



Republika ng Pilipinas
Pambansang Pangasiwaan ng Patubig
(NATIONAL IRRIGATION ADMINISTRATION)
Lungsod ng Quezon

OFFICE ADDRESS: NATIONAL GOVERNMENT CENTER
E. DE LOS SANTOS AVENUE
QUEZON CITY PHILIPPINES

TELEPHONE NOS.:
CABLE
TELEX

97-60-71 to 78
NIAPHIL
42802 NIA PM

OUR REFERENCE:

18 July 1989

MC # 28 s. 1989

MEMORANDUM

T O : The Deputy Administrator/
All Assistant Administrators/
Regional Irrigation Managers/
Operations Managers-MRIIS & UPRIIS/
Institutional Development Managers/
Irrigation Superintendents,
Provincial Irrigation Engineers and
All Others Concerned

SUBJECT : MEMORANDUM OF AGREEMENT BETWEEN THE
DEPARTMENT OF AGRICULTURE (DA) AND NIA
RE: IMPLEMENTATION OF LIVELIHOOD
ENHANCEMENT FOR AGRICULTURAL DEVELOPMENT
(LEAD) BANK-ASSISTED PROGRAM

Attached herewith for your information and guidance is the Memorandum of Agreement between the DA and NIA which calls for the joint implementation of the LEAD Bank-assisted Program to qualified IAs. Also attached is the corresponding Implementing Guidelines which spell out the systems and procedures of program implementation.

The formalization of the joint program is in response to the clamor of organizationally and financially stable IAs to diversify into irrigation-related economic and business-like undertakings. Such a posture is an indication of a growing maturity and progressive-mindedness within the IA which concerned government and private entities could capitalize on to create real partners in development.

To ensure successful implementation of the joint program, NIA implementors are urged to maintain close coordination and smooth working relationship with their counterparts in the Department of Agriculture and other participating agencies.

Please be guided accordingly,


JOSE B. DEL ROSARIO, JR.
Administrator

/sv

21 July 1989

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The Department of Agriculture, a duly constituted government instrumentality with principal address at Department of Agriculture Building, Elliptical Road, Quezon City, Metro Manila, represented by its Secretary, Carlos G. Dominguez, hereinafter referred to as the DA.

The National Irrigation Administration, a government corporate entity created and existing by virtue of Republic Act 552 and 1701 with principal office at NIA Bldg. Complex, EDSA, Quezon City, represented by its Administrator, Federico N. Alday, Jr., hereinafter referred to as NIA.

Whereas, the DA has embarked on the Livelihood Enhancement for Agricultural Development (LEAD)-Bank Assisted Program aimed at increasing farmers' income through the promotion of viable agribusiness ventures utilizing organized farmers groups;

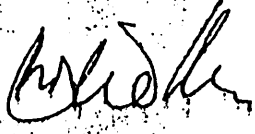

Whereas, the NIA's Institutional Development Program has brought the organization of strong and viable farmer-irrigators associations that could be transformed into economic working units for the operation of productive livelihood projects;

Whereas, the farmer-irrigators associations have been clamoring for more aggressive assistance services from the government and private sectors that would enhance their economic growth and uplift their living standards;

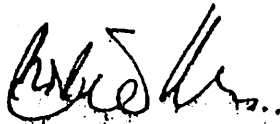
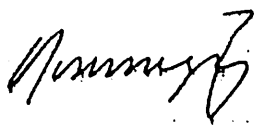
Whereas, the thrusts of NIA's program of developing farmer-irrigators associations and DA's program of tapping the potentials of farmers groups as beneficiaries of comparative livelihood development efforts would eventually contribute to the acceleration of the country's economic recovery.

NOW, THEREFORE, for and in consideration of the foregoing premises, both parties hereby agree as follows:

1. That the DA and NIA shall link closely on the following areas:
 - 1.1 Identification of viable agribusiness ventures, livelihood projects and small and medium rural enterprises for funding under the LEAD-Bank Assisted Program.
 - 1.2 Continuing formulation of workable and responsive criteria and procedures for all phases of project development and management.
 - 1.3 Supervision, monitoring and evaluation of LEAD Projects and together with other participating organizations participate actively in the Area Management Team (AMT) of each NIA referred LEAD-Bank Assisted Projects.



