

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6112



Introduced by Representative Michael L. Romero

EXPLANATORY NOTE

The State recognizes The mandatory credit allocation in favor of agricultural and rural sector specially on government's land distribution program and reform beneficiaries as a priority sector for credit extension. The **Republic Act 10000** was introduced with a broader mission to promote rural development by enhancing access of the rural agricultural sector to financial services and programs that increase market efficiency.

The poor are in the worse situation as deliverance has been elusive due to failure of the market to allocate resources in an equitable manner. The passage of the original decree and its subsequent version emerged from the need on the part of the government to intervene and help address this wealth and income disparity by mandating banks to lend to agriculture where financing is most needed. Thus, our country's agricultural landscape is characterized by a multitude of small farmers cultivating a hectare on the average. Majority of them are unable to earn enough as advanced farming technologies are inaccessible to them and their financial requirements to boost productivity are often un-served.

This House Bill seeks to provide for a **comprehensive Agricultural and Rural Financing System**.

Thus, the early passage of this bill is earnestly requested.

MICHAEL L. ROMERO



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AN ACT

**PROVIDING FOR A COMPREHENSIVE AGRICULTURAL AND
RURAL FINANCING SYSTEM, AND FOR OTHER PURPOSES**

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

CHAPTER I
GENERAL PROVISIONS

SECTION 1. DECLARATION OF POLICY – It is hereby a declared policy of the state to create legislation that shall foster the principle of enhancing farmers' access to financial services including other factors in the agriculture value chain.

The state shall strengthen rural development by providing for a holistic approach that takes into account the broader *agricultural financing ecosystem and rural community* development requirements.

SECTION 2. SYSTEM :

- a) The amount the non-compliant banks may invest in the equity structure of accredited *Rural Financial Institutions (RFIs)* is up to the level of penalties computed per reporting cut-off period;
- b) The equity investment is in the form of Tier 1 Preferred Shares which will be included as part of qualifying capital in the computation of *Capital Adequacy Ratio (CAR)*;
- c) The amount of *RA10000* Preferred Shares an RFI can accept from non-compliant banks is up to the limit of the amount of its excess compliance.
- d) In the event the aggregate investments exceed the amount of excess compliance per reporting cut-off the RFI must advise the lasts of its *RA10000* investors to divest and place their investment in other qualified RFIs;
- e) The same eligibility requirements to qualify for accreditation as *Rural Financial Institution (RFI)* under *RA10000* will apply;
- f) The same grounds for revocation of RFI accreditation will apply; and
- g) Once its accreditation is revoked, the concerned bank must advise its *RA10000* investors to divest and place their investment in other qualified RFIs.

SECTION 3. FRAMEWORK :

- a) Unrestricted branching rights to set-up agriculture-oriented branches and exemption from payment of branch licensing fees in unbanked municipalities or predominantly agricultural communities subject to existing regulations on minimum capitalization for banks and the size of branch network;
- b) Automatic eligibility with Philippine Guarantee Corporation (with respect to agricultural credit guarantee), Philippine Crop Insurance Corporation (PCIC), Agricultural Credit and Policy Council (ACPC) and other governmental agencies providing services towards risk-mitigation in the agriculture sector. (Note: immediate crediting of funds equivalent to approved

guarantee line in favor RFI's deposit account with restricted utilization subject to claims evaluation);

- c) Priority status as credit delivery partner or conduit of government directed programs for agriculture, social housing, livelihood/ enterprise development and other initiatives towards inclusive growth through the Department of Agriculture, Department of Social Work Development, LGUs and other government agencies;
- d) Grant of "risk premium" in order to defray the higher cost of administering loans to small farmers and micro-entrepreneurs and the cost of risk of default arising from vulnerability of farm production and microenterprises to adverse natural factors and unfavorable market forces. *(premium shall be in the form of 50% reduction of the prevailing rediscounting rate of these government financial institutions)*
- e) Eligibility for regulatory relief from the Bangko Sentral ng Pilipinas (**BSP**) and other regulatory agencies, for a period of one year from the time of occurrence of a natural or human-induced calamity;
- f) Act as official depository of municipal, city, provincial or GOCC funds in the municipality, city, and province where the rural bank is located in areas where there are no government banks; and
- g) Entitlement to participate free of charge in capability-building activities in agriculture lending such as, but not limited to, exchange of best-practice experiences, study tour, technology transfer among ASEAN member's states and other forum of international cooperation.

CHAPTER II

FUNDING

SECTION 4. APPROPRIATIONS — The amount necessary to carry out the purposes of this Act shall be included in the General Appropriations Act (**GAA**) of the year following its enactment into law.

The state shall hereby authorize the *Department of Agriculture (DA)* to realign its appropriations, in the current year of the date of the effectivity of this Act to conform with its mandate and requirements.

CHAPTER III

SUPPLEMENTARY PROVISIONS

SECTION 5. ROLE OF THE DA – The Department of Agriculture, shall be primarily responsible on matters involving the threats against the effective implementation of this Act.

The **DA** shall, through information gathering and performance of its functions, support this comprehensive agricultural and rural financing system on matters involving operational and organizational concerns.

SECTION 6. TRANSITORY PROVISION – Existing industries, businesses and offices affected by the implementation of this Act shall be given six **(6)** months transitory period from the effectivity of the IRR or such other period as may be determined, to comply with the requirements of this Act.

SECTION 7. IMPLEMENTING RULES AND REGULATIONS. – The departments and agencies charged with carrying out the provisions of this Act shall, within sixty **(60)** days after the effectivity of this Act, formulate the necessary rules and regulations for its effective implementation.

CHAPTER IV

MISCELLANEOUS PROVISIONS

SECTION 8. REPEALING CLAUSE. – All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 9. SEPARABILITY CLAUSE. – If, for any reason, any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

SECTION 10. EFFECTIVITY CLAUSE. – This Act shall take effect after fifteen (15) days from its publication in the Official Gazette or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved,