

SENATE

Senate Bill No. 2494

(In substitution of Senate Bill Nos. 1038, 1336, 1352, 1361, 1585, 1740, 1924,
taking into consideration Proposed Senate Resolution No. 19 and House Bill No. 6134)

Prepared by the Committees on Agriculture, Food and Agrarian Reform; Banks,
Financial Institutions and Currencies with Senators Imee R. Marcos, Ramon Bong
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**AN ACT STRENGTHENING THE FINANCING SYSTEM FOR AGRICULTURE,
FISHERIES, AND RURAL DEVELOPMENT IN THE PHILIPPINES, REPEALING
FOR THE PURPOSE REPUBLIC ACT NO. 10000 OR "THE AGRI-AGRA REFORM
CREDIT ACT OF 2009"**

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

1 **SECTION 1. Short Title.** - This Act shall be known as "The Agriculture,
2 Fisheries and Rural Development Financing Enhancement Act of 2022".

3 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to
4 promote inclusive and broad-based economic growth by ensuring equal access to
5 opportunities under an environment of sustained growth and expanding productivity
6 as the key to raising the quality of life for all. Towards this end, the State shall
7 promote rural development by enhancing access of rural communities and agricultural
8 and fisheries households to financial services and programs that increase productivity,
9 enhance market efficiency, and promote modernization and improve the welfare and
10 economic prospects of beneficiaries in rural communities through active participation
11 of banking institutions.

1 The Landbank of the Philippines (LBP) and the Development Bank of the
2 Philippines (DBP) shall continue to promote savings and credit in the rural areas by
3 offering affordable deposit products such as the basic deposit account for deposits
4 and low interest rates for loans.

5 The lending cooperatives, microfinance institutions, retail banks, rural and thrift
6 banks shall apply minimum interest rates for wholesale loans obtained from
7 government banks.

8 Likewise, the LBP and DBP shall use their resources to innovate, develop,
9 promote and invest in digital, automation technology, branchless banking and cash
10 agent operations to reach remote barangays and municipalities; using e-commerce,
11 on-line transactions, bank-on-wheels, point of sale devices with retailers and non-
12 banking institutions, lottery kiosks and mobile phone applications in making banking
13 services accessible to the rural public.

14 **SEC. 3. Definition of Terms.** – As used in this Act:

15 (A) *Agrarian Reform Beneficiary* (ARB) refers to a farmer who was granted land under
16 Presidential Decree No. 27, the Comprehensive Agrarian Reform Law and
17 Republic Act No. 9700 or the "Comprehensive Agrarian Reform Extension with
18 Reforms" and a regular farmworker who is landless, irrespective of tenurial
19 arrangement, who benefited from the redistribution of land, regardless of crops
20 or fruits produced, to include the totality of factors and support services designed
21 to lift the economic status of the beneficiary and all other alternative
22 arrangements to the physical distribution of lands, such as production or profit
23 sharing, labor administration, and the distribution of shares of stock which will
24 allow the beneficiary to receive a just share of the fruits of the lands one tilled.
25 The term shall also include registered ARBs' cooperatives/associations/other farm
26 groups, respectively endorsed as comprising of ARBs by the nearest office of the
27 Department of Agrarian Reform (DAR), as well as ARB households.

28 (B) *Agrarian Reform Community* (ARC) refers to a barangay or a cluster of barangays
29 primarily composed and managed by ARBs which is organized and willing to
30 undertake the integrated development of an area and/or their
31 organizations/cooperatives.

- 1 (C) *Agri-Business* refers to agriculture and fishery-related activities that put farmers,
2 fisherfolk processors, distributors, and consumers within a system that produces,
3 processes, transports, markets, and distributes agricultural and fishery products.
4 It encompasses input production, farm and fishery operations and management,
5 equipment and supplies manufacturing, food/non-food processing, trading, and
6 retailing.
- 7 (D) *Agri-Tourism*, also referred to as "Farm Tourism" under Republic Act No. 10816,
8 or the "Farm Tourism Development Act of 2016", refers to the practice of
9 attracting visitors and tourists to farm areas for production, educational and
10 recreational purposes. It involves any agricultural- or fishery-based operation or
11 activity that brings to a duly-accredited farm tourism camp, visitors, tourists,
12 farmers and fisherfolk who want to be educated and trained on farming and its
13 related activities.
- 14 (E) *Agricultural Lessee* refers to any person who, with or without help from one's
15 immediate farm household, cultivates the land owned by another for a certain
16 price in money, in produce, or in both.
- 17 (F) *Agricultural or fisheries household* refers to a household with at least one (1)
18 member of the household who is a farmer, a fisherman, an ARB, a settler, an
19 agricultural lessee, an amortizing owner, a farmworker, a fishworker, an owner-
20 cultivator, a compact farmer, or a tenant farmer.
- 21 (G) *Agricultural Value Chain (AVC)* refers to a set of actors/players, such as farmers,
22 fisherfolks, traders, suppliers, processors, aggregators, who make up linked
23 sequence of value-adding activities undergone by an agricultural product when
24 converted from raw material to final form it is presented to the consumers.
- 25 (H) *Agricultural Value Chain Financing (AVCF)* refers to the financial products and
26 services made available to an AVC following the appropriate evaluation of the
27 AVC's composition, goal, size and capacity.
- 28 (I) *Agro-Industry Modernization Credit and Financing Program (AMCFP)* refers to the
29 umbrella credit/financing program of the government for the agriculture and
30 fisheries sector created under Republic Act No. 8435, or the "Agriculture and
31 Fisheries Modernization Act of 1997".

