number of Borrowers Under 64 DCPs For period 1995-1996

	Programs Reporting*	Number of Borrowers					
		Individuals	NGOs	Coops	PPC	Others	Total
Line Agencies							
1995	27	164	1,455	4,974	0	0	6,593
1996	30	37,995	3,887	4,961	2	0	46,845
NBFI							
1995	4	4,314	0	207	228	0	4,749
1996	8	3,654	0	242	299	0	4,195
GOCC							
1995	3	0	0	56	0	1	57
1996	5	0	0	27	0	25	52
GFI							
1995	19	0	0	1,738	1,043	0	2,781
1996	21	0	0	1,323	1,225	1	2,549
Total							
1995	53	4,478	1,455	6,975	1,271	1	14,180
1996	64	41,649	3,887	6,553	1,526	26	53,641

* The number of reporting programs for 1995 and 1996 does not tally since some programs started only in 1996.

Besides the increasing number of group borrowers, their wider outreach is also attested by the data. For 1995-1996, data on 24 DCPs (subgroup of the 64 programs discussed above) show indirect beneficiaries reaching 685,794, or 15 times as many as the direct individual beneficiaries of the 64 programs (including *Gintong Ani*) ***(Table 4.4)***. More than half (14) of the 24 DCPs coursed its funds through 7,125 cooperatives with 577,015 beneficiaries or an average of 81 individuals per cooperatives. Except for a program which course its funds through an NGO, the rest were coursed thru cooperatives/federations.

Looking at the figures by agency type, the widest outreach may be traced to programs of line agencies and GFIs. For the two-year period, line agencies and GFIs averaged 27,195 and 57,713, respectively in terms of indirect beneficiaries per program. On a year to year basis, however, the data showed that beneficiaries under bank and GOCC programs declined

Table 4.4
Number of Indirect Beneficiaries Under 24 DCPs
For period 1995-1996

	Programs Reporting	1995	1996	Total
Line Agencies	12	131,273	195,070	326,343
NBFI	4	18,603	47,814	66,417
GOCC	3	9,388	5,079	14,467
GFI	5	164,681	113,886	278,567
Total	24	323,945	361,849	685,794

by 31% and 46%, respectively. On the other hand, beneficiaries under NBFI and line agency programs rose by 157% and 49%, respectively.

Average loans granted per account. Data on loan sizes per account for 64 DCPs (representing 74.4% of total DCPs) show average loans granted of about ₱13 million per loan in 1996.[19] These refer to loans granted to all types of borrowers – individuals, corporations, cooperatives, NGOs, and other organized groups. Hence, the large average loan size. However, a breakdown of the data by agency type shows disproportionately large loan sizes for programs of GFIs compared to programs of the other agency types ***(Table 4.5)***. For the two years 1995-1996, GFIs granted average loans of ₱32.5 million per account (for 22 reporting programs) compared to line agencies' ₱900,000 per loan (30 reporting programs) and NBFI's ₱700,000 per loan (8 reporting programs).

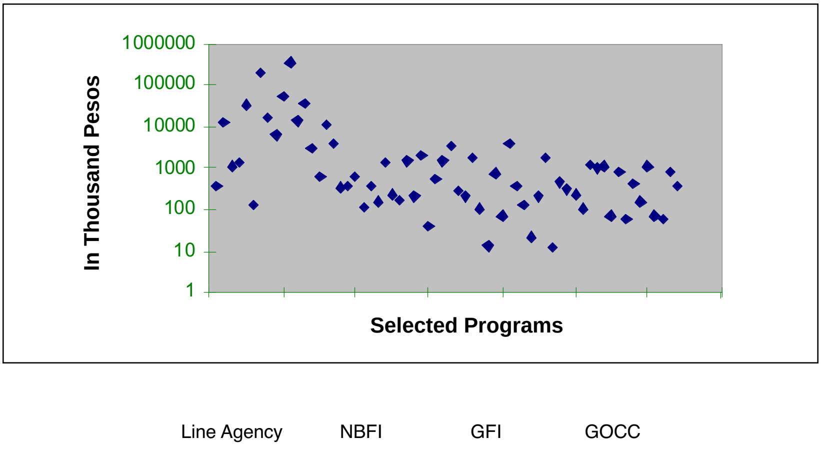
Table 4.5
Average Loans Granted Per Account By Agency Type, 1995-1996
(Amounts in million pesos)

Agency Type	# Reporting	1995	1996
Line Agency	30	1.0	0.8
NBFI	8	0.5	0.9
GFI	22	29.1	35.9
GOCC	4	0.4	0.8
Total	64	10.6	12.9

19 *An account refers to one loan transaction, not borrower account.*

Data on the distribution of average loan sizes by agency type show that the smallest loan size (₱11,000 in 1995 and ₱13,000 in 1996) was granted by a line agency, while the largest loan (₱207 million in 1995 and ₱371 million in 1996) was granted by a GFI *(Figure 4.15)*. Further, most of the loans granted of reporting NBFI and line agency programs were below ₱1 million, while 50% of the reporting GFI programs granted loans above ₱5 million. This result seems to support the contention of line agencies and NBFIs that their credit programs cater to the low end of the market, most of which are considered non-bankable.

Figure 4.15
Distribution of Average Loans Granted Per Account, 1996



The big average loan size of GFI programs may be traced to the fact that the reporting GFI programs mostly cater to the SM&L sector. Data on the sectoral breakdown of average loans granted per account reveal huge average 1995-96 loan size of ₱ 57.1 million per loan for 12 programs catering to the SM&L sector *(Table 4.6)*. In contrast, the average loans granted under the programs serving the other sectors are smaller, such as those for livelihood/SMEs which amounted to only ₱500,000 in 1996 (6 reporting programs). The same is true with livelihood and agricultural programs which averaged P600,000 and P700,000, respectively. More than half of these programs reported below P500,000 loan sizes.

Table 4.6
Average Loans Granted Per Account By Program Objective, 1995-1996
(In Million Pesos)

Agency Type	# Reporting	1995	1996
Agriculture	21	0.9	0.7
Agri & Rel Activities	6	1.1	6.8
Livelihood	14	0.3	0.6
SMEs	5	1.8	1.1
Livelihood / SMEs	6	0.6	0.5
Sm, Med, Lrg Ent.	12	51.8	62.4
Total	64	10.6	12.9

In terms of average loans granted per account by various conduit types, the data show that programs coursed through financial institutions were larger in loan size compared to other conduit types *(Table 4.7)*. For 1995 and 1996, the financial institutions granted an average of ₱33 million per loan, with loans in 1996 ranging from a low of ₱48,000 to a high of ₱371 million. For directly implemented programs the average was ₱3.5 million per loan (14 reporting programs). This was merely pulled up by one program with loans averaging ₱35 million and 4 programs with loans averaging more than P1 million. The rest of the programs granted and average loan lower than ₱1 million. Similarly, programs lending through organized groups granted relatively smaller loans, averaging

Table 4.7
Average Loans Granted Per Account By Mode of Implementation, 1995-1996
(In million pesos)

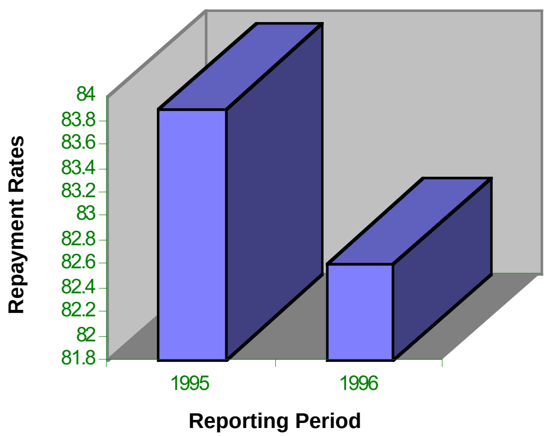
Agency Type	# Reporting	1995	1996
Directly Implemented	14	2.6	4.3
Thru NBFI	2	1.6	0.4
Thru Financial Institutions	20	28.3	37.2
Thru Cooperatives	13	0.7	0.5
Thru NGOs	6	0.2	0.5
Thru Mixed Groups	8	0.6	1.2
Combo- direct and thru conduits	1	0.5	0.5
Total	64	10.6	12.9

₱600,000 for cooperatives (13 reporting programs) and ₱350,000 for NGOs (6 reporting programs), with most of the programs granting average loans below ₱500,000.

Viability and Sustainability

Repayment Rate.[20] Forty-nine percent of 86 DCPs performed fairly well in 1996 with an average repayment rate of 82.6%, slightly lower than the 1995 figure (83.9%) ***(Figure 4.15)***.

Figure 4.16
Average Repayment Rates for 42 Programs 1995 vs. 1996



20 *Computed based on loans collected and matured in 1995 and 1996.*

The distribution of average repayment rates by various dimensions (agency type, implementation mode, target sector) provides better information on program performance. For instance, in 1996 NBFI and GFI programs registered the highest average repayment rates of 91.7% (5 reporting programs) and 89.8% (17 reporting programs), respectively *(Table 4.8)*. In 1995, these two agencies performed even better with both posting a 92.2% repayment rate. In terms of the number of programs, 4 out of 5 for NBFIs and 12 out of 17 for GFIs performed remarkably well with repayment rates ranging from 91-100%. Poor repayment performance on the other hand, were registered by programs under GOCC with an average of 67.2% (4 programs) and line agency with 76% (16 programs). Three programs of these agencies had repayment rates ranging from lower than 50%-60%.

Table 4.8
Distribution of Average Repayment Rates For 42 Reporting Programs By Agency Type, 1995-1996

	1995				1996			
	Line Agency	NBFI	GFI	GOCC	Line Agency	NBFI	GFI	GOCC
Minimum (%)	20.0	88.4	36.2	58.17	34.5	74.0	21.7	56.1
Maximum (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	93.0
Average (%)	73.59	92.22	92.24	75.76	76.0	91.74	89.80	67.22
below 50%	2		1		2		1	
51-60%				1	1			2
61-70%	2			1	1		1	1
71-80%	3		2		3	1	2	
81-90%	4	2			7		1	
91-100%	2	2	12	1	2	4	12	1
Programs Reporting*	13	4	15	3	16	5	17	4

* Number of reporting programs for 1995 and 1996 does not tally since some programs started only in 1996.

In terms of implementation mode, data show that 15 of the 18 or 83.3% of the reporting programs which registered repayment rates above 90% coursed their funds through financial institutions *(Table 4.9)*. Of these, only one program which utilized financial institutions as conduits showed poor repayment rate ranging from 50% to 60%. The average repayment performance of directly implemented programs, while fairly good in 1995 (85%) for 5 programs, weakened considerably in 1996 (70%) for 7 programs. Programs coursed through the NGOs also posted similar experience - 85% repayment rate in 1995 and down to 79.8% in 1996. The seven programs using cooperatives as conduits performed badly with 70% average repayment rates for 1995-96.

