

Republic of the Philippines  
Congress of the Philippines  
Metro Manila

Eighteenth Congress

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-sixth  
day of July, two thousand twenty-one.



[ REPUBLIC ACT NO. **11901** ]

AN ACT STRENGTHENING THE FINANCING SYSTEM,  
INCLUDING CAPACITY-BUILDING AND  
ORGANIZATION, 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:*

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

SEC. 2. *Declaration of Policy.* – It is hereby declared the  
policy of the State to promote inclusive and broad-based  
economic growth by ensuring 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 rural communities and agricultural and fisheries households to financial services and programs that increase productivity, enhance market efficiency, and promote modernization and improve the welfare and economic prospects of beneficiaries in rural communities through active participation of banking institutions.

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

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

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

The State also recognizes the importance of designing and implementing capacity-building programs that will develop and improve skill sets and competencies of farmers, fisherfolk, agrarian reform beneficiaries, and other agricultural workers which will allow them to operate productive, profitable and viable agricultural and business ventures, as well as enhance their paying capacity and access to formal financing channels.

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

(a) *Agrarian Reform Beneficiary (ARB)* refers to a farmer who was granted land under Presidential Decree No. 27, the Comprehensive Agrarian Reform Law of 1998 and Republic Act No. 9700 or the “Comprehensive Agrarian Reform Program Extension with Reforms” and a regular

farmworker who is landless, irrespective of tenurial arrangement, who benefited from the redistribution of land, regardless of crops or fruits produced, to include the totality of factors and support services designed to lift the economic status of the beneficiary and all other alternative arrangements to the physical distribution of lands, such as production or profit sharing, labor administration, and the distribution of shares of stock which will allow the beneficiary to receive a just share of the fruits of the lands one tilled. The term shall also include registered ARBs' cooperatives/associations/other farm groups, respectively endorsed as comprising of ARBs by the nearest office of the Department of Agrarian Reform (DAR), as well as ARB households;

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

(c) *Agri-Business* refers to agriculture and fishery-related activities that put farmers, fisherfolk, processors, distributors, and consumers within a system that produces, processes, transports, markets, and distributes agricultural and fishery products. It encompasses input production, farm and fishery operations and management, equipment and supplies manufacturing, food/non-food processing, trading, and retailing;

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

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

(f) *Agricultural or fisheries household* refers to a household with at least one (1) member of the household who is a farmer, a fisherman, an ARB, a settler, an agricultural lessee, an amortizing owner, a farmworker, a fishworker, an owner-cultivator, a compact farmer, or a tenant farmer;

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

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

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

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

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

(l) *Cash agent* refers to a third party entity contracted by a bank to accept and disburse cash on its behalf, and facilitate self-service deposits, withdrawals and fund transfers, bills payment and other banking services, as allowed under Bangko Sentral ng Pilipinas (BSP) rules and regulations;

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

(n) *Farmer* refers to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agro-forest products, or livestock, either by oneself, or primarily with the assistance of their immediate farm household, whether the land is owned by them or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof;

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

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

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

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

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

(t) *Fisherfolk* refers to people directly or personally and physically engaged in catching and processing fishery and/or aquatic resources, and in fish farming or aquaculture whether the fish specie is grown in tanks, fishponds or other types of enclosures;

(u) *Fishworker* refers to a person whether or not regularly employed in commercial fishing and related industries, whose income is either from wages, profit sharing or stratified sharing basis, including those working in fishpens, fish corrals/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boats or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers;

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

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

(x) *Newly Established Bank* refers to a domestic or foreign bank without banking presence in the Philippines prior to the issuance of its certificate of authority to operate. It shall not include banks that have been formed through the acquisition, purchase of ownership of the voting stock of an existing domestic bank or the merger or consolidation of banks;

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

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

(aa) *Post-harvest Facilities* refer to threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities, and such other facilities supporting post-harvest activities;

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

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

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

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

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

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

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

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

Agriculture, fisheries and rural development financing, as used herein, shall consist of loans and investments to finance activities that shall enhance productivity and increase income of an agricultural and fisheries household, thereby promoting agricultural sector productivity and competitiveness, as well as sustainable development of rural communities. These shall include, but not be limited to: activities identified under the AMCFP as enumerated under Title 1, Chapter 3, Section 23 of Republic Act No. 8435, off-farm/fishery entrepreneurial activities, agricultural mechanization/modernization, agri-tourism, environmental, social and governance projects, including green projects, digitalization/automation of farming, fishery and agri-business activities and processes, acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments, efficient and effective marketing, processing, distribution, shipping and logistics, and storage of

agricultural and fishery commodities, public rural infrastructure, as well as programs that shall promote the health and wellness of farmers, fisherfolk and ARBs, including members of their households, such as water and sanitation projects for rural communities, and address the developmental needs of rural communities, such as, but not limited to, projects that promote the livelihood, skills enhancement, and other capacity-building activities of the rural community beneficiaries and all other activities consistent or analogous to the foregoing.

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

**SEC. 5. *Rural Community Beneficiaries.*** – The financing mentioned in the preceding section shall be extended to the rural community beneficiaries named therein or to cooperatives, associations, MSMEs or organizations in good standing 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 and investments.

**SEC. 6. *Credit Quota.*** – All banking institutions, whether government or private, except newly-established banks for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds.

