

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. B. No. 3428



Introduced by Representative Ralph G. Recto

AN ACT
IMPROVING THE ACCESS OF RURAL COMMUNITY BENEFICIARIES TO THE
AGRICULTURE, FISHERIES, AND RURAL DEVELOPMENT FINANCING
SYSTEM, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 11901,
OTHERWISE KNOWN AS "THE AGRICULTURE, FISHERIES AND RURAL
DEVELOPMENT FINANCING ENHANCEMENT ACT OF 2022"

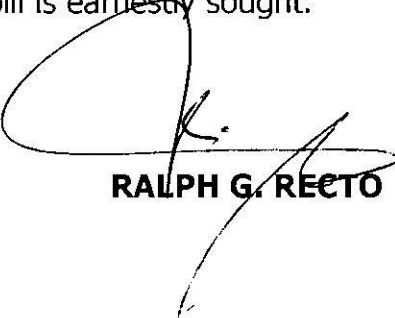
EXPLANATORY NOTE

The experience in the implementation of Republic Act No. 10000, otherwise known as The Agri-Agra Reform Credit Act of 2009, shows that the provision of alternative modes of compliance may have an adverse effect on the extension of direct loans to the agricultural sector. For instance, the low 42.6% compliance with Republic Act No. 10000 recorded by the *Bangko Sentral ng Pilipinas* in the last quarter of FY 2021 is further aggravated by the fact that alternative compliance accounts for 34.0% and 49.6% of total compliance to the agrarian reform credit requirement and other agricultural credit requirement, respectively. Unfortunately, Republic Act No. 11901, otherwise known as The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, which repealed Republic Act No. 10000 has further expanded the modalities for alternative compliance that lending institutions can exploit, which could be detrimental to farmers, fisherfolk, and others in the agricultural sector who desperately need access to formal sources of financing.

This bill seeks to remedy this situation by limiting compliance to the minimum mandatory agricultural and fisheries financing requirement to direct loans extended to rural community beneficiaries and by removing the sunset provision on such

mandatory credit allocation. The proposed measure, in turn, grants tax incentives to lending institutions by exempting them from the payment of gross receipts tax on interests, commissions, discounts and all other items treated as gross income from the loans granted to rural community beneficiaries. It is hoped that these interventions can help in realizing the goal of Republic Act No. 11901, which is to 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.

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



RALPH G. RECTO

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

1 Section 1. Section 7 of Republic Act No. 11901 is hereby amended to read as
2 follows:

3 "Sec. 7. *Modes of Compliance.* – Banks [may] **SHALL** comply
4 with the mandatory credit requirement by lending to rural community
5 beneficiaries, to finance agricultural and fishery-related activities as
6 enumerated under Section 4 of this Act[. Banks may also comply with
7 the mandatory financing requirement through other means as follows:

8 "~~(a) Invest in debt securities, including those issued by the DBP~~
9 ~~and LBP: *Provided,* That the proceeds from said debt securities shall be~~
10 ~~used to finance activities under Section 4 hereof: *Provided, further,* That~~
11 ~~the proceeds from debt securities issued by the DBP and the LBP shall~~
12 ~~be separately accounted for and shall not be considered for purposes of~~
13 ~~computing the loanable funds under Section 6 hereof of the said banks;~~

14 "~~(b) Open deposit accounts and/or invest in fixed term deposit~~
15 ~~products with RFIs: *Provided,* That such deposit accounts/products shall~~
16 ~~be separately accounted for by the depository bank and shall not be~~

considered for purposes of computing the loanable funds of the said banks as described in Section 6 hereof;

~~“(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 RFIs, subject to prevailing laws, rules or regulations or lend wholesale to RFIs: *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 AVCF to actors/players in the AVC that benefits rural communities;~~

~~“(h) Engage in sustainable finance;~~

~~“(i) Invest in shares of stock of the Philippine Crop Insurance Corporation (PCIC) or in companies that primarily engage in activities under Section 4 hereof, including investments in venture capital corporations, that benefit rural community beneficiaries; and~~

~~“(j) Provide financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture;”:~~

~~“*Provided*, [That the loans and investments that are counted as compliance are not funded by proceeds from the issuance of debt securities, and/or deposit/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 ARBS, ARCS,~~

1 or other priority sectors, as may be determined by the Agricultural Credit
2 Policy Council (ACPC), shall be counted at ten times (10x) their
3 outstanding amount, or as otherwise prescribed by the ACPC, for
4 purposes of determining compliance with the mandatory agricultural and
5 fisheries financing requirement.

6 ~~["The modes of compliance enumerated in this section shall be~~
7 ~~subject to review by the ACPC after implementation to determine~~
8 ~~whether these are adequate to support the financing requirements of~~
9 ~~rural communities and recommend to Congress for appropriate action.~~

10 ~~"The BSP, the Department of Agriculture (DA) and the DAR may~~
11 ~~provide inputs to the review process in their capacity as members of the~~
12 ~~ACPC.~~

13 ~~"Further, the BSP shall be authorized to identify other actions that~~
14 ~~may be considered as eligible modes of compliance with the mandatory~~
15 ~~credit to rural community beneficiaries."']~~

16 Sec. 2. A new Section 8 shall be inserted after Section 7 of Republic Act No.
17 11901 to read as follows:

18 **"SEC. 8. EXEMPTION OF LOANS GRANTED TO RURAL**
19 **COMMUNITY BENEFICIARIES FROM GROSS RECEIPTS TAX. –**
20 **LENDING INSTITUTIONS SHALL BE EXEMPT FROM THE**
21 **PAYMENT OF GROSS RECEIPTS TAX IMPOSED UNDER**
22 **SECTIONS 121 AND 122 OF THE NATIONAL INTERNAL**
23 **REVENUE CODE OF 1997, AS AMENDED, ON INTERESTS,**
24 **COMMISSIONS, DISCOUNTS AND ALL OTHER ITEMS TREATED**
25 **AS GROSS INCOME FROM LOANS GRANTED TO RURAL**
26 **COMMUNITY BENEFICIARIES IN COMPLIANCE WITH SECTION**
27 **7 OF THIS ACT."**

28 The succeeding sections of Republic Act No. 11901 are hereby renumbered
29 accordingly.

30 Sec. 3. Section 12 of Republic Act No. 11901 is hereby repealed and the
31 succeeding sections thereof are renumbered accordingly.

1 Sec. 4. *Implementing Rules and Regulations.* — Within ninety (90) days from
2 the effectivity of this Act, the *Bangko Sentral ng Pilipinas* shall, in consultation with
3 the Land Bank of the Philippines, Development Bank of the Philippines, Al-Amanah
4 Islamic Investment Bank of the Philippines, Cooperative Development Authority,
5 Department of Agriculture, Department of Agrarian Reform, the banking industry,
6 microfinance organizations and other relevant agencies, promulgate the necessary
7 rules and regulations for the effective implementation of this Act.

8 Sec. 5. *Separability Clause.* — The provisions of the Act are hereby declared to
9 be separable. If any provision of this Act shall be held unconstitutional, the remainder
10 of the Act not otherwise affected thereby shall remain in full force and effect.

11 Sec. 6. *Repealing Clause.* — All laws, executive orders, rules and regulations,
12 or parts thereof, inconsistent herewith are hereby repealed, amended or modified
13 accordingly.

14 Sec. 7. *Effectivity Clause.* — This Act shall take effect within fifteen (15) days
15 from its publication in at least two (2) national newspapers of general circulation or
16 in the *Official Gazette*.

Approved,