Table 4.9
Distribution of Average Repayment Rates For 42 Reporting Programs By Mode of Implementation, 1995-1996

	1995						1996					
	Directly Impl.	Thru FI	Thru NBFI	Thru Coop	Thru NGO	Mixed	Directly Impl.	Thru FI	Thru NBFI	Thru Coop	Thru NGO	Mixed
Minimum (%)	58.2	20.0	80.0	36.1	63.7	83.0	27.3	34.5	72.0	21.7	61.5	60.0
Maximum (%)	100.0	100.0	100.0	77.0	100.0	90.2	100.0	100.0	93.0	100.0	90.0	100.0
Average (%)	85.1	88.3	90.0	68.7	85.2	76.7	70.1	93.2	82.5	71.8	79.8	79.4
Below 50%	1	2		1			1	1		1		
51-60%	1						2			1		1
61-70%	1			1	1					1	1	
71-80%		1		2		2	1	1	1	1		1
81-90%	1	2	1	1		1	2	1		2	2	2
91-100%	3	12	1		2		1	15	1	1		1
Prog. Rep.	5	17	2	5	3	3	7	18	2	7	3	5

Data on average repayment rates by sector show very good repayment performance of programs for SM&L enterprises with 97.7% in 1995 and 99.9% in 1996 *(Table 4.10)*. Except for one, all programs for SM&L have repayment rates under 91-100% ranges. Programs catering to both livelihood & SMEs ranked second with 90.2% in 1996 and 97.3% in 1995 (3 programs). The lowest average repayment rates during the two year period was registered by programs for agri & related activities (71.3%) followed by program for livelihood projects (75%) and agriculture (77.6%).

Table 4.10
Distribution of Average Repayment Rates For 42 Reporting Programs By Target Sector, 1995-1996

	1995					1996				
	Agri-culture	Agri & Rel Act.	Liveli-hood	Lvlhd & SMEs	SM&L Ent.	Agri-Culture	Agri & Rel Act.	Liveli-hood	Lvlhd & SMEs	SM&L Ent.
Minimum (%)	20.0	67.1	58.2	91.8	99.5	21.7	27.3	56.1	82.7	80.1
Maximum (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average (%)	75.5	79.4	74.8	97.3	99.9	79.6	63.3	75.4	90.2	97.7
Below 50%	3					2	1			
51-60%			1				2	2		
61-70%		1	2			1		1		
71-80%	4	1				4	1			1
81-90%	4		1			4		2	2	
91-100%	4	1	1	3	9	6	1	2	1	9
Prog. Rep.	15	3	5	3	9	17	5	7	3	10

Management and Implementation Issues

This section looks at institutional factors, systems and practices of agencies implementing DCPs. Interviews with key agency officials were conducted for this purpose.

On Institutional Capability

Most DCPs were created and lodged in agencies that conduct activities other than lending. To implement the programs, the agencies either assign an existing department in the organization to manage the programs or, more commonly, create a unit dedicated solely to administering the programs. Employees working on the program may be regular or contractual employees hired on a full-time or part-time basis. In some cases, one staff member handles a specific program from start to end. In other cases, several groups of people together handle a program, with each group focusing on one particular aspect of loan processing (e.g., one takes charge of evaluation, another monitoring, another collection).

It would seem that many of the agencies tasked to implement DCPs, especially line agencies and GOCCs, do not have the capability to effectively deliver credit. To start with, they have totally different mandates and, thus, do not have the necessary staff support to carry out the requirements of a credit program. Without the necessary skills, these agencies face problems at every stage of the credit delivery process — evaluating proposals, screening loan applicants, monitoring and record keeping, loan collecting — rendering the programs ineffective and unsustainable.

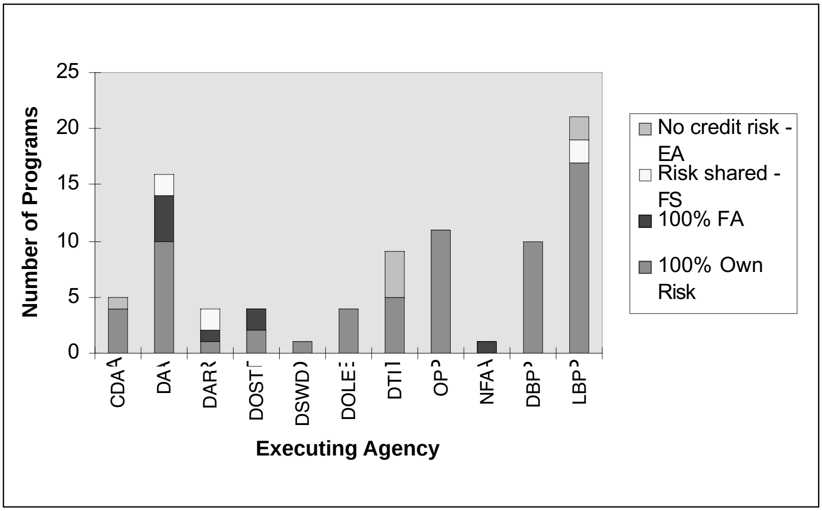
To cite an example, CDA's primary mandate is to regulate and supervise credit unions. However, it operates five lending programs inherited from previous implementors (i.e., Central Bank, ACPC). The lack of credit delivery skills on the part of CDA's personnel resulted in such problems as low repayment rates, cases of fraud involving "fly-by-night" cooperatives, and inability of field personnel to collect payment.

On Management Control

Depending on program design, management control over a program may be exercised solely within the implementing institution, or there may be committees that manage the program. In certain cases, the implementing institution merely disburses the loan on behalf of the owner of the fund who decides who will receive the loan.[21] Inter-agency Program Management Committees are more common for programs involving Special Funds, or where the fund owner is not the program implementor. These committees' roles vary from policy making for some programs to actual interest rate setting and loan approval for others. In the latter case, the implementing agency does not shoulder the credit risk, and default losses are charged to program funds.[22]

Nonetheless, the executing agencies claim to have some control over their own programs and shoulder the credit risk (true for 75% of the surveyed DCPs) ***(Figure 5.1)***. Decisions on project financing (from project evaluation to loan approval) may then be centralized at the head office of the implementing agency, or they may be decentralized to the regional levels.[23] Centralization of loan processing may become tedious (in terms of processing and management time), especially if the program involves numerous small loans given at the provincial or municipal level.[24] Hence, many agencies have decentralized decision-making to the regional level, retaining central control only over large loans. Such operational matters as loan releases, project monitoring and loan collection are likewise assigned to the regional offices, or if there are no regional offices, to a unit within the head office.

Figure 5.1
Exposure to Credit Risk of Agencies Implementing DCPs



21 *E.g., LBP's Special Livelihood Financing Assistance Program (Type B)*

22 *Most of the agencies implementing CIA/CDF-funded programs do not shoulder credit risks since they have minimal control over where and to whom the funds will be directed. Due to political pressure, some of the agencies release loans (without screening the borrowers) as long as the borrowers are able to satisfy the documentary requirements.*

23 *This may involve internal committees (or the Board of Directors) for loan approval or levels of approving authority within the organization depending on loan amount.*

24 *E.g., DSWD's SEA-K which is moving toward decentralized decision-making.*

Once underway, programs are usually evaluated based on a number of indicators: outreach, fund utilization, loan releases, repayment, program impact, etc. The relative importance of each indicator varies from one agency to the next. In many cases, outreach reigns supreme so that poor loan repayment rates do not matter as much. In other cases, program success is based on the rate of fund utilization so that as long as the fund releases meet targets, the program is deemed successful. Data are then generated depending on which indicators matter to the agency.

In terms of cost coverage, many agencies cannot say to what extent interest income from individual programs cover the costs involved in running the programs (such as administration and operating costs, as well as training costs for programs with institution building). This may be traced to poor data generation and monitoring of the agency, where individual program accounts are, at times, non-existent. Some agencies argue that they cannot keep track of loan repayments from the programs because collections from borrowers are remitted directly to the Bureau of Treasury by their regional offices, which do not have enough personnel to do financial reports. Hence, the flow of program funds is left largely unmonitored.

On Financial Practices

An agency's financial practices impact on how well management is kept abreast of program status. The survey reveals that there is no standard treatment of financial data among the agencies. Thus, a loan considered past due by one agency may still be on current status with another agency. Aging of accounts per program is seldom done. Restructuring of loans may or may not be allowed, and once restructured, they may be classified separately or lumped together with the current accounts. Provisioning for doubtful accounts may or may not be done and may follow different methodologies. Policies on writing-off bad debts or foreclosures of collateral generally do not exist.

The varied ways in which the agencies treat financial data make comparison across programs difficult, if not downright impossible. This suggests that there is some merit in coming up with standard financial practices that will be applied on all DCPs.

On Problems of Implementing DCPs

Considering the amount of funds infused into the programs, many agencies (especially line agencies and NBFI) still cite the lack of funds as their main problem. This reflects both their dependence on continuous capital infusion from outside sources to run their programs as well as their inability to recycle funds given to them. A second problem relates to personnel suitability. Many agencies reported that given their staff complement, they simply do not have the capability to implement DCPs. Not only are the personnel not trained to handle financial matters, their workload also does not allow them to attend full-time to monitoring and collection.

A third problem has to do with political pressure, especially for programs funded out of CIA/CDF. Some agencies are pressured to grant loans even to non-qualified borrowers because the latter are endorsed by congressmen and senators. Some borrowers, viewing the loans as dole outs, do not bother to repay the loans, resulting in poor loan recovery by the concerned agency.

25 *In fact, starting 1997, the CDA is no longer granting new loans but is in the process of transferring their programs to cooperative banks for implementation. Likewise, DTI is in the process of transferring the TST-Micro Credit Project to SBGFC and the TST Program for the Poorest of the Poor to the PCFC.*

On Transferring Credit Programs to Financial Institutions for Implementation

Based on interview results, government line agencies generally recognize the advantages of using financial institutions for credit delivery.[25] However, most of them express some reservations on transferring the programs outright to financial institutions, citing the financial institutions' strict collateral requirements as deterrent to loan accessing by the basic sectors. Others argue that the technicalities of the documents required in applying for a loan from financial institutions would discourage their clients from borrowing. Because of these, some agencies proposed a middle ground, wherein non-financial institutions would steer clear of sectors reached by formal financial institutions. The former should intervene only for the non-bankable sectors, and only until such time that the formal system is able to service these sectors' needs.

25 *In fact, starting 1997, the CDA is no longer granting new loans but is in the process of transferring their programs to cooperative banks for implementation. Likewise, DTI is in the process of transferring the TST-Micro Credit Project to SBGFC and the TST Program for the Poorest of the Poor to the PCFC.*

Summary of Findings and Emerging Issues

Despite the promulgation of a Cabinet resolution in 1989 calling for the termination of direct lending by government non-financial institutions, the number of DCPs has increased to 177. This is a marked increase over Lamberte's count of only 111 in 1994. If the terminated DCPs and the member-loan programs of government pension funds (SSS, GSIS, HDMF) are excluded, the total number of on-going DCPs is reduced to only 86.[26] The comparative number with the Lamberte (1994) study is 68, hence, an increase of 18 programs over a period of three years.

