



SENATE *

S. No. 2494

PREPARED BY THE COMMITTEES ON AGRICULTURE, FOOD
AND AGRARIAN REFORM; BANKS, FINANCIAL
INSTITUTIONS AND CURRENCIES WITH SENATORS IMEE
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THEREOF

AN ACT STRENGTHENING THE FINANCING SYSTEM
FOR AGRICULTURE, FISHERIES, AND RURAL
DEVELOPMENT IN THE PHILIPPINES,
REPEALING FOR THE PURPOSE REPUBLIC ACT
NO. 10000 OR "THE AGRI-AGRA REFORM CREDIT
ACT OF 2009"

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

1 SECTION 1. *Short Title.* – This Act shall be known as
2 "The Agriculture, Fisheries and Rural Development
3 Financing Enhancement Act of 2022".

4 SEC. 2. *Declaration of Policy.* – It is hereby declared
5 the policy of the State to promote inclusive and broad-

1 based economic growth by ensuring equal access to
2 opportunities under an environment of sustained growth
3 and expanding productivity as the key to raising the
4 quality of life for all. Towards this end, the State shall
5 promote rural development by enhancing access of rural
6 communities and agricultural and fisheries households to
7 financial services and programs that increase productivity,
8 enhance market efficiency, and promote modernization and
9 improve the welfare and economic prospects of
10 beneficiaries in rural communities through active
11 participation of banking institutions.

12 The Landbank of the Philippines (LBP) and the
13 Development Bank of the Philippines (DBP) shall continue
14 to promote savings and credit in the rural areas by offering
15 affordable deposit products such as the basic deposit
16 account for deposits and low interest rates for loans.

17 The lending cooperatives, microfinance institutions,
18 retail banks, rural and thrift banks shall apply minimum
19 interest rates for wholesale loans obtained from
20 government banks.

1 Likewise, the LBP and DBP shall use their resources
2 to innovate, develop, promote and invest in digital,
3 automation technology, branchless banking and cash agent
4 operations to reach remote barangays and municipalities;
5 using e-commerce, on-line transactions, bank-on-wheels,
6 point of sale devices with retailers and non-banking
7 institutions, lottery kiosks and mobile phone applications
8 in making banking services accessible to the rural public.

9 SEC. 3. *Definition of Terms.* – As used in this Act:

10 (a) *Agrarian Reform Beneficiary (ARB)* refers to a
11 farmer who was granted land under Presidential Decree
12 No. 27, the Comprehensive Agrarian Reform Law and
13 Republic Act No. 9700 or the “Comprehensive Agrarian
14 Reform Extension with Reforms” and a regular
15 farmworker who is landless, irrespective of tenurial
16 arrangement, who benefited from the redistribution of
17 land, regardless of crops or fruits produced, to include the
18 totality of factors and support services designed to lift the
19 economic status of the beneficiary and all other alternative
20 arrangements to the physical distribution of lands, such as

1 production or profit sharing, labor administration, and the
2 distribution of shares of stock which will allow the
3 beneficiary to receive a just share of the fruits of the lands
4 one tilled. The term shall also include registered ARBs'
5 cooperatives/associations/other farm groups, respectively
6 endorsed as comprising of ARBs by the nearest office of the
7 Department of Agrarian Reform (DAR), as well as ARB
8 households.

9 (b) *Agrarian Reform Community (ARC)* refers to a
10 barangay or a cluster of barangays primarily composed and
11 managed by ARBs which is organized and willing to
12 undertake the integrated development of an area and/or
13 their organizations/cooperatives.

14 (c) *Agri-Business* refers to agriculture and fishery-
15 related activities that put farmers, fisherfolk processors,
16 distributors, and consumers within a system that
17 produces, processes, transports, markets, and distributes
18 agricultural and fishery products. It encompasses input
19 production, farm and fishery operations and management,

1 equipment and supplies manufacturing, food/non-food
2 processing, trading, and retailing.

