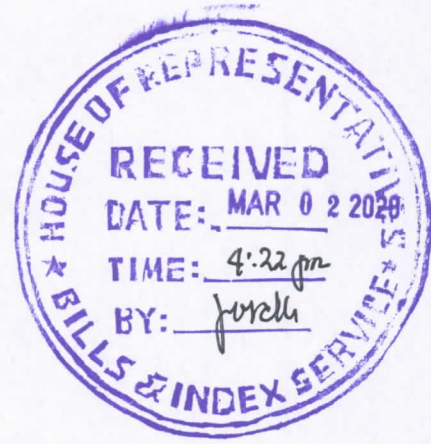




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Eighteenth Congress
First Regular Session

HOUSE BILL NO. 6425



Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

Section 2 of Republic Act No. 10000, otherwise known as the “*Agri-Agra Reform Credit Act of 2009*,” provides:

“It is hereby declared the policy of the State to promote 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 the rural agricultural sector to financial services and programs that increase market efficiency and promote modernization in the rural agricultural sector.”

Section 6 of the same Act also provides:

“All banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and fisheries credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform beneficiaries mentioned in Section 5 hereof.”

However, BSP records show that as of end of 2018, banks have only extended P707.4 billion worth of loans to the agricultural sector, comprising of 56.97% of the P1.241 trillion they were required to lend out to beneficiaries. By the end of 2017, the required loans amounted to only P573.69 billion, roughly half of the total of P1.034 trillion if all banks were compliant. A consolidation of the

loan allocation would work to broaden the area with which the financial institutions may comply with the requirements of the same Act.

Section 10 of the same Act further provides:


"The BSP shall impose administrative sanctions and other penalties on the lending institutions for noncompliance with the provisions of this Act. Penalties on noncompliance shall be computed at one-half of one percent (0.5%) of noncompliance and undercompliance and shall be directed to the development of the agri-agra sector. Ninety percent (90%) of the penalties collected shall be allocated between the AGFP and the PCIC according to the needs of the agri-agra sector as provided for in the implementing rules and regulations of this Act and the remaining ten percent (10%) shall be given to the BSP to cover administrative expenses."

Most banks are not willing to follow the requirement of Republic Act No. 10000, choosing, instead, to pay the penalties as provided in Section 10. While the State recognizes the right of financial institutions to implement a sound lending policy, the duty to obey the mandates of the law, with utmost good faith, is of paramount importance. Therefore, it is deemed proper to implement a four-fold increase of the percentage of penalty from 0.5% to 2%.

The agricultural and fisheries sector have not been able to fully avail of the credit services as imposed by law on banks and other financial institutions. This is due to the imposition of strict requirements and high standards on the borrowers' ability to settle loans, which the agricultural and fisheries sectors simply cannot comply with. Thus, the twenty-five percent (25%) requirements is not met, which is detrimental to the development of the agricultural and fisheries sector.

This bill seeks to encourage such institutions to implement measures aimed at realizing the purposes of the law and the development of the agriculture and fisheries sector.

Thus, the immediate passage of this bill is necessary.


SHARON S. GARIN
AAMBIS-OWA PARTY-LIST

1 Section 5 hereof: *Provided, however,* That total loanable funds as used
2 in this section shall refer to funds generated from the date of effectivity
3 of this Act: *Provided, further,* That the twenty-five percent (25%) credit
4 quota is subject to a joint review by the Department of Agriculture
5 (DA), the Department of Agrarian Reform (DAR) and the Bangko
6 Sentral ng Pilipinas (BSP) after three (3) years of implementation to
7 determine whether the law has been effective in accomplishing its
8 goals. The findings shall be submitted to Congress.”

9 SEC. 2. Section 10 of the same Act is hereby amended to read as follows:

10 “SEC. 10. ***Penalty Clause.*** –The BSP shall impose
11 administrative sanctions and other penalties on the lending institutions
12 for noncompliance with the provisions of this Act. Penalties on
13 noncompliance shall be computed at [~~one-half of one percent (0.5%)~~]
14 **TWO PERCENT (2%)** of noncompliance and undercompliance and
15 shall be directed to the development of the agri-agra sector. Ninety
16 percent (90%) of the penalties collected shall be allocated between the
17 AGFP and the PCIC according to the needs of the agri-agra sector as
18 provided for in the implementing rules and regulations of this Act and
19 the remaining ten percent (10%) shall be given to the BSP to cover
20 administrative expenses.”

1 SEC. 3. All laws or parts thereof, decrees, orders, rules and regulations
2 inconsistent with the provisions of this Act are hereby repealed or modified
3 accordingly.

4 SEC. 4. This Act shall take effect fifteen (15) days following its publication
5 in a newspaper of general circulation or in the Official Gazette, whichever comes
6 first.

7 Approved,