

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

EIGHTEENTH CONGRESS  
**Second Regular Session**

HOUSE BILL NO. 7304



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Introduced by **HON. JOY MYRA S. TAMBUNTING**

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**EXPLANATORY NOTE**

Based from 2019 data from Philippine Statistics Authority, the agriculture sector grossed around Php 800 billion in 2018, which contributed to 8.1 percent to the country's gross domestic product<sup>1</sup>. Despite this, agricultural growth did not even reach one percent (1%)—far from projected target which is around 2-4%<sup>2</sup>. The Department of Agriculture has been trying to address this concern through modernization of agriculture, promotion of exports, road and infrastructure development, higher budget allocation, and legislative support on proposed policies related to agricultural and rural development.<sup>3</sup> Republic Act No. 10000 or the Agri-Agra Reform Credit Act of 2009 was enacted to promote rural development by enhancing access of the rural agricultural sector to financial services and programs that increase market efficiency and promote modernization in the rural agricultural sector.

However, a study from the Philippine Institute for Development Studies recognized that there still remains an unmet demand for credit especially for landless farm workers who are also tilling land<sup>4</sup>. Some challenges include tedious documentary requirements, lack of information on processes and awareness of financial institutions, and perceived high interest rates on bank loans<sup>5</sup>. These challenges make it difficult for our farmers and fishermen to avail of the financing they desperately need to continue their business. Moreover, most financial institutions opt to pay mandated penalties than lend to beneficiaries from the agriculture sector due to risk of non-return of investments. These difficulties discourage farmers from growing their crops, which leads to a decrease in productivity in the agriculture sector.

This measure is hereby proposed to make private financial institutions and programs more accessible to our local farmers and fisherfolk by creating a special fund that may be used to

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<sup>1</sup> <https://psa.gov.ph/sites/default/files/Selected%20Statistics%20on%20Agriculture%202019.pdf>

<sup>2</sup> <https://rappler.com/business/philippine-agriculture-misses-growth-target-2019>

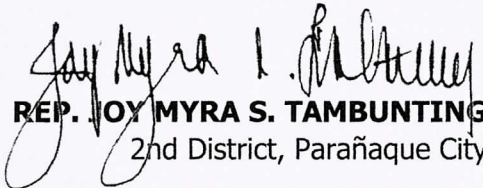
<sup>3</sup> <https://rappler.com/business/william-dar-aims-agriculture-growth-double-income-farmers>

<sup>4</sup> <https://dirp4.pids.gov.ph/websitecms/CDN/PUBLICATIONS/pidsdps1648.pdf>

<sup>5</sup> Ibid.

finance agricultural-related activities, capacity and institution-building programs for rural cooperatives. This shall also establish a Finance and Capacity-Building Council which shall be responsible for the management, implementation and assessment of the special fund and the identification of eligible beneficiaries and activities that may be financed by the fund.

On behalf of the people of Parañaque City's Second District, and for the common good of the Filipino people, the approval of the said measure is earnestly sought.

  
**REP. JOY MYRA S. TAMBUNTING**  
2nd District, Parañaque City

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

*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 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 one 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, 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.
- (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 their 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 (PSA).
- (BB) Rural Financial Institution (RFI) refers to any financial institution established and is operating in a rural community.
- (CC) 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.

- (DD) 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 households and their MSMEs, as well as farmers' 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 Finance and Capacity-Building Council (AFFCC).

**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;
- b) Open deposit accounts with rural financial institutions: Provided, That the 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 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 agriculture, fisheries and agrarian reform sector;
- 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
- h) 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 AFFCC, shall be counted at not more than 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 AFFCC 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 non-compliance or under-compliance with the mandatory agricultural and fisheries financing requirement shall be computed at one-half of one percent (0.5%) of non-compliance or under-compliance, or at rates prescribed by the BSP Monetary Board. Upon collection of the penalties, the BSP shall remit the same to the AFFCC 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.** There shall be created an Agribusiness Management Capacity And Institution-Building Fund (Special Fund) to finance agricultural- and fishery-related activities as well as organizational-, capacity- and institution-building programs of cooperatives and other duly-registered organizations of rural agricultural and fisheries households. The Special Fund shall be sufficient to ensure effective implementation of the aforementioned activities and programs. For this purpose, banks may comply with the mandatory credit requirement by providing contributions to the Special Fund.