3 (d) *Agri-Tourism*, also referred to as “Farm
4 Tourism” under Republic Act No. 10816, or the “Farm
5 Tourism Development Act of 2016”, refers to the practice of
6 attracting visitors and tourists to farm areas for
7 production, educational and recreational purposes. It
8 involves any agricultural– or fishery-based operation or
9 activity that brings to a duly-accredited farm tourism
10 camp, visitors, tourists, farmers and fisherfolk who want to
11 be educated and trained on farming and its related
12 activities.

13 (e) *Agricultural Lessee* refers to any person who,
14 with or without help from one’s immediate farm household,
15 cultivates the land owned by another for a certain price in
16 money, in produce, or in both.

17 (f) *Agricultural or fisheries household* refers to a
18 household with at least one (1) member of the household
19 who is a farmer, a fisherman, an ARB, a settler, an
20 agricultural lessee, an amortizing owner, a farmworker, a

1 fishworker, an owner-cultivator, a compact farmer, or a
2 tenant farmer.

3 (g) *Agricultural Value Chain (AVC)* refers to a set
4 of actors/players, such as farmers, fisherfolks, traders,
5 suppliers, processors, aggregators, who make up linked
6 sequence of value-adding activities undergone by an
7 agricultural product when converted from raw material to
8 final form it is presented to the consumers.

9 (h) *Agricultural Value Chain Financing (AVCF)*
10 refers to the financial products and services made available
11 to an AVC following the appropriate evaluation of the
12 AVC's composition, goal, size and capacity.

13 (i) *Agro-Industry Modernization Credit and*
14 *Financing Program (AMCFP)* refers to the umbrella
15 credit/financing program of the government for the
16 agriculture and fisheries sector created under Republic Act
17 No. 8435, or the "Agriculture and Fisheries Modernization
18 Act of 1997".

1 (j) *Amortizing owners* refer to landowners who
2 amortize payment for the land to a private individual or to
3 the State.

4 (k) *Basic Deposit Account* (BDA) refers to interest-
5 or non-interest-bearing account designed to promote
6 financial inclusion.

7 (l) *Cash agent* refers to a third party entity contracted
8 by a bank to accept and disburse cash on its behalf, and
9 facilitate self-service deposits, withdrawals and fund
10 transfers, bills payment and other banking services, as
11 allowed under BSP rules and regulations.

12 (m) *Compact farmers* refer to those farmers with
13 adjoining farms operating as a single unit under one (1)
14 management, farm plan and budget.

15 (n) *Farmer* refers to a natural person whose
16 primary livelihood is cultivation of land or the production
17 of agricultural crops, agro-forest products, or livestock,
18 either by oneself, or primarily with the assistance of their
19 immediate farm household, whether the land is owned by

1 them or by another person under a leasehold or share
2 tenancy agreement or arrangement with the owner thereof.

3 (o) *Farmworker* refers to a natural person who
4 renders service for value as an employee or laborer in an
5 agricultural enterprise or farm regardless of whether the
6 compensation is paid on a daily, weekly, monthly or
7 *pakyaw* or contracted project. The term includes an
8 individual whose work has ceased as a consequence of, or
9 in connection with, a pending agrarian dispute who has not
10 obtained a substantially equivalent and regular farm
11 employment.

12 (p) *Farmers' cooperatives* refer to cooperatives
13 composed primarily of small agricultural producers,
14 farmers, farmworkers, or other ARBs who voluntarily
15 organize themselves for the purpose of pooling land,
16 manpower, technological, financial or other economic
17 resources, and operate on the principle of "one member,
18 one vote". A juridical person may be a member of a
19 cooperative, with the same rights and duties as a natural
20 person.

1 (q) *Farmer's and fisherfolk organizations or*
2 *associations* refer to farming or fishing cooperatives,
3 associations or corporations duly registered with
4 appropriate government agencies and which are composed
5 primarily of small agricultural producers, farmers,
6 farmworkers, ARBs, and fisherfolk who voluntarily join
7 together to form business enterprises or non-business
8 organizations which they themselves own, control and
9 patronize.

10 (r) *Farm-To-Market road* refers to a road linking
11 the agriculture and fisheries production sites, coastal
12 landing point and post-harvest facility to the market and
13 arterial road or highway.