Survey results show that almost half of these DCPs are implemented by government non-financial institutions. Non-bank financial institutions implement almost 13% of the DCPs, while GOCCs and banking institutions implement 8% and 36% of the total DCPs, respectively. There are three primary modes by which DCPs are implemented: Mode 1 – direct lending by executing agency (20 programs); Mode 2 – indirect lending wherein funds are channeled through lending conduits (48 programs); and Mode 3 – indirect lending wherein funds are coursed through a fund administrator, which in turn uses lending conduits to reach target beneficiaries (10 programs). About eight programs use a combination of these modes.

26 These programs fall within the definition of directed credit programs adopted here.

The majority of DCPs source their funds from budgetary allocation and foreign assistance from donors (either as loans or grants). In a number of cases, DCPs are sourced from a combination of budgetary allocation, donor funds, and internal agency funds (in the case of GFIs and GOCCs). Limited data from the survey show that initial fund allocation for 63 DCPs amounts to more than ₱40 billion, which shows that the government still directly intervenes in the credit market despite its avowed adoption of market-based financial policies. This intervention is largely prevalent in the agriculture sector. Forty percent of the DCPs cater to agriculture and activities related to the sector. Financing of livelihood activities is also another area where direct credit provision by government is implemented. The government continues to direct resources to specific sectors in the hope that this would increase economic activity and, thus, eventually increase incomes, which is the end goal.

Limited data from the survey show that DCPs have minimal reach. Using data from 24 reporting DCPs, the total number of beneficiaries reported under the programs for the period 1995 and 1996 was only 685,794, or an average of 29,000 beneficiaries per program. The limited reach may be explained by the low turn around of loanable funds considering that average repayment rates for DCPs are dismally low. Data on 42 programs representing almost half of the total reported DCPs show an average repayment rate of only 82%. This implies that the costs associated with the implementation of DCPs are enormous.

For efficient financial management, interest charges on loans should be able to cover, among other things, the cost of administering the credit program. Survey results, however, show that DCPs use varied interest rate structure. The cost of the loan to the end-beneficiary is often a "market rate," but pass on cost of the DCPs to intermediaries and lending conduits often are at subsidized rates. This is because cost of funds are normally not imputed in the pass on rate.

Viability and sustainability indicators provide a more accurate picture of how efficiently government resources have been used. These indicators, however, cannot be accurately computed due to the inadequacy of data for most of the programs. Only 32 programs provided complete information on their performance and operations. The lack of information on program performance and operations for most of the DCPs is indicative of how the DCPs are being monitored by government. The lack of reports shows that there is no systematic monitoring of DCPs, resulting in a number of overlaps and repeat of past program bottlenecks. In most cases, terminated DCPs are not reviewed and evaluated. The lack of a monitoring system encourages further inefficiencies and an neglect of reporting responsibilities. Interview results from program implementors reveal the inadequacy of staff personnel to accurately report data related to viability and sustainability of DCPs. In some cases, the lack of staff capability was also reported as one reason behind the lack of information.

The foregoing shows the enormous complexity and waste of public resources involved in DCP implementation (**Figure 4.3**). For instance, one would be lost in tracing through the varied implementation structure and administrative arrangements by which DCPs operate. There is likewise no standard mechanism for determining loan pricing from one channel to another. Since DCPs are mostly implemented by government non-financial institutions, whose mandates are broader than mere credit provision, there is difficulty in allocating the costs associated with the implementation of DCPs. In most cases, project personnel still perform functions not related to the implementation of DCPs. This, therefore, results in a situation where cost recovery is not accurately inputed in determining the price of the loan.

The lack of sufficient and accurate information and the complexity involved in implementing DCPs provide room for gross inefficiency and waste of resources. Information resulting from this survey are indicative of this, but inadequate data, despite efforts to gather them, prevented a more conclusive statement of this point. Hence, a number of issues must be further investigated. These are:

- ***Assessment of the role and performance of government non-financial agencies in implementing credit programs.*** Since these institutions comprise the majority of DCP implementors, there is a need to assess their relative efficiency in carrying out DCPs. Current survey results provided only limited information related to program performance and efficiency. Further investigation of the issue would provide the National Credit Council ample information regarding actions that they need to undertake in relation to the implementation of DCPs by government non-financial institutions.

- ***Impact of DCPs on savings mobilization.*** Provision of government funds for the implementation of DCPs poses an alternative to savings mobilization among financial institutions. This may have some disincentive effects on savings mobilization. Survey results show that the mechanisms used in DCP implementation allow the use of private financial institutions as channels or conduits of DCP funds. Availability of these funds does not encourage financial institutions to implement their own savings mobilization program. Compared to the cost associated with DCP funds, savings mobilization becomes an expensive alternative as source of funds among private financial institutions. An investigation of this issue is necessary since savings mobilization is a critical component in ensuring the sustainability of financial institutions. Savings are necessary for institutional funding, for developing client relationship, and for promoting greater discipline among financial institutions. An investigation of the issue would provide additional information for the NCC to effectively rationalize DCPs.

- *Appropriate interest rate structure on loans.* This survey on DCPs finds that various programs and institutions charge different interest rates. In most cases, so-called "market rates" are charged on end-users while executing agencies pass on the loanable funds at "subsidized rates" to the financial conduits. A study is proposed to look into these rates at various stages of financial intermediation and to determine the effective subsidy to specific institutions involved. The objective is to introduce and recommend appropriate market-based pricing for loans.

- *Assessment of GFIs implementing DCPs.* Next to government line agencies, government financial institutions implement the most number of DCPs. While GFIs may have the comparative advantage in credit operations, it is still important to assess their performance in administering the more specialized DCPs. This entails not only looking into their efficiency and effectiveness in implementing

DCPs, but also assessing the impact of these programs on the financial viability and operations of these institutions. The results of such a study will help the NCC carve out the role of GFIs in the microfinance market.

- ***Framework for rationalizing DCPs.*** The survey reveals that the government's numerous DCPs failed to provide the poor access to formal credit despite the substantial resources deployed for the purpose. As a result, public resources are wasted on DCPs that have very minimal impact on poverty alleviation. How should this problem be addressed? Should the government stop funding DCPs? What can be done to the current crop of DCPs? What are the respective roles of the government, the various microfinance institutions, and the donors? To tackle these issues, it is important to come up with a framework for rationalizing DCPs. An analytical framework will motivate a policy reform agenda for the rationalization of DCPs.

Annex 1

Summary of Literature on Philippine Credit Programs

Title/Author	Year	Objectives	Methodology	Programs Covered
Subbarao, Kalanidhi, et.al. *Selected Social Safety Net Programs in the Philippines: Targeting, Cost-Effectiveness, and Options for Reform*	1996	The study examines the effectiveness of safety net programs, including credit-based livelihood programs, from the perspectives of targeting, cost-effectiveness and sustainability	• uses secondary data from the Centre for Advanced Philippine Studies, Bot, Bureau of Rural Works, ACPC • targeting indicators include: regional distribution of funds, income of beneficiaries, schooling of beneficiaries, and asset ownership • costs of programs include project cost for personnel, supplies and facilities, loan costs, and the opportunity cost of funds; program benefits consists of beneficiary income received over the life of the project; costs and benefits are converted into 1990 prices	54 livelihood programs (def. as those schemes that aim to promote the creation of income-generating activities for the poor and marginal groups, including the Grameen Bank Replication Program (GBRP) and the Small Enterprise Assistance Program (SMAP)
RIDA, OECF. *Policy-Based Directed Credit Programs in the Philippines.*	1995	**General:** The research involves four studies which review various aspects of the present government-sponsored	**Study 1:** • Gathered and reviewed literature, documents on the DCPs, and secondary data • Interview with	**Study 1:** 111 DCPs under 44 implementing agencies

	Findings	Recommendations
	• Philippine livelihood programs differ in three respects: (i) government line agencies implement the programs in addition to their usual functions; (ii) reliance on NGOs to perform banking functions; and (iii) NGOs are subsidized by the government; • the programs served the nearpoor and nonpoor households more than ultrapoor households • programs were implemented in regions that were better endowed with infrastructure and whose residents had higher average incomes • the benefit-cost ratios of major livelihood programs were unfavorable and the incremental employment and income effects were negligible • repayment rates were unsatisfactory, due to an unwillingness, not an incapacity to repay (since those who made substantial income gains did not repay their loans) • except for the SMAP and the GBRP, programs helped to expand family labor only temporarily • operational costs of the GBRP (from ₱0.41 to ₱0.83 per peso loan) in the Philippines were four to five times the costs of Grameen Bank in Bangladesh	**General:** • livelihood programs should not be subsidized and the involvement of line departments needs to be reviewed • the SMAP and the GBRP need to be modified so that they enable beneficiaries to create sustainable livelihoods **Specific:** • the SMAP needs to increase the loan amount given, serve more families, and regularly supervise and monitor their activities the GBRP needs to reduce its operational costs, and consequently the subsidy cost
	Study 1: • The administrative arrangements for DCPs are complex, some following several administrative layers while others are directly implemented by the fund originators. • Many of the DCPs have similar	**Study 1:** • There is a need to have a credit coordinating body that should put order into these various programs, determine the mobilization of resources for DCPs and ensure their efficient utilization. The credit

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
		directed credit programs (DCPs) in the Philippines and recommend policies and measures for their improvement. **Study 1:** To delve into the institutional and administrative issues concerning DCPs and suggest administrative reforms to enhance their effectiveness. **Study 3:** To assess the importance of rural credit within the broad context of rural development; to identify the critical elements associated with the implementation of a successful rural directed credit program; and to prepare a set of recommendations with reference to the establishment of an effective and efficient rural financial system.	key informants • Workshop **Study 3:** • Administered two sets of questionnaires to end-users and suppliers of credit • End-users consisted of 80 respondents from each of the four provinces covered – Ifugao, Leyte del Sur, Agusan del Sur, Antique. Most of the respondents (80%) are agrarian reform beneficiaries while the rest consist of former landowners in the agrarian reform communities , influential leaders of cooperatives and communities and SMEs. • Suppliers of credit were composed of 20 respondents per province, including the field offices of LandBank, rural banks, cooperative rural banks,	**Study 4:** DCPs under DBP and LBP

	Findings	Recommendations
	functions and clientele leading to duplication and a waste of government resources. Moreover, the linkage of many of these DCPs to the development plans of the government is unclear. • Externally-funded projects usually have a time frame and a review mechanism, whereas most internally funded projects do not have such features making it difficult to evaluate the latter's peformance. • ODAs have become an important source of funds for DCPs. However, there is an absence of a systematic approach to tapping ODAs for DCPs. • Unlike other countries where DCPS have been successfully implemented, in the Philippines, government line agencies have also been involved in administering DCPs. These agencies not only suffer from the lack of staff capable of handling credit evaluation, monitoring and collection, they also have difficulty resisting interference from politicians in their credit judgements. • The Philippine experience with credit guarantee programs is very poor - high leverage ratios, high administrative costs, no credit additionality and failure of the guarantee to act as collateral substitute. **Study 3:** • The lack of access to formal credit for end-users is traced to the uneven distribution of banks in the rural areas. Thus, the cooperatives and NGOs have become the major important source of	coordinating body must be distinct from implementing agencies to ensure a healthy check and balance. • All DCPs must be time-bound and must be subjected to a periodic and terminal review. • BSP should gradually wind up its rediscounting window as this fund source is inflationary. On the other hand, given the huge savings gap of the country, the effort to tap ODAs (which are subject to DBM's fund disbursement ceiling) to finance DCPs is supported. However, tapping ODAs should be well-coordinated and rationalized under a coherent policy framework. • Non-financial and financial institutions should focus on their original mandates and exploit their comparative advantage; the GFIs in delivery financial services, the non-financial government agencies in providing non-financial services to target groups. This suggests that credit programs currently managed by non-financial government agencies should be transferred to existing GFIs. Also, it may well be for the Office of the President to shed those agencies or projects under it that are found to be duplicating other government agencies' functions (e.g., TLRC vs. DTI-BSMBD) • Government should de-emphasize its credit guarantee programs and focus more on lending programs. • GFI's practice of engaging in both wholesale and retail lending must be maintained. It is better for the GFIs

