

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH CONGRESS
First Regular Session

House Bill No. 3266

Introduced by Representatives
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO

AN ACT
STRENGTHENING THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION, BROADENING ITS POWERS AND RESOURCES TO SUPPORT MICRO, SMALL AND MEDIUM ENTERPRISES, FARMERS, FISHERFOLK, AND WORKERS BY RECONSTITUTING IT AS THE AGRICULTURAL CREDIT GUARANTEE CORPORATION, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7393, OTHERWISE KNOWN AS THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION ACT AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Guaranteeing agricultural credit is still an effective intervention by the National Government by which small farmers and fishers become bankable partners in economic development. QUEDANCOR is the potent arm of the government in providing agricultural credit through its time-tested guarantee operations, thus making credit more affordable and accessible to the agri-fishery sector.

QUEDANDCOR's renewed and strengthened guarantee business addresses a niche in the agri-fishery economy which it once was performing successfully. The need to revisit QUEDANCOR's mandate in consonance with present policy thrusts merits preferential attention, more particularly in the aspect of fund support considering that its continued guarantee operation provides livelihood and employment that increases productivity and rural income.

Through this proposed bill, the QUEDANCOR shall be reconstituted into the Agricultural Credit and Guarantee Corporation or AGRICORP with a proposed authorized capitalization of P25 Billion.

The AGRICORP shall be given a clean slate and a strengthened mandate in implementing a renewed agricultural guarantee business by separating and transferring the liabilities and obligations of the old QUEDANCOR to the National Government. In so doing, the liabilities incurred shall be separately dealt with through the assistance of the national government's expert agencies while the needed agricultural guarantee intervention by the government to the agri-fishery sector shall be strengthened further in the over-all objective of national progress and economic development.

QUEDANCOR has a unique mandate and potency in triggering countryside growth and employment through the provision of guarantee services to the agri-fishery sector – the sector which has been given less priority though pregnant with remarkable potentials. And the way to survive this unique and noble mandate is to skin QUEDANCOR from its trappings and baggage, letting its core mandate of providing guarantees to the agri-fishery sector transcend to its full potentials under the reconstituted AGRICORP. The complex problems associated with the old QUEDANCOR shall be left with the National Government for a more focused management of liabilities, without affecting the over-all investment relation with the banking industry and other creditor institutions.

As a government financial institution, AGRICORP needs close supervision by the National Government's fiscal and financial regulators, particularly the Department of Finance, *Bangko Sentral ng Pilipinas* and the Department of Budget and Management whose representation in the AGRICORP Board shall provide better financial assessment and policy guidance. Moreover, considering the broad national objective of increasing credit and guarantees in the agri-fishery sector, the Chairmanship and Vice-Chairmanship of the AGRICORP Board necessitates the expert guidance from the Office of the President and the National Economic Development Authority, respectively. These institutional memberships in the AGRICORP's Governing Board shall help ensure strict regulation and full guidance on the precise, updated and proper policies as regards agricultural credit and guarantee operations.

Finally, increasing AGRICORP's authorized capitalization provides preferential advantage in better recovering the lost trust and confidence from the banking sector and capital market in once again evolving a workable and complementary beneficial relationship in spurring the flow of investments and credit resources into the countryside as a joint undertaking for nation-building and development. The rich resources of the banking industry and capital market lay awaiting the National Government's intervention to access the same for the remarkable potency of the Philippine agri-fishery sector. What remains to be done is to trigger active cooperation among the stakeholders by evolving a strong mechanism and policy on agricultural credit guarantee anchored on the new AGRICORP.

In view of the paramount importance of this bill, we urge our colleagues to ensure its immediate passage into law.



DIOSDADO MACAPAGAL ARROYO
Second District, Camarines Sur



GLORIA MACAPAGAL ARROYO
Second District, Pampanga

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Title.* – This Act shall be known as the “Agricultural Credit Guarantee Corporation (AGRICORP) Act of 2013.”

SECTION 2. *Declaration of Policy.* – Sections 10 and 20 of Article II of the Philippine Constitution mandate one methodology on how the State shall perform its task of accelerating the flow of investments and credit resources to the populace so as to trigger vigorous growth and development, productivity, employment and enterprises thereby generating more livelihood and means opportunities for the disadvantaged populace.

