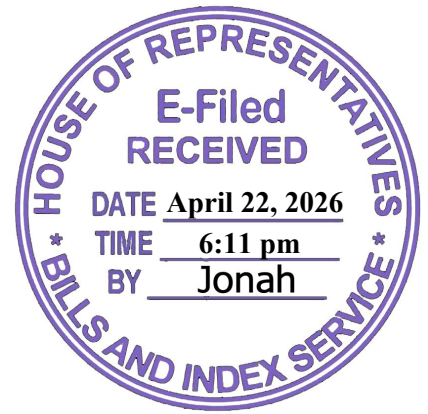


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. **8959**



Introduced by **Representative ERIC G. YAP**

EXPLANATORY NOTE

This bill seeks to strengthen the financing system for agriculture and rural development in the Philippines by establishing a more inclusive, responsive, and accessible credit framework, while repealing Republic Act No. 10000 or the “*Agri-Agra Reform Credit Act of 2009*”. It introduces a “Plant Now, Pay Later” approach that provides zero-interest financing, expands credit access, and aligns financial services with the realities of agricultural production cycles to improve productivity, increase farmers’ incomes, and promote rural economic growth.

Despite existing mandates on agricultural credit, many farmers, fisherfolk, and rural enterprises continue to face limited access to affordable financing. The current system has often resulted in compliance-driven lending rather than meaningful financial inclusion, with banks opting for alternative modes of compliance instead of directly extending credit to agricultural stakeholders. As a result, small farmers and rural communities remain underserved, constraining their ability to invest in modern technologies, expand production, and withstand economic and climate-related shocks.

This measure addresses these gaps by mandating all banking institutions to allocate at least twenty-five percent (25%) of their loanable funds for agriculture and rural development financing, while ensuring that such financing directly benefits rural stakeholders. It requires banks to design appropriate financial products tailored to agricultural cash flows and production cycles, including the provision of zero-interest loans without additional charges, thereby easing the financial burden on borrowers and encouraging greater participation in formal financial systems.

The bill also broadens the scope of eligible financing activities to cover the entire agricultural value chain, including production, processing, logistics, infrastructure, agri-tourism, and sustainable or green projects. It promotes innovative financing mechanisms such as agricultural value chain financing and supports investments in rural infrastructure and digital banking solutions to reach underserved and remote communities.

Furthermore, the measure strengthens institutional support through the creation and utilization of a Special Fund sourced from penalties for non-compliance, which will be used to finance agrarian reform initiatives, provide credit facilities, and support capacity-building programs for farmers and rural enterprises. It also enhances regulatory oversight and accountability through reporting requirements and the involvement of key agencies such as the Bangko Sentral ng Pilipinas (BSP), the Department of Agriculture (DA), and the Department of Agrarian Reform (DAR). Transforming the agricultural credit system into one that is farmer-centered and development-oriented, the bill will support long-term food security and national economic resilience.

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



HON. ERIC G. YAP

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House Bill No. **8959**

Introduced by **Representative ERIC G. YAP**

AN ACT
STRENGTHENING THE FINANCING SYSTEM FOR AGRICULTURE AND
RURAL DEVELOPMENT IN THE PHILIPPINES, REPEALING FOR THE
PURPOSE REPUBLIC ACT NO. 10000 OTHERWISE KNOWN AS “THE
AGRI-AGRA REFORM CREDIT ACT OF 2009”

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

Section 1. *Short Title.* – This Act shall be known as the “*Plant Now, Pay Later 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, and promote modernization and improve the welfare and economic prospects of beneficiaries in rural communities through active participation of banking and other financial institutions.

The Landbank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) shall continue to promote savings and credit in the rural areas by offering affordable and accessible deposit products such as the basic deposit account for deposits and low to no interest rates for loans.

The lending cooperatives, microfinance institutions, retail banks, rural and thrift banks shall apply minimum to zero (0) interest rates for wholesale loans obtained from government banks.

Likewise, the LBP and DBP shall use their resources to innovate, develop, promote, and invest in digital, automation technology, branchless banking, and cash agent operations to reach remote barangays and municipalities; using e-commerce, online transactions, bank-on-wheels, point of sale devices with retailers and

non-banking institutions, lottery kiosks, and mobile phone applications in making banking services accessible to the rural public.

SEC. 3. *Definition of Terms.* – As used in this Act:

a. Agrarian Reform Beneficiary (ARB) refers to a farmer who was granted land under Presidential Decree No. 27, otherwise known as the “*Tenant Emancipation Decree*”; Republic Act (RA) No. 6657, otherwise known as the “*Comprehensive Agrarian Reform Law of 1988*”; and RA No. 9700, otherwise known as the “*Comprehensive Agrarian Reform Extension with Reforms (CARPER)*”. It also includes a landless regular farmworker, irrespective of tenurial arrangement, who benefited from the land redistribution, regardless of crops or fruits produced, including access to support services intended to improve the beneficiary’s economic status and alternative arrangements in lieu of physical land distribution, such as production and profit sharing, labor administration, and stock distribution that entitle the beneficiary to a just share of the land’s produce. The term shall also include registered ARBs’ cooperatives, associations, or other farm groups respectively endorsed as comprising of ARBs by the nearest office of the Department of Agrarian Reform (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 ARBs which is organized and willing to undertake the integrated development of an area and/or their organizations or 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 or non-food processing, trading, and retailing;