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
		Study 4: To review and recommend managerial and operational improvements on government financial institutions, specifically, DBP and LBP.	commercial banks, cooperatives, NGOs, lending investors, informal lenders, and pawnshops. **Study 4:** Analysis of DBP's and LBP's management and operation in terms of DBP's wholesale and retail banking activities and LBP's agarian sector and banking sector activities	

	Findings	Recommendations
	formal credit. However, the most accessible sources of credit of the end-users in the survey areas are still the informal lenders who normally charge high interest rates on loans • Loan transactions with the banks require more time (average of 45 days) which hinder the timely delivery of credit to end-users. The formal documentation and procedures of banks deter the rural end-users from applying for a bank loan. • Generally, private banks strictly require collateral for loans. • There is low absorptive capacity of end-users for formal credit use due to: (a) absence of adequate infrastructure facilities leading to unstable and low level of agricultural yields; (b) the perceived low viability of some cooperatives, especially the "infant" cooperatives; and (c) the perceived low sills in entrepreneurship of cooperatives, SMEs and former landowners due to inadequate information dissemination on markets and potential investment, and technical assistance. • The rural directed credit programs which are implemented by different government agencies and government banks duplicate each other. The lack of coordinated and rationalized approach to directed credit programs for rural development leads to waste of precious financial resources. **Study 4:** ***For DBP:*** • On wholesale banking, DBP's net spread was negative until 1992 becom-	to course credit for the agriculture sector and SMEs through local financial institutions (including credit cooperatives and associations) and concentrate its retail activities on lending to large industries aimed at overcoming capital market constraints. • The ICC has greater potential than other councils/ committees to become an official credit coordinating body. **Study 3:** • The LBP should continue to use the community-based cooperatives as primary channels to deliver credit to the rural areas. Mature cooperatives should be given priority and be provided with more credit funds for re-lending to end-users. • LBP, in coordination with the CDA, DAR and community-based NGOs, should continue its current technical assistance to "infant" cooperatives using its own resources but only for a definite period until such time that an appropriate government agency is ready to absorb such functions. • The LBP, in cooperation with DA, DAR, DTI, CDA, LGUs and private banks, should provide market information and investment alternatives to mature cooperatives, SMEs and former landowners. More than providing information per se, the mature cooperatives, SMEs and former landowners, should be assisted and linked up with buyers/exporters and processors to have a ready market for their outputs. • Acceleration of agrarian reform

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
Esguerra, Emmanuel P. *Rural Credit Programs in the Philippines: Lessons and Policy Issues*	1995	The study reviews the Philippine experience with government-sponsored credit programs for the rural sector, highlighting lessons learned in the process of implementing the programs and identifying emerging issues that government policy must address	• effectiveness of programs assessed in terms of: (i) borrower access and loan pricing issues; (ii) incentive issues in the design of credit programs; and (iii) sustainability issues for credit programs and credit-granting institutions	supervised credit programs since 1973; 42 existing rural credit programs as of 1994

	Findings	Recommendations
	Features distinguishing credit programs today: • instead of being commodity-specific and activity-specific, today's credit programs provide financing for a comprehensive range of activities • emphasis on group, rather than individual lending • inclusion of a savings mobilization component Other findings: • programs administered by the DA and its attached agencies have lower repayment rates than non-DA programs since the latter are predominantly programs of GFIs which are presumed to have a comparative advantage in credit operations • DA programs cater largely to small rural borrowers; the performance of DA credit programs reflects the problems attendant to small farmer lending • the strong tendency to use credit as a redistributive mechanism (e.g., interest ceiling set in the Magna Carta for Small Farmers) still remains	Government should create an environment that is conducive to financial intermediation through: • investments in productivity-increasing and cost-reducing social overhead capital • provision of large-scale irrigation systems, major road networks, farm-to-market roads, ports, bridges, storage facilities and energy and power systems • policies that reduce the information asymmetries inhibiting the private provision of insurance for agricultural crops • removing ambiguities in the existing system of property rights, instituting better systems of implementing cadastral surveys, land registration and valuation, and improving the efficiency of the courts in adjudicating disputes arising from collateral foreclosures • redistribution policies such as land reform to increase the borrowing capacities of beneficiary households and improve the loan contracts available to them On alternative credit delivery mechanisms: group lending and credit cooperatives: • group size (beyond a certain size, familiarity may be compromised) and composition (to reinforce commonality) are crucial • the process of group formation should give due importance to the development of "positive expectations" about the group among its members;

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
ACPC. *An Evaluation of the Grameen Bank Replication Project in the Philippines*	1995	The study evaluates the efficiency and effectiveness of the Grameen Bank Replication in the Philippines after three years of implementation	• survey was conducted in areas where program has been replicated • program impact assessed by comparing the standard of living of beneficiaries before and after the program as well as with non-beneficiaries[1] • cost measured by operational and administrative	Grameen Bank Replication Project (GBRP)

1 *Impact assessment focused on the following variables: income, wealth, employment generation, savings and borrowing behavior.*

	Findings	Recommendations
		this is hardly achieved when groups are artificially formed merely to take advantage of the reduced borrowing costs • interest in sustaining a group lending scheme can be developed if individuals are made to bear some costs for group membership (e.g., group fund) • inter-cooperative lending to meet temporary shortfalls experienced by coops can be practiced • the costs of organizing and operating a group lending scheme (e.g., membership education, personnel training, controls to ensure operations are legal) are important • there is no substitute for painstaking collection of information about potential borrowers and the institution of effective controls within the organizations (e.g., record-keeping, accounting and auditing system) to prevent abuse
	• GBRP has made a significant impact on the standard of living of its beneficiaries • high repayment rates were recorded ranging from 94% to 98% • reduced level of dependence of beneficiaries on informal credit • GBRP has demonstrated that the poor are capable of saving on a regular basis • implementation of GBRP characterized by high cost of administration and assistance from the government (average of ₱0.29 per peso loan for all types of replicators - banks, POs/ NGOs and cooperatives - distributed as	On lending activities: • loan ceilings must be reviewed periodically to account for changes in the general price level • replicators must be allowed to charge market-oriented interest rates • adoption of market rates must be accompanied by increased loan volumes to improve the incomes of GB replicators On savings mobilization: • continued promotion of savings mobilization scheme • an innovation to the program is to

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
			expenses of the goverment, the replicator, and the beneficiary • cost effectiveness measured by : cost of administering loan operations, profitability measures, rate of goverment subsidy[2]	
Lamberte, Mario B. *Credit Unions as Channels of Micro-Credit Lines: The Philippine Case*	1995	The paper analyzes the differential impact of access to external sources of funds, such as the special credit programs, on the performance of credit unions	•uses data from the 1993 survey by Pragma Corp. of 100 credit unions in Regions 2-5, 7, 10-12, NCR •conducts tests of differences of means of particular variables[3] among	TST-SELA, DAPCOPO

2 Cost of administering loan operations = (total operating costs/total loans granted); unit cost of operation = (total expenses/total loans outstanding); net revenue ratio = (net revenue/gross revenue); income/loss = (total income from GB/total loans granted); rate of gov't subsidy = (financial assistance from gov't/total loans) and (financial assistance from gov't/total income from loans)

	Findings	Recommendations
	follows: ₱0.20 by the replicator and ₱0.092 by the government; the profits earned by the replicator amounted to only ₱0.15 per peso loan granted which is not enough to cover their costs) • from among the types of replicator, the banks and POs/NGOs performed better financially with lower per unit cost of operation (₱0.284 and ₱0.255 per peso loan, respectively) and lower government assistance (₱0.51 and ₱0.53 per peso loan, respectively)	treat the contributions to the group fund or to the voluntary savings fund as a source from which memebers may borrow • replicators should offer a market-based savings generation program to encourage members to save • intensified efforts must be directed towards the development of entrepreneurship On government intervention - should be limited to the following: • institution-building and training of project staff • brokering of funds for lending by replicators to beneficiaries; sourced funds should be low-cost, preferably from grants • assistance only in temporarily closing the gap between the replicator's bankable loan portfolio and mobilized resources On the guarantee • should be removed
	• access to external sources of funds does not have significant differential impact on the performance of credit unions in terms of savings mobilization, overall profitability and loan delinquency • the credit programs have not caused any qualitative changes in the operations of credit unions since loan covenants of the credit programs do	• Since access to external funds by credit unions to deal with resource constraint remains limited, the results of the study seem to suggest that there is merit in providing credit unions with access to external funds to overcome resource constraints. • Coursing loans through credit unions could widen further the range of

3 *The chosen variables are: size of credit unions (number of members, asset size), sources of funds (borrowings, savings/time deposits, share capital, reserve funds), uses of funds (loan portfolio), profitability (ratios of (i) total expenses to total income, (ii) interest income to total assets, (iii) interest expense to total resources, (iv) interest income to total income, (v) rate of return on assets or net income divided by total assets, and (vi) rate of return on capital or net income divided by share capital plus reserves), loan delinquency (number and amount of past due loans), qualitative indicators (improvement in organizational structure, accounting system, reporting system, lending policies, management of loan portfolio, etc.)*

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
			the following groups: Group 1 – those with borrowings from the TST-SELA program; Group 2 – those with borrowings from other sources; and Group 3 – those without any borrowings •interviews with credit unions	
Llanto, Gilberto M. *Agricultural Credit and Banking in the Philippines: Efficiency and Access Issues*	1993	This paper reviews the past and present policies on agricultural credit and banking policy in the Philippines. It identifies the principal issues in rural credit markets and discusses the present status of agriculture finance and the government's current role in rural credit markets.	•uses secondary data •indicators used include: loans granted, number of beneficiaries, repayment rate, projects generated, increase in farm incomes due to programs, costs per peso loan granted	CALF; IRF; ALF/ CLF; LEAD; DAPCOPO; Grameen Bank Replication

	Findings	Recommendations
	not include conditionalities that would encourage qualitative changes in the credit unions	income classes that can benefit from the programs. Even if members of credit unions are on the average relatively well off, a great majority of them do not yet have access to credit from the formal banking system and yet, have greater probability of success in their business.
	• while existing programs were able to increase access to credit by the agricultural and rural sector, such access remains small compared to the loans extended to big borrowers by the banking system; • credit guarantees have yet to make a dent on banks' lending decisions; credit guarantees are not a major factor in the bank's decision to lend and do not minimize the collateral needs asked by banks; • the experimental projects (DAPCOPO and Grameen), while offering a fresh tack to rural lending, are hampered by such problems as: high transaction and administrative, painstaking monitoring and evaluation of impact; • the IRF has lower administration cost due to the credit line financing approach which systematized the lending process, reduced paperwork, lessened processing time and cut down transaction costs	Need for policy reforms in the following: • create an environment of greater competition in rural financial markets through liberalizing bank branching and services; • promote vigorous resource mobilization by allowing private banks to expand banking services offered in rural areas; • terminate direct lending by non-financial government institutions since their participation in credit markets is distortionary and discourages bank expansion in rural areas • move away from loan quotas as a strategy to ensure loans to target groups • strengthen the CALF guarantee institutions

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
Lamberte, Mario B. *Policy-based Lending Programs in the Philipppines*	1992	The paper reviews and examines the special features of policy-based lending programs and policy conditionalities, as well as their impacts on the various players in the credit markets		ALF/CLF, IGLF, IICP/ IRP, TST-SELA, FSP
Lamberte, Mario B. *Impact of Special Credit and Guarantee Programmes for SMEs on Employment and Productivity*. ILO-DOLE.	1990	To determine the extent of SMEs' access to bank credit; to describe the features, policies, rules and regulations of SME lending and guarantee programs and assess their performance; to recommend policies and credit programs needed	• Primary data: conducted a survey of 42 firms located in the NCR and Region IV that enjoyed the credit guarantee facility of the Philguarantee and the GFSME • Interviewed 28 firms • Secondary data: NEDA-UPISSI	*Lending program: TST Financing, EIMP, EDAP, PITC Financing, Transaction Financing* Guarantee Programs: GFSME,

	Finding Recommenda	
	• policy-based lending programs target a much broader set of beneficiaries compared to traditional DCPs • the programs are benefiting from GFI management in terms of: (i) scale and scope economies; (ii) credit markets expertise of bankers; (iii) minimized political interference; (iv) more flexibility in responding to a changing environment • use of lending conduits by GFIs has increased access and reduced transaction cost of borrowers • lending conduits bear the credit risk of any loan given to end-users; since they are given the freedom to apply their own criteria in approving loan applications over and above the criteria set by the individual programs, they have been able to reduce their risk exposure • fairly developed monitoring systems are included in the design of policy-based lending programs • market rate of interest does not seem to be a hindrance to end-users	Remaining issues to be addressed by policy: • probability that funds drawn from special credit programs substituted for the banks' own funds that should have been used to service the credit needs of their clients; • lending conduits have extracted some rents from the credit programs as banking concentration has widened banks' spread; • while there is a need to continuously look for alternative, non- conventional mechanisms for delivering credit to the "nonbankable" sectors, the promotion and nourishing of inefficient credit delivery systems (e.g., NGOs realizing very high spreads from the programs) must be avoided • there is a need to discern the contribution to growth made by the these programs as against other factors that determine growth in the targeted sectors
	• Government special credit and guarantee programs for SMEs do not reach the smallest clientele (the smallest firm in the sample that was able to access one of the guarantee facilities had starting assets of ₱50,000); • While access to credit in general does not seem to be a problem among firms due to the informal sources of credit, access to bank credit was fairly limited; • 43% of the sample firms could not borrow from banks before the credit guarantee facilities became available to them;	• Since SMEs are still left out by the banking system, there are still merits to having a special credit program for SMEs; • The stress should be on guarantee programs than on direct lending programs since: (a) the government has very limited resources; (b) it does not discourage savings mobilization; and (c) it encourages banks to see for themselves the profitability of lending to SMEs; • The credit guarantee facility should be for all types of SMEs rather than the

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
		to enhance the employment-generation potential of SMEs	survey of "Small-Scale Operations in the Rural Areas of the Philippines and their Potentials for Non-Farm Employment Generation" (covering 600 small firms in eight regions) and published and unpublished reports of SME special credit programs	Philguarantee, ECGP-SMI, IGLF
Lamberte, Mario B. and Joseph Lim. *Rural Financial Markets: A Review of Literature.* TBAC Working Paper No. 87-01.	1987	To provide a comprehensive review of existing literature on rural finance with the end in view of integrating findings and policy implications of existing studies on rural finance and identifying future directions for policy-oriented	• Reviewed key findings of existing studies on rural finance, covering studies on formal and informal lenders in the rural sector, savings in the Philippines and in the rural sector, behavior of borrowers in the rural sector, and impact of monetary and credit	

	Findings	Recommendations
	• 57% of the sample firms that availed themselves of the credit guarantee could have access anyway to bank credit even without such guarantee; • the availability of bank credit enhanced the labor absorptive capacity of small firms but access to bank credit seemed to have no effect on labor productivity; • access to bank credit was associated with higher capital intensity; however, the capital intensity of those that availed themselves of the credit guarantee facilities of the government was found to be much lower than the national average • the share of interest payments to total cost of production of SMEs that availed themselves of the credit guarantee facilities was very low compared to raw materials and labor, suggesting that an increase in the interest rate has less impact on the total cost of production than an increase in the prices of raw materials and labor.	existing system of targeting specific commodities produced or market products; • Guarantee programs should not include an interest subsidy component; • There should be less restriction on the use of the loans covered by the guarantee; what is important is that the guaranteed loans should cover only a modest proportion of the required start-up or increase in capital; • Selective granting of guarantee accommodation: only to those that do not have access to bank credit;
	• Massive credit subsidy to the rural areas will not work and cannot compensate for a depressed rural economy. • Direct subsidies to agriculture, the promotion of rural employment, the termination of anti-agricultural policies, land reform, and liberalization of industrial inputs to agriculture would create the environment for the rural economy to develop and grow, and subsequently, for the rural finance sector to expand and thrive. • Credit subsidies cannot substitute for the failures in agricultural development • Rural savings are far from minimal and	• Liberalize interest rates • Move away from specialized, supervised and subsidized credit • Scrap unnecessary and often harmful state intervention in the rural banking sector (such as the agri-agra requirements and the deposit retention scheme) • Free entry and exit in the rural banking sector • Selective rehabilitation of rural banks limiting them to honest, viable and efficient banks. • Make macroeconomic policies neutral to all sectors of the economy (avoid

Annex 1 cont.

Title/Author	Year	Objectives	Methodology	Programs Covered
		researches on rural finance in the Philippines	policies on rural financial markets • Re-analyzed data presented in existing studies and included new data and information	

	Findings	Recommendations
	financial liberalization as well as the correct institutional support would create a good atmosphere for rural savings mobilization and allocation of credit to the most productive projects. • Rural borrowers borrow more from informal lenders. • Informal lenders are more efficient and more flexible than formal lenders since they can reduce administrative and risk costs, and provide smaller loan sizes at the time they are needed. Also, more flexible repayment schemes and "rollovers" are allowed. • Need for more research work on interlinked markets since informal credit are usually linked with factor and output markets and this interlinkage may cause imbalances in the economic power between lenders and borrowers	overvaluation of peso, re-examine trade policy w.r.t. quantitative restrictions and importation of farm inputs, refocus government infrastructure program on farm-to-market roads, implement a comprehensive land reform program, encourage multicropping arrangement, set up institutional and physical infrastructure that will increase agricultural productivity, set up a sensible price stabilization policy) • Strengthen government planning and administrative machineries at the regional and provincial level

Annex 2

Directed Credit Programs as of June 20, 1997

	Program Name	Executing Agency	Legal Basis
1	5:25:70 DAR-LBP Countryside Partnership Financing Scheme	Department of Agrarian Reform	MOA
2	DBP-DAR Financing Program for ARBs	Department of Agrarian Reform	MOA
3	CARP-Barangay Marketing Center (CARP-BMC)	Department of Agrarian Reform	MOA Quedancor and DAR/RA 7393
4	DAR-KMI Peasant Development Fund	Department of Agrarian Reform	MOA
5	Farm Level Grains Center (FLGC I)	National Food Authority	RA 7393/MOA bet. NFA and Quedancor
6	Self-Employment Assistance-Kaunlaran Integrated Program (SEA-K)	Department of Social Welfare and Development	RA 5416/ AO
7	PITC Financial Assistance/ Loan	DTI- Philippine International Trading Corporation	Board Resolution
8	Food and Agricultural Retail Enterprise (FARE)	DA- Quedan and Rural Credit Corporation	LOI 1392/GRCGC Board Res. #60
9	Coordinated Agricultural Marketing and Production (CAMP)	DA- Quedan and Rural Credit Corporation	RA 7393/Board Resolution 25-93
10	Farm Level Agricultural Machinery and Equipment (FLAME)	DA- Quedan and Rural Credit Corporation	Circular No. 032 series of 1993
11	PCA-LBP Financial Incentives for Economic Livelihood Development Scheme for the Small Coconut Farmers Organization (FIELDS-SCFO)	DA- Philippine Coconut Authority	MOA w/ PCA and LBP
12	Agricultural Loan Fund	LandBank of the Philippines	MOA
13	Rural Finance Project I (Countryside Loan Fund I or CLFI)	LandBank of the Philippines	Loan Agreement w/ WB
14	Second Rural Finance Project (CLF II)	LandBank of the Philippines	Loan Agreement w/ WB

Annex 2 cont.

	Program Name	Executing Agency	Legal Basis
15	Retail Co-financing Fund (RCF)	LandBank of the Philippines	Loan Agreement bet LBP and WB-IBRD
16	KFW-LBP-PBSP Small, Micro and Cottage Enterprise Credit Project	LandBank of the Philippines	MOA
17	ADB Small Farmers Credit Project	LandBank of the Philippines	Loan Agreement w/ ADB
18	ADB Mt. Pinatubo Damage Rehabilitation Project	LandBank of the Philippines	Loan Agreement
19	ADB Industrial Forest Plantation Project	LandBank of the Philippines	Loan Agreement
20	OECF -AJDF Small Farmers Credit Project	LandBank of the Philippines	Loan Agreement w/ OECF
21	OECF Rural Farmers and Agrarian Reform Support Credit Program (RASCP)	LandBank of the Philippines	Loan Agreement w/ OECF
22	OECF Metro Cebu Development Project Phase III	LandBank of the Philippines	Loan Agreement w/ OECF
23	Credit Assistance Program for Program Beneficiaries Development (CAP-PBD)	LandBank of the Philippines	MOA
24	Special Livelihood Financing Assistance Program (Type B)	LandBank of the Philippines	MOA
25	5-25-70 Countryside Partnership Scheme	LandBank of the Philippines	MOA w/ Sponsors (senators and congressmen)
26	Kawal Pilipino Kabuhayan Program	LandBank of the Philippines	MOA among LBP, AFP, CDA, TESDA, DA, AFPRSBS
27	LBP-NPUDC Agricultural Livelihood Development Program for Rebel Returnees	LandBank of the Philippines	MOA
28	LBP-DTI Small and Medium Industrial Technology Transfer Development Program (SMITTDP)	LandBank of the Philippines	MOA

Annex 2 cont.

	Program Name	Executing Agency	Legal Basis
29	NFA-LBP-QGFB Post Harvest Financing Program	LandBank of the Philippines	MOA
30	LBP-DENR Integrated Social Forestry Program	LandBank of the Philippines	MOA
31	PDAF-LBP Feed Technology Promotion and Commercialization Program	LandBank of the Philippines	MOA
32	Veterans Livelihood Assistance and Development Program	LandBank of the Philippines	MOA
33	Countrywide Development Funds (CDF)/Countryside Initiative Allocation (CIA) for Cooperative Development	Cooperative Development Authority	RA 8174
34	Cooperative Development Loan Fund	Cooperative Development Authority	RA 6939
35	Cooperative Marketing Project	Cooperative Development Authority	RA 6939
36	Cooperative Rehabilitation and Development Loan Fund	Cooperative Development Authority	RA 6939
37	Cooperative Support Fund	Cooperative Development Authority	RA 6939
38	Multi-Livestock Development Loan Program	DA- Bureau of Animal Industry	DO
39	Tulay 2000	DOLE- Bureau of Local Employment	RA 7277
40	Workers Entrepreneurship Program	DOLE- Bureau of Labor Relations	DO 26
41	Women Workers Entrepreneurship Development Program	DOLE- Bureau of Women and Young Workers	DO 26
42	Promotion of Rural Employment Through Self-Employment and Entrepreneurship development	DOLE- Bureau of Rural Workers	DO 28
43	Special Technology Financing Program- Commercialization Component	Department of Science and Technology	EO 128/ MOA

Annex 2 cont.

	Program Name	Executing Agency	Legal Basis
44	Special Technology Financing Program - Venture Financing Component	Department of Science and Technology	EO 128
45	Invention Development Assistance Fund	Department of Science and Technology	RA 7459
46	New Invention Guarantee Fund	Department of Science and Technology	RA 7459
47	Transactional Lending Project	Livelihood Corporation	EO
48	Equipment Acquisition for Small Enterprises	Livelihood Corporation	EO
49	Financial Assistance for Microentrepreneurs	Livelihood Corporation	EO
50	Banca Dispersal Project	Livelihood Corporation	
51	Franchise and Entrepreneur Development Program	Livelihood Corporation	EO
52	Tulong Pangnegosyo Program	Technology and Livelihood Resource Center	EO 650/ MOA
53	Bagong Pagkain ng Bayan Program	Technology and Livelihood Resource Center	EO
54	Information Technology Ventures	Technology and Livelihood Resource Center	EO 548
55	Community Empowerment Program	Technology and Livelihood Resource Center	EO
56	Livelihood Enhancement for Agricultural Development (LEAD) Program 2000	National Agriculture and Fishery Council (NAFC)	EO
57	Southern Mindanao Agricultural Program (SMAP)	DA - Project Management Office/Special Concern Office	MOA bet. Phil. Govt. thru DA and EEC
58	DA-DOH-NEDA-DPWH - Earthquake Rehabilitation Program (ERP)	DA - Project Management Office/Special Concern Office	Financing Agreement

Annex 2 cont.

	Program Name	Executing Agency	Legal Basis
59	Central Cordillera Agricultural Program (CECAP)	DA - Project Management Office/Special Concern Office	Financing Agreement w/ EEC
60	DA-ACPC-LBP Integrated Rural Financing (IRF) Program	Agricultural Credit Policy Council (ACPC)	EO 116/RA
61	Fisheries Sector Program (FSP)	Agricultural Credit Policy Council (ACPC)	EO 116/RA/DO
62	Expanded Cooperative Bank (CoopBank) Assistance Program	Agricultural Credit Policy Council (ACPC)	EO 116/RA
63	Gintong Ani Program (GPEP IV) – formerly, GPEP	Agricultural Credit Policy Council (ACPC)	EO/RA
64	LBP/ACPC-5-25-70 Country Partnership Scheme	Agricultural Credit Policy Council (ACPC)	MOA
65	Development Assistance Program for Cooperatives and People's Organization (DAPCOPO)	Agricultural Credit Policy Council (ACPC)	MOA w/ ACPC
66	Micro Credit Program for the Bottom Poor	Agricultural Credit Policy Council (ACPC)	EO/RA
67	Tulong sa Tao Program -NGO-Microcredit Project II	DTI- Bureau of Small and Medium Business Development (BSMBD)	EO/ MOA
68	Tulong sa Tao Program - Subcontracting Financing Project	DTI- Bureau of Small and Medium Business Development (BSMBD)	EO/ MOA
69	Tulong sa Tao Program – Credit Program for Poorest of the Poor	DTI- Bureau of Small and Medium Business Development (BSMBD)	EO/ MOA
70	Countrywide Industrialization Fund – RA 7368	DTI- Bureau of Small and Medium Business Development (BSMBD)	RA 7368
71	Sectoral Livelihood Program (SLP)	DTI- Bureau of Small and Medium Business Development (BSMBD)	EO/ MOA
72	Assistance to Micro Enterprise Development Program	DTI- Bureau of Small and Medium Business Development (BSMBD)	EO/ MOA

	Program Name	Executing Agency	Legal Basis
73	Micro Enterprise Development Program – a component of the Countrywide Development Fund	DTI- Bureau of Small and Medium Business Development (BSMBD)	MOA
74	NLSF Lending Program	National Livelihood Support Fund	EO 261
75	Small Enterprise Financing Facility (SEFF)	Small Business Guarantee and Finance Corporation	RA 6977
76	Helping Individuals Reach Their Aspirations Through Microcredit (HIRAM) Lending Program	People's Credit and Finance Corporation	EO
77	Damayan sa Pamumuhunan Program	Development Bank of the Philippines	
78	Industrial Restructuring Program	Development Bank of the Philippines	Loan Agreement
79	Industrial Guarantee and Loan Fund	Development Bank of the Philippines	MOA
80	Overseas Economic Cooperative Fund	Development Bank of the Philippines	MOA
81	Industrial Investment Credit Project	Development Bank of the Philippines	MOA
82	EXIM Japan Untied Loan to DBP	Development Bank of the Philippines	Loan Agreement/ MOA
83	Cottage Enterprise Finance Project	Development Bank of the Philippines	Loan Agreement/ MOA
84	Domestic Shipping/ Modernization Program	Development Bank of the Philippines	MOA
85	Industrial and Support Services Expansion Program	Development Bank of the Philippines	Loan Agreement
86	Kreditanstalt Fur Wiederaufbav - Sector Programme I (KFW-SPI)	Development Bank of the Philippines	Loan Agreement

Annex 3

Matrix of 86 Directed Credit Programs

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk
Government Line Agencies						
Department of Agrarian Reform						
5:25:70 DAR-LBP Countryside Partnership Financing Scheme	MOA	Budgetary Allocation + Internal LBP Fund	Agriculture	Basic	FA: LBP; LC: coops	25% DAR; 70% LBP
CARP-Barangay Marketing Center (CARP-BMC)	MOA	Budgetary Allocation	Agriculture	Basic	FA/LC: Quedancor	100% Quedan-cor
DAR-KMI Peasant Development Fund	MOA	Budgetary Allocation + Internal DBP funds	Agriculture	Basic	FA: KMI; LC: FI	20% KMI; 75% DBP
DBP-DAR Financing Program for ARBs	MOA	Budgetary Allocation	Agriculture	Basic	LC: DBP	100% DAR
DA-Agricultural Credit Policy Council (ACPC)						
Farm Level Grains Center (FLGC I)	EO/RA	Special Fund	Agriculture	Basic	FA: LBP; LC: FIs coops	100% LBP
Self-Employment Assistance-Kaunlaran Integrated Program (SEA-K)	MOA	Special Fund	Livelihood	Basic	FA: Quedancor LC: federations/ primary coops	100% ACPC

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1993-2003	WC/ FAL	Farmers	Cooperatives	Selected Areas	Required	DAR funds are kept in trust at LBP; interest earnings on trust fund to be used for trainings; LBP provides 70% of the loan amount per loan granted to ARBs, DAR provides 25% while borrower puts in 5% as equity
1994-2009	WC/ FAL	Farmers	Individuals/ Associations	Nationwide	Without	Investment earnings of fund is used for training/ seminars of farmer-beneficiaries
1993 - n.d.	ML/ FAL	Farmers	NGOs/ Coops/ Association/ Federations	Selected areas	Without	75% of loan financed by DBP; 20% from DAR-KMI funds; 5% borrower equity
1990-1992	WC/ FAL	Farmers	NGOs/ Coops/ Ass'n/PVOs	Nationwide	Without	DAR funds are kept in trust at DBP; Funds for loan components are released thru DBP branches upon instructions of DAR; funds for non-loan components are directly released by DAR
1989-2000	WC	Farmers/ Fisherfolks	Individuals/ Cooperatives	Selected Provinces	Required	
1990-1996	WC	Farmers	Cooperatives /POs	Nationwide	Required	Proponent to put up 15% of the loan fund as hold-out deposit to the program, includes Institutional Support Fund of P640K; Quedancor charges management fee of

