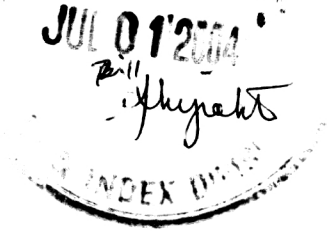


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

THIRTEENTH CONGRESS

First Regular Session

House Bill No. 940



Introduced by REP. JUDY J. SYJUCO

Explanatory Note

The provision of a viable credit facility should be an integral part of any attempt to promote agricultural development. Even with the distribution of land to the landless through our agrarian reform laws, a crucial question remains: How to make the land productive and sustainable when beneficiaries are denied access to financial resources?

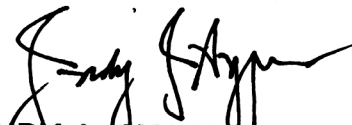
The government attempted to remedy the situation through measures such as Presidential Decree (P.D.) No. 717, otherwise known as the "Agri-Agra Law", which provides for a credit and financing scheme for agriculture and agrarian reform beneficiaries. Due to its inherent defects, however, P.D. 717 fell short of its promise.

For one, while P.D. 717 allots twenty-five percent (25%) of the bank's loanable fund to agrarian reform (10%) and agriculture (15%), it permits banks to divert the agrarian reform share to government securities. Given the perception that agricultural ventures, especially small farmer-borrowers, are great credit risks, most commercial banks indeed purchase the said securities. On account of that same bias against small farmer-borrowers, banks tend to extend loans to multi-national corporations engaged in agricultural endeavors. Thus, these large entities instead corner the bulk of the fifteen percent (15%) allotted to agriculture.

Left to fend for themselves, most small farmer-borrowers fall prey to informal lenders who are notorious for their usurious lending rates, ranging from as low as 60% to 240% per annum.

Against this background of social inequity, this Bill seeks to redirect credit to where it is direly needed. This proposed measure mandates that fifty percent (50%) of the twenty-five percent (25%) of a bank's total loanable funds reserved for agricultural and agrarian reform credits be extended to the small farmers and fisherfolk and their cooperatives. Moreover, it removes the provision in P.D. 717 which allows banks to divert to government securities the ten percent (10%) agrarian reform share aforecited. And for its strict compliance by the financial institutions, a penalty provision is included.

Hence, the approval of this Bill is earnestly sought.


JUDY J. SYJUCO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

THIRTEENTH CONGRESS

First Regular Session

House Bill No. 940

Introduced by REP. JUDY J. SYJUCO

AN ACT

EXPANDING THE COVERAGE OF AND THE CONDUIT NETWORK FOR AGRI-AGRA CREDITS, PRESCRIBING A FIXED PERCENTAGE OF THE FUNDS FOR LENDING TO SMALL FARMERS AND FISHERFOLK, AND FOR OTHER PURPOSES THEREBY AMENDING PRESIDENTIAL DECREE NO. 717 OTHERWISE KNOWN AS THE AGRI-AGRA LAW

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

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

"Section 1. There shall be evolved an AGRICULTURE AND agrarian reform credit and financing system TO IMPROVE THE PRODUCTIVITY OF THE AGRICULTURE AND FISHERIES SECTORS, PARTICULARLY THE FARMERS AND FISHERFOLK, AND [for the beneficiaries of] agrarian reform BENEFICIARIES, namely: tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers cooperatives and compact farms, through government and private banking institutions.

AGRICULTURE AND agrarian reform credit, as used herein, shall include production or other types of loans for acquisition of work animals, farm AND FISHERY equipment and machinery, seeds fertilizers, poultry, livestock, feeds and other similar items, acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; construction [and/or],

acquisition AND REPAIR of facilities for production, processing, storage and marketing AND SUCH OTHER FACILITIES IN SUPPORT OF AGRICULTURE AND FISHERIES; and efficient and effective merchandising of agricultural AND FISHERY commodities stored and/or processed by the facilities aforecited in domestic and foreign commerce.

Section 2. Section 2 of the same decree is hereby amended to read as follows:

"SEC. 2. The credit mentioned in the next preceding Section may be extended to the beneficiaries named therein WITH CAPITALIZATION OF NOT MORE THAN ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1.5 MILLION) OR TO COOPERATIVES 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.

SEC. 3. Section 3 of the same decree is hereby amended to read as follows:

"SEC. 3. All banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their loanable funds for LENDING TO THE AGRICULTURE AND FISHERIES SECTORS [agricultural credit in general, of which at least ten-percent (10%) of the loanable funds shall be made available for] AND agrarian reform [credit to] beneficiaries mentioned in Section 1 hereof, OF WHICH FIFTY PERCENT (50%) SHALL BE MADE AVAILABLE FOR LENDING TO SMALL FARMERS AND FISHERFOLK AS WELL AS SMALL FARMERS AND FISHERFOLK COOPERATIVES. THE SMALL FARMERS AND FISHERFOLK AS USED IN THIS SECTION SHALL REFER TO NATURAL PERSONS DEPENDENT ON SMALL-SCALE SUBSISTENCE FARMING/ FISHING ACTIVITIES AS THEIR PRIMARY SOURCE OF INCOME AND

WHOSE SALE, BARTER OR EXCHANGE OF AGRICULTURAL/FISHERY PRODUCTS DO NOT EXCEED A GROSS VALUE OF ONE HUNDRED EIGHTY THOUSAND PESOS (P180,000) *PER ANNUM* BASED ON 1992 CONSTANT PRICES; Provided, however, That loanable funds as used in this Section shall refer to funds generated from the date of effectivity of this Decree[;]. [Provided, Further, that the National Economic Development Authority may increase or decrease such percentages whenever so recommended by the Department of Agrarian Reform and the Central Bank of the Philippines taking into consideration the magnitude of the credit needs of the beneficiaries of agrarian reform.]

