



TAPI Administrative Order No.: 2014-088
 Series of 2014

AUG 05 2014

SUBJECT: Implementing Guidelines of the Purchase Order (PO) Financing Facility of the Venture Financing Program

I. Program Description:

The Program is a special venture financing facility of the Technology Application and Promotion Institute (TAPI) that advances the cost of raw materials to facilitate purchase orders of qualified micro, small and medium enterprises (MSMEs). It is a funding assistance that allows proponents to finance the fulfillment of irrevocable purchase orders or contracts with credit worthy customers. The terms of each purchase order is specific only for the purchase of direct materials needed to deliver the goods to the customers.

II. Background:

The Program was created to facilitate the institute's mandate of providing grants and/or venture financing for new and/or emerging projects per Section 28.C of Executive Order No. 128.

III. Objectives:

The Program aims to:

- Provide financial support for the purchase of direct materials needed by MSMEs to deliver goods to their customers; and
- Assist companies with financial difficulty to fulfill customer purchase orders (PO), meet sales goals in domestic as well as export markets to surpass its current working capital limitations.

IV. Assistance Coverage:

The Program shall cover only the cost of raw materials needed to produce products/goods for a specific requirement of the target market, as reflected on the irrevocable POs to be refunded by the proponent without interest.

V. Project Cost:

The Program shall cover the direct cost of raw materials needed to produce the products/goods, subject to the recommendation of the TEC and approval of the TAPI EXECOM. TAPI's exposure should not exceed Two Million Pesos (P2M) per project. The proponent on the other hand, shall cover the production and labor costs, services, other operating expenses and the remaining cost of the raw materials needed, if applicable.

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 - A signature.
 - A large handwritten "X" or checkmark.
 - A signature.
 - A signature.

VI. Qualification Requirements:

- Filipino owned MSMEs;
- Priority will be given but not limited to POs of TAPI assisted MSMEs including beneficiaries of the Small Enterprise Technology Upgrading Program (SETUP) and other assistance programs of the various agencies of the Department of Science and Technology (DOST);
- Proponent should have valid Purchase Order/s for local and/or foreign market;
- The proponent should provide the production and labor costs, services, other operating expenses and the remaining cost of raw materials, if applicable, as counterpart funding. The project should feature: (1) substantial technological, environmental advantages and socio-economic benefits; and (2) application/use of the technology/equipment will increase efficiency/productivity;
- The PO financial assistance shall cover the cost of raw materials for the approved PO provided that the criteria are met. However, the production and labor cost for the project should not be less than 15% of the total project cost and shall be the proponent's counterpart funding and should be in the form of "Fresh Funds" intended for the project. Existing infrastructures, production equipment and raw materials are not considered proponent's counterpart funding;
- For transactions involving importation of goods/raw materials, valid POs should be supported by irrevocable Letter of Credit which acts as an irrevocable guarantee of refund in accordance with the agreed schedule;
- The proponent should also disclose his/her complete permanent home address, business address and plant/office address;
- For single proprietorship, the proponent should have a co-maker to execute the Agreement for the project who is equally responsible for ensuring that the full amount of the financial assistance shall be refunded to TAPI;
- The project should be in line with the priority sectors of the DOST;
- Proponent should have good credit standing/record and has paid/refunded at least 34% of its total existing financial assistance from other TAPI Programs, SETUP and other DOST funding agencies;
- Previous successful beneficiaries of the PO Financing Facility could re-apply for another request, provided however that the proponent have refunded the full amount of the first assistance. Moreover, a third assistance could also be given to the said beneficiary after having been paid the 50% of the total amount for the second project;
- Beneficiaries shall be considered blacklisted under the following circumstances:
 - a. Failure to refund the financial assistance provided;
 - b. Failure to submit the required documents for liquidation purposes;
 - c. Failure to acknowledge TAPI in relation to the assistance provided; and

- d. Any provisions breached by the beneficiary, as stated in the signed Memorandum of Agreement (MOA).

VII. Operating Procedures:

□ Request for PO Assistance

1. Proponent submits project proposal to the Office of the Director (OD) of TAPI. Project proposal should be endorsed by concerned Regional Director (RD) to guarantee the existence of the proponent/ company. The Office of the Director acknowledges receipt of the project proposal and forwards the same to the Venture Financing Program (VFP) Unit of IBOD.
2. VFP Unit acknowledge receipt of the project proposal and checks completeness of the documents **within three (3) working days** indicating initial action taken.
 - 2.1 If the proposal is not complete, the proponent is requested to submit lacking requirements **within fifteen (15) calendar days** except for Financial Statements which can be submitted within **thirty (30) calendar days**. If no response/formal letter is received within the period, the proposal is deemed withdrawn/dropped. TAPI notifies proponent of decision to drop project;
 - 2.2 If the requirements are complete, proponent shall be informed that his request proposal is being evaluated.
3. TAPI forms Technical Evaluation Committee (TEC) composed of TAPI staff knowledgeable on the submitted technology with the PM normally acting as chair to evaluate the project proposal. TEC may conduct project visit together with Regional Office Staff/PSTO to check, verify and validate the information as indicated in the project proposal. TEC shall prepare an executive summary indicating highlights of evaluation including the recommended line-item budget and shall be forwarded to the Program Manager/Chair of the Committee within five (5) working days after receipt of the complete proposal.
4. TEC Chair presents the project proposal to the TAPI EXECOM.
5. TAPI informs the proponent and the DOST Regional Office (RO) of the decision in writing **within five (5) working days** after the approval/disapproval.
 - 5.1 If the proposal is disapproved, TAPI informs the proponent and DOST RO concerned accordingly.
 - 5.2 If the proposal is approved, TAPI prepares necessary documents (i.e. MOA that should be cleared by Legal Unit, approval letter, etc.).

