

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

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 4292



Introduced by Honorable Michaelina M. Antonio

EXPLANATORY NOTE

In keeping with the State's policy 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, RA 10000 or the Agri-Agra Credit Reform Act was passed in 2009.

RA 10000 is a law mandating financial institutions to allocate 25% of their loan portfolio for agriculture and agrarian reform. It aims to provide reform credit to the agriculture and agrarian sectors, and improve their productivity with a comprehensive insurance and financing system.

Latest data from the Bangko Sentral ng Pilipinas (BSP) showed loans extended by banks for agriculture and agrarian reform grew by a paltry 9.6 percent to P431.37 billion in the first quarter from P393.61 billion in the same period last year. Despite the increase, the combined allocation of loanable funds from agriculture and agrarian reform of 14.5 percent in the first quarter was way below the minimum threshold set by the law.¹

These data show that the goal of the law is currently not being met. One of the main reasons that this can be attributed to is the fact that banks would rather choose to pay the meager penalty than allocate the loanable funds for agriculture and agrarian reform beneficiaries because of the perceived risk of lending to qualified borrowers.

Article III, Section 10 of the current law provides for only 0.5% penalty for noncompliance or undercompliance of lending institutions. For most banks, this is a small price to pay, compared to the exposure to the perceived risk of lending to members of the agricultural sector.

¹ <http://www.philstar.com/business/2016/09/21/1625700/banks-push-agri-agra-law-revisions>

To address this dilemma, this bill seeks to increase the penalties to be paid by lending institutions for noncompliance and undercompliance with the provisions of R.A. 10000. From the previous 0.5%, the penalties will be raised to 5%.

With this in place, it is expected that banks and other lending institutions will be more motivated to comply with the provisions of the said law.



MICHELLE M. ANTONIO

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**AN ACT AMENDING ARTICLE III, SECTION 10 OF R.A. 10000, OR THE
“AGRI-AGRA REFORM CREDIT ACT OF 2009,” TO INCREASE THE
PENALTIES FOR NONCOMPLIANCE AND UNDERCOMPLIANCE OF
LENDING INSTITUTIONS**

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

SECTION 1. - Article III, Section 10 of Republic Act No 10000 is hereby amended to read: "Section 10, Penalty Clause.

- a) 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 five percent (5%) of noncompliance and under compliance 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.

SECTION 2. AMENDMENTS - Any amendments to the administrative sanctions and their penalties shall be proposed and ratified by and the same shall take effect upon approval by the Monetary Board of the Bangko Sentral ng Pilipinas.

SECTION 3. SEPARABILITY CLAUSE - If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act shall remain valid, and the application of such remaining provisions or sections to the other persons or circumstances, shall not be affected thereby.

SECTION 4. REPEALING CLAUSE - All provisions of Republic Act No. 10000 and any other provisions inconsistent with the provision of this Act are hereby amended accordingly.

SECTION 5. EFFECTIVITY- This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,