

Republic of the Philippines  
Congress of the Philippines

Metro Manila

Fourteenth Congress

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-seventh day of July, two thousand nine.



[ REPUBLIC ACT No. 10000 ]

AN ACT PROVIDING FOR AN AGRICULTURE AND  
AGRARIAN REFORM CREDIT AND FINANCING  
SYSTEM THROUGH BANKING INSTITUTIONS

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

ARTICLE I

GENERAL PROVISIONS

SECTION 1. *Short Title.* — This Act shall be known as  
“The Agri-Agra Reform Credit Act of 2009”.

SEC. 2. *Declaration of Policy.* – 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.

SEC. 3. *Definition of Terms.* – As used in this Act, the term:

(a) *Accredited Rural Financial Institution* refers to any financial institution accredited by the Bangko Sentral ng Pilipinas (BSP) whose portfolios are substantially agri-agra related as defined by the implementing rules and regulations.

(b) *Agrarian Reform Beneficiary* refers to farmers who were granted lands under Presidential Decree No. 27, the Comprehensive Agrarian Reform Law and Republic Act No. 9700 or the “Comprehensive Agrarian Reform Extension with Reforms” and regular farmworkers who are landless, irrespective of tenurial arrangement, who benefited from the redistribution of lands, regardless of crops or fruits produced, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other alternative arrangements to the physical distribution of lands, such as production or profit sharing, labor administration, and the distribution of shares of stock which will allow beneficiaries to receive a just share of the fruits of the lands they work.

(c) *Agricultural Guarantee Fund Pool (AGFP)* refers to the five percent (5%) of the 2007 surplus of the government-owned and/or -controlled corporations and government financial institutions including the Philippine Amusement and Gaming Corporation (PAGCOR), the Philippine Charity Sweepstakes Office (PCSO), the Social Security System (SSS), and the Government Service Insurance System (GSIS) as mandated by Administrative

Order No. 225-A, series of 2008, and the penalties collected from banking institutions for noncompliance and undercompliance as provided under this Act.

(d) *Agricultural Lessee* refers to any person who, with or without help from his/her immediate farm household, cultivates the land owned by another for a certain price in money, in produce, or in both.

(e) *Agro-Industry Modernization Credit and Financing Program (AMCFP)* refers to the umbrella credit/financing program of the government for the agriculture and fisheries sector created under Republic Act No. 8435, otherwise known as the "Agriculture and Fisheries Modernization Act of 1997". By design, AMCFP funds are provided as loans to government financial institutions (GFIs) called 'credit wholesalers', which in turn relend them to qualified 'credit retailers' that include rural banks, thrift banks, cooperative banks, nongovernment organizations (NGOs), National Food Authority (NFA) and other associations/people's organizations engaged in lending to small farmers and fisherfolk.

(f) *Amortizing Owners* refer to landowners who still amortize payment for the land to a private individual or to the State.

(g) *Compact Farmers* refer to those farmers with adjoining farms operating as a single unit under one management, farm plan and budget.

(h) *Farmer* refers to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agroforest products, livestock and/or fisheries, either by himself/herself, or primarily with the assistance of his/her immediate farm household, whether the land is owned by him/her or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof.

(i) *Farmworker* refers to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether

his/her compensation is paid on a daily, weekly, monthly or "pakyaw" basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute who has not obtained a substantially equivalent and regular farm employment.

(j) *Farmer's Cooperatives* refer to organizations composed primarily of small agricultural producers, farmers, farmworkers, or other agrarian reform beneficiaries who voluntarily organize themselves for the purpose of pooling land, manpower, technological, financial or other economic resources, and operate on the principle of one member, one vote. A juridical person may be a member of a cooperative, with the same rights and duties as a natural person.

(k) *Farmer's and Fisherfolk's Organizations or Associations* refer to farmer's and fisherfolk's cooperatives, associations or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farmworkers, agrarian reform beneficiaries, fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.

(l) *Financial Services* refer to services extended by banks/financial institutions such as, but not limited to, credit/lending, deposits and rediscounting.

(m) *Fisherfolk* refers to people directly or personally and physically engaged in taking and/or culturing and processing fishery and/or aquatic resources.

(n) *Fishworker* refers to a person whether or not regularly employed in commercial fishing and related industries, whose income is either from wages, profit sharing or stratified sharing basis, including those working in fishpens, fish corral/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boat or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers.

(o) *Owner-Cultivators* refer to natural persons who own lands by purchase, inheritance, or land distribution by the State. Owner-Cultivators can operate the farm themselves, supervise wage labor or delegate operations to farmers.

(p) *Philippine Crop Insurance Corporation (PCIC)* refers to a government-owned and -controlled corporation which provides insurance protection to the country's agricultural producers, particularly the subsistence farmers against crop losses arising from natural calamities such as typhoons, rising sea levels, floods, drought, earthquakes, volcanic eruptions, plant diseases and pest infestation, and non-crop agricultural asset losses due to perils for which the asset has been insured against.

(q) *Quedan and Rural Credit Guarantee Corporation (QUEDANCOR)* refers to a non-bank government financing institution (GFI) under the policy supervision of the Department of Agriculture (DA) created under Republic Act No. 7393 geared towards the establishment of an effective credit delivery system and a guarantee facility that would promote inventory financing of agri-aqua commodities, production and post-harvest production facilities, farm and fishery machineries and equipment, investment in production inputs and labor and the development of rural livelihood enterprise.

(r) *Settlers* refer to persons who range from the forest-clearing pioneers, including indigenous people, with a subsistence economy to the better equipped and more experienced farmers.

(s) *Tenant Farmer* refers to one who cultivates another's land under a sharing or leasehold agreement.

## ARTICLE II

### AGRICULTURAL CREDIT, INSURANCE AND FINANCING SYSTEM

SEC. 4. *Agriculture, Fisheries and Agrarian Reform Credit, Insurance and Financing System.* - There shall be

evolved an agriculture, fisheries and agrarian reform credit, insurance and financing system to improve the productivity of the agriculture and fisheries sectors, particularly the farmers, fisherfolk and agrarian reform beneficiaries, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner-cultivators, compact farmers, farmer's and fisherfolk's cooperatives, organizations and associations, through government and private banking institutions.

Agriculture and agrarian reform credit, as used herein, shall consist of loans to finance activities and purposes including, but not limited to, agricultural production, promotion of agribusiness and exports, acquisition of work animals, farm and fishery equipment and machinery, seeds, fertilizers, poultry, livestock, feeds and other similar items, acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; construction, acquisition and repair of facilities for production, processing, storage and marketing and such other facilities in support of agriculture and fisheries; and efficient and effective merchandising of agricultural and fishery commodities stored and/or processed by the facilities aforecited in domestic and foreign commerce.

SEC. 5. *Agriculture and Agrarian Reform Credit Beneficiaries.* - The credit mentioned in the preceding section shall be extended to the beneficiaries named therein or to cooperatives and associations in good standing of such beneficiaries regardless of capitalization based on the feasibility of the project and their paying capacity, their estimated production, and/or securities they can provide as well as such assets as may be acquired by them from the proceeds of the loan.

SEC. 6. *Credit Quota.* - 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: *Provided, however,* That total loanable

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

**SEC. 7. Modes of Compliance.** – The BSP, the DA and the DAR, in consultation with concerned agencies and sectors, shall promulgate such rules and regulations as may be necessary to implement the provisions of this Act within ninety (90) days after the approval of this Act. Such rules and regulations shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the Philippines. Subject to such rules and regulations, banking institutions may be allowed to:

(a) Invest in bonds issued by the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP) and/or open special deposit accounts (SDAs) with accredited rural financial institutions defined by the implementing rules and regulations: *Provided,* That the proceeds from said bonds and SDAs shall be used exclusively for on-lending to the agriculture and agrarian reform sector: *Provided, further,* That proceeds from said bonds and SDAs shall be separately accounted for by the DBP, the LBP and the depository thrift banks, cooperative banks and rural banks and shall not be considered for purposes of computing the loanable funds under Section 6 hereof of the said banks: *Provided, furthermore,* That loanable funds channeled as compliance under this subsection shall not be counted as compliance under subsections (b), (c), (d), (e) and (f) even if said funds are later used by conduit banks in activities similar to those provided for in subsections (b), (c), (d), (e) and (f);

(b) Rediscount with the universal banks and commercial banks, including local branches of foreign banks eligible paper covering agriculture, fisheries and agrarian reform credits,

including loans covered by guarantees of the QUEDANCOR, and the PCIC: *Provided*, That rediscounted paper shall no longer be eligible as compliance on the part of the originating bank;

(c) Lend for the construction and upgrading of infrastructure including, but not limited to, farm-to-market roads, as well as the provision of post harvest facilities and other public infrastructure that will benefit the agriculture, fisheries and agrarian reform sector;

(d) Invest directly in preferred shares of stock in rural financial institutions like rural banks, cooperative banks, farmer's cooperatives and farmer's cooperative insurance or mutual benefit associations or lend wholesale to rural financial institutions accredited by the BSP: *Provided*, That credit facility shall be exclusively used for on-lending to the agriculture, fisheries and agrarian reform sector: *Provided, further*, That the wholesale loans shall be credited as compliance of the wholesale lender alone: *Provided, finally*, That allowable alternative modes of compliance should directly target the agriculture, fisheries and agrarian reform sector;

(e) Invest in shares of stock of the QUEDANCOR and the PCIC; and

(f) Loans or investments in the activities identified under the AMCFP as enumerated under Chapter 3 Credit, Section 23 of Republic Act No. 8435 or the Agriculture and Fisheries Modernization Act (AFMA).

SEC. 8. The alternative compliance enumerated in the preceding section shall also be subject to joint review by the DA, the DAR and the BSP after three (3) years of implementation to determine whether the modes of compliance directly target the agriculture, fisheries and agrarian reform sector. The findings shall be submitted to Congress.



## ARTICLE III

## MISCELLANEOUS PROVISIONS

SEC. 9. *Annual Reports.* – The BSP shall furnish reports on the compliance with the mandatory credit allocation to the DA, the DAR and Congress on a yearly basis.

SEC. 10. *Penalty Clause.* – 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.


SEC. 11. *Repealing Clause.* – Presidential Decree No. 717, the second paragraph under Section 8 of Republic Act No. 7900, otherwise known as the High-Value Crops Development Act of 1995, and Section 9 of Republic Act No. 7721, otherwise known as Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines, are all hereby repealed. Other laws, presidential decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

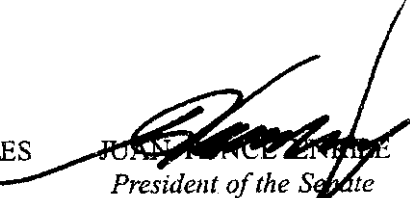
SEC. 12. *Separability Clause.* – If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in force and effect.

SEC. 13. *Transitory Provision.* – Prior to the effectivity of the implementing rules and regulations of this Act, the provisions of Presidential Decree No. 717 shall remain in force.


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


Approved,

  
PROSPERO C. NOGRALES  
*Speaker of the House  
of Representatives*

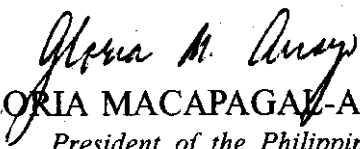
  
JUAN PONCE ENRILE  
*President of the Senate*

This Act which is a consolidation of Senate Bill No. 3431 and House Bill No. 6095 was finally passed by the Senate and the House of Representatives on December 16, 2009 and December 15, 2009, respectively.

  
MARILYN B. BARUA-YAP  
*Secretary General  
House of Representatives*

  
EMMA LIRIO REYES  
*Secretary of the Senate*

Approved: FEB 23 2010

  
GLORIA MACAPAGAL-ARROYO  
*President of the Philippines*



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