- 1.4 Conduct of the LEAD Programs' promotions and information campaign to concerned NIA personnel and to participating IA's.
2. That the DA shall:
 - 2.1 Assist various LEAD Proponents/beneficiaries in the Identification of markets for their produce and provide other technical, financial and management requirements necessary to ensure the success of the livelihood projects.
 - 2.2 Screen and evaluate project proposals referred by NIA for possible inclusion in the LEAD-Bank Assisted Program.
 - 2.3 Select, appoint and cause the remuneration of the consulting firms who shall prepare and present to participating banks as well as proponents/beneficiaries completed Feasibility Studies for possible financial assistance.
 - 2.4 Effect an arrangement with the Management Association of the Philippines (MAP) in engaging the services of qualified Agriculture Development Project (ADP) Managers for the operations and management of bank funded business enterprises.
 - 2.5 Provide technical support services to LEAD Project proponents (e.g., extension services, appropriate technology, etc.) through the appropriate offices and agencies concerned.
 - 2.6 Work closely with Non-Governmental Organizations (NGOs)/Private Volunteer Organizations (PVOs) in the establishment and strengthening of formal farmers organization as well as in the promotion of LEAD Projects to target proponents/beneficiaries.
 - 2.7 Through Bureau of Agricultural cooperatives (BACOD) and Agricultural Training Institute (ATI), provide relevant and continuing cooperative education and training to strengthen and rehabilitate LEAD proponents (i.e., farmers associations and coops).
3. That the NIA shall:
 - 3.1 Assist worthy farmer-irrigators associations to identify viable livelihood projects and prepare project proposals and the submission of other program requirements.
 - 3.2 Pre-appraise IA submitted project proposals prior to the submission to the DA.



3.3 Assist and guide recipient-IA's in adhering to the policies, rules and regulations set by DA and the lending bank relative to the LEAD-Bank Assisted Program.

3.4 Provide necessary assistance in the development of strategies for the satisfactory repayment of credit facilities availed by the IA beneficiaries.

General Provisions:

1. This Memorandum of Agreement shall be implemented to cover irrigators-associations referred and recommended by NIA to the DA.
2. The DA and NIA shall come out with implementing guidelines which shall operationalize and form part of this agreement.
3. Both agencies shall jointly provide necessary manpower and other logistics to ensure effective program implementation, monitoring and evaluation.
4. This MOA shall take effect upon signing thereof and shall remain in force until mutually abrogated by the above parties.

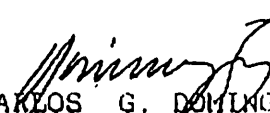
IN WITNESS HEREOF, the parties have hereunto signed this Memorandum of Agreement this 17th day of May, 1989, at Quezon City.

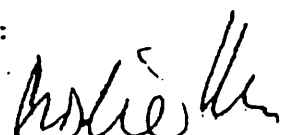
DEPARTMENT OF AGRICULTURE

NATIONAL IRRIGATION
ADMINISTRATION

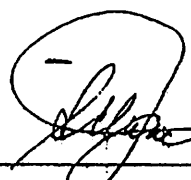
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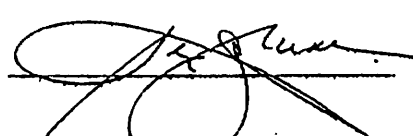
By:


CARLOS G. DOMINGUEZ
Secretary


FEDERICO N. ALDAY, JR.
Administrator

SIGNED IN THE PRESENCE OF:





SEÑOR ME, a Notary Public, for and in
personally appeared:

CARLOS G. DOMINGUEZ, in his capacity as
Chairman/Coordinator of the National Agricultural and
Fishery Council and Secretary of the Department of
Agriculture with Residence Certificate No. _____ issued
at _____ on _____; and

FEDERICO N. ALDAY, JR., in his capacity as
Administrator of the National Irrigation Administration
(NIA) with Residence Certificate No. _____ issued at
_____ on _____.

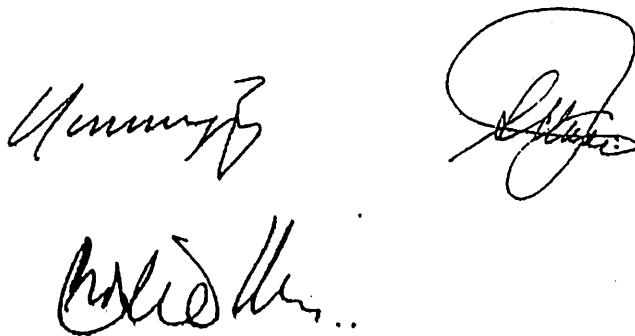
Known to me and to be known to be the same persons who
executed the foregoing instrument, and they acknowledged to
me that the same is their own free and voluntary act and
deed of the institutions they represent.