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

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

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

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

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

(d) Invest directly in shares of stock of RFIs, subject to prevailing laws, rules or regulations, or lend wholesale to RFIs: *Provided*, That the wholesale loans shall be credited as compliance of the bank acting as wholesale lender alone;

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

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

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

(h) Engage in sustainable finance;

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

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

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

The modes of compliance enumerated in this section shall be subject to review by the ACPC after implementation to determine whether these are adequate to support the financing requirements of rural communities and recommend to Congress for appropriate action.

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

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

SEC. 8. *Annual Reports.* – The BSP shall furnish reports on the compliance with the mandatory agriculture, fisheries and rural development financing requirement, including information on amount of agri-agra penalties collected and remitted to the implementing agencies as identified under Sections 9, 10 and 11 of this Act, to the ACPC and the Congress on a yearly basis. The BSP shall, as part of its regulatory functions, monitor the compliance by the banks with the requirements of this Act.

SEC. 9. *Penalty Clause.* – The BSP shall impose administrative sanctions and other penalties on the lending institutions for violation of any of the provisions of this Act. Penalties on noncompliance or undercompliance shall be computed at one-half of one percent (0.5%) of noncompliance or undercompliance, or at rates prescribed by the BSP Monetary Board. Upon collection of the penalties, the BSP shall remit the same to the implementing agencies as identified under Sections 9, 10 and 11 of this Act. Five percent (5%) of the penalties collected shall be retained by the BSP to cover administrative expenses and twenty percent (20%) shall be allocated as fund for agricultural- and fishery- related organizational- capacity- and institution- building programs and activities to be implemented equally by the LBP and DBP: *Provided*, That these programs shall result in equipping the ARBs, duly registered farmers, as well as members of their household and their MSMEs, and agrarian reform communities with the appropriate knowledge and skills to improve their welfare, competitiveness, income and productivity. For this purpose, the LBP and DBP may coordinate with and/or tap the services of qualified training providers as well as the ACPC and the Cooperative Development Authority (CDA), on the design and delivery of these capacity-building programs.

SEC. 10. *Special Fund.* – The Special Fund shall consist of penalties due from banks on their noncompliance or undercompliance with the mandatory agri-agra credit requirement under Republic Act No. 10000, collected after the effectivity of this Act, net of the five percent (5%) amount to be retained by the BSP and the twenty percent (20%) to be allocated as fund for agricultural- and fishery- related

organizational- capacity- and institution-building programs and activities in accordance with Section 9 of this Act, and penalties collected under Section 9 of this Act.

The annual penalties for noncompliance and undercompliance with the mandatory agri-agra credit that are collected by the BSP under this Act shall be remitted directly to the implementing agencies, within one (1) year and six (6) months from imposition of the same, for distribution in accordance with the provisions under Sections 9, 10 and 11 of this Act.

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

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

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

The LBP and DBP shall utilize the Special Fund for lending to farmers and fisheries registered in the RSBSA, farmers and fisheries cooperatives and associations, and microfinance institutions.

In the case of the DBP share, to promote financial inclusion in Islamic communities, particularly the ARBs in the Bangsamoro Region, two and one-half percent (2.5%) in the thirty-two and one-half percent (32.5%) share of DBP shall be allocated to Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP) for as long as the National Government is a majority shareholder of AAIIBP.

All loan repayments and other collections shall be used to fund credit facility of the LBP, DBP and AAIIBP under this section: *Provided*, That LBP, DBP and AAIIBP shall be allowed to reimburse direct costs incurred in the management of the fund, but in no case shall these reimbursements exceed two percent (2%) of the average quarterly loan balance.

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

SEC. 13. *Congressional Oversight.* – The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) shall exercise oversight functions over the implementation of this Act. In line with this, COCAFAM shall conduct an independent review of the use of the Special Fund administered by the implementing agencies.

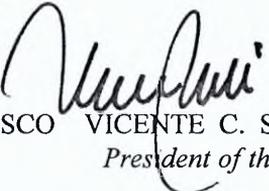
SEC. 14. *Implementing Guidelines.* – The BSP, in consultation with the LBP, DBP, AAIIBP, CDA, DA, DAR, the banking industry, microfinance organizations and other relevant agencies, shall promulgate such rules and regulations as may be necessary to implement the provisions relating to the mandatory agricultural and fisheries financing requirement, within sixty (60) working days after approval of this Act.

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

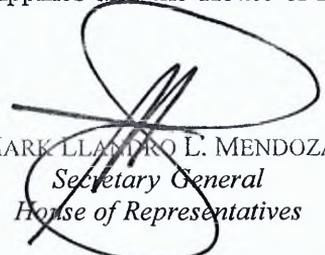
SEC. 16. *Repealing Clause.* – Republic Act No. 10000 is hereby repealed. Any other provisions of laws, decrees, regulations, and administrative orders inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

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

Approved,

  
 LORD ALLAN JAY Q. VELASCO *Speaker of the House of Representatives*  
  
 VICENTE C. SOTTO III *President of the Senate*

This Act which is a consolidation of Senate Bill No. 2494 and House Bill No. 6134 was passed by the Senate of the Philippines and the House of Representatives on May 23, 2022.

  
 MARK LLAMIRO L. MENDOZA *Secretary General House of Representatives*

  
 MYRA MARIE D. VILLARICA *Secretary of the Senate*

Approved:

**Lapsed into law on** JUL 28 2022  
**without the signature of the President, in accordance with Article VI, Section 27 (1) of the Constitution**

**RODRIGO ROA DUTERTE**  
*President of the Philippines*

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