

**REVOLVING LOAN FUND
MEMORANDUM OF AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement entered into this 5th day of September, in Makati City, Metro Manila, by and between:

The INTERNATIONAL LABOUR ORGANIZATIONS, with principal office address at the Fifth Floor, NEDA sa Makati Building, Amorsolo Street, Legaspi Village, Makati City, Philippines, represented herein by its Director, RICHARD SZAL, and whose institution hereinafter referred to as "ILO";

and

The LANDBANK OF THE PHILIPPINES, a government owned and controlled financial institution created by virtue of Republic Act 3844 as amended, with principal office address at 319 Gil Puyat Avenue, Makati City, Philippines, represented herein by its President and Chief Executive Officer, JESLI A. LAPUS, and whose institution hereinafter referred to as "LANDBANK";

and

The FEDERATION OF MATIGSALOG-MANOBO TRIBAL COUNCILS, a non-stock/non-profit corporation duly registered with the Securities and Exchange Commission with principal office address at Kitaotao, Bukidnon, Philippines, herein represented by its President, LORENZO GAWILAN JR., and whose institution hereinafter referred to as "FEMMATRICS".

WITNESSETH

WHEREAS, the Project in Support to Management of Ancestral Domains of Indigenous Communities of the Philippines, hereinafter referred to as the "Project", is under the technical guidance and supervision of the ILO, through its Inter-Regional Programme to Support Self-Reliance of Indigenous and Tribal Communities through Cooperatives and Other Self-Help Organizations (INDISCO);

WHEREAS, the objectives of the Project is to upgrade the capacity of these communities and their existing organizations, such as cooperatives, to sustainably manage the environment and natural resources within their ancestral domains and to strengthen their individual and collective self-reliance;

WHEREAS, the Matigsalog and Manobo ancestral domain claim in Kitaotao, Bukidnon has been selected as one of the pilot sites of the Project;

WHEREAS, in order to provide needed support to entrepreneurial and livelihood initiatives of the Matigsalog and Manobo communities within the above-

mentioned ancestral domain, a revolving loan fund (RLF) will be set up by the ILO to serve as their community-driven credit facility;

WHEREAS, the LANDBANK, being a countryside universal bank, is one of the agencies which committed support to the Project in terms of providing technical assistance to the beneficiaries;

NOW, THEREFORE, for and in consideration of the above premises, the parties have agreed to the following terms and conditions:

A. NATURE AND UTILIZATION OF THE RLF

1. The RLF shall be a financial grant in the amount of the peso equivalent of US Dollars Fifty Five Thousand (USD55,000) to the Matigsalog and Manobo communities in Kitaotao, Bukidnon and shall be administered by the FEMMATRICS.
2. The RLF shall be deposited in an account with LANDBANK branch in Bukidnon in the name of the Matigsalog and Manobo communities, represented by the FEMMATRICS, which deposit shall be covered by a separate deposit agreement.
3. The RLF shall be utilized as a loan fund for the members of the Matigsalog and Manobo communities who are registered with the FEMMATRICS to finance only livelihood or income-generating activities which are carried out individually or in group.
4. To avail of loans under the RLF, community members, men and women, shall form small village workers' peer groups or "seldas" based on their indigenous or traditional groupings, such as families and clans. A selda shall only have 5 or 7 members who must be known family bread earners.
5. For purposes of individual loans, the members of each selda shall determine among themselves the order of priority for obtaining a loan. Except for the first borrower, the other members of the selda shall, according to the pre-arranged order of priority, have the opportunity to obtain a loan from the RLF only upon payment by the immediately preceding borrower of at least thirty percent (30%) of his/her loan, provided that all preceding borrowers are in good standing.
6. A group loan is given only to a selda or a group of seldas whose members are engaged in similar livelihood activities with common needs and problems that are best satisfied or solved through group effort. The sharing of responsibilities and benefits within the group must clearly be defined and accepted by the members.

7. The earnings of the RLF shall be deposited in a separate account with the LANDBANK, Bukidnon branch shall be used to, among others, augment the RLF, finance the administrative cost of the Revolving Loan Fund Committee (RLFC) and defray other incidental cost in the administration of the Fund. The utilization of the earnings of the RLF shall be programmed and approved by the FEMMATRICS Board of Trustees (BOT).

B. ADMINISTRATION OF THE RLF BY THE FEMMATRICS

1. Revolving Loan Fund Committee

Upon signing of this Agreement, the FEMMATRICS, with the assistance of LANDBANK and ILO-INDISCO shall set up a Revolving Loan Fund Committee (RLFC), with the following description:

1.1 Composition and Funding

- a) The RLFC shall be composed of five (5) to seven (7) members who will be chosen through community processes, from among the duly-registered members of the FEMMATRICS. The members of the RLFC shall have a term of one (1) year. A member however may be chosen for another term based on a set of criteria to be issued by the FEMMATRICS. Any vacancy in the RLFC may be filled in by the BOT using the same selection procedure.
- b) A representative from LANDBANK and ILO-INDISCO shall sit in the RLFC only on an advisory capacity, with no voting powers.
- c) The RLFC shall be based in the community office of the FEMMATRICS which shall provide the administrative expenses of the Committee.

1.2 Functions

The functions of the RLFC shall be the following:

- a) Accept and screen proposals for loan from the members of the FEMMATRICS;
- b) Evaluate and approve loan proposals;
- c) Maintain a record of loans and repayments and regularly verify loan collections by the FEMMATRICS Treasurer;

- d) Monitor RLF-financed livelihood projects; and
- e) Determine the administrative expenses of the RLFC which shall be charged to the interest earned by the RLF.

1.3 Organization

The members of the RLFC shall select a Chairperson and Vice Chairperson from among themselves, as well as create a small unit which shall be in-charge of the administrative requirements of the RLFC, such as documenting RLF operations, keeping a record of each borrower and taking the minutes of RLFC meetings.

2. Eligibility of Borrowers

A borrower under the RLF must be:

- a) a permanent resident of any village within the certified ancestral domain claim;
- b) actually engaged in a viable livelihood activity in which he/she has proven knowledge and skills;
- c) a member of a specific selda whose other members are willing to serve as his/her guarantors for the loan;
- d) without any current or written-off loan from any other credit facility;
- e) must be able to comply with the other requirements which may be deemed appropriate by the RLFC; and
- f) must be willing to comply with savings mobilization programme of the community.

3. Requirements for Loan Application

Each application for loan shall be composed of the following documents:

- a) A duly-accomplished RLF Loan Application Form accompanied by a simple project proposal describing the livelihood activity to be financed by the loan.
- b) A duly-accomplished Loan Guarantee Form signed by the members of the concerned "Selda".

- c) A description of the collateral being offered for the loan. Based on the community's indigenous or traditional practices, the FEMMATRICS shall issue appropriate policies indicating the nature of acceptable collaterals for purposes of the RLF. A co-maker may put up the necessary collateral for a borrower who does not have any collateral to offer.
- d) Endorsement of the application for loan by the concerned Village Council.

4. Loan Application Ceiling

- a) An individual borrower shall be entitled to a loan not exceeding Twenty Five Thousand Pesos (P25,000.00).
- b) For group borrowers, the loan ceiling is One Hundred Thousand Pesos (P100,000.00). The members of the group shall be individually and collectively (jointly and severally) responsible for the loan.

5. Interest Rate

The interest rate to be charged on the loan shall follow the prevailing market rates in the community. The interest rate shall be subject to an annual review by the RLFC.

6. Evaluation of Loan Applications

All loan applications shall be submitted to the RLFC which shall examine the same to determine their acceptability. It shall observe judiciously the basic procedure in loan evaluation, as follows:

- a) Background investigation of the applicant.
- b) Inspection of project site.
- c) Collateral assessment.
- d) Review and analysis of the profitability of the livelihood activity for which the loan was taken.