This instrument consisting of four (4) pages including
this page on which this acknowledgement appears, has been
signed on the left margin of each and every page thereof by
the parties and their instrumental witnesses.

IN WITNESS WHEREOF, I have hereunto set my hand and
notarial seal this _____ day of May, 1989 at _____.

NOTARY PUBLIC

Doc. No. _____
Page No. _____
Book No. _____
Series of 1989.



IMPLEMENTING GUIDELINES OF DA-NIA COLLABORATION
ON THE LEAD - BANK ASSISTED PROJECTS

1.0 The Department of Agriculture (DA), recognizing that many farmers' groups would like to embark on livelihood projects but are unable to secure financing due to lack of know-how in project packaging, lack of track record, lack of collateral and equity and unfamiliarity with the requirements and procedures of financial institutions, launched the Livelihood Enhancement for Agricultural Development (LEAD) Program last May 1988 to serve as the enabling mechanism to stir economic growth in the rural areas.

The LEAD Program has four (4) components designed to assist small farmers' groups in securing credit for farmer-identified value-added livelihood projects:

- a. Project Packaging - this will offset the lack of project packaging know-how by farmers' groups. This component includes DA commissioning of consulting firms as well as Non-Government Organizations/Private Volunteer Organizations (NGOs/PVOs) with business development expertise, to undertake feasibility studies of farmer-identified livelihood projects. Said firms will also liaise with financial institutions in the packaging of loans for feasible proposals.
- b. Enterprise Management - to remedy the problem of lack of track record of farmers' groups, each LEAD project shall be provided with qualified managers by the Management Association of the Philippines (MAP).
- c. Banking Linkages - this component responds to the farmer groups' unfamiliarity with the requirements and procedures of the banking system. The DA is establishing linkages with several participating banks to finance LEAD projects on a non-collateral basis.
- d. Guarantee Mechanism - to assure collateral sensitive banks of payment under a non-collateral basis, the DA mobilized three (3) guarantee mechanisms to provide banks with the necessary loan coverage namely: Guarantee Fund for Small and Medium Enterprise (GFSME), Philippine Crop Insurance Corporation (PCIC), and Quedan Guarantee Fund (QGF).

Towards these ends, DA forged an agreement with MAP in May, 1988 with regard to the enterprise management component of LEAD wherein MAP shall assist the DA in selecting commercially viable and bankable LEAD projects, in identifying and sourcing markets for the produce of LEAD project beneficiaries through MAP members and in identifying, selecting, assigning and paying for experienced managers for the LEAD-identified feasible projects.

Likewise, the DA linked with the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) whose mandate provides for the wholesale and retail credit to formal farmers organizations, in spearheading the active participation of the banking system in this undertaking.

Subsequently in January 1989, the DA met with NIA to discuss the possibility of NIA's organized Irrigators' Associations (IA) participating in the LEAD program as project proponents. Last May 1989, the DA and NIA executed a Memorandum of Understanding institutionalizing their newly established working relationship relative to the DA's extending LEAD assistance to IAs' proposed livelihood projects. Outlined below are the detailed implementing guidelines to operationalize the agreement.

2.0 STATEMENT OF POLICIES

2.1 Target Clientele/Eligible Borrowers for Bank Financing. Organized viable IAs who wish to develop value-added programs and who wish to involve themselves in agri-related activities for income enhancement.

2.2 Eligible Projects

Projects which are agriculture based, site specific and income generating/profit-oriented involving any or a combination of the following:

- 2.2.1 Dealership in Agri-chemical products.
- 2.2.2 Operation of farm equipment, such as hand tractors, threshers and hauling vehicles.
- 2.2.3 Contract growing of traditional/non-traditional crops/products.
- 2.2.4 Production of traditional/non-traditional crops and products which have high market potentials.

