

Republic of the Philippines
House of Representatives

18th Congress
First Regular Session

House Bill No. 5681



Introduced by Representative Junie E. Cua
Lone District, Quirino

EXPLANATORY NOTE

When the Agri-Agra Reform Credit Act (RA 10000) was enacted, it was optimistically regarded as a cure-all for the many ills plaguing our country's agriculture sector, and for good reason. Based on the conventional wisdom prevailing at the time, farmers were hindered by the lack of funds with which to purchase farming implements and inputs, and that the solution, quite obviously, would be to provide them with access to credit by mandating banks to allocate a good portion of their resources for such purpose.

Unfortunately, the idea that was meant to revolutionize the industry fell short of achieving its goal. Because banks found it a hardship to invest in an industry perceived to be fraught with risks, the concept of institutionalizing mandatory lending merely resulted in widespread non-compliance with the law. Farmers, with their small farms and monocrops, earn very little, which is insufficient to support their families, let alone have enough savings as capital for the next cropping. Banks opted to pay the mandated penalties rather than lend to farmers and agrarian reform beneficiaries. As a consequence, resources that could have been funneled to promote and enhance agricultural productivity remain locked up in limbo, while our farming communities continue to languish in poverty without any concrete means to uplift themselves.

The Philippine Statistics Authority reported that the agriculture sector has remained one with the highest poverty incidence in the country. While poverty in the rural areas may be attributable to the overall decline in agricultural productivity over the years, meaningful reforms are very much needed to improve the plight of our farmers and agrarian reform beneficiaries.

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The proposed measure seeks to institutionalize a framework that is more responsive to the needs of the agricultural sector while providing for ways for the banking industry to take on a more expansive role in line with a policy approach that is coordinated, systematic, broad-based, and inclusive. The concept that banks are not merely credit providers but stakeholders in rural development is an underlying yet unrealized principle in the present law. By creating a special fund devoted exclusively to capacity building, and encouraging banks to contribute to such fund as a mode of alternative compliance with the mandatory credit allocation, the proposed measure is effectively cementing the role of the financial sector as stakeholder and critical growth partner of the State in countryside development.

The proposed amendments further seek to extend the benefits of the law to a broader section of the rural economy such as the farming households, and other agriculture related sectors. By authorizing banks to fund a wider range of economic activities to comply with mandatory credit requirements, the absorptive capacity of the farming industry is enhanced through capacity building initiatives, programs and activities that improve the sector's competitiveness and increase agricultural output. And because banks are naturally predisposed to extend credit to individuals and entities with demonstrable ability to pay, linkages in the supply chain further ensure that the financial benefits ultimately trickle down to the grassroots level.

- Finally, the proposed measure hopes to organize the farmers and fisherfolk into cooperatives or associations that are professionally managed to make them profitable and viable.
- When farmers and fisherfolk have profitable and viable ventures, they develop the ability to pay lenders which is key to the availment of bank credit.

Agriculture employs at least one-third of our labor force. Agricultural workers are responsible for producing the raw materials used by the manufacturing industry. Our farmers are the unsung heroes endlessly toiling to ensure that there is sufficient food for every Filipino. As legislators, it is our singular duty to protect their interest and look after their welfare.

In view the foregoing, the passage of this bill is earnestly sought.



JUNIE E. CUA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

18th Congress
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House Bill No. 5681

Introduced by REP. JUNIE E. CUA
Lone District, Quirino

AN ACT MANDATING BANKING INSTITUTIONS
TO STRENGTHEN THE FINANCING SYSTEM
FOR AGRICULTURAL, FISHERIES AND RURAL DEVELOPMENT
IN THE PHILIPPINES

ARTICLE I
GENERAL PROVISIONS

SECTION 1. Short Title. – This Act shall be known as “THE RURAL AGRICULTURAL AND FISHERIES FINANCING ENHANCEMENT SYSTEM ACT”.

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, promote modernization AND IMPROVE THE WELFARE AND ECONOMIC PROSPECTS OF BENEFICIARIES IN RURAL COMMUNITIES THROUGH ACTIVE PARTICIPATION OF BANKING INSTITUTIONS.

SEC. 3. Definition of Terms. – As used in this Act, the FOLLOWING terms SHALL MEAN:

(A) Agrarian Reform Beneficiary (ARB) refers to a farmer who was granted land under Presidential Decree No. 27, the Comprehensive Agrarian Reform Law and Republic Act No. 9700 or the "Comprehensive Agrarian Reform Extension with Reforms" and a regular farm worker 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 he/she works. THE TERM SHALL ALSO INCLUDE REGISTERED AGRARIAN REFORM BENEFICIARIES' COOPERATIVES/ASSOCIATIONS/OTHER FARM GROUPS, RESPECTIVELY

ENDORSED AS COMPRISING OF AGRARIAN REFORM BENEFICIARIES BY THE NEAREST OFFICE OF THE DAR, AS WELL AS ARB HOUSEHOLDS.

