

Republic of the Philippines
House of Representatives
Quezon City

First Regular Session

HOUSE BILL NO.: 430

Introduced By: **HONORABLE JOSE CARLOS V. LACSON**

Explanatory Note

Since poverty still plagues the countryside, many of our rural folks continue to flock to congested urban centers hoping to find better jobs and opportunities.

Unfortunately, the Comprehensive Agrarian Reform Law has failed to provide solution to rural deprivation from economic opportunities. For while distribution of land to the landless is in itself a step in the right direction, what good can landownership bring to a farmer who is denied access to the financial resources that will make his land productive and sustainable?

Thus, the provision of credit facilities in the countryside is one of the most important concerns that must be urgently addressed.

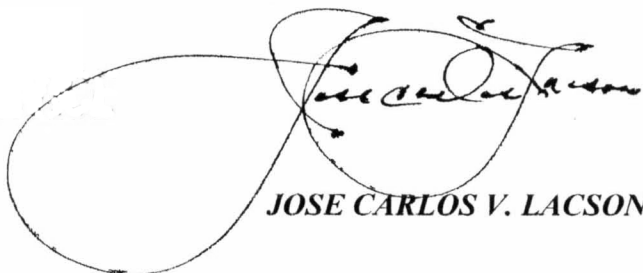
The farmers of Presidential Decree No. 717, the Agri-Agra Act, attempted to resolve the problem by requiring banks to set aside twenty-five (25%) of their loanable funds for use by the agricultural sector (10% was earmarked for agrarian reform and 15% for agricultural production).

But because Presidential Decree No. 717 also allowed banks to divert the ten percent (10%) agrarian reform share to government securities, most of the commercial banks used this share to purchase said securities. Moreover, the bulk of the (15% fifteen percent agricultural production loan portfolio was lent out of large multinational corporations engaged in agri-related activities. This bias for multinational creditors was expected since many banks continue to regards small borrowers to have greater credit risk.

In response to this issue, the Bill seeks to correct the decline in agricultural production loans by redirecting the Agri-Agra Fund's use to favor the small farmers.

The enactment and subsequent implementation of this measure is expected to result in the infusion of more that P100 billion into the countryside over the next two (2) years. More importantly, this bill envisions to dramatically reducing the rural poverty that has shackled more than half of our population for centuries now.

For this consideration, the approval of this Bill is earnestly sought.



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***AN ACT AMENDING PRESIDENTIAL DECREE NO.717, ENTITLED
"PROVIDING AN AGRARIAN REFORM CREDIT AND FINANCING
SYSTEM FOR AGRARIAN REFORM BENEFICIARIES THROUGH
BANKING INSTITUTIONS".***

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

1 SECTION 1. Section 2 of Presidential Decree No. 717 is hereby
2 amended to read as follows:

3 SEC. 2 - The credit mentioned in the next preceding Section may be
4 extended to the beneficiaries named therein WITH CAPITALIZATION OF NOT
5 MORE THAN 500,000 OR TO COOPERATIVES OF SUCH BENEFICIARIES
6 REGARDLESS OF CAPITALIZATION based on the feasibility of the project
7 and their paying capacity, their estimated production, and/or securities they
8 provide as well as such assets as may be acquired by them from the proceeds of
9 the loan.

10 SECTION 2. Section 3 of the same decree is hereby amended to
11 read as follows:

12 SEC. 3- All banking institutions, whether government or private,
13 shall set aside at least twenty five percent (25%) of their loanable funds for
14 agricultural {credit in general, of which at least ten percent (10%) of the loanable
15 funds shall be made available for} and agrarian reform credit to beneficiaries
16 mentioned in Section 1 hereof: Provided, however that loanable funds as used in
17 this Section shall refer to funds generated from the date effectivity of this
18 Decree[;] [Provided, Further, that the National Economic Development Authority
19 may increase or decrease such percentages whenever so recommended by the
20 Departure of Agrarian Reform and the Central Bank of the Philippines taking into
21 consideration the magnitude of the credit needs of the beneficiaries of agrarian
22 reform.]”

23 SECTION 3. Section 4 of the same decree is hereby amended to
24 read as follows:

25 SEC. 4- The [Central Bank of the Philippines] BANGKO
26 SENTRAL NG PILIPINAS, in consultation with and/or upon the
27 recommendation of the Department of Agrarian Reform, shall promulgate such
28 rules and regulations as may be necessary to implement the provisions of this
29 Decree. Subject to such rules and regulations, banking institutions may be
30 allowed [to:]

1 [(a) Invest, in such government securities as may be declared eligible by
2 the Central Bank of the Philippines, any portion of the amount set aside
3 for agrarian reform credit not actually loaned out; Provided, however, that
4 the issuing government entity shall stand ready to monetize, encash or
5 repurchase such securities whenever funds are needed by the banks
6 holdings the said securities, for lending to the beneficiaries of agrarian
7 reform; and]

8 [(b) Rediscount with the Central Bank of the Philippines eligible paper
9 covering agrarian reform credits]

10 TO INVEST OR DEPOSIT THEIR LOANABLE FUNDS FOR
11 AGRICULTURAL AND AGRARIAN REFORM CREDIT WITH
12 GOVERNMENT FINANCIAL INSTITUTIONS AND RURAL BANKS
13 FOR THE PURPOSE OF RE-LENDING SUCH LOANABLE FUNDS
14 TO FARMERS AND AGRARIAN REFORM BENEFICIARIES. TO
15 PROMOTE A FUNCTIONAL TIE-UP BETWEEN COMMERCIAL
16 BANKS AND RURAL BANKS, ALL LOANS OF RURAL BANKS
17 REDISCOUNTED WITH COMMERCIAL BANKS SHALL BE
18 DEEMED AS COMPLIANCE WITH P.D. 717.

19 SECTION 4. This Act shall take effect upon approval.

Approved,