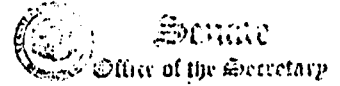


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE
Senate Bill No. 1924

20 NOV 19 P3 52

RECEIVED BY

INTRODUCED BY SENATOR CHRISTOPHER LAWRENCE "BONG" T. GO

AN ACT
MANDATING BANKING INSTITUTIONS TO STRENGTHEN THE FINANCING
SYSTEM FOR AGRICULTURAL, FISHERIES AND RURAL DEVELOPMENT IN THE
PHILIPPINES

EXPLANATORY NOTE

The agricultural and fisheries sectors play an important role in the country's economic and social aspect, particularly on the supply of food products while providing jobs for Filipinos. Being the life and blood of the country, the enhancement of the financing system of the agricultural, fisheries and rural sector has become critical to maintain its productivity and efficiency.

Republic Act No. 10000, otherwise known as the Agri-Agra Reform Act of 2009, was designed to extend credit access, investments and grants to farmers and fisherfolk who are among the most poverty-stricken individuals due to the lack of funds in purchasing farming equipment and inputs. While the merit and objective of the law are admirable, its main purpose did not materialize since farmers and fisherfolk, considering the lack of means and mechanism to add value to their produce, remained a low income, underprivileged, high-risk market.

Consequently, as the law required banks to lend credit to farmers and fisherfolk, banks faced hardship in investing in an industry perceived to be plagued with risks. The

goal to enhance the industry fell short and our farming sector continues to suffer without any means to alleviate it.

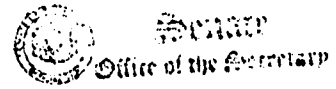
In line with the present condition, this measure seeks to institutionalize a framework that is more responsive to the needs of the agricultural sector while also providing means for the banking industry to take on a greater role by not merely acting as credit providers but as stakeholders in rural development as well. Furthermore, with the creation of a special fund designed specifically for capacity building, and encouragement of banking institutions to contribute to such fund as an alternative compliance with the mandatory credit allocation, the proposed measure will primarily strengthen the role of the financial sector as stakeholder and partner of the State in the nation's development.

With the reforms to the existing structure of the financial system for agricultural, fisheries and rural development, rural areas will now be able to have greater access to credit which will help the rural communities improve their welfare, competitiveness, income and productivity, particularly our farmer and fisherfolk. Hence, this measure promotes agricultural and fishery sector productivity and competitiveness, as well as sustainable development for rural communities.

In view of the foregoing, the approval of this bill is earnestly sought.


SENATOR CHRISTOPHER LAWRENCE "BONG" T. GO

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PHILIPPINES

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

ARTICLE I
GENERAL PROVISIONS

Section 1. *Short Title.* — This Act shall be known as "The Rural Agricultural and Fisheries Financing Enhancement System Act."

Sec. 2. *Declaration of Policy.* — It is hereby declared the policy of the State to promote inclusive and broad-based economic growth by ensuring equal access to opportunities under an environment of sustained growth and expanding productivity as the key to raising the quality of life for all. Towards this end, the State shall promote rural development by enhancing access of rural communities and agricultural and fisheries households to financial services and programs that increase productivity, enhance market efficiency, promote modernization and improve the welfare and economic prospects of beneficiaries in rural communities through active participation of banking institutions.

Sec. 3. *Definition of Terms.* — As used in this Act, the following terms shall mean:

