

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



'13 JUL 30 P3 21

SENATE

S. NO. 1176

RECORDED BY: *ju*

Introduced by Senator Antonio "Sonny" F. Trillanes IV

EXPLANATORY NOTE

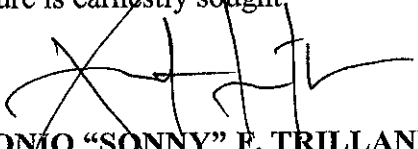
The fundamental precept of social justice is that "those who have less in life must have more in law." Social justice commands the protection by the state, as well as its forgiveness to the less fortunate members of the society. In cognizance of the above principle, this measure seeks legislative relief for the farmers, fisherfolks and agrarian reform beneficiaries by way of condonation of the unpaid interests, penalties and surcharges incurred by their loans secured from government agencies and agricultural financial institutions.

This measure provides for the following conditions:

- *Among those to be covered by the condonation program are those loans incurred from the Department Of Agrarian Reform (DAR), Department Of Agriculture (DA), People's Credit And Finance Corporation (PCFC), Cooperative Development Authority (CDA), National Food Authority (NFA) and Quedan And Rural Credit Guarantee Corporation (QUEDANCOR).*
- *The bill covers those applicants who have an accumulated payment of not less than 5% of the principal at the time of application for condonation.*
- *Justifications that would merit loan condonation will be limited to force majeure, market aberration. The benefits will not be extended to persons who are willfully defaulting on loan payments;*
- *The period of payment of the restructured loan shall be determined according to the financial capacity of the borrowers upon the approval of the application. Such approval for application for loan condonation shall serve as the basis for the concerned agency/corporation to write off the unpaid interests, penalties and surcharges condoned.*

This bill was approved on third and final reading by the House of Representatives but failed pass the legislative mill of the Senate during the 15th Congress. It is hoped that the passage of this measure will pave the way for the reintegration into the financial and banking system of agricultural sector by giving them access to new and additional government credit programs.

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


ANTONIO "SONNY" F. TRILLANES IV
Senator



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SENATE

S. NO. 1176

RECEIVED BY: *je*

Introduced by Senator Antonio "Sonny" F. Trillanes IV

AN ACT

PROVIDING FOR THE CONDONATION OF UNPAID INTERESTS, PENALTIES AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLKS AND AGRARIAN REFORM BENEFICIARIES FROM THE DEPARTMENT OF AGRARIAN REFORM (DAR), THE DEPARTMENT OF AGRICULTURE (DA), THE PEOPLE'S CREDIT AND FINANCE CORPORATION (PCFC), THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), THE NATIONAL FOOD AUTHORITY (NFA) AND THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION (QUEDANCOR)

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

1 SECTION 1. *Title.* - This Act shall be known as the "*Agrarian and Agricultural Credit*
2 *Condonation Act of 2013*".

3 SEC. 2. *Declaration of Policy.* -The State shall promote comprehensive rural
4 development and agrarian reform through the provision of measures that will release farmers,
5 fisherfolks and agrarian reform beneficiaries from their bondage to debts. Towards this end, it
6 shall be the objective of the State to provide farmers, fisherfolks and agrarian reform
7 beneficiaries the opportunity to regain access to government and commercial credit facilities
8 through the condonation of unpaid interests, penalties and surcharges on their existing loans
9 obtained through government lending programs and their eventual restructuring.

10 SEC. 3. *Definition of Terms.* - For the purpose of this Act, the following terms shall be
11 defined as follows:

12 (a) *Agrarian reform beneficiaries* refer to farmers who were granted lands under
13 Presidential Decree No. 27, known as the Comprehensive Agrarian Reform Law and
14 Republic Act No. 9700 or the Comprehensive Agrarian Reform Law Extension with

1 Reforms, and other existing agrarian reform laws and regular farmworkers,
2 irrespective of tenurial arrangement who benefited from the redistribution of lands.

3 (b) *Agricultural and agrarian reform credit* refers to loan activities and purposes
4 including, but not limited to, agricultural production; promotion of agribusiness and
5 exports; acquisition of work animals, farm equipment and machinery, seeds,
6 fertilizers, poultry, livestock, feeds and other similar items; construction, acquisition
7 and repair of facilities for production, processing, storage and marketing, and such other
8 facilities in support of agricultural and farm commodities.

9 (c) *Condonation* refers to the relief granted by law in the payment of unpaid interests,
10 penalties and surcharges.

11 (d) *Delinquent borrower* refers to the borrower with at least three (3) consecutive unpaid
12 amortizations or whose total unpaid amortizations reaches twenty percent (20%) of
13 the total outstanding balance of the loan regardless of the number of unpaid
14 amortizations as of the effectivity of this Act.

15 (e) *Farmer* refers to any natural person whose primary livelihood is the cultivation of
16 land or the production of agricultural crops, livestock and agricultural products, either
17 by himself or primarily with the assistance of his immediate farm household or
18 workers, whether the land is owned by him or by another person, under a leasehold
19 agreement or other similar arrangements.

20 (f) *Fisherfolk* refers to people directly or personally and physically engaged in taking
21 and/or culturing and processing fishery and/or aquatic resources.

22 (g) *Force majeure* refers to events whether natural or political, beyond the reasonable
23 control and incurred not as a result of the negligence or willful act of the delinquent
24 borrower, which has a material adverse effect on his/her ability to pay its obligation.

25 (h) *Market aberrations* refer to unusual adverse movements in market prices which have
26 detrimental effects on the yield and income of farmers, fisherfolks and agrarian
27 reform beneficiaries.

1 (i) *Loan restructuring* refers to a process where the principal terms and conditions of the
2 original loan are modified in accordance with an agreement setting forth a new plan
3 or schedule of payment.

4 SEC. 4. *Condonation.* – All unpaid interests, penalties and surcharges of agricultural and
5 agrarian reform credit secured by farmers, fisherfolks and agrarian reform beneficiaries from the
6 Department of Agrarian Reform (DAR), the Department of Agriculture (DA), the People's Credit
7 and Finance Corporation (PCFC), the Cooperative Development Authority (CDA), the National
8 Food Authority (NFA), and the Quedan and Rural Credit Guarantee Corporation
9 (QUEDANCOR) prior to the effectivity of this Act are hereby condoned upon approval of the
10 application for condonation of a borrower qualified under this Act: *Provided*, That the basis for
11 the condonation shall be limited to *force majeure* or market aberration and shall, in no case, be
12 applied for the willful default of the borrower to pay such loans: *Provided, further*, That
13 accumulated payments of not less than five percent (5%) of the loan principal shall have been
14 paid at the time of application for condonation: *Provided, furthermore*, That, to encourage
15 borrowing discipline and enhance credit worthiness, a graduation process shall be followed in
16 consonance with the plan of payment such that a borrower shall only be granted a one-time
17 condonation: *Provided, finally*, That the condonation of unpaid interests, penalties and
18 surcharges from loans acquired through conduit banks and financial institutions shall be in
19 conformity with the applicable general banking, laws and regulations of the Bangko Sentral ng
20 Pilipinas (BSP).

21 SEC. 5. *Coverage of Condonation Program.* – The following accounts are covered by
22 the condonation program:

23 (a) Agricultural and agrarian reform credit secured through the Credit Assistance
24 Program - Program Beneficiaries Development of the DAR;

25 (b) Agricultural and agrarian reform credit secured through the terminated credit program
26 schemes of the DAR, i.e., Dutch Rural Development Assistance Programme
27 (DRDAP); DAR Direct Lending Financing Program (DDLFP); DAR Special Projects
28 Office (SPO) Direct; and DAR-DBP SPO Window III Financing Program for
29 agrarian reform beneficiaries;

- 1 (c) Resettlement Loan Assistance Program of the DAR for individual agrarian reform
2 beneficiaries;
- 3 (d) Agricultural credit secured through the High Yield Crop Loan Assistance Program of
4 the DA;
- 5 (e) Agricultural credit secured through Microfinance Program for small farmers and
6 fisherfolks and the household of the PCFC;
- 7 (f) Cooperative Development Loan Fund of the CDA;
- 8 (g) Farmers Level Green Center of the NFA; and
- 9 (h) CARP-Barangay Marketing Center (CARP-BMC) of the QUEDANCOR.

10

11 SEC. 6. *Qualified Beneficiaries.* – Delinquent farmers, fisherfolks or agrarian reform
12 beneficiaries who secured agricultural and agrarian reform credit under any of the accounts
13 enumerated in Section 5 of this Act may apply for condonation of unpaid interests, penalties and
14 surcharges with the concerned government agency or corporation.

15 SEC. 7. *Approval of Applications for the Condonation of Unpaid interests, Penalties and*
16 *Surcharges, and Loan Restructuring.* – The government agency or corporation managing the
17 accounts enumerated in Section 5 hereof shall review and approve an application for
18 condonation and restructuring of the loan balance. The period for payment of the restructured
19 loan shall be determined according to the financial capacity of the farmers, fisherfolks and
20 agrarian reform beneficiaries upon the approval of the application. The approval of the
21 application for condonation shall serve as the basis for the concerned government
22 agency/corporation to write-off the unpaid interests, penalties and surcharges condoned.

23 SEC. 8. *Collection of Payments.* –The annual collection from payments of loans under
24 Section 5(b) by the Task Force Collection shall be remitted to the Bureau of Treasury and held as
25 trust fund to be called the Agrarian Reform Fund.

26 SEC. 9. *Restoration of Nonperforming Loans to Performing Status.* – Loans restructured
27 under the implementation of this Act shall be restored to performing status or status of good
28 standing upon three (3) consecutive payments by the borrower of the required periodic
29 amortizations. Government agencies may issue the appropriate certifications to the borrower

1 upon satisfaction of the said condition, thereby facilitating their reintegration into the financial
2 and banking system by allowing them to access new and additional credit and other government
3 programs.

4 SEC. 10. *Implementing Rules and Regulations (IRR)*. – The DAR, the DA, the PCFC, the
5 Agricultural Credit Policy Council (ACPC) and the BSP are hereby directed to issue the IRR of
6 this Act within sixty (60) days after its effectivity.

7 SEC. 11. *Separability Clause*. – If, for any reason, any section or provision of this Act
8 shall be held unconstitutional or invalid by a competent authority, no other section, provision or
9 part hereof shall be affected and the same shall remain in full force and effect.

10 SEC. 12. *Repealing Clause*. – Section 36 of Presidential Decree No. 1445, all other laws,
11 executive orders, issuances or parts thereof inconsistent with the provisions of this Act are
12 hereby amended, repealed and modified accordingly.

13 SEC. 13. *Effectivity Clause*. – This Act shall take effect fifteen (15) days following its
14 publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,