(B) AGRARIAN REFORM COMMUNITY (ARC) REFERS TO A BARANGAY OR A CLUSTER OF BARANGAYS PRIMARILY COMPOSED AND MANAGED BY AGRARIAN REFORM BENEFICIARIES WHO SHALL BE WILLING TO BE ORGANIZED AND 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, 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 his/her 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 - A HOUSEHOLD IS CONSIDERED TO BE AN AGRICULTURAL OR FISHERIES HOUSEHOLD WHEN AT LEAST ONE MEMBER OF THE HOUSEHOLD IS A FARMER, A FISHERMAN, AN AGRARIAN REFORM BENEFICIARY, 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 PRODUCERS (FARMERS, FISHERFOLKS), TRADERS, SUPPLIERS, PROCESSORS, AGGREGATORS, WHO CONDUCT LINKED SEQUENCE OF VALUE-ADDING ACTIVITIES INVOLVED IN CONVERTING AN AGRICULTURAL PRODUCT FROM ITS RAW MATERIAL TO FINAL FORM AND BRINGING IT TO CONSUMERS.

AGRICULTURAL VALUE CHAIN FINANCING (AVCF) REFERS TO FINANCING TO AN AVC FOLLOWING THE IDENTIFICATION AND ANALYSIS OF AVC AND THE DESIGN OF APPROPRIATE FINANCIAL PRODUCTS AND SERVICES FOR ACTORS/ PLAYERS THAT FORM PART OF THE AVC.

(H) 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.

(I) Amortizing Owners refer to landowners who amortize payment for the land to a private individual or to the State.

(J) Compact Farmers refer to those farmers with adjoining farms operating as a single unit under one management, farm plan and budget.

(K) Farmer refers to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agroforest products, AND/OR livestock, either by himself/herself, or primarily with the assistance of his/her immediate farm household, whether the land is owned by him/her or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof.

(L) 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 his/her compensation is paid on a daily, weekly, monthly or "pakyaw" basis. 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.

(M) Farmers' Cooperatives refer to organizations composed primarily of small agricultural producers, farmers, farmworkers, or other agrarian reform beneficiaries 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.

(N) Farmer's and Fisherfolk's Organizations or Associations refer to farmer's and fisherfolk's cooperatives, associations or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farmworkers, agrarian reform beneficiaries, fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.

(O) 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 AND HIGHWAY.

(P) Financial Services refer to services extended by banks/financial institutions such as, but not limited to, credit/lending, deposits, rediscounting, and insurance.

(Q) Fisherfolk refers to people directly or personally and physically engaged in CATCHING and/or culturing and processing fishery and/or aquatic resources.

(R) 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 corral/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boat or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers.

(S) GREEN FINANCE REFERS TO FINANCIAL SERVICES AND PRODUCTS DESIGNED TO PROMOTE THE FLOW OF FINANCE TOWARDS GREEN ECONOMIC

ACTIVITIES AND PROJECTS. ASIDE FROM FINANCING TO PROMOTE CLIMATE CHANGE ADAPTATION AND MITIGATION, GREEN FINANCE ALSO COVERS ENVIRONMENTAL IMPROVEMENT AND EFFICIENCY IMPROVEMENT IN NATURAL CAPITAL PRESERVATION AND RESOURCE MOBILIZATION.

(T) MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) REFERS TO ANY BUSINESS ACTIVITY OR ENTERPRISE DEFINED AS SUCH UNDER EXISTING LAWS.

(U) 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.

(V) 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.

(W) Philippine Crop Insurance Corporation (PCIC) refers to a government-owned and -controlled corporation which provides insurance protection to the country's agricultural producers, particularly the subsistence farmers against crop losses arising from natural calamities such as typhoons, rising sea levels, floods, drought, earthquakes, volcanic eruptions, plant diseases and pest infestation, and non-crop agricultural asset losses due to perils for which the asset has been insured against.

(X) POST-HARVEST ACTIVITIES REFER TO THRESHING, DRYING, MILLING, GRADING, STORING, AND HANDLING OF PRODUCE AND SUCH OTHER ACTIVITIES OF A SIMILAR NATURE SUCH AS STRIPPING, WINNOWING, CHIPPING AND WASHING.