2.2.5 Processing, storage and marketing of farm products/by-products.

2.3 Project Selection and Prioritization

Project proposals shall be pre-screened/evaluated prior to the preparation of full-blown feasibility study/project packaging considering the following major criteria:

2.3.1 Credibility of the Proponent 50%

2.3.1.1 Yrs. in existence 5%

2.3.1.2 Equity Contribution 15%

2.3.1.3 Track Record 15%

2.3.1.4 Disadvantaged group 15%

2.3.1 Project Acceptability 50%

2.3.2.1 Firm reliable market 15%

2.3.2.2 Exhibiting high return on investment 10%

2.3.2.3 Labor intensive 15%

2.3.2.4 Within Reg'l/Prov'l plan/comparative advantage of site 10%

2.4 Project Feasibility Study Preparation/Packaging

2.4.1 Qualified Consulting Firms

Local consulting firms, NGOs/PVOs, foundations and other registered professional groups with acceptable experience in the field of project development/feasibility study preparation shall be invited to participate in the program. Evaluation of their offers shall be based on

the firm's track record, background/expertise of the project team and the proposed work plan and budget. Invitation, evaluation and payment for consulting firms shall be caused by the DA.

2.4.2 Terms of Reference (TOR)

For IA LEAD-approved project proposals, terms of reference shall be prepared jointly by DA, lending banks and MAP and shall contain among other things the following:

- Background
- Objectives
- Scope of Work
- Duration
- Working Arrangement
- Schedule of Payment

2.5 Project Appraisal/Packaging

2.5.1 The feasibility studies for IA LEAD-approved projects shall as much as possible adhere to the TOR formulated by the DA, MAP and lending banks. Any deviation from the approved TOR shall be referred by the consulting firm to the aforesaid institutions.

2.5.2 The lending banks shall evaluate completed feasibility studies against its criteria on project and proponent acceptability and its lending/investment policies and guidelines.

2.6 Project Documentation and Loan Releases

2.6.1 Loan proposals shall be approved by the appropriate approving lending bank authorities.

2.6.2 Before any fund releases are made, all documentation requirements (e. g. Articles of Incorporation and By-Laws, Board Resolution, Secretary's Certificate, etc.) shall be fully complied with by the proponent (assisted by the consulting firm) to ensure that the lending bank's interest is protected against any misrepresentation.

2.7 Project Implementation

2.7.1 The Agricultural Development Project (ADP) manager to be identified by MAP for the enterprise management component should be acceptable to the DA, lending bank and proponent IA. All ADP manager-nominees shall be referred to the lending bank prior to final selection by MAP.

2.7.2 The ADP manager shall operationalize the project until such time that the proponent IA has acquired the expertise or skills to manage the project on their own but not to exceed two (2) years.

2.7.3 To enable the ADP manager to perform his job, he must possess the human and professional characteristics necessary for the job as identified by MAP and be acceptable to the IA.

2.7.4 The ADP manager employed by MAP shall serve as a catalyst for the proper functioning of the relationship between lending bank and IA proponent and between buyers and IA sellers. Likewise, he is expected to assist in the following functions:

- a. ensures that the bank production loan repayments are on schedule; that the bank loan is used for the purpose it is granted; that the production technology specified in the project manual is implemented; that production expenses are controlled with reference to the manual's cash flow projection; that harvested crops/products are promptly delivered to the Buyer.

- b. Motivates IA members to perform their end of the buyer-seller agreement.

- c. Trains IA members in production technology, cost control, farm management, cooperative organization and basic good business practices.

- d. Liaises with the buyer and the lending bank on behalf of the IA to resolve the issues that may arise.

- e. Submits regular project status report to MAP.

2.7.5 As the compensation plans for the ADP Managers are competitive, MAP shall solicit, through the MAP Foundation, grants and donations to pay for their salaries.

- 2.7.6 MAP shall conduct a periodic evaluation of the ADP Managers' performance vis-a-vis the implementation of the project.

2.8 Project Monitoring and Evaluation

- 2.8.1 In addition to the periodic project monitoring to be undertaken by MAP, inspection shall be conducted by the lending bank to ensure that previously released funds are properly utilized before any subsequent release is made. NIA and DA representatives shall also be involved in the inspections.
- 2.8.2 Implemented projects shall be monitored on a regular basis to determine project progress and to initiate timely remedial measures whenever necessary. The ADP Manager shall submit regular status reports to MAP. MAP, in turn will furnish DA and the lending institution copies of these reports.
- 2.8.3 An Area Management Team (AMT) composed of the DA, lending bank, MAP, NIA, IA and identified market will be formed for each of the funded projects. Said AMT shall meet regularly to discuss project progress and concerns.