Consonant to this, the State shall set up a convenient credit-support mechanism, a reliable guarantee system and a specially emplaced credit and/or guarantee facility that shall effectively:

- (a) Provide avenues of access of urban and rural workers, their cooperatives, the small urban and rural enterprises to credit or credit institutions and providers;
- (b) Encourage the participation of private enterprises to support the undertaking of such persons by providing incentives for them, to focus upon, to trust and/or increase the flow of credit resources and investments into these areas of concerns;
- (c) Institutionalize the Quedan Purchase Order/Job Order (PO/JO) and other instruments such nature as evidence of guarantees and in providing credit assistance;
- (d) Institutionalize the quedan or warehouse receipt and other negotiable instruments, evidencing existence of commodities stored in the Corporation's bonded warehouses, as convenient collateral for accessing credit;
- (e) Prioritize financing support and/or grant of assistance to small enterprises engaged and or will engage in small production, processing and developmental activities and to those businesses directly supporting such endeavors either as their markets or partners;
- (f) Support and encourage dynamic cooperativism, groupings, capital formation and savings mobilization among the populace;
- (g) Ascertain income from the above-stated activities in recognition of committed, honest undertakings and services by promoting, adopting or institutionalizing a system that rewards these efforts or by-passes or merges the unnecessary layers of marketing through linkages and voluntary arrangements among its players;
- (h) Harmonize, involve, coordinate and/or team up with other government institutions, nongovernmental organizations, private voluntary organizations, self-help groups and other aggrupations involved in providing support services to these sectors and areas.
- (i) Maximize access to credit and credit providers for rural workers, their cooperatives, associations and groups, formal or informal; and
- (j) Institutionalize different schemes to accelerate the flow of credits to rural workers, their cooperatives, associations and groups, and forms of instruments as evidence of loan and other monetary obligations;

SECTION 3. *Definition of Terms.* – The following terms as used in this Act shall mean:

(a) "Corporation" – The Agricultural Credit Guarantee Corporation or AGRICORP.

(b) "Farmer" – Any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products, in small or commercial scale, either by himself or primarily with the assistance of his immediate farm household or workers for the secondary purpose of gaining profit, or any juridical person, such as but not limited to corporations, cooperatives or associations, whose primary purpose is cultivation of land or the production of agricultural crops, livestock and aquaculture products with the assistance of farm workers, whether the land is owned by him/it or by another person, under a leasehold tenancy agreement or arrangement with the owner thereof.

(c) "Fisherfolk" – Refers to any natural person whose primary livelihood is fishing or the catching and/or gathering of other marine products, in small or commercial scale, either by himself or with the assistance of his immediate household or workers for the secondary purpose of gaining profit, or any juridical person whose primary purpose is fishing or the catching and/or gathering of other marine products, engaging in such activity either by himself or with the assistance of workers, whether the vessel, banca, fishpond and other equipment used is owned by him or by another person under lease or other arrangement with the owner thereof and there is no employer-employee relationship.

(d) "Worker" – Refers to any natural person whose primary livelihood is employment whether with an employer or by himself engaging or will engage in a livelihood activity in small scale either by himself or with the assistance of his immediate household or family members for the primary purpose of augmenting their family income which may not be necessarily to gain profit.

(e) "Farm-Workers" – Refers to any natural person not being a member of the household, whose primary and secondary source of livelihood is giving assistance to farmers and fisherfolk.

(f) "Enterprise" – Refers to an activity of a production, processing or development-based undertaking, or of such combination or trading thereof, engaged either for profit, or as a source of daily sustenance or for addition thereto.

(g) "Banks" – Refer to entity or entities which per authority from the Bangko Sentral ng Pilipinas are authorized to lend and accept deposits.

(h) "Credit Providers" – Refers to banks, quasi-banking institutions, or any institutions, private or government owned, that provide credit or financial assistance to any member of the agricultural sector thru the Corporation.

(i) "Providers" - Refer to legally operating businesses that render services or that provide merchandise to clients or borrowers of the Corporation for an undertaking.

(j) "Clients and Borrowers" – Refer to any person or persons whether natural, juridical or recognized aggrupations that avail or are availing of the loan or guarantee services of the Corporation.

(k) "Partners" – Refer to any person, natural or juridical, that supports the realization and implementation of the loan and guarantee programs of the Corporation other than a client, borrower or provider.

(l) "Recognized Lending Entities" – Refer to any person, natural or juridical, other than banks, that lend its cash, goods or services to the clients or borrowers under any of the programs of the Corporation, which loan is intended to be covered by the guarantee of the Corporation.

SECTION 4. *Reorganization.* – The Quedan and Rural Credit Guarantee Corporation is hereby reorganized in accordance with the provisions of this Act and renamed as Agricultural Credit Guarantee Corporation and hereafter referred to as the Corporation.

The Corporation, in consideration of its role in national development, is hereby attached to the Office of the President of the Republic of the Philippines and subject to the regulatory powers of the Securities and Exchange Commission insofar as allowed under Sections 6, 7, 9, 10, 13 and 31 hereof.

SECTION 5. *Place of Business.* – The Corporation shall have its principal place of business in Metro Manila and may establish as many branches or smaller units of organization in any part of the Philippines as may be necessary in carrying out efficiently and effectively its operations.