d. Agri-Tourism, also referred to as “Farm Tourism” under RA No. 10816, otherwise known as the “*Farm Tourism Development Act of 2016*”, 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 one’s immediate farm household, cultivates the land owned by another for a certain price in money, in produce, or both;

f. Agricultural household refers to a household with at least one (1) member of the household who is a farmer, an ARB, a settler, an agricultural

lessee, an amortizing owner, a farmworker, a fish worker, an owner-cultivator, a compact farmer, or a tenant farmer;

g. Agricultural Value Chain (AVC) refers to a set of actors and/or players, such as farmers, fisherfolks, traders, suppliers, processors, aggregators, who make up linked sequence of value-adding activities undergone by an agricultural product when converted from raw material to final form it is presented to the consumers;

h. Agricultural Value Chain Financing (AVCF) refers to the financial products and services made available to an AVC following the appropriate evaluation of the AVC's composition, goal, size, and capacity;

i. Agro-Industry Modernization Credit and Financing Program (AMCFP) refers to the umbrella credit or financing program of the government for the agriculture and fisheries sector created under RA No. 8435, otherwise known as the "*Agriculture and Fisheries Modernization Act of 1997*";

j. Amortizing owners refer to landowners who amortize payment for the land to a private individual or to the State;

k. Basic Deposit Account (BDA) refers to interest- or non-interest-bearing account designed to promote financial inclusion;

l. Cash agent refers to a third-party entity contracted by a bank to accept and disburse cash on its behalf, and facilitate self-service deposits, withdrawals and fund transfers, bills payment, and other banking services, as allowed under BSP rules and regulations;

m. Compact farmers refer to those farmers with adjoining farms operating as a single unit under one (1) management, farm plan and budget;

n. Farmer refers to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agro-forest products, or livestock, either by oneself, or primarily with the assistance of their immediate farm household, whether the land is owned by them or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof;

o. 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 the compensation is paid on a daily, weekly, monthly, or "*pakyaw*" or contracted project. 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;

p. Farmers' cooperatives refer to cooperatives composed primarily of small agricultural producers, farmers, farmworkers, or other ARBs who voluntarily organize themselves for the purpose of pooling land, manpower, technological, financial, or other economic resources, and operate on the principle of one (1) member, one (1) vote. A juridical person may be a member of a cooperative, with the same rights and duties as a natural person;

q. Farmers' and fisherfolk organizations or associations refer to farming or fishing cooperatives, associations, or corporations duly registered with appropriate government agencies, and which are composed primarily of small agricultural producers, farmers, farmworkers, ARBs, and fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize;

r. 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 or highway;

s. Financial services refer to services extended by banks and financial institutions such as credit or lending, deposits, rediscounting, investments, and insurance;

t. Green projects refer to green economic activities and projects. Aside from activities that promote climate change adaptation and mitigation, green projects also cover environmental and efficiency improvements, natural capital preservation, and resource mobilization;

u. Micro, Small and Medium Enterprise (MSME) refers to any business activity or enterprise defined as such under existing laws;

v. A 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;

w. 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;

x. Post-harvest activities refer to threshing, drying, milling, grading, storing, 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. Registry System for Basic Sectors in Agriculture (RSBSA) is an electronic compilation of basic information on farmers, farmworkers, and fisherfolk. The database, which includes the profile of farmers, farm workers and fisherfolk, and additional information such as farm parcels and fisheries, among others, is mainly used to help government planners and policymakers in formulating policies for agricultural development;

bb. Rural Community refers to an area that is defined as such by the Philippine Statistics Authority (PSA);

cc. Rural Financial Institution (RFI) refers to any financial institution established, and is operating, in a rural community;

dd. 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;

ee. Sustainable Finance refers to any form of financial product and services that integrate environmental, social, and governance criteria into business decisions. This approach fosters long-term economic growth and delivers lasting benefits to clients and society, while simultaneously reducing environmental pressure. It includes Green Finance, which specifically directs capital toward climate change mitigation, adaptation projects, and environmentally sustainable economic activities; and

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

SEC. 4. *Agriculture and Rural Development Financing System.* – There is hereby established an agriculture and rural development financing system to improve the productivity, income, competitiveness, and welfare of rural community beneficiaries, particularly farmers, ARBs, ARCs, settlers, agricultural lessees, amortizing owners, farmworkers, owner-cultivators, compact farmers, tenant farmers, and members of their household and their MSMEs, as well as farmer's cooperatives, organizations and associations, through government and private banking institutions.

