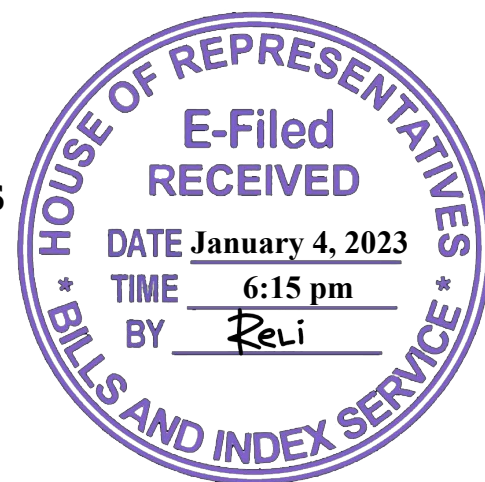


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 6735



Introduced by: **REPRESENTATIVE EDWIN L. OLIVAREZ**

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

EXPLANATORY NOTE

The Constitution of the Philippines provides that the Congress shall give highest priority to the enactment of measure that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good. Likewise, the Constitution of the Philippines also provides that the State shall promote comprehensive rural development and agrarian reform. These two (2) constitutional provisions are imperative in creating measures and policies that will contribute in eradication of poverty in the Philippines.

The agricultural sector of the Philippines plays a huge role in our country; some might even say that it is the most essential industry in our country. However, being part of the most essential industry in the country does not mean that the people there enjoy a decent standard of living. Rural communities today are still faced with challenges which even include access to basic services.

A dynamic agricultural sector is an important foundation of rural development. This Bill is inclined in answering the needs of the agricultural sector through developing the roles of banking institutions as stakeholders

In rural development, the creation of an Agriculture, Fisheries, and Rural Financing System is the forefront of this Bill. The financing system shall consist of loans, investments, and grants that will enhance the productivity and income of agricultural sector which shall thereby lead to a sustainable development of rural communities.

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



EDWIN L. OLIVAREZ

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*Be it enacted in the Senate and the House of Representative of the
Republic of the Philippines in Congress assembled:*

Section 1. Short Title. – This Act shall be known as the “The Rural Agricultural and Fisheries Financing Enhancement Act of 2022”.

Section 2. Declaration of Policy. - It is hereby declared the policy of the State to promote comprehensive rural development and agrarian reform in order to accelerate economic development. Towards this end, the State shall create measures in order to provide a more equitable distribution of opportunities, income, and wealth, a sustained increase in the amount of goods and services produced by the nation for the benefit of the people and an expanding productivity in order to raise the quality of life for all, especially the underprivileged.

Section 3. Definition of Term. –

- (a) **Agri-Business** shall refer to agriculture and fishery-related activities conducted by farmers, fisherfolk processors, distributors, and consumers which produce, process, transport, market, and distribute agricultural and fishery products.
- (b) **Agricultural or Fisheries Household** shall refer to a household who has at least one (1) member who is a farmer, fisherman, agrarian reform beneficiary, farmworker, owner-cultivator, compact farmer, and the like;

- (c) **Farmer** refers to a person who works for value as a laborer in an agricultural enterprise regardless of whether their compensation is paid on a daily, weekly, monthly, or “pakyaw” basis;
- (d) **Farmer’s and Fisherfolk’s Organizations** shall refer to farmers’ and fisherfolks’ associations, cooperatives, or corporations which are composed of small agricultural producers, farmers, farmworkers, agrarian reform beneficiaries, and fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own and control;
- (e) **Fisherfolk** shall refer to persons who are engaged in the catching, culturing, and/or processing of fishery and/or aquatic resources.

SECTION 4. Agriculture, Fisheries and Rural Financing System. - An Agriculture, Fisheries and Rural Financing System is hereby established for the purpose of improving the income and productivity, and the quality of life of the rural beneficiaries.

Agriculture, fisheries, and rural financing, for purposes of this Act, shall refer to loans, investments, and grants to finance activities that focus on improving productivity and increasing the income of agricultural and fisheries households. In effect, agricultural sector productivity and competitiveness shall be promoted as well as sustainable development of rural communities. These activities shall include, but shall not be limited to, off-farm activities, agricultural 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, projects that promote the livelihood of the rural community beneficiaries and all other analogous activities as may be determined by the Agricultural and Fisheries Finance and Capacity-Building Council (AFFCC).

SECTION 5. Rural Community Beneficiaries. - The aforementioned rural community beneficiaries shall refer to those actually named as such, or to cooperatives, associations, MSMEs, or organizations of such beneficiaries without regard to the 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.

SECTION 6. *Credit Allocation.* - All banking institutions, both government and non-government, with the exceptions of newly established banks for a period of five (5) years from the date of commencement of bank operations shall allocate credit or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five (25%) of their total loanable funds.

The total loanable funds generated by a banking institution shall be defined by the Bangko Sentral ng Pilipinas.

SECTION 7. *Credit Allocation Compliance.* - Banks may comply with the mandatory credit allocation requirement by lending to rural community beneficiaries to finance agricultural and fishery-related activities identified under the Agriculture & Fisheries Modernization Act of 1997, agricultural modernization, agri-tourism, green finance projects, marketing, processing, distribution and storage of agricultural and fishery commodities, livelihood projects, skills enhancement or capacity-building programs.