- 1
- 2 (a) *Agrarian Reform Beneficiary (ARB)* – refers to a farmer who was granted land
- 3 under Presidential Decree No. 27, the Comprehensive Agrarian Reform Law
- 4 and Republic Act No. 9700 or the "Comprehensive Agrarian Reform Extension
- 5 with Reforms" and a regular farm worker who is landless, irrespective of
- 6 tenurial arrangement, who benefited from the redistribution of land, regardless
- 7 of crops or fruits produced, to include the totality of factors and support
- 8 services designed to lift the economic status of the beneficiary and all other
- 9 alternative arrangements to the physical distribution of lands, such as
- 10 production or profit sharing, labor administration, and the distribution of shares
- 11 of stock which will allow the beneficiary to receive a just share of the fruits of
- 12 the lands one works. The term shall also include registered agrarian reform
- 13 beneficiaries' cooperatives/associations/other farm groups, respectively
- 14 endorsed as comprising of agrarian reform beneficiaries by the nearest office
- 15 of the DAR, as well as ARB households.
- 16
- 17 (b) *Agrarian Reform Community (ARC)* – refers to a barangay or a cluster of
- 18 barangays primarily composed and managed by agrarian reform beneficiaries
- 19 who shall be willing to be organized and undertake the integrated development
- 20 of an area and/or their organizations/cooperatives.
- 21
- 22 (c) *Agri-Business* – refers to agriculture and fishery-related activities that put
- 23 farmers, fisherfolk processors, distributors, and consumers within a system that
- 24 produces, processes, transports, markets, and distributes agricultural and
- 25 fishery products. It encompasses input production, farm and fishery operations
- 26 and management, equipment and supplies manufacturing, food/non-food
- 27 processing, trading, and retailing.
- 28

1 (d) *Agri-Tourism, also referred to as "Farm Tourism" under Republic Act No. 10816*

2 – refers to the practice of attracting visitors and tourists to farm areas for
3 production, educational and recreational purposes. It involves any agricultural-
4 or fishery-based operation or activity that brings to a duly-accredited farm
5 tourism camp, visitors, tourists, farmers and fisherfolk who want to be
6 educated and trained on farming and its related activities.

7
8 (e) *Agricultural Lessee* – refers to any person who, with or without help from
9 his/her immediate farm household, cultivates the land owned by another for a
10 certain price in money, in produce, or in both.

11
12 (f) *Agricultural or Fisheries Household* – a household is considered to be an
13 agricultural or fisheries household when at least one member of the household
14 is a farmer, a fisherman, an agrarian reform beneficiary, a settler, an
15 agricultural lessee, an amortizing owner, a farmworker, a fishworker, an owner-
16 cultivator, a compact farmer, or a tenant farmer.

17
18 (g) *Agricultural Value Chain (AVC)* – refers to a set of actors/players, such as
19 producers (farmers, fisherfolks), traders, suppliers, processors, aggregators,
20 who conduct linked sequence of value-adding activities involved in converting
21 an agricultural product from its raw material to final form and bringing it to
22 consumers.

23
24 (h) *Agricultural Value Chain Financing (AVCF)* – refers to financing to an AVC
25 following the identification and analysis of AVC and the design of appropriate
26 financial products and services for actors/ players that form part of the AVC.

27

- 1 (i) *Agro-Industry Modernization Credit and Financing Program (AMCFP)* – refers
2 to the umbrella credit/financing program of the government for the agriculture
3 and fisheries sector created under Republic Act No. 8435.
4
- 5 (j) *Amortizing Owners* – refer to landowners who amortize payment for the land
6 to a private individual or to the State.
7
- 8 (k) *Compact Farmers* – refer to those farmers with adjoining farms operating as a
9 single unit under one management, farm plan and budget.
10
- 11 (l) *Farmer* – refers to a natural person whose primary livelihood is cultivation of
12 land or the production of agricultural crops, agroforest products, or livestock,
13 either by oneself, or primarily with the assistance of their immediate farm
14 household, whether the land is owned by them or by another person under a
15 leasehold or share tenancy agreement or arrangement with the owner thereof.
16
- 17 (m) *Farmworker* – refers to a natural person who renders service for value as
18 an employee or laborer in an agricultural enterprise or farm regardless of
19 whether their compensation is paid on a daily, weekly, monthly or "pakyawll
20 basis. The term includes an individual whose work has ceased as a
21 consequence of, or in connection with, a pending agrarian dispute who has not
22 obtained a substantially equivalent and regular farm employment.
23
- 24 (n) *Farmers' Cooperatives* – refer to organizations composed primarily of small
25 agricultural producers, farmers, farmworkers, or other agrarian reform
26 beneficiaries who voluntarily organize themselves for the purpose of pooling
27 land, manpower, technological, financial or other economic resources, and
28 operate on the principle of one member; one vote. A juridical person may be a
29 member of a cooperative, with the same rights and duties as a natural person.

- 1
- 2 (o) *Farmer's and Fisherfolks Organizations or Associations* – refer to farmer's and
3 fisherfolks cooperatives, associations or corporations duly registered with
4 appropriate government agencies and which are composed primarily of small
5 agricultural producers, farmers, farmworkers, agrarian reform beneficiaries,
6 fisherfolk who voluntarily join together to form business enterprises or non-
7 business organizations which they themselves own, control and patronize.
- 8
- 9 (p) *Farm-To-Market Road* – refers to a road linking the agriculture and fisheries
10 production sites, coastal landing point and post-harvest facility to the market
11 and arterial road and highway.
- 12
- 13 (q) *Financial Services* – refer to services extended by banks/financial institutions
14 such as, but not limited to, credit/lending, deposits, rediscounting, and
15 insurance.
- 16
- 17 (r) *Fisherfolk* – refers to people directly or personally and physically engaged in
18 catching and/or culturing and processing fishery and/or aquatic resources.
- 19
- 20 (s) *Fishworker* – refers to a person whether or not regularly employed in
21 commercial fishing and related industries, whose income is either from wages,
22 profit sharing or stratified sharing basis, including those working in fishpens,
23 fish corral/traps, fishponds, prawn farms, sea farms, salt beds, fish ports,
24 fishing boat or trawlers, or fish processing and/or packing plants, but excluding
25 administrators, security guards and overseers.
- 26
- 27 (t) *Green Finance* – refers to financial services and products designed to promote
28 the flow of finance towards green economic activities and projects. Aside from
29 financing to promote climate change adaptation and mitigation, green finance

1 also covers environmental improvement and efficiency improvement in natural
2 capital preservation and resource mobilization.

3
4 (u) *Micro, Small and Medium Enterprise (MSME)* – refers to any business activity
5 or enterprise defined as such under existing laws.

6 (v) *Newly-Established Bank* – refers to a domestic or foreign bank without banking
7 presence in the Philippines prior to the issuance of its certificate of authority to
8 operate. It shall not include banks that have been formed through the
9 acquisition, purchase of ownership of the voting stock of an existing domestic
10 bank or the merger or consolidation of banks.

11
12 (w) *Owner-Cultivators* – refer to natural persons who own lands by purchase,
13 inheritance, or land distribution by the State. Owner-Cultivators can operate
14 the farm themselves, supervise wage labor or delegate operations to farmers.

15
16 (x) *Philippine Crop Insurance Corporation (PCIC)* – refers to a government-owned
17 and controlled corporation which provides insurance protection to the country's
18 agricultural producers, particularly the subsistence farmers against crop losses
19 arising from natural calamities such as typhoons, rising sea levels, floods,
20 drought, earthquakes, volcanic eruptions, plant diseases and pest infestation,
21 and non-crop agricultural asset losses due to perils for which the asset has
22 been insured against.

23
24 (y) *Post-Harvest Activities* – refer to threshing, drying, milling, grading, storing,
25 and handling of produce and such other activities of a similar nature such as
26 stripping, winnowing, chipping and washing.

27
28 (z) *Post-Harvest Facilities* – refer to threshers, moisture meters, dryers, weighing
29 scales, milling equipment, fish ports, fish landings, ice plants and cold storage

1 facilities, processing plants, warehouses, buying stations, market infrastructure
2 and transportation facilities, and such other facilities, supporting post-harvest
3 activities.

4 (aa) *Public Rural Infrastructure* – refers to infrastructure in rural communities
5 such as highways, streets, bridges, tunnels, railways, railroad, transport
6 systems, ports, airports, hydropower projects, canals, dams, irrigation,
7 government buildings and housing projects, public schools, public hospitals,
8 public health centers, public markets, slaughterhouses, warehouses, solid
9 waste management, sewerage, flood control, drainage, dredging and other
10 similar infrastructure projects.

11
12 (bb) *Rural Community* – refers to areas that are defined as such by the Philippine
13 Statistics Authority (PSA).

14
15 (cc) *Rural Financial Institution (RFI)* – refers to any financial institution
16 established and is operating in a rural community.

17
18 (dd) *Settlers* – refer to persons who range from the forest-clearing pioneers,
19 including indigenous people, with a subsistence economy to the better
20 equipped and more experienced farmers.

21
22 (ee) *Tenant Farmer* – refers to one who cultivates another's land under a sharing
23 or leasehold agreement.

24
25 **ARTICLE II**

26 **AGRICULTURAL FISHERIES AND RURAL FINANCING SYSTEM**

1 **Sec. 4. *Agriculture, Fisheries and Rural Financing System.*** — There shall be an
2 agricultural, fisheries and rural financing system to improve the welfare, competitiveness,
3 income and productivity of the rural community beneficiaries, particularly the farmers,
4 fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers,
5 agricultural lessees, amortizing owners, farmworkers, fishworkers, owner-cultivators,
6 compact farmers, tenant farmers, and members of their households and their MSMEs, as
7 well as farmers' and fisherfolk's cooperatives, organizations and associations, through
8 government and private banking institutions.

9

10 Agricultural, fisheries and rural financing, as used herein, shall consist of loans,
11 investments and grants to finance activities that shall enhance productivity and increase
12 income of an agricultural and fisheries household, thereby promoting agricultural sector
13 productivity and competitiveness, as well as sustainable development of rural
14 communities. These shall include, but not be limited to, activities identified under the
15 AMCFP as enumerated under Chapter 3 Section 23 of Republic Act No. 8435, off-
16 farm/fishery activities, agricultural mechanization/ modernization, agri-tourism, green
17 finance projects, acquisition of lands authorized under the Agrarian Reform Code of the
18 Philippines and its amendments, efficient and effective marketing, processing, distribution
19 and storage of agricultural and fishery commodities, public rural infrastructure, as well as
20 programs that shall address the developmental needs of rural communities, such as, but
21 not limited to, projects that promote the livelihood, skills enhancement, and other
22 capacity-building activities of the rural community beneficiaries and all other activities
23 consistent or analogous to the foregoing, as may be determined by the Agricultural and
24 Fisheries Finance and Capacity-Building Council (AFFCC).

25

26 **Sec. 5. *Rural Community Beneficiaries.*** — The financing mentioned in the
27 preceding section shall be extended to the rural community beneficiaries named therein
28 or to cooperatives, associations, MSMEs or organizations in good standing of such
29 beneficiaries, regardless of capitalization based on the feasibility of the project and their
30 paying capacity, their estimated production, and/or securities they can provide as well as

1 such assets as may be acquired by them from the proceeds of the loan, investments and
2 grants.

3
4 **Sec. 6. *Credit Quota.*** — All banking institutions, whether government or private,
5 except newly established banks for a period of five (5) years from date of commencement
6 of the banks' operations, shall set aside a credit quota, or a minimum mandatory
7 agricultural and fisheries financing requirement of at least twenty-five percent (25%) of
8 their total loanable funds.

9
10 The total loanable funds generated by a banking institution shall be defined by the
11 BSP. During the first year of effectivity of this Act, the total loanable funds generated
12 shall be computed starting from 20 April 2010, the effectivity of Republic Act No. 10000,
13 after which the bank's total loanable funds shall be determined based on funds generated
14 starting from the second year of effectivity of this Act.

15
16 **Sec. 7. *Modes of Compliance.*** — Banks may comply with the mandatory credit
17 requirement by lending to rural community beneficiaries, to finance agricultural and
18 fishery-related activities identified under the AMCFP as enumerated under Chapter 3
19 Section 23 of Republic Act No. 8435, off-farm/fishery activities, agricultural
20 mechanization/modernization, agri-tourism, green finance projects, marketing,
21 processing, distribution and storage of agricultural and fishery commodities, livelihood
22 projects, skills enhancement or capacity-building programs.

23
24 Banks may also comply with the mandatory financing requirement through other
25 means as follows:

26
27 a) Invest in debt securities, including those issued by the Development Bank
28 of the Philippines (DBP) and the Land Bank of the Philippines (LBP):
29 Provided, That the proceeds from said debt securities shall be used to
30 finance activities under Section 4 hereof: Provided, further, That the

1 proceeds from debt securities issued by the DBP and the LBP shall be
2 separately accounted for and shall not be considered for purposes of
3 computing the loanable funds under Section 6 hereof of the said banks;
4

5 b) Open deposit accounts with rural financial institutions: Provided, That the
6 deposit accounts shall be separately accounted for by the depository bank
7 and shall not be considered for purposes of computing the loanable funds
8 under Section 6 hereof of the said banks;
9

10 c) Rediscount with banks eligible paper covering agriculture, fisheries and
11 agrarian reform credits: Provided, That rediscounted paper shall no longer
12 be eligible as compliance on the part of the originating bank;
13

14 d) Invest directly in shares of stock of rural financial institutions, subject to
15 prevailing laws, rules or regulations or lend wholesale to rural financial
16 institutions: Provided, That the wholesale loans shall be credited as
17 compliance of the bank acting as wholesale lender alone;
18

19 e) Lend for the construction and upgrading of infrastructure, including but not
20 limited to, farm-to-market roads, as well as the provision of post-harvest
21 facilities and other public RURAL infrastructure that will benefit the
22 agriculture, fisheries and agrarian reform sector; f) Lend to agri-business
23 enterprises that maintain agricultural commodity supply-chain
24 arrangements directly with rural community beneficiaries;
25

26 f) Undertake agricultural value chain financing to actors/ players in the AVC
27 that benefits rural communities; and
28

1 g) Invest in shares of stock of the PCIC or in companies that primarily engage
2 In activities under Section 4 hereof that benefit rural community
3 beneficiaries:
4

5 Provided That, the loans and investments that are counted as compliance are not
6 funded by proceeds from the issuance of debt securities, and/or lending of other banks
7 that have been counted as compliance with the mandatory credit: Provided Further, that
8 loans to finance activities that shall generally benefit agrarian reform beneficiaries,
9 agrarian reform communities, or other priority sectors, as may be determined by the
10 AFFCC, shall be counted at not more than ten times (10x) their outstanding amount, or
11 as otherwise prescribed by the BSP, for purposes of determining compliance with the
12 mandatory agricultural and fisheries financing requirement.
13

14 Sec. 8. The modes of compliance enumerated in the preceding section shall be
15 subject to review by the AFFCC after implementation to determine whether these are
16 adequate to support the financing requirements of rural communities and recommend to
17 Congress for appropriate action.
18

19 Sec. 9. *Annual Reports.* — The BSP shall furnish reports on the compliance with
20 the mandatory agricultural and fisheries financing requirement to the Congress on a
21 yearly basis. The BSP shall, as part of its regulatory functions, monitor the compliance by
22 the banks with the requirements of this Act.
23

24 Sec. 10. *Penalty Clause.* — The BSP shall impose administrative sanctions and
25 other penalties on the lending institutions for violation of any of the provisions of this Act.
26 Penalties on noncompliance or under-compliance with the mandatory agricultural and
27 fisheries financing requirement shall be computed at one-half of one percent (0.5%) of
28 non-compliance or undercompliance, or at rates prescribed by the BSP Monetary Board.
29 Upon collection of the penalties, the BSP shall remit the same to the AFFCC for deposit

1 to the special fund created under Article III of this Act. Ten percent (10%) of the penalties
2 collected shall be retained by the BSP to cover administrative expenses.

3 4 **ARTICLE III**

5 **AGRIBUSINESS MANAGEMENT CAPACITY AND INSTITUTION-BUILDING**

6 **FUND AND PROGRAM**

7 Sec. 11. There shall be created an Agribusiness Management Capacity And
8 Institution-Building Fund (Special Fund) to finance agricultural- and fishery-related
9 activities as well as organizational capacity- and institution-building programs of
10 cooperatives and other duly-registered organizations of rural agricultural and fisheries
11 households. The Special Fund shall be sufficient to ensure effective implementation of
12 the aforementioned activities and programs. For this purpose, banks may comply with
13 the mandatory credit requirement by providing contributions to the Special Fund.

14
15 Sec. 12. The initial amount of the Special Fund shall at least be P10 billion and
16 shall include penalties due from banks on their non-compliance or under-compliance with
17 the mandatory AgriAgra credit requirement under Republic Act No. 10000, collected after
18 the effectivity of this Act, net of the ten (10) percent amount to be retained by the BSP.
19 In case of a shortfall, the banks shall advance a maximum amount of P2 billion, which
20 shall be chargeable against future penalties under this Act, and shall not be considered
21 as a mode of compliance under Section 11 hereof.

22
23 Sec. 13. The AFFCC shall enter into an agreement with the banking industry on
24 the management of the Special Fund as well as the implementation of the activities and
25 programs of the Special Fund, in accordance with the approval of and guidelines
26 prescribed by the AFFCC. The agreement shall also require the banking industry to
27 monitor and evaluate the activities financed by the Special Fund, and report its findings
28 to the AFFCC.

29

1 (PCCI); and a representative each from the cooperative sector, the farmers, and
2 the fisherfolk sector.

3
4 *Sec. 16. Powers/ Duties and Functions of the AFFCC.* — The AFFCC shall have the
5 following powers, duties, and functions:

- 6
7 a) to set the target amount for the Special Fund to meet the organizational-
8 and capacity building requirements of cooperatives and other duly-
9 registered organizations of rural agricultural and fisheries households over
10 a period of ten (10) years;
- 11
12 b) to determine the annual requirement of the Special Fund;
- 13
14 c) to identify eligible recipients of the Special Fund;
- 15
16 d) to identify eligible agricultural- and fishery-related activities and capacity
17 building programs that may be financed by the Special Fund;
- 18
19 e) to ensure the effective implementation and programs financed by the
20 Special Fund;
- 21
22 f) to periodically assess the adequacy of the fund capital in financing the
23 capacity-building requirements of rural cooperatives and other duly-
24 registered organizations of rural agricultural and fisheries households; and
- 25
26 g) to ensure compliance with the reporting, monitoring, evaluation and audit
27 requirements of the Special Fund and activities financed.

28
29 **ARTICLE V**
30 **MISCELLANEOUS PROVISIONS**

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Sec. 17. *Audit.* — The Special Fund shall be audited by the Commission on Audit (COA) in accordance with existing auditing laws, rules and regulations.

Sec. 18. *Oversight Committee.* — There shall be an oversight committee to oversee the implementation of this Act composed of the following:

1. A Member of the House of Representatives to be designated by the House of Representatives as Chair;
2. A Member of the Senate to be designate by the Senate as Vice-Chair;
3. A representative from the Office of the President; and
3. Two representatives from the Commission on Audit (COA)

Sec. 19. *Sunset Provisions.* — The provisions related to the mandatory credit quota under Article II as well as the management and administration of the special fund under Article III shall cease to have effect, ten (10) years from approval of this Act.

Sec. 20. *Repealing Clause.* — The provisions of Republic Act No. 10000, Executive Order No. 113 and any other laws, presidential decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Sec. 21. *Separability Clause.* — If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in force and effect.

1 **Sec. 22. *Transitory Provision.*** — The BSP shall promulgate such rules and
2 regulations as may be necessary to implement Articles I and II of this Act within ninety
3 (90) days after effectivity of this Act. Prior to the effectivity of the implementing rules and
4 regulations of Articles I and II of this Act, the provisions of Republic Act No. 10000 shall
5 remain in force.

6 The BSP shall organize a Task Force which shall promulgate such rules and
7 regulations as may be necessary to implement Articles III and IV of this Act within ninety
8 (90) days after effectivity of this Act.

9
10 **SEC. 23. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
11 publication in the Official Gazette or in a newspaper of general circulation.

Approved,