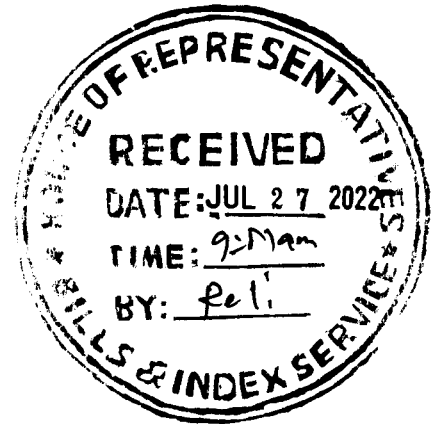


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. **2471**



Introduced by **Representative JOEY SARTE SALCEDA**

AN ACT
ESTABLISHING A SCHEME OF ALLOCATING TARIFF REVENUES FROM
AGRICULTURAL IMPORTS TO DOMESTIC SUPPORT, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 8178, AS AMENDED BY REPUBLIC ACTS NO.
9496, 10848, AND 11203, ENTITLED: "AN ACT REPLACING QUANTITATIVE
IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS, EXCEPT RICE,
WITH TARIFFS, CREATING THE AGRICULTURAL COMPETITIVENESS
ENHANCEMENT FUND, AND FOR OTHER PURPOSES"

EXPLANATORY NOTE

The Agricultural Competitiveness Enhancement Fund (ACEF), which was extended by Republic Act No. 10848, will be terminated by the end of 2022. Each year, the Department of Budget and Management releases under the ACEF around P1.5 billion per year, which will no longer be available to support agricultural sectors.

Additionally, higher global import prices this year would yield windfall import tariff revenues that could be used in succeeding years towards programs and projects to support domestic agricultural productivity, a key priority of President Ferdinand Marcos Jr.

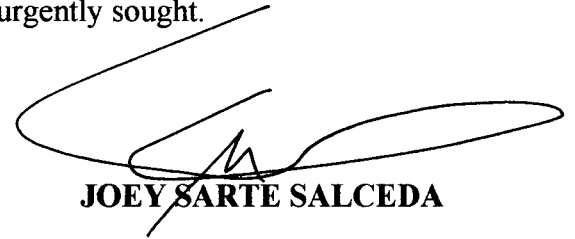
The Rice Competitiveness Enhancement Fund model, which is primarily assistance-based rather than credit-based, has helped result in all-time high yields in 2021 for palay. The 2021 full year palay harvest was 19.96 million metric tons, the highest ever produced by the country.

The model also resulted in several other key accomplishments. For dry season 2019 and 2021, palay seeding rate decreased by one-third or 33 percent from 96 kilograms (kg) per hectare (ha) to 64 kg/ha, which lowered seedling expenses for farmers. Average yield increased by 15 percent or 560 kg/ha, from 3.65 metric tons (MT) per hectare (ha) in 2019 to 4.22 mt/ha in 2021. The Philippine Rice Research Institute also estimates that due to the reduced cost of seeds and increased productivity, cost of production (COP) has decreased, and farmers earned additional gross income of PHP10,000/ha, at PHP19/kg dry palay buying price.

The ACEF was primarily credit-based, which could present difficulties of access to farmer-beneficiaries. Furthermore, access to credit itself would be no guarantee of higher capital expenditures and yield improvements among farms.

Likewise, ensuring that the theoretical damage due to world trade per crop is compensated correspondingly with domestic support from tariff revenues is consistent with the recommendation of agricultural experts that not enough support programs have been made towards “nurturing” the domestic sectors, and far too many resources have instead been spent on “protectionist” programs and policies. The expiry of the ACEF this year is an opportunity to reorganize its use and allocation towards such “nurturing” programs.

In view of the foregoing, the approval of this bill is urgently sought.



JOEY SARTE SALCEDA

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

SECTION 1. Section 8 of Republic Act No. 8178, as amended, otherwise 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”, is hereby further amended, to read as follows:

“SEC. 8. Agricultural Competitiveness Enhancement Fund. – To implement the policy enunciated in this Act, there is hereby created the Agricultural Competitiveness Enhancement [Fund] **PROGRAM**, hereinafter referred to as the [Fund] **PROGRAM, WHICH SHALL CONSIST OF SEPARATE DOMESTIC COMPETITIVENESS ENHANCEMENT FUNDS FOR EACH AGRICULTURAL SECTOR. THE DEPARTMENT OF AGRICULTURE AND THE DEPARTMENT OF FINANCE SHALL JOINTLY DETERMINE THE SECTORAL CLASSIFICATION OF EACH TARIFF LINE IN THE IMPLEMENTING RULES AND REGULATIONS OF THIS ACT.**