(Y) 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.

(Z) PUBLIC RURAL INFRASTRUCTURE REFERS TO INFRASTRUCTURE IN RURAL COMMUNITIES SUCH AS HIGHWAYS, STREETS, BRIDGES, TUNNELS, RAILWAYS, RAILROAD, 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.

(AA) RURAL COMMUNITY REFERS TO AREAS THAT ARE DEFINED AS SUCH BY THE PHILIPPINE STATISTICS AUTHORITY.

(AB) RURAL FINANCIAL INSTITUTION (RFI) REFERS TO ANY FINANCIAL INSTITUTION ESTABLISHED AND IS OPERATING IN A RURAL COMMUNITY.

(AC) 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.

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

ARTICLE II AGRICULTURAL FISHERIES AND RURAL FINANCING SYSTEM

SEC. 4. Agriculture, Fisheries and Rural Financing System. – There shall be AN AGRICULTURAL, FISHERIES AND RURAL financing system to improve the WELFARE, COMPETITIVENESS, INCOME AND productivity of the RURAL COMMUNITY BENEFICIARIES, particularly the farmers, fisherfolk, agrarian reform beneficiaries, AGRARIAN REFORM COMMUNITIES, 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.

AGRICULTURAL, FISHERIES and RURAL FINANCING, as used herein, shall consist of loans, INVESTMENTS AND GRANTS 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 CHAPTER 3 SECTION 23 OF REPUBLIC ACT NO. 8435, OFF-FARM/FISHERY ACTIVITIES, AGRICULTURAL MECHANIZATION/ MODERNIZATION, AGRI-TOURISM, GREEN FINANCE PROJECTS, acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments, efficient and effective MARKETING, PROCESSING, DISTRIBUTION AND STORAGE OF AGRICULTURAL AND FISHERY COMMODITIES, PUBLIC RURAL INFRASTRUCTURE, AS WELL AS PROGRAMS THAT SHALL 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, AS MAY BE DETERMINED BY THE AGRICULTURAL AND FISHERIES CAPACITY-BUILDING FINANCE POLICY COUNCIL (AFCFPC).

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, INVESTMENTS AND GRANTS.

SEC. 6. Credit Quota. – All banking institutions, whether government or private, EXCEPT NEWLY-ESTABLISHED BANKS FOR A PERIOD OF FIVE (5) YEARS FROM 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 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 IDENTIFIED UNDER THE AMCFP AS ENUMERATED UNDER CHAPTER 3 SECTION 23 OF REPUBLIC ACT NO. 8435, OFF-FARM/FISHERY ACTIVITIES, AGRICULTURAL MECHANIZATION/MODERNIZATION, AGRI-TOURISM, GREEN FINANCE PROJECTS, MARKETING, PROCESSING, DISTRIBUTION AND STORAGE OF AGRICULTURAL AND FISHERY COMMODITIES, LIVELIHOOD PROJECTS, SKILLS ENHANCEMENT OR CAPACITY-BUILDING PROGRAMS.

BANKS MAY ALSO COMPLY WITH THE MANDATORY FINANCING REQUIREMENT THROUGH OTHER MEANS AS FOLLOWS:

(a) Invest in DEBT SECURITIES, INCLUDING THOSE issued by the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (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;

(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 rural financial institutions, SUBJECT TO PREVAILING LAWS, RULES OR REGULATIONS or lend wholesale to rural financial institutions: 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 AGRICULTURAL VALUE CHAIN FINANCING TO ACTORS/ PLAYERS IN THE AVC THAT BENEFITS RURAL COMMUNITIES; AND

(I) Invest in shares of stock of the PCIC OR IN COMPANIES THAT PRIMARILY ENGAGE IN ACTIVITIES UNDER SECTION 4 HEREOF THAT BENEFIT RURAL COMMUNITY BENEFICIARIES:

PROVIDED, THAT THE LOANS AND INVESTMENTS THAT ARE COUNTED AS COMPLIANCE ARE NOT FUNDED BY PROCEEDS FROM THE ISSUANCE OF DEBT SECURITIES, AND/OR 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 AGRARIAN REFORM BENEFICIARIES, AGRARIAN REFORM COMMUNITIES, OR OTHER PRIORITY SECTORS, AS MAY BE DETERMINED BY THE AFCFPC, SHALL BE COUNTED AT TEN TIMES (10X) THEIR OUTSTANDING AMOUNT, OR AS OTHERWISE PRESCRIBED BY THE BSP, FOR PURPOSES OF DETERMINING COMPLIANCE WITH THE MANDATORY AGRICULTURAL AND FISHERIES FINANCING REQUIREMENT.