14 (s) *Financial services* refer to services extended by
15 banks and financial institutions such as credit/lending,
16 deposits, rediscounting, investments, and insurance.

17 (t) *Fisherfolk* refers to people directly or personally
18 and physically engaged in catching and processing fishery
19 and/or aquatic resources, and in fish farming or

1 aquaculture whether the fish specie is grown in tanks,
2 fishponds or other types of enclosures.

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

11 (v) *Green projects* refer to green economic activities
12 and projects. Aside from activities that promote climate
13 change adaptation and mitigation, green projects also
14 cover environmental and efficiency improvements, natural
15 capital preservation and resource mobilization.

16 (w) *Micro, Small and Medium Enterprise (MSME)*
17 refers to any business activity or enterprise defined as such
18 under existing laws.

19 (X) *Newly Established Bank* refers to a domestic or
20 foreign bank without banking presence in the Philippines

1 prior to the issuance of its certificate of authority to
2 operate. It shall not include banks that have been formed
3 through the acquisition, purchase of ownership of the
4 voting stock of an existing domestic bank or the merger or
5 consolidation of banks.

6 (y) *Owner-cultivators* refer to natural persons who
7 own lands by purchase, inheritance, or land distribution by
8 the State. Owner-cultivators can operate the farm
9 themselves, supervise wage labor or delegate operations to
10 farmers.

11 (z) *Post-harvest Activities* refer to threshing,
12 drying, milling, grading, storing, and handling of produce
13 and such other activities of a similar nature such as
14 stripping, winnowing, chipping and washing.

15 (aa) *Post-harvest Facilities* refer to threshers,
16 moisture meters, dryers, weighing scales, milling
17 equipment, fish ports, fish landings, ice plants and cold
18 storage facilities, processing plants, warehouses, buying
19 stations, market infrastructure and transportation

1 facilities, and such other facilities supporting post-harvest
2 activities.

3 (bb) *Public Rural Infrastructure* refers to
4 infrastructure in rural communities such as highways,
5 streets, bridges, tunnels, railways, railroad, transport
6 systems, ports, airports, hydropower projects, canals,
7 dams, irrigation, government buildings and housing
8 projects, public schools, public hospitals, public health
9 centers, public markets, slaughterhouses, warehouses,
10 solid waste management, sewerage, flood control, drainage,
11 dredging and other similar infrastructure projects.

12 (cc) *Registry System for Basic Sectors in Agriculture*
13 (RSBSA) is an electronic compilation of basic information
14 on farmers, farmworkers, and fisherfolk. The database,
15 which includes the profile of farmers, farm workers and
16 fisherfolk, and additional information such as farm parcels
17 and fisheries, among others, is mainly used to help
18 government planners and policymakers in formulating
19 policies for agricultural development.

1 (dd) *Rural Community* refers to an area that is
2 defined as such by the Philippine Statistics Authority
3 (PSA).

4 (ee) *Rural Financial Institution (RFI)* refers to any
5 financial institution established and is operating in a rural
6 community.

7 (ff) *Settlers* refer to persons who range from the
8 forest-clearing pioneers, including indigenous people, with
9 a subsistence economy to the better equipped and more
10 experienced farmers.

11 (gg) *Sustainable Finance* refers to any form of
12 financial product or service which integrates
13 environmental, social and governance criteria into
14 business decisions that support economic growth and
15 provide lasting benefit for both clients and society while
16 reducing pressures on the environment. This also covers
17 green finance which is designed to facilitate the flow of
18 funds towards green economic activities and climate
19 change mitigation and adaptation projects.

1 (hh) *Tenant Farmer* refers to one who cultivates
2 another's land under a sharing or leasehold agreement.

3 SEC. 4. *Agriculture, Fisheries and Rural Development*
4 *Financing System.* – There shall be an agriculture,
5 fisheries, and rural development financing system to
6 improve the productivity, income, competitiveness and
7 welfare of the rural community beneficiaries, particularly
8 the farmers, fisherfolk, ARBs, ARCs, settlers, agricultural
9 lessees, amortizing owners, farmworkers, fish workers,
10 owner-cultivators, compact farmers, tenant farmers, and
11 members of their household and their MSMEs, as well as
12 farmer's and fisherfolk's cooperatives, organizations and
13 associations, through government and private banking
14 institutions.

15 Agriculture, fisheries and rural development
16 financing, as used herein, shall consist of loans and
17 investments to finance activities that shall enhance
18 productivity and increase income of an agricultural and
19 fisheries household, thereby promoting agricultural sector
20 productivity and competitiveness, as well as sustainable

1 development of rural communities, these shall include, but
2 not be limited to: activities identified under the AMCFP as
3 enumerated under Chapter 3 Section 23 of Republic Act
4 No. 8435, off-farm/fishery entrepreneurial activities,
5 agricultural mechanization/modernization, agri-tourism,
6 environmental, social and governance projects, including
7 green projects, digitization/automation of farming, fishery
8 and agribusiness activities and processes, acquisition of
9 lands authorized under the Agrarian Reform Code of the
10 Philippines and its amendments, efficient and effective
11 marketing, processing, distribution, shipping and logistics,
12 and storage of agricultural and fishery commodities, public
13 rural infrastructure, as well as programs that shall
14 promote the health and wellness of farmers, fisherfolks
15 and ARBs, including members of their households, such as
16 water and sanitation projects for rural communities, and
17 address the developmental needs of rural communities,
18 such as, but not limited to, projects that promote the
19 livelihood, skills enhancement, and other capacity-building

1 activities of the rural community beneficiaries and all
2 other activities consistent or analogous to the foregoing.

3 Toward this end, banking institutions are expected
4 to design and offer financial products and services that suit
5 the specific requirements of their agricultural clients,
6 taking into account their cash flows and the gestation and
7 harvest period of the agricultural produce/activity/project
8 being financed.

9 SEC. 5. *Rural Community Beneficiaries.* – The
10 financing mentioned in the preceding section shall be
11 extended to the rural community beneficiaries named
12 therein or to cooperatives, associations, MSMEs or
13 organizations in good standing of such beneficiaries,
14 regardless of capitalization based on the feasibility of the
15 project and their paying capacity, their estimated
16 production, and/or securities they can provide as well as
17 such assets as may be acquired by them from the proceeds
18 of the loan and investments.

19 SEC. 6. *Credit Quota.* – All banking institutions,
20 whether government or private, except newly-established

1 banks for a period of five (5) years from date of
2 commencement of the banks' operations, shall set aside a
3 credit quota, or a minimum mandatory agricultural and
4 fisheries financing requirement of at least twenty-five
5 percent (25%) of their total loanable funds.

6 The total loanable funds generated by a banking
7 institution shall be defined by the BSP. During the first
8 year of effectivity of this Act, the total loanable funds
9 generated shall be computed starting from 20 April 2010,
10 the effectivity of Republic Act No. 10000, after which the
11 bank's total loanable funds shall be determined based on
12 funds generated starting from the second year of effectivity
13 of this Act.

14 SEC. 7. *Modes of Compliance.* – Banks may comply
15 with the mandatory credit requirement by lending to rural
16 community beneficiaries, to finance agricultural and
17 fishery-related activities as enumerated under Section 4 of
18 this Act. Banks may also comply with the mandatory
19 financing requirement through other means as follows:

1 (a) Invest in debt securities, including those issued
2 by the DBP and the LBP: *Provided*, That the proceeds from
3 said debt securities shall be used to finance activities
4 under Section 4 hereof: *Provided, further*, That the
5 proceeds from debt securities issued by the DBP and the
6 LBP shall be separately accounted for and shall not be
7 considered for purposes of computing the loanable funds
8 under Section 6 hereof of the said banks;

9 (b) Open deposit accounts and/or invest in fixed term
10 deposit products with RFIs: *Provided*, That such deposit
11 accounts/products shall be separately accounted for by the
12 depository bank and shall not be considered for purposes of
13 computing the loanable funds of the said banks as
14 described in Section 6 hereof;

15 (c) Rediscount with banks eligible paper covering
16 agriculture, fisheries and agrarian reform credits:
17 *Provided*, That rediscounted paper shall no longer be
18 eligible as compliance on the part of the originating bank;

19 (d) Invest directly in shares of stock of RFIs, subject
20 to prevailing laws, rules or regulations or lend wholesale to

1 RFIs: *Provided*, That the wholesale loans shall be credited
2 as compliance of the bank acting as wholesale lender alone;

3 (e) Lend for the construction and upgrading of
4 infrastructure, including but not limited to, farm-to-
5 market roads, as well as the provision of post-harvest
6 facilities and other public rural infrastructure that will
7 benefit the rural community;

8 (f) Lend to agri-business enterprises that maintain
9 agricultural commodity supply-chain arrangements
10 directly with rural community beneficiaries;

11 (g) Undertake AVCF to actors/players in the AVC
12 that benefits rural communities;

13 (h) Engage in sustainable finance;

14 (i) Invest in shares of stock of the Philippine Crop
15 Insurance Corporation (PCIC) or in companies that
16 primarily engage in activities under Section 4 hereof,
17 including investments in venture capital corporations, that
18 benefit rural community beneficiaries; and

1 (j) Provide financing to electronic platforms that will
2 facilitate AVCF and supply chain financing transactions
3 among actors in Agriculture:

4 *Provided*, That the loans and investments that are counted
5 as compliance are not funded by proceeds from the
6 issuance of debt securities, and/or deposit/lending of other
7 banks that have been counted as compliance with the
8 mandatory credit: *Provided, further*, That loans to finance
9 activities that shall generally benefit ARBS, ARCS, or
10 other priority sectors, as may be determined by the
11 Agricultural Credit Policy Council (ACPC), shall be
12 counted at ten times (10x) their outstanding amount, or as
13 otherwise prescribed by the ACPC, for purposes of
14 determining compliance with the mandatory agricultural
15 and fisheries financing requirement.

16 The modes of compliance enumerated in this section
17 shall be subject to review by the ACPC after
18 implementation to determine whether these are adequate
19 to support the financing requirements of rural

1 communities and recommend to Congress for appropriate
2 action.

3 The BSP, the Department of Agriculture (DA) and the
4 DAR may provide inputs to the review process in their
5 capacity as members of the ACPC.

6 Further, the BSP shall be authorized to identify other
7 actions that may be considered as eligible modes of
8 compliance with the mandatory credit to rural community
9 beneficiaries.

10 SEC. 8. *Annual Reports.* – The BSP shall furnish
11 reports on the compliance with the mandatory agriculture,
12 fisheries rural development financing requirement,
13 including information on amount of agri-agra penalties
14 collected and remitted to the implementing agencies of the
15 Special Fund as identified under Section 11 of this Act, to
16 the ACPC and the Congress on a yearly basis. The BSP
17 shall, as part of its regulatory functions, monitor the
18 compliance by the banks with the requirements of this Act.

19 SEC. 9. *Penalty Clause.* – The BSP shall impose
20 administrative sanctions and other penalties on the

1 lending institutions for violation of any of the provisions of
2 this Act. Penalties on noncompliance or undercompliance
3 shall be computed at one-half of one percent (0.5%) of
4 noncompliance or under compliance, or at rates prescribed
5 by the BSP Monetary Board. Upon collection of the
6 penalties, the BSP shall remit the same to the
7 implementing agencies of the Special Fund as identified
8 under Section 11 of this Act. Ten percent (10%) of the
9 penalties collected shall be retained by the BSP to cover
10 administrative expenses and twenty-five (25%) shall be
11 remitted to the General Fund.

12 SEC. 10. *Special Fund.* – The Special Fund shall
13 consist of penalties due from banks on their noncompliance
14 or undercompliance with the mandatory agri-agra credit
15 requirement under Republic Act No. 10000, collected after
16 the effectivity of this Act, net of the ten (10) percent
17 amount to be retained by the BSP and the twenty five
18 percent (25%) to be remitted to the General Fund, and
19 penalties collected under Section 9 hereof.