SECTION 6. *Term of Existence.* – The term of existence of the Corporation shall be fifty (50) years from the date of effectivity of this Act.

SECTION 7. *Authorized Capital Stock.* – The authorized capital stock of the Corporation is hereby increased from Two Billion Pesos (P2,000,000,000.00) to Twenty-Five Billion Pesos (P25,000,000,000.00) to be divided into twenty five billion common and voting shares, with the par value of One peso (P1.00) per share, sixty percent (60%) thereof to be subscribed solely by the National Government, government-owned or controlled corporations and/or any other government instrumentalities as allowed by their respective charters and forty percent (40%) by private investors: *Provided, however,* That the shares of the National Government, government-owned or controlled corporations or any other government instrumentalities may be sold to one another but not to private investors.

SECTION 8. *Subscription by National Government.* – Upon the effectivity of this Act, the National Government shall be deemed to have subscribed to such number of shares of the Corporation equivalent in par value to, and considered paid for by, the net assets of Quedan and Rural Credit Guarantee Corporation, as determined and certified by the Commission on Audit within three (3) months from the effectivity hereof.

All other Government Agencies whose heads are ex-officio members of the Governing Board of the Corporation are mandated to subscribe in the stocks of the Corporation to cover a total of at least one fourth (1/4) of the required subscriptions of the government in pro rata basis as is necessary to cover the required subscriptions of the Government and which may be sourced from their annual budgets. Ten percent (10%) of such subscriptions shall be paid in the immediate year succeeding the approval of this Act. The remaining shall be paid at Ten percent (10%) yearly from their approved budgets or from the dividend of their subscriptions in accordance with the succeeding paragraph hereof until the subscribed stocks shall have been fully paid.

Subject to the approval of the majority of members of the Governing Board, in a meeting called for the purpose, profit accruing to the investment of the above-mentioned agencies, in accordance to the provision of Section 22 of this Act, may be used as part of their compliance to the required subscriptions. The permanent representative of the Office of the President of the Republic of the Philippines or his duly authorized representative shall vote corresponding to the National Government's shareholding.

SECTION 9. *Subscription by Private Investors.* – No private person, natural or juridical, shall directly or indirectly, by interlocking directorate or other forms of combinations, by trust, subscriptions, purchase, lease, mortgage, pledge, or other means of acquisition or encumbrance, own at any one time more than ten percent (10%) of the portion of the Corporation's authorized capital stock that can be subscribed solely by private investors. The Corporation in consultation with the Securities and Exchange Commission shall prescribe within ninety (90) days from the effectivity of this Act, implementing rules and regulations which will assure strict observance of the herein section by private investors and stock exchanges, stockbrokers, traders and personnel thereof, if the Corporation is listed in such exchanges for the trading of its shares therein under Section 10 hereof. Violation of any provision of the herein section or its implementing rules and regulations shall be punishable under Section 185 of the Revised Penal Code or, whenever applicable, the Anti-graft and Corrupt Practices Act.

SECTION 10. *Submission to the Securities and Exchange Commission.* – The concerned officers of the Corporation are mandated to submit to the Securities and Exchange Commission a copy of this Act not later than six (6) months from its effectivity.

Failure to comply with the provisions herein shall be prima facie evidence of bad faith on the part of the Corporation's personnel responsible therefor.

SECTION 11. *Corporate Powers.* – The Corporation, as a body corporate, shall have the following powers and purposes:

- (a) Establish a credit-support mechanism for the benefit of and assistance to its clients, borrowers and partners;
- (b) Establish, institutionalize and implement a guarantee system to promote inventory financing of storable commodities; establishment of production and post-production facilities; issuances of bonds and notes to finance the co-lending and guarantee activities of the Corporation as authorized under this Act.
- (c) Evolve and provide agri-fishery credit and guarantee options for startups and/or pioneering ventures which ordinarily fail to pass stringent banking lending requirements or which no financial institution would be willing to lend, including borrowers and clients who have been thrice denied to access and avail loan from banks;
- (d) Set up a system for accrediting the participation in the Corporation's various programs by borrowers, lending banks, financing institutions, bonding and insurance companies;
- (e) Franchise-bonded warehouses intended for quedan inventory financing, issue and enforce rules and regulations therefor;
- (f) Print and provide uniform negotiable quedan or warehouse receipt forms for the purpose of quedan financing which shall be serially numbered, on security notepaper, in specific quantity denominations of such unit of measurement of subject commodities; and shall contain the name and business address of the warehouseman, the variety, classification, moisture content and quality of the commodity deposited, the warranties of the warehouseman as prescribed by existing laws, rules and regulations, the charges and authorized liens on the stocks in deposit;
- (g) Prescribe fees and charges for the Corporation's services; fix, lower, condone or waive interest and penalty charges for delinquent accounts; and/or impose fines and sanctions for violations of its rules and regulations;
- (h) Acquire by purchase or otherwise ownership of and invest in, hold, sell or otherwise dispose of stocks or bonds of any interest in either or any obligation or evidence or indebtedness of any person, firm or corporation; and as owner of such stocks, bonds or interest therein, or other obligations or evidences of indebtedness, exercise the rights, powers and privileges or ownership, including the right to vote thereon or consent in respect thereto for any and all lawful purposes;

