



HOUSE OF REPRESENTATIVES

H. No. 6095

BY REPRESENTATIVES LACSON, ROMUALDEZ, CHATTO, RODRIGUEZ, CHONG, MITRA, CODILLA, NOGRALES, TEODORO, TEVES, ARNAIZ, YU, LAPUS, SY-ALVARADO, ROMUALDO, SILVERIO, ABAYON, VILLAROSA, LEONEN-PIZARRO, ABANTE, ABAYA, ABLAN, AGGABAO, AGYAO, ALBANO, ALCALA, ALMARIO, ALVAREZ (G.), AMATONG, ANGARA, ANTONINO-CUSTODIO, APOSTOL, AQUINO, ARBISON, ARQUIZA, ARROYO (L.), BAGATSING, BALINDONG, BARZAGA, BAUTISTA, BELLO, BIAZON, BONDOC, BONOAN-DAVID, BRAVO, BRITANICO, CABILAO, CAJES, CANONIGO, CARI, CASIÑO, CASTELO-DAZA, CASTRO, CERILLES, CHIPECO, CHUNGALAO, COJUANGCO, COLMENARES, COQUILLA, COSCOLLUELA, CRISOLOGO, CUA (J.), CUENCO, DATUMANONG, DAZA, DEFENSOR (M.), DEL MAR, DEL ROSARIO, DELA CRUZ, DIASNES, DIAZ, DILANGALEN, DIMAPORO, DOMOGAN, DUAVIT, DUMARPA, DURANO, ECLEO, ESCUDERO, ESTRELLA (C.), FUA, FUENTEBELLA, GARAY, GARCIA (A.), GARCIA (P.), GARCIA (V.), GATCHALIAN, GOLEZ, GONZALES (A.), GONZALES (N.), GONZALEZ, GUANLAO, GUINGONA, GUNIGUNDO, HATAMAN, HOFER, HONTIVEROS, ILAGAN, JAAFAR, JALOSJOS-CARREON, JAVIER, JIKIRI, JOSON, LABADLABAD, LAGDAMEO, LAGMAN, LIM (R.), LIMKAICHONG, LOPEZ (C.), LOPEZ (J.), MAGLUNSOD, MAGSAYSAY, MANDANAS, MARCOLETA, MATUGAS, MENDOZA (M.), MENDOZA (R.), MENDOZA (V.), MIRAFLORES, MONTEJO, MONTEMAYOR, NAVA, NOEL, OCAMPO, OMAR, ONG, ORTEGA (F.), ORTEGA (V.), OSABEL, PABLO, PADILLA, PAEZ, PALATINO, PALPARAN, PANCHO, PANCRUDO, PIAMONTE, PICHAY, PIÑOL, PLAZA, PRIETO-TEODORO, PUENTEVELLA, REMULLA, REYES (C.), REYES (V.), ROBES, ROMAN, ROMARATE, ROMULO, ROXAS, SALVACION, SAN LUIS, SANDOVAL, SANTOS, SARMIENTO, SEACHON-

LANETE, SINGSON (E.), SUAREZ, SUSANO, TALIÑO-MENDOZA, TAÑADA, TIENG, TOMAWIS, TUPAS, UMALI (A.), UNGAB, UY (E.), UY (R.S.), UY (R.A.), VALENCIA, VELARDE, VILLAFUERTE, VILLANUEVA, VINZONS-CHATO, VIOLAGO, YAP AND ZUBIRI, PER COMMITTEE REPORT NO. 1865

AN ACT PROVIDING FOR AN AGRICULTURE AND AGRARIAN REFORM CREDIT AND FINANCING SYSTEM THROUGH BANKING INSTITUTIONS

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

ARTICLE I

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as “The Agri-Agra Reform Credit Act of 2009”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote equal access to opportunities under an environment of sustained growth and expanding productivity as the key to raising the quality of life of all. Towards this end, the State shall promote rural development by enhancing access of the rural agricultural sector to financial services and programs that increase the market efficiency and promote modernization in the rural agricultural sector.