The following shall also be accepted as compliance of the credit allocation requirement as provided for by this Act:

- (a) Invest in debt securities including debt securities 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 the activities mentioned in Section 4 of this Act. *Provided further*, that the proceeds from debt securities issued by the DBP and LBP shall be separately accounted for and shall not be considered for purposes of computing loanable funds under Section 6 hereof;
- b) Open deposit accounts with rural financial institutions. *Provided*, that said deposit accounts shall be separately accounted for by the depository bank and shall not be considered for purposes of computing the loanable funds under Section 6 hereof;
- (c) Directly invest in shares of stock, 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;
- (d) 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;
- (e) Lend for the construction and upgrading of rural infrastructure that will promote the agriculture fisheries and agrarian reform sector;
 - (f) Lend to agricultural business enterprises that maintain agricultural commodity supply chain arrangements directly with rural community beneficiaries;
 - (g) Undertaking agricultural value chain financing that shall be beneficial to rural communities.

Section 8. Review of Compliance Modes. – The modes enumerated in the preceding section shall be subject to review by the AFFCC after its implementation and the same shall determine whether said modes are adequate to support the financing requirements of rural communities. It shall recommend to Congress the same for appropriate action.

Section 9. Annual Reports. – The BSP shall report annually to Congress the compliance with the mandatory agricultural and fisheries financing requirements as provided for by this Act.

Section 10. Penalty Clause. – The BSP shall impose administrative sanctions and other penalties on the lending institutions for violation for any of the provisions of this Act. Penalties on noncompliance or under compliance with the mandatory agricultural and fisheries financing requirements shall be computed at one-half of one percent (0.5%) of noncompliance or under compliance or at rates prescribed by the BSP Monetary Board. Ten percent (10%) of the penalties collected shall remain with the BSP in order to shoulder administrative expenses for its regulatory functions in connection to this Act.

Section 11. Agribusiness Management Capacity and institution-Building Fund. – There shall be created a special fund which shall be the Agribusiness Management Capacity and Institution-Building Fund which shall be used to finance agricultural and fishery-related activities including organizational capacity and related to agriculture, fisheries and rural undertakings. In relation to this, banking institution may choose to provide contributions to said fund in order to comply with the mandatory credit allocation set forth in this Act.

The initial amount of the agribusiness Management Capacity and Institution-Building Fund shall be at least ten (10) billion pesos which shall include penalties due from banks on their noncompliance or under compliance of the mandatory Agri-Agra credit requirements under Republic Act No. 10000, collected after the effectivity of this Act.

In case of shortfall, the banks shall contribute a maximum amount of two (2) billion pesos, which shall be chargeable against future penalties

under this Act but shall not be considered as a mode of compliance as set forth hereof.

Section 12. *Application for Funding.* - All banks, duly-registered training and capacity-building organizations. Cooperatives and other duly-registered organizations may apply with the AFFCC for funding their capacity and institution-building programs and activities.

Section 13. *Agricultural and Fisheries Finance and Capacity-Building Council (AFCC).*- There shall be created an agricultural and Fisheries Finance and Capacity Building Council which shall be composed of designated representatives from the following agencies:

- (a) The Department of Agriculture, as Chairman;
- (b) The Banko Sentral ng Pilipinas;
- (c) The Department of Agrarian Reform;
- (d) The Department of Trade and Industry;
- (e) The Cooperative Development Authority;
- (f) The Land Bank of the Philippines;
- (g) The Development Bank of the Philippines;
- (h) Nine (9) representatives from the private sector one of whom shall be appointed as Vice Chairperson.

The private sector representative shall include representatives from:

- (a) The Rural Bankers Associations of the Philippines;
- (b) The Bankers Association of the Philippines;
- (c) The Chamber of Thrift Banks;
- (d) The Cooperatives Banks Federation of the Philippines;
- (e) The Microfinance Council of the Philippines;
- (f) The Philippine Chamber of Commerce and Industry; and
- (g) A representative from the cooperative sector, the farmers, and fisherfolk sector, respectively.

Section 14. *Functions and Duties of the AFFCC.* – The AFFCC shall have the following functions and duties:

- (a) Establish a target amount for the Special Fund in order to meet the organizational and capacity-building requirements of cooperatives and other duly-registered organizations of rural agricultural and fisheries households over a period of ten (10) years;
- (b) Determine eligible recipients of the Special Fund;
- (c) Determine activities and programs that shall be financed through the special Fund;
- (d) Ensure effective implementation and programs financed by the Special Fund and employ resources from banking industry which are capable of providing project coordination and fund management services;
- (e) Ensure compliance with the reporting, monitoring, evaluation

and audit requirements of the Special Fund and activities financed

Section 15. Oversight Committee. – For purposes of monitoring the implementation of the provisions of this Act, an oversight committee shall be created which shall be composed of the following:

- (a) The Chairperson of the Committee on Banks and Financial Intermediaries of the House of Representatives;
- (b) The Chairperson of the Committee on Banks, Financial Institutions and currencies of the Senate.
- (c) A representative from the Office of the President; and
- (d) A representative from Commission on Audit.

Section 16. Sunset Provision. – The provision related to the mandatory credit allocation under Section 5 of this Act shall cease to be effective ten (10) years from effectivity of this Act.

Section 17. Implementing Rules and Regulation. – The appropriate government agency shall establish the implementing Rules and Regulations of this Act within ninety (90) days after the passage hereof.

Section 18. Separability Clause. – If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 19. Repealing Clause. – All Acts, executive orders, memorandum circular/guidelines and other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

Section 20. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation

Approved.