- (i) Purchase or otherwise acquire, sell, lease, convey, mortgage or encumber and otherwise deal with any property, real or personal, or any interest therein;
- (j) Develop or otherwise improve the properties acquired by the corporation, real or personal, either directly or in coordination with and assistance of any government agency or private institutions through any form of contracts, for the purpose of enhancing the value and marketability of the property;
- (k) Act as a receiver;
- (l) Adopt and use a corporate seal;
- (m) Sue and be sued;
- (n) Prescribe, repeal and alter its own bylaws; determine its operating policies and issue such rules and regulations as may be necessary and incidental to implement its various policies, programs and projects; and
- (o) Carry on any lawful business whatsoever and do everything suitable, convenient and proper for the exercise of any of the foregoing powers and promote the interests of the Corporation or its properties.

SECTION 12. *Governing Board.* – The affairs and business of the Corporation shall be directed, its properties managed and preserved, and its corporate powers exercised, unless otherwise provided in this Act, by a governing Board consisting of fifteen (15) members composed initially of the following:

- (1) a permanent representative from the Office of the President of the Republic of the Philippines;
- (2) the Director General of the National Economic Development Authority (NEDA);
- (3) the Secretary of the Department of Budget and Management (DBM);
- (3) the Secretary of the Department of Finance (DOF);
- (4) the Secretary of the Department of Agriculture (DA);
- (5) the Secretary of the Department of Interior and Local Government (DILG);
- (6) the Governor of *Bangko Sentral ng Pilipinas*;
- (7) the President of the Philippine Chamber of Commerce and Industry (PCCI);

- (8) the President and Chief Executive Officer (CEO) of the Corporation, and three (3) other members: (a) a small farmer or fisherfolk to be endorsed by the Department of Agriculture, (b) a worker to be endorsed by the Department of Labor and Employment and (c) a government employee to be endorsed by the Civil Service Commission and approved by the other members of the Governing Board after having been nominated by a nationally organized association of farmers or fisherfolk, workers and employees, respectively. Said representatives shall serve for a term of two (2) years.

Members of the Governing Board who would proportionately represent the private investments in the Corporation shall be decided upon by the initial members of the Governing Board as provided for under Section 13 hereof.

In the interest of the State, the representative of the Office of the President of the Republic of the Philippines and the Director General of NEDA shall be the Chairman and Vice Chairman, respectively, which functions shall not be delegated through representation.

The Chairman shall preside over the meetings of the governing Board where aside from voting regularly he shall vote to break a tie. He shall likewise preside over the stockholders' meetings.

The Vice-Chairman of the Board shall assist the Chairman and act in his stead in case of the latter's absence or incapacity. In case of incapacity or absence of both the Chairman and Vice-Chairman, the Governing Board shall, upon determination of a quorum and counting the present representatives of the Chairman and Vice-Chairman, but who must not vote, by the corporate secretary, shall elect from among themselves a temporary Chairman from among its members and whose authority to act as such shall be for the particular instance and/or duration only.

After the determination of the quorum, recognized representatives of any of the members of the Governing Board shall be allowed to share their views, present propositions and motions which can be voted upon and vote on matters requiring such during their representation: *Provided, however*, that delegation of representation to attend a meeting by any member of the Governing Board shall only be valid for not more than two (2) consecutive meetings.

SECTION 13. *Election, Terms of Office of Elective Board Members.* – The additional members of the Governing Board to be elected by the initial members of the Governing Board and henceforth shall serve for a term of one (1) year each and can be reelected to serve for a continuous and maximum term of three (3) years. The election shall be presided over by the Board Chairman, which shall be held in Metro Manila, in a place accessible to the public, and shall be in accordance with provisions of the Corporation code of the Philippines and other pertinent laws. The first election after the effectivity of this Act shall be held when the initial members of the governing Board shall have been duly constituted and twenty-five percent (25%) of the counterpart shares for

private investors shall have been subscribed, the exact date, time and place to be determined by the governing Board then incumbent. The governing Board of the Corporation, in consultation with the Securities and Exchange Commission, shall prescribe the rules and regulations for the efficient and effective implementation of this section.

