

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4465

Introduced by HONORABLE LUIS R. VILLAFUERTE

EXPLANATORY NOTE

WHEREAS, the Republic Act (R.A.) No. 10000, also known as the "Agri-Agra Reform Credit Act of 2009" was signed into law on 23 February 2010, repealing Presidential Decree No. 717 dated 29 May 1975;

WHEREAS, R.A. No. 10000, an act providing for an agriculture and agrarian reform credit and financing system through banking institutions, specifically mandated all banking institutions, whether government or private, to 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%) shall be made available for agrarian reform beneficiaries (ARBs);

WHEREAS, the implementing rules and regulations (IRR) of R.A. No. 10000, which was drafted by the Department of Agriculture (DA), *Bangko Sentral ng Pilipinas* (BSP) and Department of Agrarian Reform (DAR), in consultation with the banking sector and other stakeholders, has yet to be finalized and issued;

WHEREAS, the Bankers Associations of the Philippines (BAP), after review of the law and series of consultations made with various stakeholders and concerned government agencies find it necessary to officially raise major concerns on the absorptive capacity of the sector as regards the compliance with the 25% credit allocations of banks' total loanable funds for agriculture and agrarian credit, *among others*;

WHEREAS, based on the survey and study conducted by the DA, the total loans needed to finance the country's agricultural and fisheries sector only amount to **₱276 billion** which is way below the required

compliance of **₱403 billion** for the 15% agri-lending requirement as of September 2010 computed based on banking sector's total loanable funds generated of ₱2,691 billion as reported by BSP;

WHEREAS, based on DAR's data, about 3.3 million hectares of land (*net of 1 million mortgaged with LANDBANK*) which were transferred to ARBs, would only require about **₱165 billion** representing agrarian loan demand, which is again lower than the **₱269 billion (10%)** required compliance under the old law, PD 717. Historically, the banking sector has been unable to comply with this 10% requirement because of lack of agrarian loan demand;

WHEREAS, R.A. No. 10000 provides several new alternative methods of compliance (*i.e., investments in bonds issued by LANDBANK, and DBP, and/or opening of special deposit accounts (SDAs) with accredited rural financial institutions provided proceeds shall be used exclusively for on-lending to agriculture and agrarian reform sector, etc*), as substitutes for the non-agri items. However, in practice, it is unclear if said banks are sourcing significant funds from commercial banks for their own agricultural on-lending;

WHEREAS, the Bankers Associations of the Philippines, adhering to its duty to protect deposits from the public, strongly believes that individual banks be allowed to decide on the field of expertise it should operate and compete in. Furthermore, there may be credit and non-performing loans implications if banks are mandated but untrained to lend outside their area of competence.

In view thereof, the proposed bill seeks immediate approval.



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**AN ACT AMENDING REPUBLIC ACT NO. 10000 , PROVIDING FOR
AN AGRICULTURE AND AGRARIAN REFORM CREDIT AND
FINANCING SYSTEM THROUGH BANKING INSTITUTIONS
OTHERWISE KNOWN AS THE AGRARIAN REFORM ACT OF
2009.**

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

1 **SECTION 1.** Section 6 of the Agrarian Reform Act of 2009 is hereby
2 amended to read as follows:

3 "Section 6. Credit Quota. All banking institution whether
4 government or private, shall set aside at least TWENTY [twenty-
5 five] percent [(25%)] (20%) of their total loanable funds for
6 agriculture and fisheries credit in general, of which at least
7 EIGHT [ten] percent [(10%)] (8%) of the loanable funds shall
8 be made available for agrarian reform beneficiaries mentioned in
9 Section 5 hereof; *Provided, however,* That total loanable funds

1 as used in this section shall refer to funds generated from the
2 date of effectivity of this Act AS DEFINED BY THE BANGKO
3 SENTRAL NG PILIPINAS AND THE BANKING ORGANIZATIONS
4 NAMELY THE BANKERS ASSOCIATION OF THE PHILIPPINES,
5 CHAMBER OF THRIFT BANKS AND RURAL BANKERS
6 ASSOCIATION OF THE PHILIPPINES.

7 xxx

8 **SECTION 2.** Section 8 of the Agrarian Reform Act of 2009 is hereby
9 amended to read as follows:

10 Section 8. *ALTERNATIVE COMPLIANCE* - [The] BANKS
11 MAY BE ALLOWED TO ENGAGE IN THE FOLLOWING alternative
12 compliance [enumerated in the preceding section shall also be
13 subject to joint review by the DA, the DAR and the BSP after
14 three (3) years of the implementation to determine whether the
15 modes of compliance directly target the agriculture, fisheries
16 and agrarian reform sector. The Findings shall be submitted to
17 Congress]

- 18 a. DEVELOPMENT LOANS EXTENDED BY BANKS TO FINANCE
19 EDUCATIONAL INSTITUTIONS, COOPERATIVES,
20 HOSPITALS AND OTHER MEDICAL SERVICES, SOCIALIZED
21 OR LOW-COST HOUSING, LOCAL GOVERNMENT UNITS
22 b. INVESTMENT IN NFA BONDS, LGU BONDS, PAG-IBIG
23 BONDS, SPECIAL PURPOSE TREASURY BONDS AND
24 OTHER FINANCIAL INSTRUMENTS AS MAY BE ISSUED

1 AND AUTHORIZED BY THE NATIONAL GOVERNMENT AND
2 ITS AGENCIES/INSTRUMENTALITIES

- 3 c. WHEN AT LEAST 5% OF LOANABLE FUNDS ARE DIRECTLY
4 LENT TO FARMERS' ASSOCIATION OR COOPERATIVES
5 THROUGH LOANS TO HIGH-VALUE CROP PROJECTS OR
6 SIMILAR CREDIT ACCOMMODATIONS SHALL BE DEEMED
7 COMPLIANT WITH THE REQUIREMENTS OF SECTION 6 OF
8 THE AGRARIAN REFORM ACT OF 2009.

9 **Section 3.** Section 10 of the Agrarian Reform Act of 2009 is hereby
10 amended to read as follows:

11 **Section 10. *Penalty Clause.*** - The BSP shall impose
12 administrative sanctions and other penalties on the lending
13 institutions for noncompliance with the provisions of this Act.
14 Penalties on noncompliance shall be computed at one-half of
15 one percent (0.5%) of noncompliance and undercompliance
16 COMPUTED AND ASSESSED ANNUALLY and shall be directed to
17 the development of the agri-agra sector. Ninety percent (90%)
18 of the penalties collected shall be allocated between the AGFP
19 and PCIC according to the needs of the agri-agra sector as
20 provided for in implementing rules and regulations of this Act
21 and the remaining ten percent (10%) shall be given to the BSP
22 to cover administrative expenses.

1 **Section 4. *Repealing Clause.*** – All laws, decrees, executive orders,
2 rules and regulations, or parts thereof inconsistent with the provisions of
3 this Act are hereby repealed, amended or modified accordingly.

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

7 Approved,