SEC. 3. *Definition of Terms.* – As used in this Act, the term:

(a) *Accredited Rural Financial Institution* refers to any financial institution, accredited by the Bangko Sentral ng Pilipinas (BSP), whose portfolios are substantially agri-agra related as defined by the implementing rules and regulations.

(b) *Agrarian Reform Beneficiary* refers to farmers who were granted lands under Presidential Decree No. 27 and Comprehensive Agrarian Reform Law and regular farmworkers who are landless, irrespective of tenurial

1 arrangement, who benefited from the redistribution of lands, regardless of
2 crops or fruits produced, to include the totality of factors and support services
3 designed to lift the economic status of the beneficiaries and all other alternative
4 arrangements to the physical redistribution of lands, such as production or
5 profit-sharing, labor administration, and the distribution of shares of stock
6 which will allow beneficiaries to receive a just share of the fruits of the lands
7 they work.

8 (c) *Agricultural Guarantee Fund Pool* (AGFP) refers to the five
9 percent (5%) of the 2007 surplus of the government-owned and/or -controlled
10 corporations and government financial institutions including the Philippine
11 Amusement and Gaming Corporation, the Philippine Charity Sweepstakes
12 Office, the Social Security System, and the Government Service Insurance
13 System as mandated by Administrative Order No. 225-A, series of 2008, and
14 the ninety percent (90%) of the penalties collected from banking institutions
15 for noncompliance and undercompliance as provided under this Act.

16 (d) *Agricultural Lessee* refers to any person who, with or without help
17 from his/her immediate farm household, cultivates the land owned by another
18 for a certain price in money, in produce, or in both.

19 (e) *Agro-Industry Modernization Credit and Financing Program*
20 (AMCFP) refers to the umbrella credit/financing program of the government
21 for the agriculture and fisheries sector created under Republic Act No. 8435,
22 otherwise known as the "Agriculture and Fisheries Modernization Act of
23 1997". By design, AMCFP funds are provided as loans to government
24 financial institutions (GFIs) called 'credit wholesalers', which in turn relend
25 them to qualified 'credit retailers' that include rural banks, thrift banks,
26 cooperative banks, nongovernment organizations (NGOs), National Food
27 Authority (NFA) and other associations/people's organizations engaged in
28 lending to small farmers and fisherfolk.

1 (f) *Amortizing Owners* refer to landowners who still amortize payment
2 for the land to a private individual or to the State.

3 (g) *Compact Farmers* refer to those farmers with adjoining farms
4 operating as a single unit under one management, farm plan and budget.

5 (h) *Farmer* refers to a natural person whose primary livelihood is
6 cultivation of land or the production of agricultural crops either by
7 himself/herself, or primarily with the assistance of his/her immediate farm
8 household, whether the land is owned by him/her or by another person under a
9 leasehold or share tenancy agreement or arrangement with the owner thereof.

10 (i) *Farmworker* refers to a natural person who renders service for
11 value as an employee or laborer in an agricultural enterprise or farm regardless
12 of whether his/her compensation is paid on a daily, weekly, monthly or
13 “pakyaw” basis. The term includes an individual whose work has ceased as a
14 consequence of, or in connection with, a pending agrarian dispute who has not
15 obtained a substantially equivalent and regular farm employment.

16 (j) *Farmer’s Cooperatives* refer to organizations composed primarily
17 of small agricultural producers, farmers, farmworkers, or other agrarian reform
18 beneficiaries who voluntarily organize themselves for the purpose of pooling
19 land, manpower, technological, financial or other economic resources, and
20 operate on the principle of one member, one vote. A juridical person may be a
21 member of a cooperative, with the same rights and duties as a natural person.

22 (k) *Farmer’s and Fisherfolk’s Organizations or Associations* refer to
23 farmer’s and fisherfolk’s cooperatives, associations or corporations duly
24 registered with appropriate government agencies and which are composed
25 primarily of small agricultural producers, farmers, farmworkers, agrarian
26 reform beneficiaries, fisherfolk who voluntarily join together to form business
27 enterprises or non-business organizations which they themselves own, control
28 and patronize.

1 (l) *Financial Services* refer to services extended by banks/financial
2 institutions such as, but not limited to, credit/lending, deposits, rediscounting.

3 (m) *Fisherfolk* refers to people directly or personally and physically
4 engaged in taking and/or culturing and processing fishery and/or aquatic
5 resources.

6 (n) *Fishworker* refers to a person whether or not regularly employed in
7 commercial fishing and related industries, whose income is either from wages,
8 profit-sharing or stratified sharing basis, including those working in fishpens,
9 fish cages, fish corrals/traps, fishponds, prawn farms, sea farms, salt beds, fish
10 ports, fishing boat or trawlers, or fish processing and/or packing plants, but
11 excluding administrators, security guards and overseers.

12 (o) *Owner-cultivators* refer to natural or juridical persons who own
13 lands either by purchase, inheritance or land distribution by the State. Owner-
14 cultivators can operate the farm themselves, supervised wage labor or delegate
15 operations to tenant-farmers.

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

19 (q) *Tenant Farmer* refers to one who cultivates another's land under a
20 sharing or leasehold agreement.

21 ARTICLE II

22 AGRICULTURAL CREDIT, INSURANCE AND FINANCING SYSTEM

23 SEC. 4. *Agriculture and Agrarian Reform Credit, Insurance and*
24 *Financing System.* – There shall be evolved an agriculture, fisheries and
25 agrarian reform credit, insurance and financing system to improve the
26 productivity of the agriculture and fisheries sectors, particularly the agrarian
27 reform beneficiaries, settlers, agricultural lessees, amortizing owners,
28 farmworkers, fishworkers, owner-cultivators, compact farmers, farmers and

1 fisherfolks cooperatives, organizations and associations, through government
2 and private banking institutions.

3 Agriculture and agrarian reform credit, as used herein, shall include
4 production or other types of loans for acquisition of work animals, farm and
5 fishery equipment and machinery, seeds, fertilizers, poultry, livestock, feeds
6 and other similar items, acquisition of lands authorized under the Agrarian
7 Reform Code of the Philippines and its amendments; construction, acquisition
8 and repair of facilities for production, processing, storage and marketing and
9 such other facilities in support of agriculture and fisheries; and efficient and
10 effective merchandising of agricultural and fishery commodities stored and/or
11 processed by the facilities aforesaid in domestic and foreign commerce.

12 SEC. 5. *Agriculture and Agrarian Reform Credit Beneficiaries.* – The
13 credit mentioned in the preceding section shall be extended to the beneficiaries
14 named therein, to agri-related microenterprises or to cooperatives of such
15 beneficiaries, regardless of capitalization, based on the feasibility of the project
16 and their paying capacity, their estimated production, and/or securities they can
17 provide as well as such assets as may be acquired by them from the proceeds
18 of the loan.

19 SEC. 6. *Credit Quota.* – All banking institutions, whether government
20 or private, shall set aside at least twenty-five percent (25%) of their loanable
21 funds for agriculture and fisheries credit in general, of which at least ten
22 percent (10%) of the loanable funds shall be made available for agrarian
23 reform beneficiaries mentioned in Section 1 hereof: *Provided, however,* That
24 loanable funds as used in this section shall refer to funds generated from the
25 date of effectivity of this Act: *Provided, further,* That the twenty-five percent
26 (25%) credit quota is subject to a joint review by the Department of
27 Agriculture (DA), the Department of Agrarian Reform (DAR) and the BSP

1 after three (3) years of implementation to determine whether the law has been
2 effective in accomplishing its goals.