Agriculture and rural development financing, as used herein, shall consist of loans and investments that support activities aimed at enhancing productivity and increasing the income of agricultural households, thereby promoting the productivity and competitiveness of the agricultural sector and the sustainable development of rural communities. These activities shall include, but not be limited to, those identified under the AMCFP, as enumerated under Chapter III, Section 23 of RA No. 8435, or the "*Agriculture and Fisheries Modernization Act of 1997*", off-farm entrepreneurial activities, agricultural mechanization and modernization, agri-tourism, environmental, social and governance projects, including green projects, digitization and automation of farming and agribusiness activities and processes, acquisition of lands authorized under RA No. 3844, otherwise known as the "*Code of Agrarian Reforms of the Philippines*", and its amendments, efficient and effective marketing, processing, distribution, shipping and logistics, and storage of agricultural and fishery commodities, public rural infrastructure, as well as programs that shall promote the health and wellness of farmers and ARBs, including members of their households, such as water and sanitation projects for rural communities, and 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.

Toward this end, banking institutions are mandated to design and offer financial products and services that suit the specific requirements of their agricultural clients, taking into account the client's cash flows and the gestation and harvest periods of the agricultural produce/activity/project being financed. Such institutions shall provide zero-interest loans, payable within a maturity period determined based on the client's cash flows and the gestation and harvest periods of the agricultural activity or project: *Provided*, That such loans will not incur any other loan fees, such as but not limited, to penalties for late payment.

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 and investments.

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-related activities as enumerated under Section 4 of this Act. Banks may also comply with the mandatory financing requirement through other means as follows:

a. Invest in debt securities, including those issued by the DBP and the 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;

b. Open deposit accounts and/or invest in fixed term deposit products with RFIs; *Provided*, That such deposit accounts/products shall 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 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 benefit rural communities;

h. Engage in sustainable finance; and

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;

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

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

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

Further, the BSP shall be authorized to identify other actions that may be considered as eligible modes of compliance with the mandatory credit to agricultural and rural community beneficiaries.

SEC. 8. *Annual Reports*. – The BSP shall furnish reports on the compliance with the mandatory agriculture, fisheries rural development financing requirement, including information on the amount of agri-agra penalties collected and remitted to the implementing agencies of the Special Fund as identified under Section 11 of this Act, to the ACPC and 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. 9. *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 Implementing agencies of the Special Fund as identified under Section 11 of this Act. Ten percent (10%) of the penalties collected shall be retained by the BSP to cover administrative expenses and twenty-five (25%) shall be remitted to the General Fund.

SEC. 10. *Special Fund*. – The Special Fund shall consist of 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 and the

twenty five percent (25%) to be remitted to the General Fund, and penalties collected under Section 9 hereof.

The annual penalties for noncompliance and undercompliance with the mandatory agri-agra credit that are collected by the BSP under Section 9 shall be remitted directly to the implementing agencies, within one and a half (1.5) years from imposition of the same, for distribution in accordance with the provisions under Section 11 of this Act.

SEC. 11. *Use of Special Fund.* - The Special Fund under Section 10 of this Act shall be allocated to the following implementing agencies in this manner:

a. Thirty five percent (35%) of the fund shall be allocated to DAR for the titling and parcelization of landholdings covered with Collective Certificate of Land Ownership Awards (CLOA); and

b. Sixty five percent (65%) of the fund shall be made available in the form of credit facility with no interest rates and with minimum collateral requirements, to be equally managed by the LBP and the DBP which shall set their geographic coverage in administering said credit facility.

The LBP and DBP shall utilize the Special Fund for lending to farmers registered in the RSBSA, farmers cooperatives and associations, and microfinance institutions: *Provided*, That a portion of the Special Fund managed by the LBP and DBP shall be used to fund capacity building programs which will equip ARBs, as well as members of their household and their MSMEs, and agrarian reform communities with the appropriate knowledge and skills to improve their welfare, competitiveness, income and productivity. For this purpose, the LBP and DBP may coordinate with qualified training providers as well as the ACPC and the Cooperative Development Authority, on the design and delivery of these capacity building programs.

In the case of the DBP share, to promote financial inclusion in Islamic communities, particularly the ARBs in the Bangsamoro Region, two and one-half percent (2.5%) in the thirty-two and one-half percent (32.5%) share of DBP shall be allocated to Al Amanah Islamic Investment Bank of the Philippines (AAIIBP) for as long as the National Government is a majority shareholder of AAIIBP.

Provided, That all loan repayments and other collections shall revert to the General Fund of the National Treasury: *Provided further*, That LBP and DBP shall be allowed to reimburse direct costs incurred in the management of the Fund, but in no case shall these reimbursements exceed two percent (2%) of the average quarterly loan balance.

SEC. 12. *Congressional Oversight.* - The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) shall exercise oversight functions over the implementation of this Act. In line with this, COCAFAM shall

conduct an independent review of the use of the Special Fund administered by the implementing agencies.

SEC. 13. *Implementing Rules and Regulations.* – The BSP, in consultation with LBP, DBP, AIBP, Cooperative Development Authority, DA, DAR, the banking industry, Microfinance Organizations, and other relevant agencies, shall promulgate such rules and regulations as may be necessary to implement the provisions relating to the mandatory agricultural financing requirement, within sixty (60) working days after approval of this Act.

SEC. 14. *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. 15. *Repealing Clause.* – RA No. 10000 is hereby repealed. Any other provisions of laws, decree and regulations, administrative orders inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,