

FOURTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

7 JUN 30 P 1:25

SENATE  
S.B. No. 75

RECEIVED BY: \_\_\_\_\_



Introduced by Senator Loren Legarda

**EXPLANATORY NOTE**

*This bill seeks to ensure the availability of more credit to farmers, fisherfolks and agrarian reform beneficiaries by removing the option of investing in government securities as a form of alternative compliance under the Agri-Agra Law.*

Presidential Decree No. 717 or the Agri-Agra Law was created in 1975 to enhance the flow of credit to agriculture. It mandates that all banks shall set aside 25% of their loanable funds for agricultural credit, of which 10% is for the beneficiaries of agrarian reform and 15% for agricultural credit. Over the years, the means of compliance with the law has been broadened to include alternatives such as: development loans to finance educational institutions, hospitals, socialized housing and LGUs; investment in commercial papers issued by firms engaged in agricultural products; investment in Emergency Readiness Assurance Program (ERAP), agrarian reform and Pag-ibig funds; loans to high value commercial crops projects; and investment in Quedancor.

From 1993, when the Bangko Sentral started to monitor the banks' compliance to Agri-Agra law until 2002, the loanable funds that may be extended for agriculture and agrarian reform credit are as follows: P285.01 billion (1993); P386.26 billion (1994); P520.43 billion (1995); P596.43 billion (1996); P714.21 billion (1997); P776.97 billion (1998); P990.63 billion (1999); P888.42 (2000); P935.71 billion (2001); and P956.81 (2002). Of these amounts, banks were able to surpass the 25% total compliance set forth by law due to over compliance with 15% requirement for agricultural credit, but failure to comply with the 10% requirement for agrarian reform credit. In 2002 alone, P56.6 billion or 66.8% of the P84.68 billion total amount for agrarian reform credit compliance was done thru purchase of treasury bills and other government securities. Essentially, the agrarian reform quota addresses the credit needs of small farmers. This is the reason why despite the over compliance of banks with the Agri-Agra law, there is still a failure to enhance small farmers' access to bank credit.

This bill aims to correct that loophole by removing the provision allowing banks to invest in government securities.

Likewise, this proposed measure removes the distinction between agriculture and agrarian reform credit, thereby treating the 25% loan quota as a generic one. This will allow banks flexibility in allocating their quota among different beneficiary sub-sectors and borrowers are given their share of the responsibility in ensuring that the projects that they undertake are viable. Moreover, this bill ensures that the agri-agra credit will be extended to small farmers, fisherfolks and agrarian reform beneficiaries by putting a ceiling to the capitalization that will be required from them by banks in the amount of P50,000,000.

Finally, this bill broadens the modes of compliance to include direct support to agriculture such as infrastructure, and expands the conduit networks in anticipation of the total loanable funds that may be made available.

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



**LOREN LEGARDA**

Senator

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**AN ACT BROADENING THE SCOPE OF COMPLIANCE AND EXPANDING THE  
CONDUIT NETWORK FOR AGRI-ACRA CREDIT, AMENDING FOR THIS  
PURPOSE PRESIDENTIAL DECREE 717 OTHERWISE KNOWN AS THE AGRI-  
AGRA LAW**

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

**SECTION 1.** Section 1 of P.D. 717 is hereby amended to read as follows:

"SECTION 1. There shall be evolved an **AGRICULTURAL, FISHERIES AND**, agrarian reform credit and financing system to improve the productivity of agriculture **AND FISHERIES**, particularly farmers, **MUNICIPAL FISHERFOLK**, and [for the beneficiaries] agrarian reform beneficiaries, namely: tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivations, farmers cooperative, agro-industrial enterprises, corporate farmers, agricultural processing plants, post harvest facilities, and compact farms through government and private banking institutions for the production or other types of loans for the acquisition of work animals

**AGRICULTURE, FISHERIES, AND** agrarian reform credit, as used herein, shall include production or other types of loans for acquisition of work animals, farm equipment and machinery, seeds, fertilizers, poultry, livestock feeds, and other similar terms; acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; construction and/or acquisition of facilities for production, processing, storage and marketing; and efficient and effective merchandising of agricultural commodities stored and/or processed by the facilities *aforecited* in domestic and foreign commerce.