**SEC. 12.** The initial amount of the Special Fund shall at least be P10 billion and shall include penalties due from banks on their non-compliance or under-compliance 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. In case of a shortfall, the banks shall advance a maximum amount of P2 billion, which shall be chargeable against future penalties under this Act, and shall not be considered as a mode of compliance under Section 11 hereof.

**SEC. 13.** The AFFCC shall enter into an agreement with the banking industry on the 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 AFFCC. 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 AFFCC.

**SEC 14.** Banks, duly-registered training and capacity-building organizations, cooperatives and other duly-registered organizations of, or that support rural agricultural and fisheries households may apply with the AFFCC for funding for their capacity and institution-building programs and activities.

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

**SEC. 15. Agricultural and Fisheries Finance and Capacity-Building Council (AFFCC).** –

There shall be created an Agricultural and Fisheries Finance and Capacity- Building Council (AFFCC) which shall be composed of the designated representatives of the following agencies/groups/sectors :

1. the Department of Agriculture (DA), as Chair;
2. the Bankers Association of the Philippines (BAP), as Vice Chair;
3. the Bangko Sentral ng Pilipinas (BSP);
4. the Department of Agrarian Reform (DAR);
5. the Cooperative Development Authority (CDA);
6. the Land Bank of the Philippines (LBP);
7. the Development Bank of the Philippines (DBP); and
8. Nine (9) representatives from the private sector as members, one of whom shall be appointed as Vice-Chair. The private sector representatives shall include the heads, or their designated representatives of the Rural Bankers Association of the Philippines (RBAP); the Chamber of Thrift Banks (CTB); the Cooperative Banks Federation of the Philippines (BANGKOOP); the Microfinance Council of the Philippines, Inc. (MCPI); the Philippine Chamber of Commerce and Industry (PCCI); and a representative each from the cooperative sector, the farmers, and the fisherfolk sector.

**SEC. 16. Powers/ Duties and Functions of the AFFCC.** – The AFFCC shall have the following powers, duties, and functions:

- a) to set the target amount for the Special Fund 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) to determine the annual requirement of the Special Fund;
- c) to identify eligible recipients of the Special Fund;
- d) to identify eligible agricultural- and fishery-related activities and capacity building programs that may be financed by the Special Fund;
- e) to ensure the effective implementation and programs financed by the Special Fund;
- f) to periodically assess the adequacy of the fund capital in financing the capacity-building requirements of rural cooperatives and other duly- registered organizations of rural agricultural and fisheries households; and
- g) to ensure compliance with the reporting, monitoring, evaluation and audit requirements of the Special Fund and activities financed.

ARTICLE V  
MISCELLANEOUS PROVISIONS

**SEC. 17. Audit.** – The Special Fund shall be audited by the Commission on Audit (COA) in accordance with existing auditing laws, rules and regulations.

**SEC. 18. Oversight Committee.** – There shall be an oversight committee to oversee the implementation of this Act composed of the following:

1. A Member of the House of Representatives to be designated by the House of Representatives as Chair;
2. A Member of the Senate to be designate by the Senate as Vice-Chair;
3. A representative from the Office of the President ; and
4. Two representatives from the Commission on Audit (COA)

**SEC. 19. 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. 20. 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. 21. 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. 22. 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 effectivity 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.

The BSP shall organize a Task Force which shall promulgate such rules and regulations as may be necessary to implement Articles III and IV of this Act within ninety (90) days after effectivity of this Act.

**SEC. 23. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*