SEC. 8. The MODES OF compliance enumerated in the preceding section shall be subject to review by the AFCFPC after implementation to determine whether THESE ARE ADEQUATE TO SUPPORT THE FINANCING REQUIREMENTS OF RURAL COMMUNITIES AND RECOMMEND TO CONGRESS FOR APPROPRIATE ACTION.

SEC. 9. Annual Reports. – The BSP shall furnish reports on the compliance with the mandatory AGRICULTURAL AND FISHERIES FINANCING REQUIREMENT to 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. 10. 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 AFCFPC FOR DEPOSIT TO THE SPECIAL FUND CREATED UNDER ARTICLE III OF THIS ACT. TEN percent (10%) OF THE PENALTIES COLLECTED shall be RETAINED BY the BSP to cover administrative expenses.

ARTICLE III

AGRIBUSINESS MANAGEMENT CAPACITY AND INSTITUTION-BUILDING FUND AND PROGRAM

SEC. 11. BANKS MAY ALSO COMPLY WITH THE MANDATORY CREDIT REQUIREMENT BY PROVIDING CONTRIBUTIONS TO AN AGRIBUSINESS MANAGEMENT CAPACITY AND INSTITUTION-BUILDING FUND (SPECIAL FUND) TO FINANCE AGRICULTURAL- AND FISHERY-RELATED CAPACITY AND INSTITUTION-BUILDING PROGRAMS OF RURAL COOPERATIVES AND OTHER DULY-REGISTERED ORGANIZATIONS OF RURAL AGRICULTURAL AND FISHERIES HOUSEHOLDS, TO IMPROVE THEIR VIABILITY AND PRODUCTIVITY.

THE AFCFPC SHALL ENTER INTO AN AGREEMENT WITH THE BANKING INDUSTRY ON THE CONTRIBUTIONS AND MANAGEMENT OF THE SPECIAL FUND AS WELL AS THE IMPLEMENTATION OF THE ACTIVITIES AND PROGRAMS OF THE SPECIAL FUND, IN ACCORDANCE WITH THE APPROVAL OF AND GUIDELINES PRESCRIBED BY THE AFCFPC. THE AGREEMENT SHALL ALSO REQUIRE THE BANKING INDUSTRY TO MONITOR AND EVALUATE THE ACTIVITIES FINANCED BY THE SPECIAL FUND, AND REPORT ITS FINDINGS TO THE AFCFPC.

SEC. 12. THE INITIAL CONTRIBUTION TO THE SPECIAL FUND SHALL INCLUDE 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 TEN (10) PERCENT AMOUNT TO BE RETAINED BY THE BSP. THE SAID AMOUNT SHALL NOT BE LESS THAN TEN BILLION PESOS. ANY SHORTFALL SHALL BE CONTRIBUTED BY THE BANKS.

SEC. 13. THE AFCFPC SHALL PERIODICALLY ASSESS THE ADEQUACY OF THE FUND CAPITAL IN FINANCING THE AGRICULTURAL AND CAPACITY-BUILDING REQUIREMENTS OF RURAL COOPERATIVES AND OTHER DULY-REGISTERED ORGANIZATIONS OF RURAL AGRICULTURAL AND FISHERIES HOUSEHOLDS.

SEC 14. BANKS, DULY-REGISTERED TRAINING AND CAPACITY-BUILDING ORGANIZATIONS, RURAL AND AGRICULTURAL COOPERATIVES AND OTHER DULY-REGISTERED ORGANIZATIONS OF RURAL AGRICULTURAL AND FISHERIES HOUSEHOLDS MAY APPLY WITH THE AFCFPC FOR GRANT FUNDING FOR THEIR AGRICULTURAL, CAPACITY AND INSTITUTION-BUILDING PROGRAMS AND ACTIVITIES.

ARTICLE IV
AGRICULTURAL AND FISHERIES
CAPACITY-BUILDING FINANCE POLICY COUNCIL (AFCFPC)