7. Approval of Loan Applications

- a) The RLFC shall act on each application for loan upon deliberation based on the data gathered during the evaluation period. At least two-thirds of the members of RLFC must be in concurrence to have a loan application approved.
- b) Upon approval of the loan application, the RLFC shall inform the applicant through the concerned selda in writing and effect the execution of a loan agreement between the borrower and the FEMMATRICS, including the borrower's promissory note,

disclosure statement, loan guarantee form and collateral documents.

- c) The RLFC shall submit the approved application for loan together with copies of the duly executed loan documents to the LANDBANK Bukidnon branch accompanied by a letter instructing LANDBANK to release the loan amount.
- d) In case the loan application is disapproved, the RLFC shall inform the applicant in writing indicating the reasons for the disapproval and what needs to be done to qualify for the loan.
- e) An application for loan involving any member of the RLFC shall be similarly treated as to evaluation and approval, except that the applicant shall inhibit himself/herself from participation in the pertinent evaluation and approval processes.

8. **Processing of Approved Loan Application**

- a) The LANDBANK, upon receipt of the loan documents, shall review the completeness of such documents based on the requirements of the FEMMATRICS.
- b) Incomplete loan documents shall be returned to the FEMMATRICS, indicating the requirements which have yet to be complied with.

9. **Release of Loan to the Borrower**

- a) The LANDBANK shall release the approved loan to individual borrower based on the prescribed release schedule by the RLFC.
- b) An approved group loan shall be released to the account of the group which shall be opened with the concerned LANDBANK branch. Releases from the account shall be made only to a group member who is a signatory of the loan and who is authorized by the group to withdraw the amount through a resolution.
- c) In no case shall LANDBANK funds be used for loan releases, it being understood that all loan releases shall be made from available funds of the RLF deposited with LANDBANK.

10. **Term of Loan and Schedule of Amortization**

The schedule of amortization of the loan shall be based on the actual cash flow, but the term shall not exceed one (1) year. A reasonable grace

period may be granted based on corresponding policies issued by the FEMMATRICS.

11. Loan Repayments

- a) Loan repayments by borrowers, be it individual or group, shall all be in cash and shall be made to the Treasurer of the FEMMATRICS, who will keep the collections in a safe place designated for the purpose. Periodically, a LANDBANK field representative shall collect such repayments from the FEMMATRICS office for deposit in the RLF account.
- b) To offset the cost to be incurred by the LANDBANK for the disbursement of loans, retrieval of loan collection from the project site and preparation of RLF reports, the LANDBANK shall charge the FEMMATRICS a minimal fee of three percent (3%) of the amount to be collected. Such fee may be paid from RLF interest earnings or from any other appropriate allocation in the FEMMATRICS's operational budget. The same fee, however, shall be reduced progressively and eventually phased out at the instance of the community as related functions are gradually devolved to the PO following capability-building experiences and training. The mechanics for the reduction and phase out of such fee shall however be based on mutual agreement of LANDBANK, ILO and FEMMATRICS.

12. Savings Mobilization

- a) The FEMMATRICS shall require each borrower to make savings, the first deposit of which shall be deductible from the amount of loan based on a percentage to be fixed by the FEMMATRICS. Thereafter, the savings shall be included in the regular amortization of the loan, on top of the principal and interest payments.
- b) The Treasurer shall maintain a record of such savings and issue a savings certificate to the borrower.
- c) Only borrowers with savings shall be eligible for refinancing, with the loanable amount based on the amount of such savings.

13. Monitoring of RLF-Financed Projects

- a) The RLFC shall be in-charge of monitoring RLF-financed projects with the assistance of the concerned Seldas, the Village Councils and the Project Staff.

- b) The LANDBANK and the ILO-INDISCO shall likewise conduct monitoring and inspection of projects and shall prepare a quarterly report of the status of projects financed.