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
PITC Financial Assistance/ Loan	EO/RA	Special Fund	SMEs	Not basic	LC: FIs	100% FA	
Food and Agricultural Retail Enterprise (FARE)	EO/RA/ DO	Foreign Loan	Agriculture	Basic	FA: DBP, LBP Quedancor; LC direct DBP, coops for LBP, FIs for Quedancor	100% DBP, LBP, Quedan-cor	
Coordinated Agricultural Marketing and Production (CAMP)	EO/RA	Budgetary Allocation/ Special Fund	Agriculture	Basic	FA: LBP, Quedancor; LC; coops	For LBP/ SHFG-100% DA; For Quedan-cor – 100% Quedan-cor	
LBP/ACPC-5-25-70 Country Partnership Scheme	MOA	Budgetary Allocation + Internal LBP Fund	Agriculture	Basic	FA; LBP; LC; coops	25% ACPC; 70% LBP	
Micro Credit Program for the Bottom Poor	EO/RA	Special Fund	Livelihood	Basic	FA; LBP; LC; NGOs, coops, coop banks	100% ACPC	
DA – Bureau of Animal Industry							
Multi-Livestock Development Loan Program	DO	Budgetary Allocation/ Foreign Loan	Agriculture	Basic	LC: FIs	100% BAI	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
						4% on disbursed portion and 1% on undisbursed portion
1991 - n.d.	Others	Farmers/ Fisherfolks	Individuals/ Coops	Nationwide	Required	IB component
1990-1994	WC/ FAL	Fishermen	Individual/ Coops	Selected Areas	Without	Quedancor partner-FI provides 50% of the loan amount per loan granted; 50% share of partneer institution is 100% guaranteed by Quedancor
1996 - n.d.	WC/ ML/ FAL	Farmers	Coops/Self-Help Group/ Federations	Selected Provinces	Required	Under Quedancor, includes P1.3 million training fund
1994 - n.d.	FAL	Farmers	Cooperatives	Nationwide	Without	ACPC funds are kept in trust at LBP; LBP provides 70% of the loan amount per loan granted to ARBs, ACPC provides 25% while borrower puts in 5% as equity
1995-1999	WC	Disadvan-taged groups	NGOs/ Coops	Selected Areas	Required	ACPC also provides a grant fund of ₱4 million for institution building
1988 - n.d.	WC	Farmers/ Fisherfolks	Coops/ PPC/ Associations	Nationwide	Without	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
DA – Project Management Office/Special Concern Office							
Central Cordillera Agricultural Program (CECAP)	Financing Agreement	Foreign Grants	Agriculture	Basic	Directly implemented	100% DA	
DA-DOH-NEDA-DPWH – Earthquake Rehabilitation Program (ERP)	Financing Agreement	Foreign Grants	Agriculture	Basic	LC: FIs	100% DA	
Southern Mindanao Agricultural Program (SMAP)	Financing Agreement	Foreign Grants	Agriculture	Basic	LC: FIs/ NGOs	100% DA	
DA – National Agriculture and Fishery Council (NAFC)							
Livelihood Enhancement for Agricultural Dev't. (LEAD) Program 2000	EO	Foreign Grants	Agriculture	Basic	Directly implemented	100% DA	
Cooperative Development Authority							
Cooperative Development Loan Fund	RA	Budgetary Allocation/ Foreign Loan/ Grant	Agro-Industrial	Basic	Directly implemented	100% CDA	
Cooperative Marketing Project	RA	Budgetary Allocation/ Foreign Grant	Agriculture	Basic	LC: FIs	100% CDA	
Cooperative Rehabilitation and Development Fund	RA	Budgetary Allocation/	Agro-Industrial	Basic	Directly implemented	100% CDA	
Cooperative Support Fund	RA	Budgetary Allocation/ Foreign Grant	Agriculture Livelihood	Basic	LC: FIs	100% CDA	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1988-1996	WC/FAL	Disadvantaged groups	Coops/Self-Help Group	Selected Provinces	Required	
1992-1997	WC/FAL	Farmers	NGOs/Coops/Federations	Selected Provinces	Required	
1994-1997	WC/FA	Farmers	Coops/Self-Help Group	Selected Provinces	Required	
1995-1998	WC	Farmers/Fisherfolks	NGOs/POs/LGUs/Other GA	Nationwide	Required	Financial support for the conduct of trainings, agri-fairs/exhibits, researches/studies
1993 - n.d.	WC/ML/FAL	General	Federations/Coops/CRBs/Coop Banks	Nationwide	Required	Has a guarantee scheme
1993 - n.d.	WC/FAL	Farmers/Fisherfolks	Cooperatives	Nationwide	Required	3.75% approved seasonal loan and 5% for approved term loan shall be deducted from loan proceeds as borrower's contribution to Guarantee Fund.
1993 - n.d.	WC/ML/FAL	General	Feds/Coops/CRBs/Coop Banks	Nationwide	Required	Has a guarantee scheme
1993 - n.d.	WC/ML/FAL	Farmers/Fisherfolks	Coop Banks/KBs/RBs	Selected Areas	Required	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
Countrywide Dev't. Fund (CDF)/ Countryside Initiative Allocation (CIA) for Cooperative Dev't.	RA	Budgetary Allocation/	Small, Medium and Large Enterprises	Basic	Directly implemented	No Credit risk to CDA	
DOLE – Bureau of Labor Relations							
Workers Entrepreneurship Program	DO	Budgetary Allocation	Livelihood	Basic	LC: federations/ labor unions	100% BLR	
DOLE – Bureau of Local Employment							
Tulay 2000	RA	Budgetary Allocation	Livelihood	Basic	LC: coops/ associations	100% BLE	
DOLE – Bureau of Rural Workers							
Promotion of Rural Epmployment Through Self-employment and Entrepreneurship Development	DO	Budgetary Allocation	Livelihood	Basic	LC: NGOs	100% BRW	
DOLE – Bureau of Women and Young Workers							
Women Workers Entrepreneurship Dev't. Program	DO	Budgetary Allocation	Livelihood	Basic	LC: NGOs/ associations	100% BMYW	
Department of Science and Technology							
Invention Dev't. Assistance Fund	RA	Budgetary Allocation	SMEs	Not basic	Directly implemented	100% DOST	
New Invention Guarantee Fund	RA EO/ MOA	DBP	SMEs	Not basic	LC: FI	100% DBP	
Special Technology Financing Program – Commercialization Component	EO	DBP	SMEs	Not basic	LC: FI	100% DBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1993 - n.d.	WC/ FAL	General	NGOs/ Coops/ POs/Other Groups	Selected Areas	Required	NUPCD provides financing of 8,000 per RR during the institution building phase
1994 - n.d	WC/ FAL	General	Federations/ Labor Unions	Nationwide	Required	
1994 - n.d.	WC	General	NGOs/ Coops/ POs/Other	Nationwide	Without	
1989 - n.d.	WC	Entre-preneurs	NGOs/ Associations	Nationwide	Without	
1989 - n.d.	WC	General	NGOs/ Associations	Nationwide	Without	
1992 - n.d.	FAL	General	Individuals	Nationwide	Without	
1997 - n.d.	FAL	General	Individuals	Nationwide	Without	With guarantee coverage; P10 M is allocated by government annually
1987 - n.d.	FAL	General	Individuals	Nationwide	Without	TAPI/POST provides technical assistance while DBP gives loan using its own funds

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk
Special Technology Financing Prog.– Venture Financing Component	RA/AO	Budgetary Allocation	SMEs	Not basic	Directly implemented	100% DOST
Department of Social Welfare and Development						
Self-Employment Assistance – Kaunlaran Integrated Prog. (SEA-K)	EO/ MOA	Special Fund	Livelihood	Basic	LC: associations/ POs	100% DSWD
DTI – Bureau of Small and Medium Business Development (BSMD)						
Assistance to Micro Enterprise Development Program	RA MOA	Budgetary Allocation	SMEs/ Livelihood	Not basic	LC: NGOs	No credit risk to DTI
Countrywide Industrialization Fund – RA 7368	EO/ MOA	Budgetary Allocation	SMLEs	Not basic	LC: FIs	No credit risk to DTI
Micro Enterprise Dev't. Program – a component of the Countrywide Dev't. Fund		Budgetary Allocation	SMEs/ Livelihood	Basic	LC: NGOs	No credit risk to DTI
Sectoral Livelihood Program (SLP)	EO/ MOA	Budgetary Allocation	SMEs/ Livelihood	Basic	LC: NGOs	No credit risk to DTI
Tulong sa Tao Program – Credit Program for Poorest of the Poor	EO/ MOA	Foreign Grants	Livelihood	Basic	LC: NGOs	100% DTI
Tulong sa Tao Program – NGO – Microcredit Project II	EO/ MOA	Budgetary Allocation/ Foreign Loan/ Grant	Livelihood	Basic	LC: NGOs and coops	100% DTI

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1995 - n.d.	FAL	General	Individuals	Nationwide	Without	
1992 - n.d.	WC		Associations	Nationwide	Required	Technical assistance grant
1995 - n.d.	WC/ FAL	Entre-preneurs	NGOs	Senator – Nationwide; Congressman – District Nationwide	Without	Technical assistance grant
1994 - n.d.	WC/ FAL	Entre-preneurs	PPC	Nationwide	Without	Technical assistance grant
1990 - n.d.	WC	Entre-preneurs	NGOs	Nationwide	Without	Technical assistance grant
1995 - n.d.	WC	Disadvan-taged groups	NGOs	Nationwide	Required	
1994 - n.d.	WC/ ML	General	NGOs/ Coops/ CBs	Selected Provinces	Required	Technical assistance
1992-1997	WC/ ML	Entre-preneurs	NGOs/ Coops/ CBs	Nationwide	Required	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
Tulong sa Tao Program – Subcontracting Financing Project	EO/ MOA	Budgetary Allocation	SMEs/ Livelihood	Basic	Directly implemented	100% DTI	
Non-Bank Financial Institutions							
DA – Quedan and Rural Credit Corporation							
Coordinated Agricultural Marketing and Production (CAMP)	Board Resolution	Internal + one-time DA Capital infusion	Agriculture	Basic	LC: FIs	100% Quedancor	
Farm Level Agricultural Machinery Enterprise (FLAME)	Board Resolution	Internal Funds	Agriculture	Basic	LC: FIs	100% Quedancor	
Food and Agricultural Retail Enterprise (FARE)	Board Resolution	Internal + one-time DA Capital infusion	Agriculture	Basic	LC: FIs	100% Quedancor	
Livelihood Corporation							
Banca Dispersal Project	EO	Internal Funds	Agriculture	Not basic	Directly implemented	100% Livecor	
Equipment Acquisition for Small Enterprises	DO	Internal Funds	SMEs	Not basic	Directly implemented	100% Livecor	
Financial Assistance for Microentrepreneurs	EO	Internal Funds	SMEs	Not basic	Direct to individual borrowers; LC; coops/ associations	100% Livecor	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1987 - n.d.	WC/ ML/ FAL	Farmers	PPC	Nationwide	Without	
1993 - n.d.	WC	Farmers	Individuals/ Coops/PPC	Nationwide	Without	partner-FI provides 50% of the loan amount per loan granted; 50% share of partner institution is 100% guaranteed by Quedancor
1984 - n.d.	FAL	Entre-preneurs	Individuals/ Coops/PPC	Nationwide	Without	partner-FI provides 50% of the loan amount per loan granted; 50% share of partner institution is 100% guaranteed by Quedancor
1993 - n.d.	WC	Farmers/ Fisherfolks	Individuals/ Groups	Nationwide	Without	partner-FI provides 50% of the loan amount per loan granted; 50% share of partner institution is 100% guaranteed by Quedancor
1990 - n.d.	FAL	Entre-preneurs	Cooperatives	Selected areas	Without	
1995 - n.d.	FAL	Entre-preneurs	PPC	Selected areas	Without	
1990 - n.d.	WC/ FAL	Entre-preneurs	Individuals/ Coops/ Associations	Selected areas	Without	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
Franchise and Entrepreneur Dev't. Program	EO	Internal Funds	SMEs	Not basic	Direct to individual borrowers; LC; coops/ associations	100% Livecor	
Transactional Lending Project	EO	Internal Funds	SMEs	Basic	Directly implemented	100% Livecor	
National Livelihood Support Fund							
NLSF Lending Program	EO	Special Fund	SMEs/ Livelihood	Basic	LC: FIs/ NGOs and POs	100% NLSF	
People's Credit and Finance Corporation							
Helping Individuals Reach Their Aspirations Through Microcredit (HIRAM) Lending Program	RA	Special Fund	Livelihood	Basic	LC: FIs/ NGOs and POs	100% PCFC	
Small Business Guarantee and Finance Corporation							
Small Enterprise Financing Facility (SEFF)	MOA	Internal Funds	SMEs/ Livelihood	Basic	LC:FIs	100% SBGFC	
Government-Owned and -Controlled Corporations							
DA-Philippine Coconut Authority							
PCA-LBP Financial Incentives for Economic Livelihood Dev't. Scheme for the Small Coconut Farmers Organization (FIELDS-SCO)	Board Resolu- tion	Budgetary Allocation	Livelihood	Not basic	FA; LBP; LC: SCFO	100% LBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1984 - n.d.	WC	Entre-preneurs	Individuals/ Coops/ Other Groups	Nationwide	Required	
1996 - n.d.	WC	Farmers/ Fisherfolks	PPC	Nationwide	Without	
1996 - n.d.	WC	Farmers/ Fisherfolk	NGOs/ Coops/ POs/Other Groups	Nationwide	Without	Provides soft loan for program operations and training of end-beneficiaries at 3% interest p.a.
	WC	Disadvan-taged groups	Individuals	Nationwide	Without	Linkage with other institutions for IB of conduits/program partners
1995 - n.d.	WC/ FAL	Entre-preneurs	PPC	Nationwide	Without	
1989 - n.d.	WC/ FAL	Farmers	Associations/ POs	Nationwide	Required	PCA provides training and technical assistance

