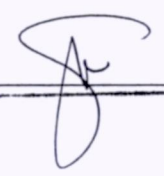




'19 SEP 11 P3:14

SENATE
S.B. No. 1038

RECEIVED BY: 

Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT CONSOLIDATING THE LOAN ALLOCATION PROVIDED FOR
AGRICULTURE AND FISHERIES CREDIT AND AGRARIAN REFORM
BENEFICIARIES, AND INCREASING THE PENALTIES ON LENDING
INSTITUTIONS FOR NON-COMPLIANCE AND UNDERCOMPLIANCE WITH
THE PROVISIONS OF REPUBLIC ACT NO. 10000, OTHERWISE KNOWN AS
"THE AGRI-AGRA REFORM CREDIT ACT OF 2009", AMENDING FOR THE
PURPOSE SECTION 6 AND SECTION 10 THEREOF,
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

As stated in the Section 2 of Republic Act No. 10000, otherwise known as the Agri-Agra Reform Credit Act of 2009, *"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 for 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 market efficiency and promote modernization in the rural agricultural sector."*

Section 6 of the same Act provides, *"All banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and fisheries credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform beneficiaries mentioned in Section 5 hereof..."* However, BSP records show that as of end of 2018, banks have only extended P707.4 billion worth of loans to the agriculture sector, comprising of 56.97% of the P1.241 trillion they were required to lend out to beneficiaries. By the end of 2017, the required loans amounted to only P573.69 billion, roughly half of the total of P1.034 trillion if all banks were compliant. A consolidation of the loan allocation would work to broaden the area within which the financial institutions may comply with the requirements of the same Act.

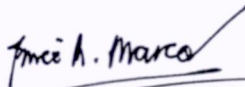
Section 10 of the same Act provides, *"The BSP shall impose administrative sanctions and other penalties on the lending institutions for noncompliance with the provisions of this Act. Penalties on noncompliance shall be computed at one-half of one percent (0.5%) of noncompliance and undercompliance and shall be directed to the development of the agri-agra sector. Ninety percent (90%) of the penalties collected shall be allocated between the AGFP and the PCIC according to the needs of*

the agri-agra sector as provided for in the implementing rules and regulations of this Act and the remaining ten percent (10%) shall be given to the BSP to cover administrative expenses." Most banks are not willing to follow the requirement of Republic Act No. 10000, choosing, instead, to pay the penalties as provided in Section 10 of the same Act. While the State recognizes the right of financial institutions to implement a sound lending policy, the duty to obey the mandates of the law, with utmost good faith, is of paramount importance. Therefore, it is deemed proper to implement a four-fold increase of the percentage, from 0.5% to 2%.

The agricultural and fisheries sector have not been able to fully avail of the credit services as imposed by law on banks and other financial institutions. This is due to the imposition of strict requirements and high standards on the borrowers' ability to settle loans, which the agricultural and fisheries sectors simply cannot comply with. Thus, the 25% requirement is not met, which is detrimental to the development of the agricultural and fisheries sector.

It is not the intention of this act to penalize and reprimand the banking institutions. Instead, this act seeks to encourage such institutions to implement measures aimed at realizing of the purposes of the law and development of the agricultural and fisheries sector of the country

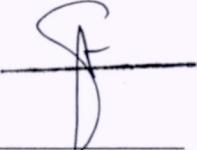
Thus, the immediate passage of this bill is necessary.


IMEE R. MARCOS

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

19 SEP 11 P 3:14

SENATE
S.B. No. 1038

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Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT CONSOLIDATING THE LOAN ALLOCATION PROVIDED FOR
AGRICULTURE AND FISHERIES CREDIT AND AGRARIAN REFORM
BENEFICIARIES, AND INCREASING THE PENALTIES ON LENDING
INSTITUTIONS FOR NON-COMPLIANCE AND UNDERCOMPLIANCE WITH
THE PROVISIONS OF REPUBLIC ACT NO. 10000, OTHERWISE KNOWN AS
"THE AGRI-AGRA REFORM CREDIT ACT OF 2009", AMENDING FOR THE
PURPOSE SECTION 6 AND SECTION 10 THEREOF,
AND FOR OTHER PURPOSES**

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

1 *SECTION 1. Credit Quota.* – Article II, Section 6 of Republic Act No. 10000 is
2 hereby amended to read:

3 "Sec. 6. Credit Quota. – All banking institutions, whether government or
4 private, shall set aside at least twenty-five (25%) of their total loanable
5 funds for agriculture and fisheries credit (~~in general, of which at least~~
6 ~~ten percent (10%) of the loanable funds shall be made available for~~)

7 **AND** agrarian reform beneficiaries mentioned in Section 5 hereof:
8 Provided, however, That total loanable funds as used in this section shall
9 refer to funds generated from the date of effectivity of this Act: Provided,
10 further, That the twenty-five percent (25%) credit quota is subject to a
11 joint review by the Department of Agriculture (DA), the Department of
12 Agrarian Reform (DAR) and the Bangko Sentral ng Pilipinas (BSP) after
13 three (3) years of implementation to determine whether the law has
14 been effective in accomplishing its goals. The findings shall be submitted
15 to Congress."

1 *Sec. 2. Penalty Clause.* – Article III, Section 10 of Republic Act No. 10000 is
2 hereby amended to read:

3 “Sec. 10. Penalty Clause. –

4 a) The BSP shall impose administrative sanctions and other penalties on
5 the lending institutions for noncompliance with the provisions of this
6 Act. Penalties on noncompliance shall be computed at (~~one-half of~~
7 ~~one percent (0.5%)~~) **TWO PERCENT (2%)** of noncompliance and
8 undercompliance and shall be directed to the development of the
9 agri-agra sector. Ninety percent (90%) of the penalties collected shall
10 be allocated between the AGFP and the PCIC according to the needs
11 of the agri-agra sector as provided for in the implementing rules and
12 regulations of this Act and the remaining ten percent (10%) shall be
13 given to the BSP to cover administrative expenses.

14 **b) OFFICIALS ACCOUNTABLE FOR NONCOMPLIANCE AND**
15 **UNDERCOMPLIANCE OF THE PROVISIONS OF THIS ACT**
16 **SHALL BE LIABLE ADMINISTRATIVELY AND CIVILLY IN THE**
17 **MANNER THAT SHALL BE EXPRESSED AND INCLUDED IN**
18 **THE IMPLEMENTING RULES AND REGULATIONS OF THE**
19 **AGRI-AGRA REFORM CREDIT ACT OF 2009 (RA 10000). BSP**
20 **OFFICIALS SHALL LIKEWISE BE LIABLE FOR REFUSAL OR**
21 **FAILURE TO SANCTION ERRING BANK OFFICIALS.”**

22 *Sec. 3. Repealing Clause.* – All laws or parts thereof, decrees, orders, rules and
23 regulations inconsistent with the provisions of this Act are hereby repealed or modified
24 accordingly: Provided, however, that nothing in this Act shall be construed or applied
25 as amending the CARL and other laws on agrarian reform.

26 *Sec. 4. Separability Clause.* – If any of the provisions of this Act is declared
27 invalid, the other provisions not affected thereby shall remain in full force and effect.

28 *Sec. 5. Effectivity Clause.* – This Act shall take effect fifteen (15) days following
29 its publication in a newspaper of general circulation or in the Official Gazette,
30 whichever comes first.

31
32 *Approved,*