14. Foreclosure, Penalties and Charges

- a) A borrower, individual or group, who is in arrears or in default, shall not be allowed refinancing. The other members of an individual borrower's selda who are in good standing may avail of refinancing only if the loan taken by the delinquent borrower is repaid or settled through his/her collateral.
- b) The FEMMATRICS shall take over assets used as collaterals by defaulting borrowers. Proceeds of these assets shall be reverted to the RLF.

15. Policies and Procedures for the RLF

- a) The BOT shall issue specific guidelines, policies and procedures in the utilization of the RLF based on recommendations of the RLFC, assisted by LANDBANK and the ILO-INDISCO.
- b) Prospective borrowers shall, from time to time be given seminars on the RLF guidelines, policies and procedures.

C. TECHNICAL ASSISTANCE TO THE FEMMATRICS

1. Upgrading Skills in Administering the RLF

- a) Seminars on RLF administration shall be held from time to time by LANDBANK and ILO-INDISCO for the Peoples Organization, specially the RLFC and BOT members. The Project will provide the logistical requirements for such seminars.
- b) The seminars shall involve procedures in fund administration, project development and other related subject matters.

2. Upgrading the Level of Business Undertaking and Accessing the Regular Windows of LANDBANK

The RLF shall be utilized primarily to provide the financial requirements of the members of the FEMMATRICS for their initial livelihood undertakings may be financed by LANDBANK under its regular and special credit programmes based on the borrowers' good performance in the utilization of their loans under the RLF and based on their being able to meet the accreditation criteria of LANDBANK.

D. MISCELLANEOUS PROVISIONS


1. This Agreement which has been entered into by the parties in accordance with the principles, objectives and policies of the ILO, LANDBANK and the FEMMATRICS is intended to safeguard the RLF in order that the same will sustainably benefit the Matigsalog and Manobo communities in the specified ancestral domain claim.
2. The parties, in close coordination with the cooperating agencies and the concerned local government units, shall insure that this Agreement is carried out with due diligence and efficiency.
3. This Agreement shall become effective after the parties have signed the same and the corresponding funds have been deposited in the RLF Account. Thereafter, the agreement shall continue to be in force and effect unless otherwise terminated by agreement of both parties.
4. Any of the parties herein may request amendments to the Agreement. Within one month from receipt of a request for amendment, the parties shall meet to consider the same at an agreed place and time. The final decision regarding such request shall be made by mutual agreement among the parties.
5. Any notice, request or other official communication to be given or made under this agreement shall be in writing. Such communication shall be deemed to have been duly given or received when delivered by hand, registered mail, cable, telex or facsimile to the party to which it is intended at such party's address as mentioned below.
6. At the end of the pilot project period, the responsibility for the administration of the RLF shall be determined in line with post-project evaluation findings and recommendations.
7. The ILO's accountability under this agreement shall be limited to the provision of the seed money for the RLF and does not include any liability incurred by operation of the Revolving Loan Fund.
8. LANDBANK's responsibility in the RLF shall be limited to the provision of advice and technical training to the beneficiaries, serving as a depository bank of the fund and taking charge of releasing the loans to the beneficiaries, collection from FEMMATRICS of individual loan collections and the preparation of status report on the RLF. LANDBANK shall not be held liable for failure of fund administration and/or recovery of the loans.

9. Upon request of the community, through its PO, the LANDBANK shall conduct on the spot audit of the RLF-related book of accounts, conduct monitoring and technical evaluation of projects financed under the RLF and provide resource persons for trainings on RLF administration. The project shall provide the corresponding expenses for these functions.

IN WITNESS WHEREOF the parties have hereunto executed the agreement in the manner as hereinafter appearing.