□ Approved Request for PO Assistance

6. Venture Financing Program Unit prepares approval letter and facilitate the signing of the MOA. Representative from DOST RO and the proponent will be invited by TAPI for MOA signing and orientation/briefing regarding

all the salient provisions stated in the Agreement which will be discussed by TAPI Legal Officer. The MOA shall contain most importantly the refund schedule for TAPI's assistance. The MOA shall stipulate among others, the following terms and conditions:

6.1 **Investment Recovery** - The Program's funding assistance will be recovered through refund of TAPI's principal investment without interest over a period of not more than three (3) months after the purchase orders have been served and/or payment by the client has been secured. The proponent shall be required to submit post-dated checks (PDCs) representing the total amount of assistance, the number of which is equivalent to the agreed refund schedule of the projects to be indicated in the Memorandum of Agreement.

6.2 **Submission of Reports** - The proponent shall submit, thru the concerned DOST Regional Office, progress report, financial statements and audited financial reports with audit certificate duly signed by an Independent External Auditor, CPA, if the amount of loan assistance is below P1,000,000 or an Independent External Auditor, CPA with Board of Accountancy (BOA) Accreditation if the amount of loan assistance is more than P1,000,000.

7. Venture Financing Program Unit sends approval letter to the proponent together with the Memorandum of Agreement (MOA) with parallel advice to the DOST Regional Director (RD). Statements of undertakings by all parties are also indicated.
8. Venture Financing Program Unit facilitates signing and notarization of the MOA and will release the financial assistance to concerned DOST RO or directly to the proponent, whichever is applicable. The proponent shall issue Post-dated Checks (PDCs) upon receipt of the financial assistance representing refund in accordance with the approved Schedule of Refund.
9. Venture Financing Program Unit and TAPI Cashier shall be responsible for the monitoring of PDCs. TAPI Cashier shall deposit PDCs when due and will strictly follow refund schedule.

□ **PO Financing Approved Projects**

10. PDCs will be acknowledged by the Venture Financing Program Unit and forwarded to FAD-Cashier. Photocopies of the PDCs will be retained in the project file for reference.
11. Venture Financing Program Unit monitors project implementation.
12. Project Liquidation – proponent shall submit thru the DOST Regional Office to TAPI the original copy of the Audited Financial Report (AFR) of the financial assistance. The report shall be forwarded to TAPI-FAD for the liquidation of the funds provided.
13. The PM shall pursue the completion of the project as stipulated in the MOA. Project is considered completed upon full recovery of TAPI's investment, certified by TAPI-FAD and full liquidation of project funds.

VIII. Responsibility and Accountability of the Proponent:

The Program's funding assistance will be recovered through refund of TAPI's principal investment without interest over a period of not more than **three (3) months** after the purchase orders have been served excluding of grace periods of not more than three (3) months. The proponent shall be required to submit post-dated checks (PDCs) upon release of the funds representing the total amount of financial assistance, the number of which is equivalent to the agreed refund schedule of the project to be indicated in the MOA. The refund schedule will be followed strictly, however restructuring of the said schedule could be granted subject to endorsement from concerned DOST RO and TAPI TEC evaluation and recommendation.

Approval of requests for restructuring of refund schedule maybe granted due to occurrence of force majeure or fortuitous events.

The request for restructuring of refund schedule will be subjected to deliberation and approval of TAPI EXECOM.

For requests for deferment of refund, the proponent must submit to TAPI a letter of request together with justification and proof of claims fifteen (15) days prior to the due date of issued Post-dated Check (PDC). The request will be subjected to deliberation and approval of TAPI EXECOM.)

Failure of the proponent to refund the installment amounts for two (2) consecutive months shall render the entire unpaid obligations due and demandable including penalties and interest charges.

The VF unit will notify the proponent regarding the settlement of his unpaid obligations with TAPI within fifteen (15) days. If the proponent failed to refund the entire unpaid amount, despite of follow-ups conducted by the VF unit, the case will be forwarded to TAPI Legal Unit for appropriate actions.

IX. Effectivity:

This Order shall supersede the previously issued guidelines and shall take effect immediately.

AUG 05 2014

Taguig City, Philippines, _____, 2014.


EDGAR I. GARCIA
Director