SECTION 14. *Specific Duties and Powers of Governing Board.* – The Governing Board shall have the following specific duties and powers:

- (a) Determine the general policies of the Corporation within the scope of its powers, objectives and financial resources;
- (b) Approve and adopt annually the Corporation's budget at least three (3) months before the start of the fiscal period in conformity with the guidelines prescribed by the Department of Budget and Management, the Department of Finance and the Government Corporate Monitoring and Coordinating Committee; the Corporation's plan of operation for the year, as well as its medium-and long-term plans, programs and projects;
- (c) Monitor the implementation of the Corporation's general policies, plans, budgets, and projects;
- (d) Upon the recommendation of its President and CEO of the Corporation, approve, reorganize or otherwise alter the position structure, staffing pattern, qualifications, powers and functions of the Corporation's officers and employees in consultation with the Civil Service Commission and the Department of Budget and Management;
- (e) With the same power as that of other Government Owned and Controlled Corporation, rationalize the rates of salaries, wages, allowances, per diems, consultant's fees, overtime pay and other forms of compensation, including gratuities and fringe benefits, without prejudice to the compensation, fringe benefits and gratuities enjoyed by or provided for incumbent personnel at the effectivity of this Act;
- (f) Approve, upon the recommendation of its President and CEO, the appointment of senior corporate officials from the rank of Vice Presidents, in accordance with the pertinent provisions of the Civil Service Law, rules and regulations;
- (g) Evaluate the financial reports of the Corporation and the comments of the Auditor thereon;
- (h) Submit to the President of the Philippines, the Congress of the Philippines, the National Economic Development Authority, Department of Finance, the Department of Budget and Management, and the Government Corporate

Monitoring and Coordinating Committee, an annual report of the Corporation's operations which shall include the following audited financial statements: balance sheet or statement of assets and liabilities; income statement or statement of income and expenditures; and statement of sources and application of funds.

Such reports shall also include an analysis of any surplus or deficit of the Corporation and other additional statements and information necessary to make known the financial conditions and operations of the Corporation such as the outstanding domestic and foreign borrowings, the amount of government capital and/or dividend that will be credited to the Bureau of Treasury during the fiscal year, and pursuant to Section 7 hereof the appropriations needed to restore capital impairments, if any, subject to pertinent laws, rules and regulations; and such other reports and statements that the Government Corporate Monitoring and Coordinating Committee may prescribe;

- (i) Establish a competitive selection process to ensure that the key executives of the Corporation have the necessary motivation, integrity, competence and professionalism;
- (j) Adopt a professional development program for officers and employees, and succession planning for key executives;
- k) Monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse of related party transactions;
- (l) Ensure the integrity of Quedancor's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- (m) Implement a system of internal checks and balances that must be regularly reviewed and updated; and
- (n) Constitute an Audit Committee and such other specialized committees as may be necessary to assist the board in discharging its functions.

SECTION 15. *President.* – The management of the day-to-day operation of the Corporation shall be vested in the President as its Chief Executive Officer.

No person shall be appointed President by the Governing Board unless he is of good moral character and reputation, in the government career service, is at least forty (40) years of age and has proven expertise in banking, finance, economics, law, agriculture, business management, or public administration and is recommended by at least two nationally recognized farmer's association and the employees association of the Corporation. The tenure of the President and CEO of the Corporation shall be four

(4) years subject to renewal or reappointment by the appointing authority and with the confirmation of the Commission on Appointments.

In no case shall the Corporation be headed by an officer-in-charge for a period of not more than three (3) months, counted cumulatively from the time of his/her first assumption to such post.

SECTION 16. *Powers and Duties of President.* – The President of the Corporation shall have the following powers and duties:

- (a) Direct and manage the affairs and business of the Corporation;
- (b) Implement or cause the implementation of its budget, policies, programs and projects approved by the Governing Board;
- (c) Represent and enter into and execute, in behalf of the Corporation, all contracts and authorized transactions;
- (d) Appoint, promote, remove, suspend or otherwise discipline for cause, any subordinate officer or employee of the Corporation pursuant to the Civil Service Law, rules and regulations: *Provided, however,* that with respect to officers and with rank equivalent to or higher than Vice-President, such action shall be subject to the approval of the governing Board;
- (e) Ensure that the officers concerned prepare the annual and financial reports, including the analysis required in Section 14 hereof on or before the time fixed therein; and
- (g) Perform such other powers or duties as may be appropriately and reasonably assigned to him by the governing Board from time to time.

SECTION 17. *Solicitation of Grants.* – The Chairman or President and CEO of the Corporation is hereby authorized, subject to the approval of the governing Board, to directly solicit, negotiate for and receive grants or fund in trust for the Corporation from any source, domestic or foreign, public or private, in accordance with existing laws.

