

23 JAN 31 P4:24

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

RECEIVED BY: 

SENATE
S.B. No. 1823

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT CONSOLIDATING THE LOAN ALLOCATION PROVIDED FOR AGRICULTURE AND FISHERIES CREDIT AND AGRARIAN REFORM BENEFICIARIES, AND INCREASING THE PENALTIES ON LENDING INSTITUTIONS FOR NON-COMPLIANCE AND UNDERCOMPLIANCE WITH THE PROVISIONS OF REPUBLIC ACT NO. 10000, OTHERWISE KNOWN AS "THE AGRI-AGRA REFORM CREDIT ACT OF 2009", AMENDING FOR THE PURPOSE SECTION 6 AND SECTION 10 THEREOF, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

It is a declared policy of the State under Section 2 of Republic Act No. 10000, otherwise known as the "Agri-Agra Reform Credit Act of 2009," *"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."*

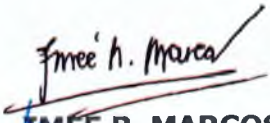
Section 6 of the same Act provides that *"All banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and fisheries credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform beneficiaries mentioned in Section 5 hereof..."* However, records of the *Bangko Sentral ng Pilipinas* (BSP) show that as of June 2022, except for rural banks and cooperatives, overall compliance with RA No. 10000 has been declining and has generally been below the mandatory lending requirement. With the impact of the COVID-19 pandemic and the effects of climate change becoming more severe, the demand for accessible and affordable financial services for the agriculture and fisheries sectors has become more urgent. A consolidation of the loan allocation would work to broaden the area within which the financial institutions may comply with the requirements of the same Act.

Section 10 of RA No. 10000 further provides that *"The BSP shall impose administrative sanctions and other penalties on the lending institutions for non-compliance with the provisions of this Act. Penalties on non-compliance shall be computed at one-half of one percent (0.5%) of non-compliance and under-compliance 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 RA No. 10000, choosing, instead, to pay the penalties provided in Section 10 quoted above. While the State recognizes the right of financial institutions to implement a sound lending policy based on its own discretion and evaluation, the duty to obey the mandates of the law, with utmost good faith, is paramount. Therefore, it is deemed proper to implement a four-fold increase of the penalty, from 0.5% to 2%.

The agricultural and fisheries sectors have not been able to fully avail of the credit services imposed by RA No. 10000 on banks and other financial institutions. This is due to the imposition of strict eligibility and documentary requirements and high standards on the borrowers' ability to settle loans, which the agricultural and fisheries sectors have difficulty complying with. Thus, the 25% requirement is not met, which is detrimental to the development of the said sectors.

It is not the intention of this Act to penalize and reprimand the banking institutions. Instead, this Act seeks to encourage said institutions to implement measures aimed at realizing of the purposes of the law and the development of the agricultural and fisheries sector of the country.

Thus, the immediate passage of this bill is necessary.


EMEEO R. MARCOS



23 JAN 31 P 4 :24

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

RECEIVED BY

SENATE
S.B. No. 1823

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
CONSOLIDATING THE LOAN ALLOCATION PROVIDED FOR
AGRICULTURE AND FISHERIES CREDIT AND AGRARIAN REFORM
BENEFICIARIES, AND INCREASING THE PENALTIES ON LENDING
INSTITUTIONS FOR NON-COMPLIANCE AND UNDERCOMPLIANCE WITH
THE PROVISIONS OF REPUBLIC ACT NO. 10000, OTHERWISE KNOWN AS
"THE AGRI-AGRA REFORM CREDIT ACT OF 2009", AMENDING FOR THE
PURPOSE SECTION 6 AND SECTION 10 THEREOF,
AND FOR OTHER PURPOSES

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

1 **Section. 1. Credit Quota.** – Article II, Section 6 of Republic Act No. 10000 is
2 hereby amended to read:

3
4 "Sec. 6. Credit Quota. - All banking institutions, whether government or
5 private, shall set aside at least twenty-five (25%) of their total loanable
6 funds for agriculture and fisheries credit [~~in general, of which at least ten~~
7 ~~percent (10%) of the loanable funds shall be made available for]~~ **AND**
8 agrarian reform beneficiaries mentioned in Section 5 hereof: *Provided,*
9 *however,* That total loanable funds as used in this Section shall refer to
10 funds generated from the date of effectivity of this Act: *Provided, further,*
11 That the twenty-five percent (25%) credit quota is subject to a joint
12 review by the Department of Agriculture (DA), the Department of
13 Agrarian Reform (DAR) and the *Bangko Sentral ng Pilipinas* (BSP) after
14 three (3) years of implementation to determine whether the law has been
15 effective in accomplishing its goals. The findings shall be submitted to
16 Congress."

17
18 **Sec. 2. Penalty Clause.** – Article III, Section 10 of Republic Act No. 10000 is
19 hereby amended to read:

1
2 "Sec. 10. Penalty Clause. –
3

4 a) The BSP shall impose administrative sanctions and other penalties on
5 the lending institutions for noncompliance with the provisions of this
6 Act. Penalties on noncompliance shall be computed at [~~one-half of~~
7 ~~one percent (0.5%)~~] **TWO PERCENT (2%)** of noncompliance and
8 undercompliance and shall be directed to the development of the agri-
9 agra sector. Ninety percent (90%) of the penalties collected shall be
10 allocated between the AGFP and the PCIC according to the needs of
11 the agri-agra sector as provided for in the implementing rules and
12 regulations of this Act and the remaining ten percent (10%) shall be
13 given to the BSP to cover administrative expenses.

14 b) **OFFICIALS ACCOUNTABLE FOR NON-COMPLIANCE AND**
15 **UNDER-COMPLIANCE WITH THE PROVISIONS OF THIS ACT**
16 **SHALL BE LIABLE ADMINISTRATIVELY AND CIVILLY IN THE**
17 **MANNER THAT SHALL BE EXPRESSED AND INCLUDED IN THE**
18 **IMPLEMENTING RULES AND REGULATIONS OF THE AGRI-**
19 **AGRA REFORM CREDIT ACT OF 2009 (RA 10000). BSP**
20 **OFFICIALS SHALL LIKewise BE LIABLE FOR REFUSAL OR**
21 **FAILURE TO SANCTION ERRING BANK OFFICIALS."**

22 **Sec. 3. Congressional Annual Reports.** – The BSP shall furnish reports on the
23 compliance with the Credit Quota, as provided in this Act, including Information on the
24 amount of penalties collected and remitted to the Congress on a yearly basis. The BSP
25 shall, as part of its regulatory functions, monitor the compliance by the banks with the
26 requirements of this Act.

27
28 **Sec. 4. Separability Clause.** – If for any reason, any provision of this Act is
29 declared invalid or unconstitutional, the remaining parts or provisions not affected shall
30 remain in full force and effect.

31
32 **Sec. 5. Repealing Clause.** – All laws or parts thereof, decrees, orders, rules and
33 regulations inconsistent with the provisions of this Act are hereby repealed or modified
34 accordingly: *Provided, however,* that nothing in this Act shall be construed or applied
35 as amending the Comprehensive Agrarian Reform Law (CARL) and other laws on
36 agrarian reform.

37
38 **Sec. 6. Effectivity.** – This Act shall take effect fifteen (15) days after its
39 publication in the Official Gazette or in a newspaper of general circulation.

Approved,