[The Fund] **THE DOMESTIC COMPETITIVENESS ENHANCEMENT FUND FOR EACH SECTOR** 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 A Special Account [183] in the General Fund of the National

Treasury **WHICH SHALL BE IN PLACE WITHIN NINETY (90) DAYS FROM THE EFFECTIVITY OF THIS ACT**]: 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 2022, 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 collection of duties for 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 released for:

(a) **PROGRAMS FOR** the increased productivity of farmers and fisherfolk [by providing the necessary credit to farmers and fisherfolk and their cooperatives and associations, and micro and small-scale enterprises, for] **SUCH AS** the acquisition and establishment of production, postharvest, and processing machineries, equipment and facilities, farm inputs and improvement; (b) research and development on agricultural and fishery products of state universities and colleges; and (c) a comprehensive and attractive grant-in-aid program for agriculture, forestry, fisheries, and veterinary medicine education to promote the development of agriculture and fisheries: 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 4 of this Act;

“(2) the use of the Fund shall be consistent with the policies and priority thrusts under Republic Act No. 8435, as amended, otherwise known as the Agriculture and Fisheries Modernization Act vis-a-vis the Medium-Term Philippine Development Plan (MTPDP);

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

“(4) projects to be funded shall enhance the competitiveness of target project beneficiaries or sectors, especially the small farmers and fisherfolk;

“(5) product or service competitiveness in the local and foreign markets in terms of product or service prices or fees and quality is achieved;

“(6) upstream and downstream linkages with related and complementary agricultural activities are promoted;

“(7) clear and verifiable proof of sustainability of operations is determined and supported; and

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

[“The Fund shall be set aside and earmarked as follows:

“(1) Eighty percent (80%), in the form of credit with reasonable interest, which shall not exceed Five million pesos (P5,000,000.00) per project loan, for the acquisition and establishment of agri-based production and post-production, and processing machineries, equipment and facilities to achieve modern agricultural practices, to be extended to Filipino farmers and fisherfolk associations and cooperatives, and micro and small-scale enterprises as defined in Republic Act No. 6977, as amended, engaged in agricultural production, farming, fisheries, agri-business and similar activities, and not to exceed One million pesos (P1,000,000.00) to individual farmers and fishermen to finance the purchase of farm inputs, equipment, or for farm improvement.

“The loan beneficiaries shall provide a counterpart fund or equity of not less than ten percent (10%) of the total project cost, which may be in the form of capital outlay, labor, land for the project site, facilities, equipment, and salaries.

“The Land Bank of the Philippines shall manage the credit facility funded out of the Fund and shall determine the eligibility requirements and set the required loan security or collateral and reasonable interest for the loan. For this purpose, the Land Bank is hereby authorized to charge a management fee from the Fund;

“(2) Ten percent (10%) as grants for research and development of agricultural and fishery products, and the commercialization of such, including the upgrading of research facilities, of qualified state universities and colleges, which shall not exceed Five million pesos (P5,000,000.00) per project; and

“(3) Ten percent (10%) to be used for the funding of a comprehensive and attractive grant-in-aid program for agriculture, forestry, fisheries, and veterinary medicine education, to be implemented by the Commission on Higher Education.]

“(B) SEED AND BIOLOGICAL MATERIALS DEVELOPMENT, PROPAGATION, AND PROMOTION – A PORTION OF THE FUND SHALL BE RELEASED AND USED TOWARDS THE DEVELOPMENT, PROPAGATION, AND PROMOTION OF RESILIENT PLANT AND ANIMAL BREEDING MATERIALS AND SEEDS, AND THE ORGANIZATION OF FARMERS AND FISHERFOLK INTO SEED GROWERS OR ANIMAL BREEDING ASSOCIATIONS OR COOPERATIVES.

“(C) CREDIT ASSISTANCE – A PORTION OF THE FUND SHALL BE MADE AVAILABLE IN THE FORM OF A CREDIT FACILITY WITH MINIMAL INTEREST RATES AND COLLATERAL AND ADMINISTRATIVE REQUIREMENTS TO FARMERS, FARMER ASSOCIATIONS, AND FARMER COOPERATIVES, TO BE

MANAGED BY THE LAND BANK OF THE PHILIPPINES AND THE DEVELOPMENT BANK OF THE PHILIPPINES.

“FUNDS SHALL BE ALLOCATED EQUALLY BETWEEN THE LAND BANK OF THE PHILIPPINES AND THE DEVELOPMENT BANK OF THE PHILIPPINES ON THE FIRST YEAR OF IMPLEMENTATION OF THIS ACT. THEREAFTER, THE ALLOCATION OF FUNDS BETWEEN THE BANKS SHALL BE DETERMINED BY THE ACEF EXECUTIVE COMMITTEE ACCORDING TO THE RATE OF RELEASE OF LOANS BY EACH BANK.