SEC. 15. AGRICULTURAL AND FISHERIES CAPACITY-BUILDING FINANCE POLICY COUNCIL (AFCFPC). — THERE SHALL BE CREATED AN AGRICULTURAL AND FISHERIES CAPACITY-BUILDING FINANCE POLICY COUNCIL (AFCFPC) WHICH SHALL BE COMPOSED OF: THE SECRETARY, DEPARTMENT OF AGRICULTURE (DA), AS CHAIR; THE GOVERNOR, BANGKO SENTRAL NG PILIPINAS (BSP); THE DIRECTOR-GENERAL, NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA); THE SECRETARY, DEPARTMENT OF BUDGET AND MANAGEMENT (DBM); THE SECRETARY, DEPARTMENT OF AGRARIAN REFORM (DAR); THE SECRETARY, DEPARTMENT OF FINANCE (DOF); THE SECRETARY, DEPARTMENT OF TRADE AND INDUSTRY (DTI); THE PRESIDENT, LAND BANK OF THE PHILIPPINES (LBP); THE PRESIDENT, DEVELOPMENT BANK OF THE PHILIPPINES (DBP); THE PRESIDENT, PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES (PIDS), AND ELEVEN (11) REPRESENTATIVES FROM THE PRIVATE SECTOR, ONE OF WHOM SHALL BE APPOINTED AS VICE-CHAIRMAN, AS MEMBERS. THE PRIVATE SECTOR REPRESENTATIVES SHALL INCLUDE THE PRESIDENT, RURAL BANKERS ASSOCIATION OF THE PHILIPPINES (RBAP); THE PRESIDENT, CHAMBER OF THRIFT BANKS (CTB); THE CHAIR, COOPERATIVE BANKS FEDERATION OF THE

PHILIPPINES (BANGKOOP); THE PRESIDENT, BANKERS ASSOCIATION OF THE PHILIPPINES (BAP); THE CHAIR, MICROFINANCE COUNCIL OF THE PHILIPPINES, INC. (MCPI); THE PRESIDENT, PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRY (PCCI); THE PRESIDENT, PHILIPPINE COUNCIL FOR AGRICULTURE AND FISHERIES (PCAFI), BANKERS INSTITUTE OF THE PHILIPPINES, INC. (BAIPHIL), AND A REPRESENTATIVE EACH FROM THE COOPERATIVE SECTOR, THE FARMERS, AND THE FISHERFOLK SECTOR.

SEC. 16. POWERS, DUTIES AND FUNCTIONS OF THE AFCFPC. — THE AFCFPC SHALL HAVE THE FOLLOWING POWERS, DUTIES, AND FUNCTIONS:

- a) TO SET TARGETS FOR ANNUAL CONTRIBUTIONS TO THE SPECIAL FUND TO BE COMMITTED BY THE BANKS IN AN AMOUNT THAT IS SUFFICIENT TO MEET THE ORGANIZATIONAL AND THE CAPACITY BUILDING REQUIREMENTS OF THE RURAL COOPERATIVES AND OTHER DULY-REGISTERED ORGANIZATIONS OF RURAL AGRICULTURAL AND FISHERIES HOUSEHOLDS OVER A PERIOD OF TEN (10) YEARS;
- b) TO IDENTIFY ELIGIBLE GRANT RECIPIENTS OF THE SPECIAL FUND;
- c) TO IDENTIFY ELIGIBLE AGRICULTURAL- AND FISHERY-RELATED CAPACITY BUILDING PROGRAMS THAT MAY BE FINANCED BY THE SPECIAL FUND; AND
- d) TO UNDERTAKE REPORTING, MONITORING, EVALUATION AND AUDIT REQUIREMENTS OF THE SPECIAL FUND AND ACTIVITIES FINANCED.

ARTICLE V MISCELLANEOUS PROVISIONS

SEC. 17. SUNSET PROVISIONS. THE PROVISIONS RELATED TO THE MANDATORY CREDIT QUOTA UNDER ARTICLE II AS WELL AS THE MANAGEMENT AND ADMINISTRATION OF THE SPECIAL FUND UNDER ARTICLE III SHALL CEASE TO HAVE EFFECT, TEN (10) YEARS FROM APPROVAL OF THIS ACT.

SEC. 18. Repealing Clause. —THE PROVISIONS OF REPUBLIC ACT NO. 10000, EXECUTIVE ORDER NO. 113 AND ANY OTHER laws, presidential decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 19. 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. 20. Transitory Provision. — THE BSP SHALL PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO IMPLEMENT ARTICLES I AND II OF THIS ACT WITHIN NINETY (90) DAYS AFTER THE APPROVAL OF THIS ACT. PRIOR TO THE EFFECTIVITY OF THE IMPLEMENTING RULES AND REGULATIONS OF ARTICLES I AND II OF THIS ACT, THE PROVISIONS OF REPUBLIC ACT NO. 10000 SHALL REMAIN IN FORCE.

MEANWHILE, THE AFCPC SHALL PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO IMPLEMENT ARTICLES III AND IV OF THIS ACT WITHIN NINETY (90) DAYS AFTER APPROVAL OF THIS ACT.

SEC. 21. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved.