



HOUSE OF REPRESENTATIVES

H. No. 6134

BY REPRESENTATIVES CUA, TIANGCO, PADUANO, PADIERNOS, SINGSON, LUSOTAN, GARBIN, OAMINAL, ROMUALDEZ (F.M.), REMULLA, BOLILIA, BONDOC, DE VENECIA, HERRERA-DY, ROMUALDO, FARIÑAS (R.C.), SUAREZ (D.), BARONDA, BAUTISTA, SINGSON-MEEHAN, ZUBIRI, TADURAN, DELOS SANTOS, AGABAS, ZARATE, BORDADO, CASTRO (F.L.), ESCUDERO, ESTRELLA, GONZALES (A.), ARENAS, SAVELLANO, DELOSO-MONTALLA, LARA, GO (M.), ARAGONES, SARMIENTO, ACOSTA, ROBES, FERRER (J.M.), BRAVO, ACOP, TUTOR, YAP (V.), HARESCO, ABANTE, VILLAFUERTE, SALCEDA AND GARCIA (P.J.) PER COMMITTEE REPORT NO. 210

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:

ARTICLE I

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Rural Agricultural and Fisheries Development Financing 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:

(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 farmworker 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 ARBs’ cooperatives/associations/other farm groups, respectively endorsed as comprising of ARBs by the nearest office of the Department of Agrarian Reform, 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/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/nonfood processing, trading, and retailing.

(d) *Agri-Tourism*, also referred to as "Farm Tourism" under Republic Act No. 10816, or 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 in both.

(f) *Agricultural or fisheries household* refers to a household with at least one (1) member of the household who is a farmer, a fisherman, an ARB, 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 farmers, fisherfolk, traders, suppliers, processors, and aggregators, who make up the linked sequence of

value-adding activities undergone by an agricultural product when converted from raw material to the 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 the AVC's composition, goal, size and capacity.

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

(l) *Farmer* refers to a natural person whose primary livelihood is the 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.

(m) *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.

(n) *Farmers' cooperatives* refer to organizations 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 member, one vote". A juridical person may be a member of a cooperative, with the same rights and duties as a natural person.

(o) *Farmers and fisherfolk organizations or associations* refer to farming or fishing cooperatives, associations or corporations duly registered with the 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 nonbusiness organizations which they themselves own, control and patronize.

(p) *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 an arterial road or highway.

(q) *Financial services* refer to services extended by banks and financial institutions such as credit/lending, deposits, rediscounting, and insurance.

(r) *Fisherfolk* refers to people directly or personally and physically engaged in catching and processing fishery and/or aquatic resources, and in fish farming or aquaculture whether the fish specie is grown in tanks, fishponds or other types of enclosures.

(s) *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.

(t) *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 and efficiency improvements in 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) *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, 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 an area that is 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 DEVELOPMENT

FINANCING SYSTEM

SEC. 4. *Agricultural, Fisheries and Rural Development Financing System.* – There shall be an agricultural, fisheries and rural development financing system to improve the welfare,

competitiveness, income and productivity of the members of a rural community particularly the farmers, fisherfolk, ARBs, 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 cooperatives, organizations and associations, through government and private banking institutions.

Agricultural, fisheries and rural development 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 the sustainable development of rural communities. These shall include the 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 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), as created under Article III of this Act.

SEC. 5. *Rural Community Beneficiaries of the Development*

Financing System. – The financing system mentioned in the preceding section shall be extended to farmers, fisherfolk, ARBs, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner-cultivators, compact farmers, tenant farmers, and members of their households, or to cooperatives, associations, MSMEs or organizations in good standing of such beneficiaries located in rural communities, 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 the 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 Bangko Sentral ng Pilipinas (BSP). During the first year of the effectivity of this Act, the total loanable funds generated shall be computed starting from 20 April 2010, the effectivity of Republic Act No. 10000, or "The Agri-Agra Reform Credit Act of 2009", 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 With the Mandatory Credit to Agri-Agra Beneficiaries.* – 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) Investing 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 of the said banks as described in Section 6 hereof;

(b) Opening 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 of the said banks as described in Section 6 hereof;

(c) Rediscounting with banks eligible paper covering agriculture, fisheries and agrarian reform credits: *Provided*, That a rediscounted paper shall no longer be eligible as compliance on the part of the originating bank;

(d) Investing 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

1 wholesale loans shall be credited as compliance of the bank acting
2 as wholesale lender alone;

3 (e) Lending for the construction and upgrading of
4 infrastructure, including farm-to-market roads, as well as the
5 provision of post-harvest facilities and other public rural
6 infrastructure that will benefit the agriculture, fisheries and
7 agrarian reform sector;

8 (f) Lending to agri-business enterprises that maintain
9 agricultural commodity supply-chain arrangements directly with
10 rural community beneficiaries;

11 (g) Undertaking agricultural value chain financing to actors
12 or players in the AVC that benefits rural communities; and

13 (h) Investing in shares of stock of the Philippine Crop
14 Insurance Corporation or in companies that primarily engage in
15 activities under Section 4 hereof that benefit rural community
16 beneficiaries;

17 *Provided, That, the loans and investments that are counted as*
18 *compliance are not funded by proceeds from the issuance of debt*
19 *securities, and/or lending of other banks that have been counted as*
20 *compliance with the mandatory credit: *Provided, further, That**
21 *loans to finance activities that shall generally benefit ARBs, ARCs,*
22 *or other priority sectors, as may be determined by the AFFCC, shall*
23 *be counted at not more than ten (10) times their outstanding*
24 *amount, as may be prescribed by the AFFCC, for purposes of*
25 *determining compliance with the mandatory agricultural and*
26 *fisheries financing requirement.*

27 The modes of compliance provided herein shall be subject to
28 review by the AFFCC once implemented to determine whether or
29 not these are adequate to support the financing requirements of

1 rural communities and to gather the data to form the basis of
2 recommendations for remedial legislation, if necessary.