SEC. 4. Section 4 of the same decree is hereby amended to read as follows:

"SEC. 4. The [Central Bank of the Philippines) BANGKO SENTRAL NG PILIPINAS, in consultation with [and/or upon the recommendation of] the DEPARTMENT OF AGRICULTURE AND THE Department of Agrarian Reform, shall promulgate such rules and regulations as may be necessary to implement the provisions of this ACT [Decree]. Subject to such rules and regulations, banking institutions may be allowed to:

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

(A) INVEST IN BONDS ISSUED BY THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) AND LAND BANK OF THE PHILIPPINES (LBP) AND/OR OPEN SPECIAL DEPOSIT ACCOUNTS (SDA's) WITH THRIFT BANKS LOCATED OUTSIDE THE NATIONAL CAPITAL REGION (NCR), WITH COOPERATIVE BANKS AND RURAL BANKS: PROVIDED THAT THE PROCEEDS FROM SAID BONDS AND

SDA's SHALL BE USED EXCLUSIVELY FOR ON-LENDING TO THE AGRICULTURE AND AGRARIAN REFORM SECTORS; PROVIDED, FURTHER, THAT PROCEEDS FROM SAID BONDS AND SDA's SHALL BE SEPARATELY ACCOUNTED FOR BY THE DBP, LBP AND THE DEPOSITORY THRIFT BANKS, COOPERATIVE BANKS AND RURAL BANKS AND SHALL NOT BE CONSIDERED FOR PURPOSES OF COMPUTING THE LOANABLE FUNDS UNDER SECTION 3 HEREOF OF THE SAID BANKS.

(B) Rediscount with the [Central Bank of the Philippines] COMMERCIAL BANKS eligible paper covering AGRICULTURE AND agrarian reform credits; PROVIDED THAT SUCH REDISCOUNTED PAPER SHALL NO LONGER BE ELIGIBLE AS COMPLIANCE ON THE PART OF THE ORIGINATING BANK;

(C) LEND IN BUILD-OPERATE-TRANSFER (BOT) SCHEMES FOR THE CONSTRUCTION AND UPGRADING OF INFRASTRUCTURE INCLUDING FARM-TO-MARKET ROADS AS WELL AS THE PROVISION OF POST HARVEST FACILITIES THAT WILL BENEFIT THE AGRICULTURE AND FISHERIES SECTORS, AND AGRARIAN REFORM BENEFICIARIES; PROVIDED THAT THE P1.5 MILLION CEILING FOR QUALIFIED BENEFICIARIES DOES NOT APPLY IN THIS INSTANCE;

(D) LEND TO FARMERS, FARMER'S ASSOCIATIONS OR COOPERATIVES FOR THE PRODUCTION, MARKETING AND DISTRIBUTION OF HIGH VALUE CROPS UNDER REPUBLIC ACT NO. 7900;

SEC. 5. REPEALING CLAUSE. THE PROVISION IN THE SECOND PARAGRAPH OF SECTION 8 OF REPUBLIC ACT NO. 7900, WHICH STATES THAT BANKS LENDING AT LEAST FIVE PERCENT (5%) OF THEIR LOANABLE FUNDS DIRECTLY TO FARMERS' ASSOCIATIONS OR COOPERATIVES ARE EXEMPTED FROM THE COMPLIANCE REQUIREMENT OF PRESIDENTIAL DECREE NO. 717, IS HEREBY REPEALED.

SEC. 6. PENALTY CLAUSE. THE BANKO SENTRAL NG PILIPINAS SHALL IMPOSE ADMINISTRATIVE SANCTIONS AND OTHER PENALTIES ON THE LENDING INSTITUTIONS FOR NON-COMPLIANCE WITH THE PROVISIONS OF THIS ACT. IN ADDITION, THE PRESIDENT, MEMBERS OF THE BOARD OF DIRECTORS, AND OTHER OFFICERS OF THE ERRING LENDING INSTITUTIONS SHALL BE INDIVIDUALLY LIABLE FOR IMPRISONMENT OF NOT LESS THAN SIX (6) MONTHS AND A FINE OF NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000.00) EACH. THE SAID ERRING BANK OFFICERS SHALL BE BARRED FROM OCCUPYING POSITIONS IN BANKING INSTITUTIONS THEREAFTER;

SEC. 7. SEPARABILITY CLAUSE. THE PROVISION OF THIS ACT ARE HEREBY DECLARED SEPARABLE. IF ANY PROVISION OF THIS ACT SHALL BE HELD UNCONSTITUTIONAL, THE REMAINDER OF THE ACT NOT OTHERWISE AFFECTED SHALL REMAIN IN FULL FORCE AND EFFECT.

SEC. 8. EFFECTIVITY. THIS ACT SHALL TAKE EFFECT UPON APPROVAL AND SHALL BE VALID UNTIL THE YEAR 2004.

Approved.