1 The annual penalties for noncompliance and
2 undercompliance with the mandatory agri-agra credit that
3 are collected by the BSP under Section 9 shall be remitted
4 directly to the implementing agencies, within one and a
5 half (1.5) years from imposition of the same, for
6 distribution in accordance with the provisions under
7 Section 11 of this Act.

8 SEC. 11. *Use of the Special Fund.* – The Special Fund
9 under Section 10 of this Act shall be allocated to the
10 following implementing agencies in this manner:

11 (a) Thirty five percent (35%) of the fund shall be
12 allocated to DAR for the titling and parcelization of
13 landholdings covered with Collective Certificate of Land
14 Ownership Awards (CLOA);

15 (b) Sixty five percent (65%) of the fund shall be made
16 available in the form of credit facility with minimal
17 interest rates and with minimum collateral requirements,
18 to be equally managed by the LBP and the DBP which
19 shall set their geographic coverage in administering said
20 credit facility.

1 The LBP and DBP shall utilize the Special Fund for
2 lending to farmers and fisheries registered in the RSBSA,
3 farms and fisheries cooperatives and associations, and
4 microfinance institutions: Provided, That a portion of the
5 Special Fund managed by the LBP and DBP shall be used
6 to fund capacity building programs which will equip ARBs,
7 as well as members of their household and their MSMEs,
8 and agrarian reform communities with the appropriate
9 knowledge and skills to improve their welfare,
10 competitiveness, income and productivity. For this
11 purpose, the LBP and DBP may coordinate with qualified
12 training providers as well as the ACPC and the
13 Cooperative Development Authority, on the design and
14 delivery of these capacity building programs.

15 In the case of the DBP share, to promote financial
16 inclusion in Islamic communities, particularly the ARBs in
17 the Bangsamoro Region, two and one-half percent (2.5%) in
18 the thirty-two and one-half percent (32.5%) share of DBP
19 shall be allocated to Al Amanah Islamic Investment Bank

1 of the Philippines (AAIIBP) for as long as the National
2 Government is a majority shareholder of AAIIBP.

3 *Provided*, That all loan repayments and other
4 collections shall revert to the General Fund of the National
5 Treasury: *Provided further*, That LBP and DBP shall be
6 allowed to reimburse direct costs incurred in the
7 management of the Fund, but in no case shall these
8 reimbursements exceed two percent (2%) of the average
9 quarterly loan balance.

10 SEC. 12. *Sunset Clause*. – The provisions related to
11 the mandatory credit quota for agriculture, fisheries, and
12 rural development under Section 6 of this Act shall cease
13 to have effect on the tenth (10th) year from the approval of
14 this Act: *Provided*, That all unutilized funds allocated for
15 any of the implementing agencies and all loan collections
16 shall be remitted to the General Fund.

17 SEC. 13. *Congressional Oversight*. – The Congressional
18 Oversight Committee on Agricultural and Fisheries
19 Modernization (COCAFAM) shall exercise oversight
20 functions over the implementation of this Act. In line with

1 this, COCAFAM shall conduct an independent review of the
2 use of the Special Fund administered by the implementing
3 agencies.

4 SEC. 14. *Implementing Guidelines.* – The BSP, in
5 consultation with LBP, DBP, AIBP, Cooperative
6 Development Authority, DA, DAR, the banking industry,
7 Microfinance Organizations and other relevant agencies,
8 shall promulgate such rules and regulations as may be
9 necessary to implement the provisions relating to the
10 mandatory agricultural and fisheries financing
11 requirement, within sixty (60) working days after approval
12 of this Act.

13 SEC. 15. *Separability Clause.* – If any part, section or
14 provision of this Act is held invalid or unconstitutional,
15 other provisions not affected thereby shall remain in force
16 and effect.

17 SEC. 16. *Repealing Clause.* – Republic Act No. 10000
18 is hereby repealed. Any other provisions of laws, decree
19 and regulations, administrative orders inconsistent with

1 the provisions of this Act are hereby repealed or amended
2 accordingly.

3 SEC. 17. *Effectivity.* – This Act shall take effect fifteen
4 (15) days after its publication in the Official Gazette or in a
5 newspaper of general circulation.

Approved,