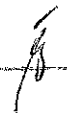


FOURTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

7 NOV -8 1951

SENATE

RECEIVED BY: 

Senate Bill No. 1828

INTRODUCED BY HON. MANNY VILLAR

EXPLANATORY NOTE

Most small farmer-borrowers fall prey to informal lenders who are notorious for their usurious lending rates, ranging from as low as 60% to 240% per annum. Against this background of social inequity, this bill seeks to redirect credit to where it is direly needed.

This proposed measure mandates that fifty percent (50%) of the twenty-five percent (25%) of a bank's total loanable funds reserved for agricultural and agrarian reform credits be extended to the small farmers and fisherfolk and their cooperatives. Moreover, it removes the provision in P.D. 717 which allows banks to divert to government securities the ten percent (10%) agrarian reform share aforesaid. And for its strict compliance by the financial institutions, a penalty provision is included.

The approval of this bill is earnestly sought.


MANNY VILLAR

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**AN ACT EXPANDING THE COVERAGE OF AND THE CONDUIT NETWORK FOR
AGRI-AGRA CREDITS, PRESCRIBING A FIXED PERCENTAGE OF THE FUNDS
FOR LENDING TO SMALL FARMERS AND FISHERFOLK, AND FOR OTHER
PURPOSES THEREBY AMENDING PRESIDENTIAL DECREE NO. 717
OTHERWISE KNOWN AS THE AGRI-AGRA LAW**

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

SECTION 1. Section 1 of Presidential Decree No. 717 is hereby amended to
read as follows:

"Section 1. There shall be evolved an AGRICULTURE AND agrarian reform credit and financing system TO IMPROVE THE PRODUCTIVITY OF THE AGRICULTURE AND FISHERIES SECTORS, PARTICULARLY THE FARMERS AND FISHERFOLK, AND [for the beneficiaries of] agrarian reform BENEFICIARIES, namely: tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers cooperatives and compact farms, through government and private banking institutions.

AGRICULTURE AND agrarian reform credit, as used herein, shall include production or other types of loans for acquisition of work animals, farm AND FISHERY equipment and machinery, seeds fertilize poultry,) livestock, feeds and other similar items, acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; construction [and/or], acquisition AND REPAIR of facilities for production, processing, storage and marketing AND SUCH OTHER FACILITIES IN SUPPORT OF AGRICULTURE AND FISHERIES; and efficient and effective merchandising of agricultural AND FISHERY commodities stored and/or processed by the facilities aforecited in domestic and foreign commerce.

Section 2. Section 2 of the same decree is hereby amended to read as follows:

"SEC. 2. The credit mentioned in the next preceding Section may be extended to the beneficiaries named therein WITH CAPITALIZATION OF NOT MORE THAN TEN MILLION PESOS (P10 MILLION) 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 twenty-five percent (25%) of their loanable funds for LENDING TO THE AGRICULTURE AND FISHERIES SECTORS [agricultural credit in general of which at least ten percent (10%) of the loanable funds shall be made available. for] AND agrarian reform [credit to] beneficiaries mentioned in Section 1 hereof, OF WHICH FIFTY PERCENT (50%) SHALL BE MADE AVAILABLE FOR LENDING TO SMALL FARMERS AND FISHERFOLK AS WELL AS SMALL FARMERS AND FISHERFOLK COOPERATIVES. THE SMALL FARMERS AND FISHERFOLK AS USED IN THIS SECTION SHALL REFER TO NATURAL PERSONS DEPENDENT ON SMALL-SCALE SUBSISTENCE FARMING/ FISHING ACTIVITIES AS THEIR PRIMARY SOURCE OF INCOME AND WHOSE SALE, BARTER OR EXCHANGE OF AGRICULTURAL/FISHERY PRODUCTS DO NOT EXCEED A GROSS VALUE OF ONE HUNDRED EIGHTY THOUSAND PESOS (P180,000) PER ANNUM BASED ON 1992 CONSTANT PRICES; Provided, however, That loanable funds as used in this Section shall refer to funds generated from the date of effectivity of this Decree[;]. [Provided, Further, that the National Economic Development Authority may increase or decrease such percentages whenever so recommended 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 ACT [Decree]. Subject to such rules and regulations banking institutions may be allowed to:

[(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 LAND BANK OF THE PHIL. (LBP) AND/OR OPEN SPECIAL DEPOSIT ACCOUNTS (SDA's) WITH THRIFT BANKS LOCATED OUTSIDE THE NATIONAL CAPITAL REGION (NCR), WITH 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 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 BANKS.

(B) Rediscount with the [Central Bank of the Philippines] COMMERCIAL BANKS eligible paper covering AGRICULTURE AND agrarian reform credits; PROVIDED THAT SUCH REDISCOUNTED PAPER SHALL NO'LONGER BE ELIGIBLE AS COMPLIANCE ON THE PART OF THE ORIGINATING BANK;

(C) LEND IN BUILD-OPERATE-TRANSFER (BOT) SCHEMES FOR THE CONSTRUCTION AND UPGRADING OF INFRASTRUCTURE INCLUDING FARM- TO-MARKET ROADS AS WELL AS THE PROVISION OF POST HARVEST FACILITIES THAT WILL BENEFIT THE AGRICULTURE AND FISHERIES SECTORS, AND AGRARIAN REFORM BENEFICIARIES; PROVIDED THAT THE P1.5 MILLION CEILING' FOR QUALIFIED BENEFICIARIES DOES NOT APPLY IN THIS INSTANCE;

(D) LEND TO FARMERS, FARMER'S ASSOCIATIONS OR COOPERATIVES FOR THE PRODUCTION, MARKETING AND DISTRIBUTION OF HIGH VALUE CROPS UNDER REPUBLIC ACT NO. 7900;

SEC. 5. THE PROVISION IN THE SECOND PARAGRAPH OF SECTION 8 OF REPUBLIC ACT NO. 7900, WHICH STATES THAT "BANKS LENDING AT LEAST FIVE PERCENT (5%) OF THEIR LOANABLE FUNDS DIRECTLY TO FARMERS ASSOCIATIONS OR COOPERATIVES ARE EXEMPTED FROM THE COMPLIANCE REQUIREMENT OF PRESIDENTIAL DECREE 717", is hereby repealed. All other laws, executive decrees or issuances, or any parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed or amended accordingly.

SEC. 6. PENALTY CLAUSE. THE BANKO 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 INSTITUTIONS 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. THE SAID ERRING BANK OFFICERS SHALL BE BARRED FROM OCCUPYING POSITIONS IN BANKING INSTITUTIONS THEREAFTER.

SEC. 7. SEPARABILITY CLAUSE. The provision of this act are hereby declared separable, if any provision of this act shall be held unconstitutional, the remainder of the act not otherwise affected shall remain in full force and effect.

SEC. 8. EFFECTIVITY. This act shall take effect fifteen (15) days after its publication in the official Gazette or two (2) newspapers of general circulation.

Approved,