- 1 (J) *Amortizing owners* refer to landowners who amortize payment for the land to a
2 private individual or to the State.
- 3 (K) *Basic Deposit Account (BDA)* refers to interest- or non-interest-bearing account
4 designed to promote financial inclusion.
- 5 (L) *Cash agent* refers to a third party entity contracted by a bank to accept and
6 disburse cash on its behalf, and facilitate self-service deposits, withdrawals and
7 fund transfers, bills payment and other banking services, as allowed under BSP
8 rules and regulations.
- 9 (M) *Compact farmers* refer to those farmers with adjoining farms operating as a
10 single unit under one (1) management, farm plan and budget.
- 11 (N) *Farmer* refers to a natural person whose primary livelihood is cultivation of land
12 or the production of agricultural crops, agro-forest products, or livestock, either
13 by oneself, or primarily with the assistance of their immediate farm household,
14 whether the land is owned by them or by another person under a leasehold or
15 share tenancy agreement or arrangement with the owner thereof.
- 16 (O) *Farmworker* refers to a natural person who renders service for value as an
17 employee or laborer in an agricultural enterprise or farm regardless of whether
18 the compensation is paid on a daily, weekly, monthly or *pakyaw* or contracted
19 project. The term includes an individual whose work has ceased as a
20 consequence of, or in connection with, a pending agrarian dispute who has not
21 obtained a substantially equivalent and regular farm employment.
- 22 (P) *Farmers' cooperatives* refer to cooperatives composed primarily of small
23 agricultural producers, farmers, farmworkers, or other ARBs who voluntarily
24 organize themselves for the purpose of pooling land, manpower, technological,
25 financial or other economic resources, and operate on the principle of "one
26 member, one vote". A juridical person may be a member of a cooperative, with
27 the same rights and duties as a natural person.
- 28 (Q) *Farmer's and fisherfolk organizations or associations* refer to farming or fishing
29 cooperatives, associations or corporations duly registered with appropriate
30 government agencies and which are composed primarily of small agricultural
31 producers, farmers, farmworkers, ARBs, and fisherfolk who voluntarily join
32 together to form business enterprises or non-business organizations which they
33 themselves own, control and patronize.

- 1 (R) *Farm-To-Market road* refers to a road linking the agriculture and fisheries
2 production sites, coastal landing point and post-harvest facility to the market and
3 arterial road or highway.
- 4 (S) *Financial services* refer to services extended by banks and financial institutions
5 such as credit/lending, deposits, rediscounting, investments, and insurance.
- 6 (T) *Fisherfolk* refers to people directly or personally and physically engaged in
7 catching and processing fishery and/or aquatic resources, and in fish farming or
8 aquaculture whether the fish specie is grown in tanks, fishponds or other types of
9 enclosures.
- 10 (U) *Fishworker* refers to a person whether or not regularly employed in commercial
11 fishing and related industries, whose income is either from wages, profit sharing
12 or stratified sharing basis, including those working in fishpens, fish corral/traps,
13 fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boat or trawlers,
14 or fish processing and/or packing plants, but excluding administrators, security
15 guards and overseers.
- 16 (V) *Green projects* refer to green economic activities and projects. Aside from
17 activities that promote climate change adaptation and mitigation, green projects
18 also cover environmental and efficiency improvements, natural capital
19 preservation and resource mobilization.
- 20 (W) *Micro, Small and Medium Enterprise (MSME)* refers to any business activity or
21 enterprise defined as such under existing laws.
- 22 (X) *Newly Established Bank* refers to a domestic or foreign bank without banking
23 presence in the Philippines prior to the issuance of its certificate of authority to
24 operate. It shall not include banks that have been formed through the acquisition,
25 purchase of ownership of the voting stock of an existing domestic bank or the
26 merger or consolidation of banks.
- 27 (Y) *Owner-cultivators* refer to natural persons who own lands by purchase,
28 inheritance, or land distribution by the State. Owner-cultivators can operate the
29 farm themselves, supervise wage labor or delegate operations to farmers.
- 30 (Z) *Post-harvest Activities* refer to threshing, drying, milling, grading, storing, and
31 handling of produce and such other activities of a similar nature such as stripping,
32 winnowing, chipping and washing.