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk
DTI-Philippine International Trading Corporation						
PITC Financial Assistance/Loan	MOA	Internal Funds	SMEs	Basic	Directly implemented	100% PITC
National Food Authority						
Farm Level Grains Center (FLGC 1)	EO	Internal Funds	Agriculture	Not basic	FA/LC: Quedancor	100% Quedan-cor
Technology and Livelihood Resource Center						
Bagong Pagkain ng Bayan Program	EO	Internal Funds	Livelihood	Basic	Directly implemented	100% TLRC
Community Empowerment Program	EO	Budgetary Allocation	Government Projects	Basic	LC: NGOs/ Coops/Ass'n/ LGU	100% TLRC
Information Technology Ventures	EO/ MOA	Budgetary Allocation	SMEs	Not basic	Directly implemented	100% TLRC
Tulong Pangnegosyo Program		Budgetary Allocation/ Foreign Loan	SMEs	Not basic	Direct to PPC; LC: NGOs/ Coops/LGUs Ass'ns	100% TLRC
Government Financial Institutions						
Development Bank of the Philippines						
Cottage Enterprise Finance Project	MOA	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP
Damayan sa Pamumuhunan Program	MOA	Budgetary Allocation	SMEs/ Livelihood	Not basic	Directly implemented	100% DBP

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1991 - n.d.	WC	Entre-preneurs	PPC	Nationwide	Without	
1995-2000	FAL	Farmers	Cooperatives	Nationwide	Without	
1973 - n.d.	WC/ FAL	General	NGOs/ Coops/ Ass'ns/POs/ LGUs/ Credit Unions	Nationwide	Required	
1995 - n.d.	WC/ ML/ FAL	LGUs	LGUs	Nationwide	Required	
1979 - n.d.	FAL	Entre-preneurs	Coops/PPC	Nationwide	Without	
1980 - n.d.	WC/ FAL	Entre-preneurs	NGOs/ Coops PPC/Assn's/ LGUs	Nationwide	Required	
1989-1993	WC/ FAL	Entre-preneurs	PPC	Nationwide	Without	
	WC/ FAL	General	Cooperatives	Nationwide	Without	DBP shares in loan granted to borrowers

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
Domestic Shipping/ Modernization Program	Loan Agree-ment	Foreign Loan	Small, Medium and Large Enterprises	Basic	Directly implemented	100% DBP	
EXIM Japan Untied Loan to DBP	Loan Agree-ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Industrial and Support Services Expansion Program	MOA	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Industrial Guarantee and Loan Fund	MOA	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Industrial Investment Credit Project	Loan Agree-ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Industrial Restructuring Program	Loan Agree-ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Kreditanstalt Fur Wiederaufbav – Sector Programme I (KFW-SPI)	MOA	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	
Overseas Economic Cooperative Fund	MOA	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC:FIs	100% DBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1995-1998	WC	Entre-preneurs	Coops/PPC	Nationwide	Without	Technical assistance, trainings
1991-2008	WC	Entre-preneurs	PPC	Nationwide	Without	
1995-1997	WC/FAL	Entre-preneurs	PPC	Nationwide	Without	Technical assistance, trainings
1990 - n.d.	WC/FAL	Entre-preneurs	PPC	Nationwide	Without	
1991 - n.d.	WC	Entre-preneurs	PPC	Nationwide	Without	
1991-1997	WC	Entre-preneurs	PPC	Nationwide	Without	
		Entre-preneurs	PPC	Nationwide	Without	
1991-1996	WC/FAL	Entre-preneurs	PPC	Nationwide	Without	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
LandBank of the Philippines							
5-25-70 Countryside Partnership Scheme	MOA	Budgetary Allocation + Internal LBP Fund	Agriculture	Basic	Direct to coops; LC: coops	25% CIA/ CDF; 70% LBP	
ADB Industrial Forest Plantation Project	Loan Agree-ment	Foreign Loan	Forestry	Not basic	Directly implemented	100% LBP	
ADB Mt. Pinatubo Damage Rehabilit-ation Project	Loan Agree-ment	Foreign Loan	Agriculture	Basic	Direct to coops; LC: coops	100% LBP	
ADB Small Farmers Credit Project	Loan Agree-ment	Foreign Loan	Agriculture	Basic	Direct to coops; LC: coops	100% LBP	
Agricultural Loan Fund	Loan Agree-ment	Foreign Loan	Agriculture	Not basic	LC: FIs	100% LBP	
Credit Assitance Program for Program Beneficiaries Development (CAP-PBD)	MOA	Special Fund	Agriculture	Basic	Direct to coops; LC: RFIs	No credit risk to LBP	
Kawal Pilipino Kabuhayan Program	MOA	Internal + AFP RSBS	Livelihood	Not basic	LC: coops	30% AFP RSBS; 70% LBP	
KFW-LBP-PBSP Small, Micro and Cottage Enterprise Credit Project	Loan Agree-ment	Foreign Loan	Livelihood/ SMEs	Not basic	FA; PBSP; LC:FIs	100% LBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
Varies from MOA to MOA	WC/ FAL	Farmers/ Fisherfolks	Cooperatives	Nationwide	Required	CIA/CDF funds kept in trust at LBP; LBP provides 70% of the loan amount per loan granted to ARBs, DAR provides 25% while borrower puts in 5% as equity
1992 - 1998	WC/ FAL	Entre- preneurs	PPC	Selected Areas	Without	Loan guaranteed by NG
1992 - 2012	WC/ FAL	Farmers	Cooperatives	Selected Areas	Required	
1993 - 1997	WC/ FAL	Farmers	Cooperatives	Nationwide	Required	Cost sharing arrangement between ADB and LBP
1985 - 2005	WC/ FAL	Farmers/ Entre- preneurs	Coops/ PPC/ Associations	Nationwide	Without	Cost sharing arrangement with end-user and participating FI
1996 - 2006	WC/ FAL	Farmers	Individuals/ Coops	Nationwide	Required	Cost sharing between borrower and CAP-PBD; specific fund allocation for rubber projects, agro-industrial projects, studies/workshops
	WC/ FAL	Military personnel	Cooperatives	Nationwide	Required	
1996 - 2036	WC/ FAL	Entre- preneurs	PPC	Nationwide	Without	Interest earnings net of payments to finance training, studies and advisory services, self-help institutions; loan guaranteed by NG

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
LBP-DENR Integrated Social Forestry Program	MOA	Internal + ARF	Agriculture	Basic	Direct to coops; LC: coops	100% LBP	
LBP-DTI Small and Medium Industrial Technology Transfer Development Program (SMITTDP)	MOA	Internal + ARF	SMEs	Not basic	LC: coops/ associations	100% LBP	
LBP-NPUDC Agricultural Livelihood Dev't. Program for Rebel Returnees	MOA	Internal + NRDC Fund	Livelihood	Basic	LC: coops	100% LBP	
NFA-LBP-QGFB Post Harvest Financing Program	MOA	Internal + ARF	Agriculture	Basic	Directly implemented	100% LBP	
OECF-AJDF Small Farmers Credit Project	Loan Agree-ment	Foreign Loan	Agriculture	Basic	LC: coops	100% LBP	
OECF Metro Cebu Development Project Phase III	Loan Agree-ment	Foreign Loan	Govern-ment Projects	Not basic	Directly implemented	100% LBP	
OECF Rural Farmers and Agrarian Reform Support Credit Program (RASCP)	Loan Agree-ment	Foreign Loan	Livelihood	Basic	LC: coops	100% LBP	
PDAF-LBP Feed Technology Promotion and Commercialization Program	MOA	Internal + ARF	Agriculture	Basic	LC: coops	100% LBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
	WC/ FAL	General	Cooperatives	Selected Areas	Required	
1991 - n.d.	WC/ FAL	Entre- preneurs	Coops/ Associations	Nationwide	Required	DTI to train CARP beneficiaries and provide technical assistance to SMI projects
1993 - n.d.	WC/ FAL	Rebel returnees	Cooperatives	Selected Areas	Required	NUPCD provides financing of 8,000 per RR during the institution building phase
1990 - n.d.	FAL	Farmers	Cooperatives	Nationwide	Required	
1992 - 1997	WC/ FAL	Farmers	Cooperatives	Nationwide	Required	
1996 - 2000	WC/ FAL	Local Govern- ment Units	LGUs	Province- wide	Without	LBP not managing the Y12.315B. Loan availments by the Cebu government are directly credited by OECF to the accounts of the CG's contractor; Cebu city government shoulders the foreign exchange risk
1996 - 2001	WC/ FAL	Farmers	Cooperatives	Nationwide	Required	Consultancy services for LBP project implementation; loan guaranteed by NG
1991 - n.d.	WC	Farmers	Cooperatives		Required	

Annex 3 cont.

Executing Agency/ Program Name	Legal Basis	Fund Source	Program Objectives	Target Sector	Mode of Implementation	Credit Risk	
Retail Co-financing Fund (RCF)	Loan Agree- ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	Directly implemented	100% LBP	
Rural Finance Project I (Countryside Loan Fund I or CLF I)	Loan Agree- ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC: FIs	100% LBP	
Second Rural Finance Project (CLF II)	Loan Agree- ment	Foreign Loan	Small, Medium and Large Enterprises	Not basic	LC: FIs	100% LBP	
Special Livelihood Financing Assistance Program (Type B)	MOA	Budgetary Allocation	Livelihood	Basic	LC: coops/ associations/ POs	No credit risk to LBP	
Veternas Livelihood Assistance and Development Program	MOA	Internal + ARF	Livelihood	Basic	LC: coops	100% LBP	

Program Duration	Loan Purpose	Target Beneficiary	Eligible Borrowers	Geographic Coverage	Savings Mobilization	Other Features
1996 - 2016	WC/ FAL	Farmers/ Entre-preneurs	Coops/PPC/ Associations	Nationwide	Without	Same as CLF II
1992 - 2011	WC/ FAL	Farmers/ Entre-preneurs	Coops/PPC/ Associations	Nationwide	Without	Cost sharing arrangement with end-user and PFI; strengthening of insurance/guarantee funds undertaken by Quedancor and PCIC
1996 - 2016	WC/ FAL	Farmers/ Entre-preneurs	Coops/PPC/ Associations	Nationwide	Without	Minimum loans at P100K for peso loans and $25K for $ loans; cost sharing arrangement with end-user and PFI; loan guaranteed by NG
Varies from MOA to MOA	WC/ FAL	Disadvan-taged groups	Coops/ Assn'/POs	Selected Areas		CIA/CDF funds; LBP charges the fund a service fee of 50% of the prevailing interest rate on loans under the program, or 6%, whichever is higher
1990 - n.d.	WC	Farmers/ Fisherfolks	Cooperatives	Nationwide	Required	

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