2.9 Project Turnover

- 2.9.1 MAP shall be responsible for the documentation of the operations and results of LEAD-bank financed projects to serve as materials for case studies and guidelines for future programs.
- 2.9.2 DA and the lending bank, immediately after the bank's full recovery of its loan/investment, shall undertake a detailed impact study to determine whether project objectives were met. Likewise, DA and the lending bank will also jointly draw-up a project terminal report which shall quantify, to the extent possible, social, economic and institutional benefits derived as a result of the project.

3.0 MANAGEMENT AND ADMINISTRATION

3.1 Working Relationship

- 3.1.1 To ensure the smooth development and implementation of LEAD projects, a Technical Working Committee (TWC) to be composed of representatives from MAP, DA, NIA and lending banks shall be formed to discuss status/progress of project implementation and development, identify bottlenecks and formulate solutions and policies.

4.0 SYSTEMS AND PROCEDURES

Institution Responsible

Activity

4.1 Project Identification

NIA & Lending Bank &
MAP

Assists IAs in identifying and assessing problems, needs and opportunities; help these IAs formulate and prepare project proposals to address these needs.

Accepts and pre-appraises project proposals emanating from IA proponents.

4.2 Project Evaluation

LEAD Bank Assisted
Project Office (LBAP)

Accepts proposals from IAs, NIA, lending bank and MAP for inclusion in the LEAD.

Evaluates proposals and submits evaluation report to the DA-Project Advisory Committee (PAC).

PAC - DA

Deliberates on the evaluation report; recommends proposals to the DA-Executive Steering Committee (ESC).

ESC - DA

Approves/disapproves projects for packaging (FS preparation).

Institution Responsible

Activity

LBAP

Informs proponents re: project approval/disapproval and furnishes lending bank, MAP and NIA with copies of approved project's concept papers.

Lending Bank

Pre-appraises non-bank generated DA-LEAD proposals for possible financial assistance; informs DA of the results thereof.

4.3 Project Appraisal/Packaging:

DA, NIA, Lending Bank,
MAP

When deemed necessary, jointly formulate the TORs for the feasibility study preparation of DA-LEAD approved non-bank generated proposals lending bank is interested in funding and/or bank generated project proposals approved for LEAD packaging.

DA

Float TORs; selects consulting firms; informs proponents and lending bank of identity of consulting firm.

Consulting Firm

Coordinates with DA, lending bank and the proponent in the preparation of the feasibility study; submits and presents completed F/S to DA and presents the same to the lending bank for financial assistance.

DA, Lending Bank and
MAP

Evaluate/appraises submitted feasibility studies.

Lending Bank

Approves/disapproves projects proposed for bank financing; informs DA of bank decision.

Institution Responsible

Activity

MAP

For Bank-approved projects, evaluates project management requirements; prepares selection criteria of ADP Manager in consultation with the DA, lending bank, NIA and proponent; all nominees shall be referred to lending bank prior to final selection by MAP.

4.4 Project Documentation and Loan Releases

Lending Bank

Coordinates with the project proponents and the consulting firm the submission and completion of all documentation requirements for fund releases as specified in the bank's lending/investment policies and guidelines.

Consulting Firm

Submits to the DA a complete report formally informing DA of loan approval and the proponents receipt of the loan proceeds. This document shall be the basis when countersigned by an appropriate bank office for payment of packaging fees by DA.

4.5 Project Implementation

MAP

Recruits, screens, appoints and remunerates the ADP Manager in consultation with the DA, NIA, lending bank and proponent.

Institution Responsible

Activity

ADP Manager

Whenever necessary, liaises with the lending bank in behalf of the farmers to facilitate the timely release of loan in coordination with the consulting firm.

Provides needed management functions to ensure the success of the project; trains understudy managers for future project management turnover.

4.6 Project Monitoring and Evaluation

Lending Bank

Conducts project inspection to check if the funds released by the bank are properly utilized before any further releases.

ADP Manager

Prepares and submits to MAP, DA, NIA and lending bank project status report on a regular basis.

DA, NIA, Lending Bank,
MAP

Jointly reviews Project Status reports and formulates remedial measures to identified problems whenever necessary.

4.7 Project Turnover

MAP and Lending Bank

Documents the results of operations of LEAD-Bank financed projects as reference materials for case studies and future programs.

ADP Manager

Prepares management turnover documents for conformance/acceptance by the IA's designated manager.

DA and Lending Bank

Assists IA proponents prepare project turnover documents and conducts impact study.