- 1 (AA) *Post-harvest Facilities* refer to threshers, moisture meters, dryers, weighing
2 scales, milling equipment, fish ports, fish landings, ice plants and cold storage
3 facilities, processing plants, warehouses, buying stations, market infrastructure
4 and transportation facilities, and such other facilities supporting post-harvest
5 activities.
- 6 (BB) *Public Rural Infrastructure* refers to infrastructure in rural communities such as
7 highways, streets, bridges, tunnels, railways, railroad, transport systems, ports,
8 airports, hydropower projects, canals, dams, irrigation, government buildings and
9 housing projects, public schools, public hospitals, public health centers, public
10 markets, slaughterhouses, warehouses, solid waste management, sewerage,
11 flood control, drainage, dredging and other similar infrastructure projects.
- 12 (CC) *Registry System for Basic Sectors in Agriculture (RSBSA)* is an electronic
13 compilation of basic information on farmers, farmworkers, and fisherfolk. The
14 database, which includes the profile of farmers, farm workers and fisherfolk, and
15 additional information such as farm parcels and fisheries, among others, is mainly
16 used to help government planners and policymakers in formulating policies for
17 agricultural development.
- 18 (DD) *Rural Community* refers to an area that is defined as such by the Philippine
19 Statistics Authority (PSA).
- 20 (EE) *Rural Financial Institution (RFI)* refers to any financial institution established and
21 is operating in a rural community.
- 22 (FF) *Settlers* refer to persons who range from the forest-clearing pioneers, including
23 indigenous people, with a subsistence economy to the better equipped and more
24 experienced farmers.
- 25 (GG) *Sustainable Finance* refers to any form of financial product or service which
26 integrates environmental, social and governance criteria into business decisions
27 that support economic growth and provide lasting benefit for both clients and
28 society while reducing pressures on the environment. This also covers green
29 finance which is designed to facilitate the flow of funds towards green economic
30 activities and climate change mitigation and adaptation projects.
- 31 (HH) *Tenant Farmer* refers to one who cultivates another's land under a sharing or
32 leasehold agreement.

1 **SEC. 4. *Agriculture, Fisheries and Rural Development Financing System.*** -

2 There shall be an agriculture, fisheries, and rural development financing system to
3 improve the productivity, income, competitiveness and welfare of the rural community
4 beneficiaries, particularly the farmers, fisherfolk, ARBs, ARCs, settlers, agricultural
5 lessees, amortizing owners, farmworkers, fish workers, owner-cultivators, compact
6 farmers, tenant farmers, and members of their household and their MSMEs, as well as
7 farmer's and fisherfolk's cooperatives, organizations and associations, through
8 government and private banking institutions.

9 Agriculture, fisheries and rural development financing, as used herein, shall
10 consist of loans and investments to finance activities that shall enhance productivity
11 and increase income of an agricultural and fisheries household, thereby promoting
12 agricultural sector productivity and competitiveness, as well as sustainable
13 development of rural communities, these shall include, but not be limited to: activities
14 identified under the AMCFP as enumerated under Chapter 3 Section 23 of Republic Act
15 No. 8435, off-farm/fishery entrepreneurial activities, agricultural
16 mechanization/modernization, agri-tourism, environmental, social and governance
17 projects, including green projects, digitization/automation of farming, fishery and
18 agribusiness activities and processes, acquisition of lands authorized under the
19 Agrarian Reform Code of the Philippines and its amendments, efficient and effective
20 marketing, processing, distribution, shipping and logistics, and storage of agricultural
21 and fishery commodities, public rural infrastructure, as well as programs that shall
22 promote the health and wellness of farmers, fisherfolks and ARBs, including members
23 of their households, such as water and sanitation projects for rural communities, and
24 address the developmental needs of rural communities, such as, but not limited to,
25 projects that promote the livelihood, skills enhancement, and other capacity-building
26 activities of the rural community beneficiaries and all other activities consistent or
27 analogous to the foregoing.

28 Toward this end, banking institutions are expected to design and offer
29 financial products and services that suit the specific requirements of their agricultural
30 clients, taking into account their cash flows and the gestation and harvest period of
31 the agricultural produce/activity/project being financed.