For the purposes of this Act, grants shall include legacies, devises, gifts, donations, endowments and other transfers from any source, domestic or foreign, public or private, or the ownership and/or possession of real or personal properties, which are free from any monetary considerations except for the cost of its transfer to the Corporation and which ownership is deemed transferred to the Corporation.

With respect to such grants, the following are hereby prescribed:

- (a) No grant shall be accepted if its term and conditions are patently and grossly disadvantageous to the Corporation or the Government;

(b) The disbursement or use by the Corporation of any cash grant shall be, pursuant to a special budget approved by the governing Board, in consultation with the Department of Budget and Management, and subject to accounting and auditing laws, rules and regulations;

(c) In case of foreign sourced items that need to pass through the Bureau of Customs, the Bureau shall give priority for the expeditious, safe, efficient and effective release from its premises of grants given to the Corporation under this Act;

(d) The President and CEO of the Corporation may, upon authority of the Governing Board, in his sound discretion, deputize members of the Philippine National Police, Armed Forces of the Philippines (AFP) and other security forces of the Government to escort and/or guard the grants given to the Corporation under this Act in order to ensure their safe and speedy transportation, delivery and custody by the Corporation's representatives;

(e) Grants given to the Corporation under this Act shall be accorded utmost priority in transportation by national flag carriers and domestic common carriers; and

(f) Not later than forty (40) days from the start of or receipt thereof, the President and CEO of the Corporation shall submit to the Director General of the National Economic and Development Authority a report about the grants being negotiated for and/or received by the Corporation, specifying therein the peso value, general descriptions, sources, summaries of terms and conditions, purposes, and date of start of negotiation or receipt of such grants.

SECTION 18. *Operating Principles.* – The Corporation in the exercise of its powers shall be guided by the following operating principles:

(a) The guarantee cover and loan under its various programs shall be scaled progressively in favor of agri-fishery micro-enterprises vis-à-vis small and medium-sized businesses;

(b) The rate of guarantee fees and other corporate charges shall be commensurate to the risk covered;

(c) Yearly fund allocations for its programs shall be always on a sixty/fifty (60/40) basis in favor of its sole guarantee versus its guaranteed co-financing programs;

(d) The aggregate contingent liability, that is, its outstanding guarantee obligation at any given time, shall not exceed three (3) times its available guarantee fund;

(e) The guarantee for storable commodities stored in bonded warehouses covered by a warehouse receipt shall be based on their physical presence;

(f) The guarantee program for production and post-production facilities, farm-aqua machineries, equipment and implements, shall be on the loan extended by a bank or lending institution on the basis of a mortgage thereon, without prejudice to the requirement for an additional or substitute collateral;

(g) The guarantee for production inputs and labor or provision of goods and/or services for an undertaking may either be on the loan if granted by a bank or recognized lending entity or over the obligation of the performance of the Corporation's clients and/or borrower to pay its value without prejudice to the requirement for a counter-guarantee from non-governmental organizations, or for some form of acceptable collaterals;

(h) The credit-support mechanism may be in the form of assistance or any of the combination thereof in client prospecting, credit evaluation, collateral appraisal, account monitoring, special time deposit, co-financing arrangement, co-guarantee, interest stabilization, liquidity access or a combination of any thereof and other similar incentives whichever is applicable;

(i) The guarantee cover, credit-support system and the credit to be extended by the Corporation shall be oriented to promote capital formation, savings mobilization investment and private participation;

(j) Secondary trading market and liquidity access for participating banks and lending institutions, especially for those operating in small municipalities, shall be developed and promoted by the Corporation for its guaranteed loan papers;

(k) Working relationships shall be harmonized with other government institutions, agencies and instrumentalities engaged in national development; and

(l) Program evaluation shall be made on a yearly basis with the operations officers as the main sources of information in cooperation with program recipients. Recommendations of the operations officers shall be the basis for the furtherance, modification or cancellation of the program. A feedback mechanism to this effect shall be defined by the Governing Board within ninety (90) days from its first meeting.

SECTION 19. *Sovereign Guarantee.* – In accordance with pertinent laws, rules and regulations, the Republic of the Philippines shall answer for the payment of guarantee obligations duly incurred by the Corporation under the provisions of this Act: *Provided, however,* that the Corporation's assets shall have been first fully exhausted to satisfy its guarantee obligations.

Pursuant to the above, the Department of Budget and Management and the Congress of the Republic of the Philippines shall include in its yearly appropriations a fund for the Corporation in consonance with Sections 7 and 14 of this Act, the approval of which shall not be delayed. In the same manner, Congress shall give preferential consideration to budgets presented by Government agencies intended for investment to the stocks of the Corporation or in trust to the Corporation under Section 23 hereof.

