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Financing from LandBank

Aquaculture Department, Southeast Asian Fisheries Development Center

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By LandBank, Iloilo City

The Land Bank of the Philippines provides financial support to farmers and fishermen cooperatives, small and medium enterprise (SMEs), local government units (LGUs) and commercial borrowers.

Lending to cooperatives

Eligible fisheries-based projects include the following:

- aquaculture (fishery operations involving all forms of raising and culturing fish and other fishery species, in brackish and marine waters)
- development of postharvest facilities, fishpond development, acquisition of fishing vessel and accessories, processing, and marketing activities

These are covered by the following types of loan:

- fixed asset loans are medium- and long-term loans used to finance acquisition or establishment of production, processing, or postharvest facilities and equipment
- production loans are short term loans that may be used to finance the production inputs for one crop cycle such as purchase of materials for farming
- operating or working capital loans are loans used for the maintenance of storage, processing, and marketing facilities as well as trading and marketing capital

The corresponding interest rates are: 12% for production and operating capital; 14% for fixed assets; plus 2% supervision fee.

Production, working and operating capital loans are payable from six months up to one year. Fixed asset loans are payable in two years up to a maximum of ten years depending on economic useful life asset and cash flow of the project.

Other support interventions of the bank to the cooperatives are organizational and institutional development, institutional capability strengthening, enterprise development, marketing, and technical assistance.

Collateral requirements cover:

- production loans -- Deed of Assignment of Individual Member PNs/TRs; Deed of Assignment of Insurance or Guarantee Coverage
- fixed asset loans -- Object of financing/Chattel/REM for fixed asset loans; Real Estate collaterals acceptable to LandBank
- operating capital loans -- Continuing CM or Stocks/REM/ Chattels



Basic requirement for newly accessing co-ops under the accreditation criteria include:

- CDA requirements like articles of cooperation and by-laws; duly organized set of BOD and committees, and certificate of good standing
- membership of at least 60
- minimum paid-up share capital of P30,000
- all members have undergone PMES
- Core Management Team that includes qualified or duly designated part- or full-time Manager bonded part- or full-time Cashier or Treasurer and full time Bookeeper

Small and Medium Enterprise (SME) lending program

LandBank also provides financing to small and medium entrepreneurs. Here, eligible borrowers are sole proprietorships (100% Filipino-owned), partnerships (100% Filipino-owned), or corporation (at least 60% Filipino-owned). The asset size is up to P15 million (small enterprise) and up to P60 million (medium) excluding land or project site; and should not be a branch, subsidiary, or division of any large corporation or company.

Eligible projects should fall under the following industries: agri-business, manufacturing, processing, services, trading, and general merchandising. Apart from the standard requirements, the projects should be able to generate employment and should show high potentials.

Loan amount is based on the actual project needs but should not exceed 80% of the total project cost. The 20% is the borrower's equity. Loan maturity is based on project cash flow. For interest, the project will be charged prevailing market rates that can be negotiable depending on the collateral business (deposits, LCs, etc.) that the project can generate.

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Support groups ... from previous page

Fish and Fisheries Worldwide (FFW) and Aquatic Biology and Fisheries Resources (ABFAR, www.nisc.com), Current Contents (www.isenet.com) - Agriculture, Biology and Environmental Science and Life Sciences, Reef Base, FishBase and FishStat (FAO, www.fao.org) are available for your use.

The newest feature of AQD Library is the use of Follet – a library automation software which speeds up the location of library materials through easy on-line searching methods. In-house databases can be accessed through this software.

AQD's library databases include aquaculture/fisheries books, pamphlets, journals, magazines, newsletters, bulletins, special collection of information materials on selected brackishwater aquaculture species, materials and citations on Philippine fisheries and aquaculture including SEAFDEC/AQD's papers published in journals and proceedings.

These are just some of the institutions you can seek assistance for your aquaculture venture. It's just a matter of approaching the right people. Good luck! ###

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Acceptable collaterals include:

- real estate properties and improvements
- machinery or equipment
- deposit hold-out
- Joint and Several Signatures (JSS) of principal stockholders or officers
- guarantee coverage (SBGFC or GFSME), if collateral-short;
- for transactional facilities, confirmed LCs/Pos, with the endorsement of appropriate industry association

Lending program to local government units

The Local Government Code of 1991 provides that any LGU may avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program of the LGU.

Eligible projects include construction, installation, improvement, expansion, operation or maintenance of the following: public utilities; infrastructure projects; housing projects; implementation of capital investment projects; waste disposal system; electrification; waterworks; establishment, development or expansion of agricultural, industrial, commercial and livelihood projects; and acquisition of property, plant, machinery, and equipment and other similar accessories.

Loan amount is based on project requirement but should not be more than the net borrowing capacity as defined in Article 419 of RA 7160. The LGU shall contribute at least 25% of total project cost. Loan maturity is based on LGU's cash flow but preferably not to exceed five years. Interest rate shall be based on prevailing market rate. Lending rates are, however, negotiable.

Collaterals include the following: hold-out on deposits; real estate properties; machinery and equipment owned by the LGU; and Deed of Assignment on any or all of the following -- (i) 20% of the LGU's Internal Revenue Allotment (IRA), (ii) LGU's regular income as sourced from its annual budget, equivalent to an amount sufficient to service the loan with LBP but in no case exceeding 20% to its regular income, and (iii) net profits or income for the project or economic enterprise to be financed. This shall be the net of all costs and expenses related to the project.

Commercial credit

Commercial and industrial loans include, among others the following:

- Omnibus Credit Line - a flexible revolving credit line with maturity of one year and more than one type of loan line can be availed of. An OCL usually included any two or all of the following lines short term loan, export packing credit, export bills purchase, LC/TR, and foreign bills purchase
- short term loan line - a one-year revolving credit line to finance seasonal or cyclical needs of an ongoing business
- Export Packing Credit Line (EPCL) - a one-year pre-shipment credit facility extended to an exporter who is a beneficiary of a valid (LC/PO). The line will finance procurement of materials and labor to manufacturer goods for export
- term Loan - a credit facility with maturity of more than one year to finance fixed assets acquisition and other long term needs as well as expansion of an ongoing business

For more inquiries, visit any LandBank branch:

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*Acknowledgment: Mr. Ibram M. Alonto, Regional Head,
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