1 **SEC. 5. *Rural Community Beneficiaries.*** - The financing mentioned in the
2 preceding section shall be extended to the rural community beneficiaries named
3 therein or to cooperatives, associations, MSMEs or organizations in good standing of
4 such beneficiaries, regardless of capitalization based on the feasibility of the project
5 and their paying capacity, their estimated production, and/or securities they can
6 provide as well as such assets as may be acquired by them from the proceeds of the
7 loan and investments.

8 **SEC. 6. *Credit Quota.*** - All banking institutions, whether government or
9 private, except newly-established banks for a period of five (5) years from date of
10 commencement of the banks' operations, shall set aside a credit quota, or a minimum
11 mandatory agricultural and fisheries financing requirement of at least twenty-five
12 percent (25%) of their total loanable funds.

13 The total loanable funds generated by a banking institution shall be defined by
14 the BSP. During the first year of effectivity of this Act, the total loanable funds
15 generated shall be computed starting from 20 April 2010, the effectivity of Republic
16 Act No. 10000, after which the bank's total loanable funds shall be determined based
17 on funds generated starting from the second year of effectivity of this Act.

18 **SEC. 7. *Modes of Compliance.*** - Banks may comply with the mandatory credit
19 requirement by lending to rural community beneficiaries, to finance agricultural and
20 fishery-related activities as enumerated under Section 4 of this Act. Banks may also
21 comply with the mandatory financing requirement through other means as follows:

22 (a) Invest in debt securities, including those issued by the DBP and the LBP:
23 Provided, That the proceeds from said debt securities shall be used to finance
24 activities under Section 4 hereof: Provided, further, That the proceeds from debt
25 securities issued by the DBP and the LBP shall be separately accounted for and shall
26 not be considered for purposes of computing the loanable funds under Section 6
27 hereof of the said banks;

28 (b) Open deposit accounts and/or invest in fixed term deposit products with
29 RFIs: Provided, That such deposit accounts/products shall be separately accounted for
30 by the depository bank and shall not be considered for purposes of computing the
31 loanable funds of the said banks as described in Section 6 hereof;

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

4 (d) Invest directly in shares of stock of RFIs, subject to prevailing laws, rules or
5 regulations or lend wholesale to RFIs: Provided, That the wholesale loans shall be
6 credited as compliance of the bank acting as wholesale lender alone;

7 (e) Lend for the construction and upgrading of infrastructure, including but not
8 limited to, farm-to-market roads, as well as the provision of post-harvest facilities and
9 other public rural infrastructure that will benefit the rural community;

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

12 (g) Undertake AVCF to actors/players in the AVC that benefits rural
13 communities;

14 (h) Engage in sustainable finance; and

15 (i) Invest in shares of stock of the Philippine Crop Insurance Corporation (PCIC)
16 or in companies that primarily engage in activities under Section 4 hereof, including
17 investments in venture capital corporations, that benefit rural community
18 beneficiaries;

19 Provided, That the loans and investments that are counted as compliance are
20 not funded by proceeds from the issuance of debt securities, and/or deposit/lending
21 of other banks that have been counted as compliance with the mandatory credit:
22 Provided, further, That loans to finance activities that shall generally benefit ARBS,
23 ARCS, or other priority sectors, as may be determined by the Agricultural Credit Policy
24 Council (ACPC), shall be counted at ten times (10x) their outstanding amount, or as
25 otherwise prescribed by the ACPC, for purposes of determining compliance with the
26 mandatory agricultural and fisheries financing requirement.

27 The modes of compliance enumerated in this section shall be subject to review
28 by the ACPC after implementation to determine whether these are adequate to
29 support the financing requirements of rural communities and recommend to Congress
30 for appropriate action.

31 The BSP, the Department of Agriculture (DA) and the DAR may provide inputs
32 to the review process in their capacity as members of the ACPC.

1 Further, the BSP shall be authorized to identify other actions that may be
2 considered as eligible modes of compliance with the mandatory credit to rural
3 community beneficiaries.

4 **SEC. 8. *Annual Reports.*** - The BSP shall furnish reports on the compliance with
5 the mandatory agriculture, fisheries rural development financing requirement,
6 including information on amount of agri-agra penalties collected and remitted to the
7 implementing agencies of the Special Fund as identified under Section 11 of this Act,
8 to the ACPC and the Congress on a yearly basis. The BSP shall, as part of its
9 regulatory functions, monitor the compliance by the banks with the requirements of
10 this Act.

11 **SEC. 9. *Penalty Clause.*** - The BSP shall impose administrative sanctions and
12 other penalties on the lending institutions for violation of any of the provisions of this
13 Act. Penalties on noncompliance or undercompliance shall be computed at one-half of
14 one percent (0.5%) of noncompliance or under compliance, or at rates prescribed by
15 the BSP Monetary Board. Upon collection of the penalties, the BSP shall remit the
16 same to the implementing agencies of the Special Fund as identified under Section 11
17 of this Act. Ten percent (10%) of the penalties collected shall be retained by the BSP
18 to cover administrative expenses and twenty-five (25%) shall be remitted to the
19 General Fund.

20 **SEC. 10. *Special Fund.*** - The Special Fund shall consist of penalties due from
21 banks on their noncompliance or undercompliance with the mandatory agri-agra credit
22 requirement under Republic Act No. 10000, collected after the effectivity of this Act,
23 net of the ten (10) percent amount to be retained by the BSP and the twenty five
24 percent (25%) to be remitted to the General Fund, and penalties collected under
25 Section 9 hereof.

26 The annual penalties for noncompliance and undercompliance with the
27 mandatory agri-agra credit that are collected by the BSP under Section 9 shall be
28 remitted directly to the implementing agencies, within one and a half (1.5) years from
29 imposition of the same, for distribution in accordance with the provisions under
30 Section 11 of this Act.

31 **SEC. 11. *Use of the Special Fund.*** - The Special Fund under Section 10 of this Act
32 shall be allocated to the following implementing agencies in this manner:

1 (A) Thirty five percent (35%) of the fund shall be allocated to DAR for the titling and
2 parcelization of landholdings covered with Collective Certificate of Land Ownership
3 Awards (CLOA);

4 (B) Sixty five percent (65%) of the fund shall be made available in the form of credit
5 facility with minimal interest rates and with minimum collateral requirements, to
6 be equally managed by the LBP and the DBP which shall set their geographic
7 coverage in administering said credit facility.

8 The LBP and DBP shall utilize the Special Fund for lending to farmers and
9 fisheries registered in the RSBSA, farms and fisheries cooperatives and
10 associations, and microfinance institutions: Provided, That a portion of the Special
11 Fund managed by the LBP and DBP shall be used to fund capacity building
12 programs which will equip ARBs, as well as members of their household and their
13 MSMEs, and agrarian reform communities with the appropriate knowledge and
14 skills to improve their welfare, competitiveness, income and productivity. For this
15 purpose, the LBP and DBP may coordinate with qualified training providers as well
16 as the ACPC and the Cooperative Development Authority, on the design and
17 delivery of these capacity building programs.

18 In the case of the DBP share, to promote financial inclusion in Islamic
19 communities, particularly the ARBs in the Bangsamoro Region, two and one-half
20 percent (2.5%) in the thirty-two and one-half percent (32.5%) share of DBP shall
21 be allocated to Al Amanah Islamic Investment Bank of the Philippines (AAIIBP) for
22 as long as the National Government is a majority shareholder of AAIIBP.

23 Provided, That all loan repayments and other collections shall revert to the
24 General Fund of the National Treasury: Provided further, That LBP and DBP shall
25 be allowed to reimburse direct costs incurred in the management of the Fund, but
26 in no case shall these reimbursements exceed two percent (2%) of the average
27 quarterly loan balance.

28 **SEC. 12. Congressional Oversight.** - The Congressional Oversight Committee
29 on Agricultural and Fisheries Modernization (COCAFAM) shall exercise oversight
30 functions over the implementation of this Act. In line with this, COCAFAM shall conduct
31 an independent review of the use of the Special Fund administered by the
32 implementing agencies.

1 **SEC. 13. *Implementing Guidelines.*** - The BSP, in consultation with LBP, DBP,
2 AIIBP, Cooperative Development Authority, DA, DAR, the banking industry,
3 Microfinance Organizations and other relevant agencies, shall promulgate such rules
4 and regulations as may be necessary to implement the provisions relating to the
5 mandatory agricultural and fisheries financing requirement, within sixty (60) working
6 days after approval of this Act.

7 **SEC. 14. *Separability Clause.*** – If any part, section or provision of this Act is
8 held invalid or unconstitutional, other provisions not affected thereby shall remain in
9 force and effect.

10 **SEC. 15. *Repealing Clause.*** – Republic Act No. 10000 is hereby repealed. Any
11 other provisions of laws, decree and regulations, administrative orders inconsistent
12 with the provisions of this Act are hereby repealed or amended accordingly.

13 **SEC 16. *Effectivity.*** - This Act shall take effect fifteen (15) days after its
14 publication in the Official Gazette or in a newspaper of general circulation.

Approved,