

Republic of the Philippines

House of Representatives
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2193**

**Introduced by Honorable Anthony M. Bravo and Honorable
Cresente C. Paez**

EXPLANATORY NOTE

The Agricultural Competitiveness Enhancement Fund (ACEF) is sourced from the in-tariff revenues from the importation of agricultural products within the volume of a specific agricultural product that is allowed to be imported with a lower tariff as committed by the Philippines to the World Trade Organization under the Uruguay Round Final Act. The law provides that the ACEF shall finance projects and activities that will help enhance the competitiveness of the agricultural and/or fisheries sectors. It has thus been earmarked for the protection of farmers and fisherfolk against unfair trade practices and for the increased productivity of farmers by providing the necessary support services.

One area of concern that has been overlooked, however, is the area of crop insurance in the Philippines. Agriculture is very vulnerable to the unpredictability of nature particularly here in the Philippines. With agricultural production constituting the major livelihood of many Filipino farmers, the impact of natural disasters and other agricultural risks deserve a great deal of attention. There is therefore a need to safeguard the investments of local farmers and industry players. The Philippines has devised a range of risk management programs for farmers and other agricultural stakeholders. These include price stabilization measures, typhoon and/or drought relief, subsidies as well as crop insurance schemes. The last one is a risk management mechanism that seeks to even out agricultural risks to make the effects of losses from natural disasters more tolerable.



Agricultural insurance is a state-run program that gives insurance protection to agricultural producers against losses of crops, livestock, and agricultural assets due to natural disasters, pests, diseases, and other similar perils. This is implemented by the Philippine Crop Insurance Corporation (PCIC).

Over the years, however, the national government was not able to completely fulfill its financial obligation to the program. The capital contribution from the government came in very small amounts and this was complicated by the non-remittance and/or late remittance of the government's share in the premium for the traditional lines. The total premium arrears due the national government have thus been growing. This greatly diminished the investment fund of the PCIC making its investment income insufficient to even cover administrative costs. Due to the inherently low-income character of the bulk of our small farmers, there is a great need for continuing government intervention to make the cost of insurance more affordable.

The ACEF is one source of funds that can help bridge the growing gap in the needed funds and the funds actually provided by the national government. This bill seeks to amend the ACEF Law to allocate ten percent (10%) of its proceeds to the Philippine Crop Insurance Corporation to help address the growing need of our farmers for crop insurance in the context of increasing vulnerability due to climate change and more bizarre and dangerous weather patterns.



HON. ANTHONY M. BRAVO



HON. CRESENTE C. PAEZ

Republic of the Philippines

House of Representatives
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2193**

**Introduced by Honorable Anthony M. Bravo and Honorable
Cresente C. Paez**

AN ACT
AMENDING REPUBLIC ACT NO. 8178 TO PROVIDE FOR
A SUBSIDY FOR THE PHILIPPINE CROP INSURANCE CORPORATION

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

SECTION 1. Section 8 of Republic Act No. 8178, also known as "An Act Replacing Quantitative Import Restrictions on Agricultural Products, Except Rice, With Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and for Other Purposes", as amended by Republic Act No. 9496, is hereby amended to read as follows:

Section 8. *Agricultural Competitiveness Enhancement Fund.*- To implement the policy enunciated in this Act, there is hereby created the Agricultural Competitiveness Enhancement Fund, hereinafter referred to as the Fund. The Fund shall consist of all duties collected from the importation of agricultural products under the minimum access volume (MAV) mechanism, including unused balances and collections from repayments from loan beneficiaries including interests, if any. The Fund shall be automatically credited to Special Account 183 in the General Fund of the National Treasury: Provided, That fund releases shall not be subject to any ceiling by the Department of Budget and Management (DBM).

The Fund shall continue to be set aside up to the year 2015, after which the collection of duties from the MAV mechanism and the setting aside of the amount collected for the purpose shall terminate. However, any remaining balance(s) at the date of expiration of the Fund shall not revert to the General Fund but shall continue to be used for the purpose for which it was collected and set aside.

The Fund shall be set aside and earmarked by Congress: (a) for the protection of farmers against unfair trade practices such as smuggling, dumping of agricultural products or other similar acts of unfair trade practices; and (b) for the increased productivity of farmers by providing the necessary support services such as, but not limited to, irrigation, farm-to-market roads, post-harvest equipment and facilities, credit, research and development, other marketing infrastructure, provision of market information, retraining, extension services, micro, small and medium scale enterprises (MSMME) in agriculture, aquaculture and fisheries sectors; young entrepreneurs, out-of-school youth, graduates of agriculture, fisheries and related courses; agriculture and fishery cooperatives, corporations and others entrepreneurs engaged in economic enterprises related to agriculture and fisheries and assistance and support to agricultural activities including, but not limited to, the reduction of input cost, quality improvement, supply chain efficiency and other infrastructure including access as well as an established transportation mechanism towards speedy delivery of products: Provided, That:

(1) preferential attention should be continuously given to products or people adversely affected by the repeal or removal of quantitative import restrictions to agricultural products as provided for in Section 1 of this Act:

(2) be consistent with the policies and priority thrusts under Republic Act No. 8495, as amended, otherwise known as the Agriculture and Fisheries Modernization Act vis-a-vis Goals 1 and 2 under the Medium-Term Philippine Development Plan (MTPDP);

(3) be complementary and supportive of the various and current funding assistance windows or programs of the Department of Agriculture and other government institutions;

(4) enhance the competitiveness of target project beneficiaries or sectors, especially the small farmers and fisherfolk;

(5) provide product or service competitiveness in the local and foreign markets in terms of product or service or fees and quality;

(6) promote upstream and downstream linkages with related and complementary agricultural activities;

(7) provide clear and verifiable proof of sustainability of operations; and

(8) be beneficial to most, and not only selected, firms or groups within a sector.

For purposes of this Act, local government units, state, universities and colleges or other government institutions involved in the research and development of agricultural products may avail of the ACEF in the form of financial grant without any collateral or security.

The Fund shall be set aside and earmarked as follows:

(1) [Seventy percent (70%)] SIXTY PERCENT (60%) for agri-based production and post-production, and processing activities including, but not limited to, new export industries and agri-related infrastructure and equipment to achieve modern agricultural practices; and for public information and promotion activities including the establishment of a principal mechanism therefore to promote the desired agricultural products and activities and create new market.

The following areas are likewise accorded priorities: assistance to individual Filipino farmers and fisherfolk, cooperatives and micro, small and medium scale enterprises as defined in Republic Act No. 6977 engaged in the agricultural production, farming, fisheries, agri-business and similar activities;

(2) Twenty percent (20%) for research and development and the commercialization of such, including the upgrading of research facilities of qualified state universities and colleges; and

(3) Ten percent (10%) to be used for the funding of a comprehensive scholarship program for agriculture, forestry, fisheries, and veterinary medicine education.

(4) TEN PERCENT (10%) TO BE USED FOR THE CROP INSURANCE PROGRAM OF THE PHILIPPINE CROP INSURANCE CORPORATION AND SAID AMOUNT SHALL BE DIRECTLY REMITTED TO THE CORPORATION EVERY SIX (6) MONTHS.

The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) shall conduct a periodic review of the use of the Fund.

SECTION 2. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with, the provisions of this Act is hereby repealed, modified, or amended accordingly.

SECTION 3. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,