**SEC. 2.** Section 2 is hereby amended to read as follows:

"SEC. 2. The credit mentioned in the next preceding section may be extended to the beneficiaries therein **WITH CAPITALIZATION NOT EXCEEDING FIFTY MILLION PESOS (50,000,000.00) OR TO COOPERATIVES OF SUCH BENEFICIARIES REGARDLESS OF CAPITALIZATION** based on the feasibility of the project and their paying capacity; their estimated production, and/or securities they can provide as well as such assets as may be acquired by them from the proceeds of the loan,"

**SEC. 3.** Section 3 of the same decree is hereby amended to read as follows:

SEC. 3. All banking institutions, whether government or private shall set aside at least 25% of their loanable funds for **THE PURPOSE OF LENDING THE SAME TO THE AGRICULTURE, FISHERIES** [agricultural credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for] **AND** agrarian reform beneficiaries **SECTORS** mentioned in Section 1 hereof: Provided, however, that loanable funds as used in this Section shall refer to funds generated from the date of effectivity of this Decree [s]. [Provided, further that the National Economic Development Authority may increase or decrease such percentages whenever so recommend by the Department of Agrarian Reform and the Central Bank of the Philippines taking into consideration the magnitude of the credit needs of the beneficiaries of agrarian reform.]

SEC. 4. Section 4 of the same decree is hereby amended to read as follows:

"SEC. 4. The [Central Bank of the Philippines] **BANGKO SENTRAL NG PILIPINAS**, in consultation with and/or upon the recommendation of the **DEPARTMENT OF AGRICULTURE AND THE** Department of Agrarian Reform, shall promulgate such rules and regulations as may be necessary to implement the provisions of this Decree. Subject to such rules and regulations, banking institutions may be allowed:

[(a) Invest, in such government securities as may be declared eligible by the Central Bank of the Philippines, any portion of the amount set aside for agrarian reform credit not actually loaned out; Provided, however, that the issuing government entity shall stand ready to monetize, encash, or repurchase such securities whenever funds are needed by the banks holding the said securities, for lending to the beneficiaries of agrarian reform; and]

(a) **INVEST IN BONDS ISSUED BY THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) AND THE LAND BANK OF THE PHILIPPINES (LBP) AND/OR OPEN SPECIAL DEPOSIT ACCOUNTS (SDA's) WITH THRIFT BANKS LOCATED OUTSIDE THE NATIONAL CAPITAL REGION (NCR), WITH THE COOPERATIVE BANKS AND RURAL BANKS: PROVIDED THAT THE PROCEEDS FROM SAID BONDS AND SDA's SHALL BE USED EXCLUSIVELY FOR ON-LENDING TO THE AGRICULTURE, FISHERIES AND AGRARIAN REFORM SECTORS; PROVIDED, FURTHER THAT, PROCEEDS FROM SAID BONDS AND SDA's SHALL BE SEPARATELY ACCOUNTED FOR BY THE DBP, LBP, AND THE DEPOSITORY THRIFT BANKS, COOPERATIVE BANKS AND RURAL BANKS AND SHALL NOT BE CONSIDERED FOR PURPOSES OF COMPUTING THE LOANABLE FUNDS UNDER SECTION 3 HEREOF OF THE SAID BANK; PROVIDED, FINALLY, THAT SAID BONDS SHALL BE REDEEMABLE ANYTIME.**

(b) **Rediscount with the [Central Bank of the Philippines] COMMERCIAL BANKS eligible paper covering AGRICULTURE, FISHERIES and agrarian reform credits; PROVIDED THAT SUCH REDISCOUNTED PAPERS SHALL NO LONGER BE ELIGIBLE AS COMPLIANCE ON THE PART OF THE ORIGINATING BANK;**

(c) **LEND IN BUILD-OPERATE-TRANSFER SCHEMES FOR THE FINANCING OF AGRI-RELATED ACTIVITIES AND RURAL SUPPORT SYSTEMS, INCLUDING BUT NOT LIMITED TO FARM TO MARKET ROAD NETWORKS, POST HARVEST FACILITIES, STORAGE FACILITIES, FISHPORTS, IRRIGATION SYSTEMS AND MARKETING FACILITIES SUCH AS LOCAL FOOD TERMINALS THAT WILL BENEFIT THE AGRICULTURE, FISHERIES AND AGRARIAN REFORM BENEFICIARIES; PROVIDED THAT THE FEASIBILITY STUDY DESIGN AND WORK PROGRAMS OF THE**

**INFRASTRUCTURE PROJECTS SHALL BE PREPARED BY THE PROVINCIAL AND/OR MUNICIPAL LOCAL GOVERNMENT UNITS (LGUs) CONSISTENT WITH THEIR LAND USE PLAN AND/OR MUNICIPAL DEVELOPMENT PLANS, IN CONSULTATION WITH:**

- (1) THE NATIONAL IRRIGATION ADMINISTRATION AND DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS FOR IRRIGATION SYSTEMS AND FARM TO MARKET ROADS;**
- (2) THE DEPARTMENT OF AGRICULTURE AND/OR NATIONAL FOOD AUTHORITY FOR POST HARVEST FACILITIES, STORAGE FACILITIES AND MARKETING FACILITIES INCLUDING LOCAL FOOD TERMINALS;**
- (3) THE PHILIPPINE PORT AUTHORITY AND THE PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY FOR COLD STORAGE FACILITIES AND FISHPORTS;**

**PROVIDED FURTHER THAT THE CEILING FOR QUALIFIED BENEFICIARIES UNDER SECTION 2 HEREOF DOES NOT APPLY IN THIS INSTANCE;**

- (D) EXTEND DEVELOPMENT LOANS AS PROVIDED UNDER SECTION 9 OF RA 7721; AND,**
- (E) LEND TO FARMERS, FARMERS' ASSOCIATION OR COOPERATIVES FOR THE PRODUCTION, MARKETING AND DISTRIBUTION OF HIGH VALUE CROPS UNDER RA 7900.**

**IN ADDITION, THE BANGKO SENTRAL NG PILIPINAS AND THE DEPARTMENT OF AGRICULTURE AND THE DEPARTMENT OF AGRARIAN REFORM SHALL JOINTLY MONITOR THE COMPLIANCE OF BANKS WITH THE PROVISIONS OF THIS ACT AND SHALL SUBMIT AN ANNUAL REPORT ON THE SAME TO THE PRESIDENT OF THE PHILIPPINES AND CONGRESS, THROUGH THE LATTER'S APPROPRIATE COMMITTEES.**

**SEC. 5. THE PROVISION IN THE SECOND PARAGRAPH OF SECTION 9 OF REPUBLIC ACT NO. 7900 OTHERWISE KNOWN AS THE "HIGH VALUE CROPS DEVELOPMENT ACT OF 1995", WHICH STATES THAT "BANKS LENDING AT LEAST FIVE PERCENT (5) OF THEIR LOANABLE FUNDS DIRECTLY TO THE FARMERS ASSOCIATIONS OR COOPERATIVES ARE EXEMPTED FROM THE COMPLIANCE REQUIREMENT OF P.D. NO. 717", is hereby repealed. All other laws, executive decrees or issuances, or any parts thereof, which are consistent with the provisions of this Act, are hereby repealed or amended accordingly.**

**SEC. 6. THE BANGKO SENTRAL NG PILIPINAS SHALL IMPOSE ADMINISTRATIVE SANCTIONS AND OTHER PENALTIES ON THE LENDING INSTITUTIONS FOR NON-COMPLIANCE WITH THE PROVISIONS OF THIS ACT. IN ADDITION, THE PRESIDENT, MEMBERS OF THE BOARD OF DIRECTORS AND OTHER OFFICERS OF THE ERRING LENDING INSTITUTION SHALL BE INDIVIDUALLY LIABLE FOR IMPRISONMENT OF NOT LESS THAN SIX (6) MONTHS AND A FINE OF NOT MORE THAN FIVE HUNDRED THOUSAND**

**PESOS (P500,000,00) EACH, OR BOTH, AT THE DISCRETION OF THE COURT; PROVIDED, FURTHER, THAT SAID ERRING BANK OFFICER SHALL BE BARRED FROM OCCUPYING POSITIONS IN ANY BANKING INSTITUTION THEREAFTER.**

**SEC. 7. REPEALING CLAUSE. - ALL LAWS, PRESIDENTIAL DECREES, EXECUTIVE ORDERS, RULES AND REGULATIONS, WHICH ARE CONTRARY TO THE PROVISION OF THIS ACT, ARE HEREBY REPEALED, AMENDED AND MODIFIED ACCORDINGLY.**

**SEC. 8. SEPARABILITY CLAUSE. - IF ANY PART OF THIS ACT SHALL BE HELD TO BE UNCONSTITUTIONAL OR INVALID, OTHER PARTS OR PROVISIONS HEREOF WHICH ARE NOT AFFECTED THEREBY SHALL CONTINUE TO BE IN FULL FORCE AND EFFECT.**

**SEC. [6] 9 EFFECTIVITY. - This [Decree] ACT shall take effect [immediately] FIFTEEN (15) DAYS AFTER ITS PUBLICATION IN ENGLISH OR FILIPINO IN THE OFFICIAL GAZETTE OR IN AT LEAST TWO (2) NEWSPAPERS OF GENERAL CIRCULATION, WHICHEVER COMES FIRST.**

Approved,