SECTION 20. *Compliance with Agri-Agra Law.* – Other than those incentives already provided by the Government, investment by any banking institution in the authorized capital stock of the Corporation shall be considered compliance with Presidential Decree No. 717 of 1975, otherwise known as the Agri-Agra Law, in such equivalent as to their equity holdings in the Corporation and yearly computed at its present market value. Likewise, loans extended by a bank and covered by a guarantee of the Corporation shall be deemed as compliance with the Agri-Agra Law. Rediscounting by secondary banks of originating banks' loan receivables having the guarantee cover of the Corporation shall likewise be deemed compliance with the same law and loans released by a bank to an entity acting as partner of the Corporation shall likewise be considered as compliance of the Agri-Agra Law to the value of the loan granted.

SECTION 21. *Protection for Corporation's Guarantees and Other Accommodations.* – The provisions of any local, regional, national, special or general law to the contrary notwithstanding, securities on guarantees and/or accommodations granted by, or subrogated to, the Corporation or its predecessors-in-interest shall not be subject to attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debtor to the Corporation and its predecessors-in-interest shall have been previously paid, including accrued interest, penalties, collection expenses, and other charges.

The right of the Corporation over the indebtedness of its clients or borrowers shall, except for the payment of matured taxes, the payment of salaries and wages for work already rendered by workers of the subject entities, are considered superior over any other rights in the attachments and garnishments of the properties of its clients and borrowers that may be filed by other creditors for obligation still contracted by the Corporation's clients and borrowers after the existence of the borrowers' loan with the Corporation.

SECTION 22. *Dividend for Government Shareholdings.* – Subject to the provisions of Sections 7 and 14 (i) hereof, the annual dividends that may be declared by the Corporations pertaining to the National Government shareholdings shall be in the form of stock dividends in order to build up the capital base of the Corporation in accordance with Section 8 hereof.

In no instance, however, shall the subscription of the National Government exceed the authorized share in the authorized stock of the Corporation.

SECTION 23. *Funds as Trust to the Corporation.* – The National Government and all other government instrumentalities including government owned and controlled corporations in pursuance of their mandates, are hereby authorized to place funds in the Corporation in the nature of trust for credit and/or guarantee programs in such arrangements and purposes as may be agreed upon by the entrustee and entrustor to service particular clients, borrowers and activities.

Countrywide Development Funds of the members of Congress may likewise be placed in the Corporation in the nature and purpose as herein contemplated.

Subject to rules and procedures, foreign entities are also allowed to place funds to the Corporation in the same nature of trust in accordance with this Act.

SECTION 24. *Corporate Secretary.* – The Corporate Secretary, who shall be a lawyer, and who shall have a regular item as one officer of the Corporation that must be appointed by the Governing Board and under the supervision of its Chairman, shall record the deliberations and other official actions of the governing Board and shall take custody of the records and other papers pertaining to it.

Unless replaced for cause, the Corporate Secretary, who can be reappointed, shall have a tenure of three (3) years.

SECTION 25. *Legal Affairs.* – The Corporation shall have its own Legal Affairs Department to be headed by the Corporate Legal Counsel, with the rank not lower than Senior Vice President, and whose nature and terms of appointment shall be the same as that of other senior officers of the Corporation under Section 14 (f) hereof.

In appropriate cases, the Corporation may also avail of the legal services of any government legal office authorized to render such services to government-owned or controlled corporations or subject to rules and regulations, hire private law firms to support its collection activities.

The Corporation may, upon the recommendation of its Corporate Legal Counsel, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of the debtor's properties, and in the enforcement of court writs and processes in cases involving the Corporation. Such special sheriff of the Corporation shall make a report to the proper court on any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects.

SECTION 26. *Internal Audit.* – An Internal Audit Unit to be attached to the Office of the President and CEO of the Corporation and must be headed by a person whose salary grade shall not be lower than the rank of Senior Vice-President and to be appointed by the President and CEO of the Corporation upon the recommendation of the Governing Board, shall also be established in this Act as a tool of both the Governing Body and the management for the evaluation of corporate programs, policies and directions.

Reports and recommendations of the said unit shall be directly given to the President and CEO of the Corporation, to the next in rank post in the Corporation and to the Governing Body for their reference and basis in their decision for Corporate efficiency.

SECTION 27. *COA Personnel and Expenditures.* – The number of personnel to be assigned by the Commission on Audit in the Corporation and the concomitant expenses to be incurred in the performance of their duties shall be determined in such manner as to harmonize equitably the need of the Commission on Audit to undertake efficiently and effectively its constitutional powers and functions and the obligation of the Corporation to economize in the use of its funds, considering that it is the Corporation which shall defray the expenses for the audit of its operations. In case of disagreement between the Commission on Audit and the Corporation as to the reasonableness of the number of such personnel and their auditing expenditures, the opinion of the former shall prevail.