For the ILO:

Director
International Labour Office
106 Amorsolo St., Makati City
Philippines



9/5/97

RICHARD SZAL
Signature and Date

For the LANDBANK:

President and Chief Executive Officer
Land Bank of the Philippines
319 Gil Puyat Ave., Makati City
Philippines

JESLI A. LAPUS
Signature and Date

For the FEMMATRICS:

The President
Federation of Matigsalog-Manobo Tribal Councils
Kitaotao, Bukidnon

DATU LORENZO GAWILAN JR.
Signature and Date

FEDERATION OF MATIGSALUG MANOBO TRIBAL COUNCILS, INC.
(FEMMATRICs)

Sinuda, Kitaotao, Bukidnon

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OFFICE OF THE SUPREME TRIBAL COUNCIL

EXCERPT FROM THE MINUTES OF THE SPECIAL SESSION OF THE BOARD OF TRUSTEES OF THE FEDERATION OF MATIGSALUG MANOBO TRIBAL COUNCILS, HELD AT SINUDA, KITAOTAO, BUKIDNON ON JUNE 6, 1997.

Present : Datu Lorenzo A. Gawilan, Jr., Chairman & Presiding Officer
 Datu Cosme M. Lambayon, Secretary/Treasurer
 Datu Pedro Angit, Auditor
 Datu Monte A. Gawilan, Member, Board of Trustees
 Datu Jose Diaon, -do-
 Datu Melicio M. Man-ukil, -do-
 Datu Paquito N. Uban, -do-
 Datu Jacinto Lantong, -do-
 Datu Peter Miling, -do-
 Datu Gregorio B. Tambog, -do-
 Bae Macaria A. Bagas, -do-

Absent : Datu Manahan E. Sulang, Vice-Chairman, O.B. to Manila
 Datu Roelito A. Gawilan, Member, Board of Trustees, O.B. to Manila
 Datu Alberto Betil, Member, Board of Trustees
 Datu Mario Lansoy, -do-

RESOLUTION No. 19
Series of 1997

RESOLUTION AUTHORIZING DATU LORENZO A. GAWILAN, JR., PRESIDENT OF THE FEDERATION OF MATIGSALUG MANOBO TRIBAL COUNCILS AS OFFICIAL SIGNATORY IN BEHALF OF THE ORGANIZATION PARTICULARLY ON THE SIGNING OF PROPOSE MEMORANDUM OF AGREEMENT (MOA) OF ILO-INDISCO'S REVOLVING LOAN FUND AND FOR OTHER PURPOSES.

WHEREAS, it cannot be denied that the ILO-INDISCO, Manila is now on the process of implementing Revolving Loan Fund project within FEMMATRICs Ancestral Domain Claim;

WHEREAS, the primary aim of the project is to uplift the living condition of the farmer beneficiaries or indigenous communities towards sustainable development;

WHEREAS, there is a need to authorize this organization's President as Official signatory on the propose Memorandum of Agreement(MOA), in order to have a proper representation, implementation, monitoring and supervision of the project;

WHEREFORE, on motion of Datu Paquito N. Uban and jointly seconded by all members present, it was;

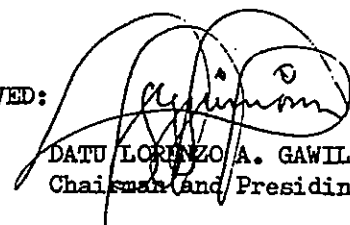
RESOLVED, as it is hereby resolved, to authorize Datu Lorenzo A. Gawilan, Jr. President of the Federation of Matigsalug Manobo Tribal Councils as Official Signatory in behalf of the organization particularly on the signing of propose Memorandum of Agreement(MOA) aforementioned, concerning ILO-INDISCO's Revolving Loan Fund and for other matters related thereto;


RESOLVED FINALLY, to furnish copies of this resolution to the ILO-INDISCO Manila for their information, guidance and favorable consideration.

APPROVED UNANIMOUSLY.

I HEREBY CERTIFY to the correctness of the foregoing Resolution.

ATTESTED/APPROVED:


DATU LORENZO A. GAWILAN, JR.
Chairman and Presiding Officer


DATU-COSME M. LAMBAYON
Secretary/Treasurer