3 SEC. 7. *Modes of Compliance.* – The BSP, the DA and the DAR, in
4 consultation with concerned agencies and sectors, shall promulgate such rules
5 and regulations as may be necessary to implement the provisions of this Act
6 within ninety (90) days after the approval of this Act. Such rules and
7 regulations shall take effect fifteen (15) days after its publication in a
8 newspaper of general circulation in the Philippines. Subject to such rules and
9 regulations, banking institutions may be allowed to:

10 (a) Invest in bonds issued by the Development Bank of the Philippines
11 (DBP) and the Land Bank of the Philippines (LBP) and/or open special deposit
12 accounts (SDAs) with accredited rural financial institutions defined by the
13 implementing rules and regulations: *Provided*, That the proceeds from said
14 bonds and SDAs shall be used exclusively for on-lending to the agriculture and
15 agrarian reform sector: *Provided, further*, That proceeds from said bonds and
16 SDAs shall be separately accounted for by the DBP, the LBP and the
17 depository thrift banks, cooperative banks and rural banks and shall not be
18 considered for purposes of computing the loanable funds under Section 6
19 hereof of the said banks: *Provided, furthermore*, That loanable funds
20 channeled as compliance under this subsection shall not be counted as
21 compliance under subsections (b), (c) and (d) even if said funds are later used
22 by conduit banks in activities similar to those provided for in subsections (b),
23 (c) and (d);

24 (b) Rediscount with the commercial banks eligible paper covering
25 agriculture, fisheries and agrarian reform credits: *Provided*, That such
26 rediscounted paper shall no longer be eligible as compliance on the part of the
27 originating bank;

1 (c) Lend for the construction and upgrading of infrastructure including
2 farm-to-market roads, as well as the provision of post harvest facilities and
3 other public infrastructure that will benefit the agriculture, fisheries and
4 agrarian reform sector; and

5 (d) Wholesale loans granted by universal banks, commercial and thrift
6 banks, including local branches of foreign banks, to accredited rural financial
7 institutions and credit cooperatives: *Provided*, That the credit facility shall be
8 exclusively used for on-lending to the agriculture, fisheries and agrarian reform
9 sector: *Provided, further*, That the wholesale loans shall be credited as
10 compliance of the wholesale lender alone: *Provided, furthermore*, That
11 allowable alternative modes of compliance should directly target the
12 agriculture, fisheries and agrarian reform sector.

13 ARTICLE III

14 MISCELLANEOUS PROVISIONS

15 SEC. 8. *Annual Reports*. – The BSP shall furnish reports on the
16 compliance with the mandatory credit allocation to the DA, the DAR and
17 Congress on a yearly basis.

18 SEC. 9. *Penalty Clause*. – The BSP shall impose administrative
19 sanctions and other penalties on the lending institutions for noncompliance
20 with the provisions of this Act.

21 Penalties on noncompliance shall be computed at one percent (1%) of
22 noncompliance and undercompliance and shall be directed to the development
23 of the agri-agra sector. Ninety percent (90%) of the penalties collected shall
24 go to the AGFP. Should the fund sourced from Administrative Order
25 No. 225-A, series of 2008, be depleted, the penalties collected under this Act
26 shall continue to be used as guarantee cover for loans to farmers under a
27 common rice program.

1 SEC. 10. *Repealing Clause.* – Presidential Decree No. 717, the second
2 paragraph under Section 8 of Republic Act No. 7900, otherwise known as the
3 High-Value Crops Development Act of 1995, and Section 9 of Republic Act
4 No. 7721, otherwise known as Liberalizing the Entry and Scope of Operations
5 of Foreign Banks in the Philippines, are all hereby repealed. Other laws,
6 presidential decrees, executive orders, rules and regulations, or parts thereof
7 inconsistent with the provisions of this Act are hereby repealed or modified
8 accordingly.

9 SEC. 11. *Separability Clause.* – If any part, section or provision of this
10 Act is held invalid or unconstitutional, other provisions not affected thereby
11 shall remain in force and effect.

12 SEC. 12. *Transitory Provision.* – Prior to the effectivity of the
13 implementing rules and regulations of this Act, the provisions of Presidential
14 Decree No. 717 shall remain in force.

15 SEC. 13. *Effectivity.* – This Act shall take effect fifteen (15) days after
16 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

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