As much as possible, the nature, function and accomplishments of the mandate of the Corporation being performed by it shall be more on service and economic stimulation rather than on proprietary basis and as being inept of governmental power, must be given due weight by its audit as proper as it can be in comparison to those government instrumentalities which inherently have been accorded governmental powers or of those which are primarily established by it primarily for its proprietary function.

SECTION 28. *Transitory Provisions.* – The incumbent President of the Quedan and Rural Credit Guarantee Corporation shall be the President of the Agricultural Credit Guarantee Corporation until a new President who shall have fulfilled the requirements of the position subject to the provisions of Section 15 of this Act shall have been appointed by the President of the Republic of the Philippines. The President and CEO shall, as soon as possible, prepare and submit to the Governing Board such plans and programs which will ensure harmonious and effective transitional activities towards the full operation of the Corporation.

Notwithstanding any law to the contrary, the Corporation shall continue to be the Corporation being referred to under Chapter 3 of the Agriculture and Fisheries Modernization Act (AFMA) particularly Section 25 thereof, and shall likewise be the fund manager of all agricultural guarantees and loan funds issued by the government for developmental purposes.

SECTION 29. *Transfer of Assets and Liabilities.* – Upon the effectivity of this Act, the Secretary of Agriculture, the Secretary of Finance, the Secretary of Budget and Management, the Governor of the Bangko Sentral in representation of the National Government, and the Chairmen of the Committees on Government Enterprises of the Senate and the House of Representatives shall determine the assets and liabilities of the Quedancor which may be transferred to or assumed by the Department of

Agriculture. The Committee shall complete its work within ninety (90) days from the constitution of the Agricultural Credit and Guarantee Corporation submitting a comprehensive report with all its findings and justification.

The following guidelines shall be strictly observed in the determination of which assets and liabilities shall be transferred to the Department of Agriculture:

(a) the Governor of the *Bangko Sentral ng Pilipinas* and the Secretary of Finance shall have primary responsibility for working out creative monetary and financial solutions to retire the Quedancor liabilities and losses at the least cost to the Government;

(b) collections from Quedancor's trade receivables shall be remitted to a special deposit account (sinking fund) until such time as the net liabilities of the Central Bank shall have been liquidated through generally accepted finance mechanisms such as, but not limited to, write-offs, set-offs, condonation, collections, reappraisal, revaluation and bond issuance by the National Government, or to the National Government as dividends;

(c) the transfer of Quedancor's assets and liabilities, to be certified by the Commission on Audit (COA), shall not commence until the initial required capitalization of the Agricultural Credit and Guarantee Corporation shall have been funded;

All actions taken under this section shall be reported to Congress and the President within thirty (30) days.

SECTION 30. *Mandate to Organize.* – The Agricultural Credit and Guarantee Corporation shall be organized by the Governing Board without being subject to the provisions of Republic Act No. 7430, by adopting if it so desires, an entirely new staffing pattern on organizational structure to suit the operations of the Agricultural Credit and Guarantee Corporation under this Act. No preferential or priority right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern, nor shall any personnel be considered as having prior or vested rights with respect to retention in the Agricultural Credit and Guarantee Corporation or in any position which may be created in the new staffing pattern, even if he should be the incumbent of a similar position prior to organization. The formulation of the program of organization shall be completed within six (6) months after the effectivity of this Act, and shall be fully implemented within a period of six (6) months thereafter. Personnel who may not be retained are deemed separated from the service.

SECTION 31. *Separation Benefits.* – Pursuant to Section 15 of this Act, the Governing Board is authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding section shall be entitled to such incentives, which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws.

SECTION 32. *Supplementary Application of Corporation Code.* – The provisions of Republic Act 7393, otherwise known “An Act Reorganizing The Quedan Guarantee Fund Board, Renaming It As Quedan and Rural Credit Guarantee Corporation, Enlarging Its Powers And Resources To Support Farmers And Rural Enterprises, And For Other Purposes” shall serve as supplementary to the provisions of this act in so far as it is not in full conflict with the provisions of this Act. Moreover, matters not provided for in this Act shall be governed by the Corporation Code of the Philippines and on the other accepted incidents of a principle of a corporation, in supplementary character insofar as it is applicable.

SECTION 33. *Separability Clause.* – Any portion or provision of this Act that may be unconstitutional or invalid shall not have the effect of nullifying other portions or provisions hereof as long as such portions or provisions can still subsist and be given legal force and effect in their entirety.

SECTION 34. *Repealing Clause.* – All laws, ordinances, rules, regulations and other issuances or parts thereof, contrary to or inconsistent herewith, are hereby repealed or modified accordingly.

SECTION 35. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,