3 SEC. 8. *Penalty Clause.* – The BSP shall impose
4 administrative sanctions and other penalties on the lending
5 institutions for violation of any of the provisions of this Act.
6 Penalties on noncompliance or undercompliance with the
7 mandatory agricultural and fisheries financing requirement shall be
8 computed at one-half of one percent (0.5%) of noncompliance or
9 undercompliance. Upon collection of the penalties, the BSP shall
10 remit the same to the AFFCC for deposit to the Special Fund
11 created under Article IV of this Act. Ten percent (10%) of the
12 penalties collected shall be retained by the BSP to cover
13 administrative expenses.

14 ARTICLE III

15 AGRICULTURAL AND FISHERIES

16 FINANCE AND CAPACITY-BUILDING COUNCIL (AFFCC)

17 SEC. 9. *Agricultural and Fisheries Finance and*
18 *Capacity-Building Council (AFFCC).* – There shall be created an
19 Agricultural and Fisheries Finance and Capacity-Building Council
20 (AFFCC) which shall be composed of the heads, or their designated
21 representatives, of the following agencies: the Department of
22 Agriculture (DA), as Chair; the BSP; the Department of Agrarian
23 Reform (DAR); the Department of Trade and Industry (DTI); the
24 Cooperative Development Authority (CDA); the LBP; the DBP; and
25 nine (9) representatives from the private sector as members, one of
26 whom shall be appointed as Vice-Chair. The private sector
27 representatives shall include the heads or the designated
28 representatives of: the Bankers Association of the Philippines
29 (BAP), as Vice-Chair; 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. The AFFCC shall be organized not later than one (1) year from the date of effectivity of this Act.

SEC. 10. *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 capacity-building programs and activities that may be financed by the Special Fund;

(e) To ensure the effective implementation of programs financed by the Special Fund and, for this purpose, to employ or outsource resources and expertise from the banking industry that can provide project coordination and fund management services;

(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 IV

AGRI-BUSINESS MANAGEMENT CAPACITY AND INSTITUTION-BUILDING FUND

SEC. 11. There shall be created a special fund to be known as the Agri-business Management Capacity and Institution-Building Fund, hereinafter referred to as the Special Fund, to finance agricultural- and fishery-related organizational-, capacity- and institution-building programs and activities of cooperatives and other duly registered organizations of rural agricultural and fisheries households. The AFFCC shall ensure that the Special Fund is sufficient for the effective implementation of the aforementioned activities and programs. For purposes of ensuring the sufficiency of the Special Fund, banks may comply with the mandatory credit requirement by providing contributions to the Special Fund which shall be counted at not more than five (5) times the amount of contribution, as may be prescribed by the AFFCC, for purposes of determining compliance with the mandatory agricultural and fisheries financing requirement.

SEC. 12. The initial amount of the Special Fund shall at least be Ten billion pesos (P10,000,000,000.00) and shall include 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 percent (10%) amount to be retained by the BSP. In case of a shortfall, the banks shall advance a maximum amount of Two billion pesos (P2,000,000,000.00), which shall be chargeable against future penalties under this Act, if any, and shall not be considered as a mode of compliance under Section 11 hereof.

SEC. 13. Banks, duly registered training and capacity-building organizations, cooperatives and other duly registered organizations that support rural agricultural and fisheries households may apply with the AFFCC for funding for their capacity- and institution-building programs and activities.

SEC. 14. *Audit.* – The Special Fund shall be audited by the Commission on Audit (COA) in accordance with existing auditing laws, rules and regulations.

ARTICLE V

MISCELLANEOUS PROVISIONS

SEC. 15. *Oversight Committee.* – There shall be an oversight committee over the implementation of this Act composed of the following: the Chairperson of the Committee on Banks and Financial Intermediaries of the House of Representatives, Chairperson of the Committee on Banks, Financial Institutions and Currencies of the Senate, a representative from the Office of the President and a representative from the COA.

SEC. 16. *Annual Reports.* – The BSP shall furnish reports on the compliance with the mandatory agricultural and fisheries financing requirement to the Congress of the Philippines on a yearly basis. The BSP shall, as part of its regulatory functions, monitor the compliance by banks with the requirements of this Act.

SEC. 17. *Duration of the Effectivity of the Credit Quota and Special Fund for Capacity-Building Programs.* – The provisions related to the mandatory credit quota under Article II hereof shall cease to have effect ten (10) years from effectivity of this Act. The management and administration of the Special Fund under Articles III and IV hereof shall cease to have effect ten (10) years from the organization of the AFFCC. Any remaining balance of the Special

Fund under the custody of the AFFCC shall be turned over to the National Treasury.

SEC. 18. *Implementing Rules and Regulations.* – 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. 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. 19. *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. 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. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

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