“(D) EXTENSION SERVICES – A PORTION OF THE FUND SHALL BE MADE AVAILABLE FOR THE EXTENSION SERVICES PROVIDED BY PHILMECH, AGRICULTURAL TRAINING INSTITUTE (ATI) AND TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA) FOR TEACHING SKILLS ON MODERN CROP PRODUCTION, MODERN FARMING TECHNIQUES, SEED PRODUCTION, FARM MECHANIZATION, AND KNOWLEDGE/TECHNOLOGY TRANSFER THROUGH FARM SCHOOLS NATIONWIDE, WITH THE ALLOCATION AMONG AGENCIES BEING DETERMINED BY THE ACEF EXECUTIVE COMMITTEE.

“ANY FUNDS IN EXCESS OF THE ANNUAL TARGETS SET BY THE ACEF EXECUTIVE COMMITTEE SHALL BE EARMARKED BY CONGRESS AND INCLUDED IN THE GENERAL APPROPRIATIONS ACT OF THE SUCCEEDING YEAR AS FOLLOWS:

"(A) FARMER FINANCIAL ASSISTANCE – A PORTION OF THE TARIFF REVENUES IN EXCESS OF TARGETS SET PER SECTOR SHALL BE RELEASED TO THE DA AND SHALL BE USED FOR PROVIDING DIRECT FINANCIAL ASSISTANCE TO FARMERS ADVERSELY AFFECTED BY THREATS DUE TO WORLD TRADE, ANIMAL OR PLANT DISEASES, CLIMATE CONDITIONS, AND OTHER AGRICULTURE-RELATED EMERGENCIES.

"(B) TITLING OF AGRICULTURAL LANDS – A PORTION OF THE TARIFF REVENUES IN EXCESS OF TARGETS SET PER SECTOR SHALL BE RELEASED TO THE DEPARTMENT OF AGRARIAN REFORM (DAR), DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR) AND LAND REGISTRATION AUTHORITY (LRA). AND SHALL BE USED FOR THE SUBDIVISION AND TITLING OF AGRICULTURAL LANDS OR PARTS THEREOF AWARDED TO FARMER-BENEFICIARIES UNDER THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP) AND OTHER SIMILAR PROGRAMS OF THE GOVERNMENT:

"(C) EXPANDED CROP INSURANCE PROGRAM – A PORTION OF THE TARIFF REVENUES IN EXCESS OF TARGETS SET PER SECTOR SHALL BE RELEASED TO THE PHILIPPINE CROP

INSURANCE CORPORATION (PCIC) AND SHALL BE USED FOR THE PROVISION OF CROP INSURANCE TO QUALIFIED FARMER-BENEFICIARIES UNDER ITS EXISTING AGRICULTURAL INSURANCE PROGRAMS; AND

"(D) CROP DIVERSIFICATION PROGRAM – A PORTION OF THE TARIFF REVENUES IN EXCESS OF TARGETS SET PER SECTOR SHALL BE RELEASED TO THE DA AND SHALL BE USED FOR PRODUCTIVITY-ENHANCEMENT PROGRAMS FOR FARMERS SEEKING TO DIVERSIFY PRODUCTION TOWARDS OTHER CROPS OR LIVESTOCK.

“To ensure the attainment of the objectives of the Fund, there is hereby created an ACEF Executive Committee, composed of:

“(a) The Secretary of Agriculture, as chair;

“(B) THE SECRETARY OF FINANCE AS CO-CHAIR;

“(C) THE EXECUTIVE SECRETARY;

“(D) THE DIRECTOR-GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY;

“(E) THE DIRECTOR-GENERAL OF THE TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY;

[“(b) The President of the Land Bank of the Philippines;

“(c) The Chairperson of the Commission on Higher Education;]

“[(d)] **(F)** A representative of farmers associations and cooperatives;
and

“[(e)] **(G)** A representative of fisherfolk associations and cooperatives.

“The Committee shall promulgate the policies and guidelines necessary for the planning, **ALLOCATION**, administration, coordination and monitoring of the utilization of the Fund.

“The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) shall conduct aN **ANNUAL** [periodic] review of the use of the Fund.”

SEC 2. Separability Clause. – If any portion of this Act is declared unconstitutional or invalid, the portions or provisions which are not affected shall continue to be in full force and effect.

SEC 3. Repealing Clause. – All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

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

Approved,