

**AMENDMENTS TO THE IMPLEMENTING RULES AND REGULATIONS
OF THE AGRI-AGRA REFORM CREDIT ACT OF 2009
(RA 10000)**

WHEREAS Section 7 of Republic Act 10000 (RA 10000) mandates that the Bangko Sentral ng Pilipinas (BSP), the Department of Agriculture (DA), and the Department of Agrarian Reform (DAR), in consultation with concerned agencies and sectors, promulgate such rules and regulations as may be necessary to implement the provisions of the said Act.

NOW, THEREFORE, these amendments to the Implementing Rules and Regulations are promulgated to guide the BSP, DA, DAR and all other concerned departments, agencies and sectors concerned in the implementation of the provisions of RA 10000.

**ARTICLE I
GENERAL POLICIES**

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SECTION 3. *Definition of Terms.* - As used in this IRR, the term:

- a. *Accredited rural financial institutions (Fls)* xxx.
- b. *Agrarian reform beneficiaries (ARBs)* xxx.

The term shall likewise include registered ARBs' cooperatives/associations/other farm groups respectively endorsed as comprising of ARBs by the nearest office of the DAR.

- c. *ARB household* shall refer to members of an ARB household who contribute to the productivity of the awarded land under, but not limited to, the following instances:
 - (i) Upon death of the ARB and the transfer action to execute hereditary succession of the awarded land is still in process, or
 - (ii) Upon physical incapacity of the ARB to till/manage the awarded land.
- d. *Agrarian reform community (ARC)* shall refer to a barangay or a cluster of barangays primarily composed and managed by ARBs which is organized and willing to undertake the integrated development of an area and/or their organizations/cooperatives.
- e. *Agrarian reform credit* shall refer to loans granted, simultaneously or otherwise, directly to ARBs and/or ARB households, or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs for agricultural, fisheries and agrarian reform purposes.
- f. *Agricultural and fisheries credit* shall refer to loans granted to borrowers for agricultural and fisheries purposes.

- g. *Agricultural lessee xxx.*
- h. *Agricultural value chain (AVC)* shall refer to a set of actors/players, such as farmers, fisherfolk, ARBs and/or ARB households, traders, suppliers, processors, and aggregators, who make up the linked sequence of value-adding activities undergone by an agricultural product when converted from raw material to the final form it is presented to the consumers.
- i. *Agricultural value chain financing (AVCF)* shall refer to the financial products and services made available to an AVC following the appropriate evaluation of the AVC's composition, goal, size and capacity.
- j. *Agriculture, fisheries and agrarian reform credit xxx*
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 - (vi) construction, acquisition and repair of facilities for production, processing, storage, and marketing and such other facilities in support of agriculture and fisheries,
 - (vii) efficient and effective merchandising of agricultural and fishery commodities stored and/or processed by the facilities aforesaid in domestic and foreign commerce,
 - (viii) AVCF, and
 - (ix) xxx
- k. *Agri-business* shall refer to agriculture and fishery-related activities that put farmers, fisherfolk, processors, distributors, and consumers within a system that produces, processes, transports, markets, and distributes agricultural and fishery products. It encompasses input production, farm and fishery operations and management, equipment and supplies manufacturing, food/non-food processing, trading, and retailing.
- l. *Agro-industry Modernization Credit and Financing Program (AMCFP)* xxx.
- m. *Amortizing owners xxx.*
- n. *Compact farmers xxx.*
- o. *Farm to market road xxx.*
- p. *Farmer xxx.*
- q. *Farmworker xxx.*
- r. *Farmer's cooperatives xxx.*
- s. *Farmer's and fisherfolk's organizations or associations xxx.*
- t. *Fisherfolk xxx.*

- u. *Fisheries xxx.*
- v. *Fishworker xxx.*
- w. *Loanable funds xxx.*
- x. *National Food Authority (NFA), xxx.*

As a government non-financial agency, the NFA cannot and will not perform any lending function consistent with the provisions of Republic Act No. 8435.

- y. *Owner-cultivators xxx.*
- z. *Post-harvest activities xxx.*
- aa. *Post-harvest facilities xxx.*
- ab. *Public infrastructure* shall refer to xxx such other facilities in support of agrarian reform, agriculture and fisheries.
- ac. *Qualified borrowers* for agriculture, fisheries and agrarian reform credit shall refer to farmers, fisherfolk, ARBs and/or ARB households, settlers, agricultural lessees, xxx.
- ad. *Settlers xxx.*
- ae. *Tenant farmer xxx.*

ARTICLE II

AGRICULTURAL CREDIT, INSURANCE AND FINANCING SYSTEM

SECTION 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 and viability of the agriculture, fisheries and agrarian reform sectors, particularly the farmers, fisherfolk, ARBs and/or ARB households, ARCs, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner-cultivators, compact farmers, tenant farmers, farmers' and fisherfolks' cooperatives, organizations and associations, through government and private banking institutions. Credit insurance and guarantee fund coverage play complementary roles in promoting private sector financing to the agricultural sector. Capacity development programs are also essential in improving the viability and productivity of rural community beneficiaries. Through skills enhancement, agricultural and fishery beneficiaries will be able to embrace an entrepreneurial approach to farming, adopt digital tools, organize for scale and move beyond production toward the more high-value activities in the agricultural value chain.

Subsection 4.1. The credit system described in these Rules shall adopt the basic policy principles espoused under Section 20 of Republic Act No. 8435.

SECTION 5. Agriculture, Fisheries and Agrarian Reform Credit Beneficiaries.

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SECTION 6. Credit Quota. Banks shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture, fisheries and agrarian reform credit in general, of which at least ten percent (10%) of the total loanable funds shall be made available for ARBs and/or ARB households or ARCs.

Excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural and fisheries credit, in general, but not vice versa.

Subsection 6.1. Direct compliance. Total loanable funds as computed under Section 8 shall be made available by banks for agriculture, fisheries and agrarian reform credit.

1) 25% mandatory agriculture, fisheries and agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:

(a) Actual extension of loans to qualified borrowers (gross of allowance for probable losses), for purposes of financing agriculture, fisheries and agrarian reform activities under Section 3(j), other than (1) loans rediscounted with universal banks (UBs)/commercial banks (KBs), or (2) loans to the extent funded by proceeds from any of the following:

(i) Bonds issued for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of Development Bank of the Philippines (DBP)/Land Bank of the Philippines (LBP),

(ii) Special deposit accounts (SDAs) maintained for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of BSP-accredited rural FIs, or

(iii) Wholesale lending of other banks for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of BSP-accredited rural FIs, or

(b) Purchase of eligible loans listed in Item No. "1(a)" above on a "without recourse" basis from other banks and FIs.

2) 10% mandatory agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:

(a) Actual extension of loans to ARBs and/or ARB households (gross of allowance for probable losses), for purposes of

financing agriculture, fisheries and agrarian reform activities under Section 3(j), other than (1) loans rediscounted with UBs/KBs, or (2) loans to the extent funded by proceeds from bonds, in the case of DBP/LBP, and/or SDAs and/or wholesale lending of other banks, in the case of BSP-accredited rural FIs listed under Item Nos. "1(a)(i)" to "1(a)(iii)" above, or

(b) xxx.

SECTION 7. Modes of Alternative Compliance. The following alternative modes of compliance to the mandatory agriculture, fisheries and agrarian reform credit shall be allowed:

1) 25% mandatory agriculture, fisheries and agrarian reform credit

(a) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are purchased after 20 April 2010:

(i) Investments in bonds issued by the DBP and the LBP, the proceeds of which shall be used exclusively for on-lending to the agriculture, fisheries and agrarian reform sector,

(ii) Investments in other debt securities, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435, or

(iii) Paid subscription of shares of stock in the following institutions, subject to existing rules and regulations governing equity investments of banks:

(1) Accredited rural FIs (preferred shares only),

(2) Philippine Crop Insurance Corporation (PCIC), or

(3) Companies primarily engaged in activities under Section 23 of R.A. No. 8435.

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(b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:

(i) Investments in SDAs of BSP-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to the agriculture, fisheries and agrarian reform sector;

(ii) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to the

agriculture, fisheries and agrarian reform sector;

- (iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agricultural, fisheries and agrarian reform credits, including loans covered by guarantees of the PCIC;
- (iv) Actual extension of loans intended 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 as defined under Section 3 of these Rules, for the benefit of the agriculture, fisheries and agrarian reform sector;
- (v) Actual extension of loans to borrowers for purposes of financing activities identified under Section 23 of R.A. No. 8435, including palay housing and farming homestead;
- (vi) Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified borrowers;
- (vii) Agricultural value chain financing;
- (viii) Extension of loans to:
 - (a) NFA-registered warehousemen/ millers/ wholesalers for the purpose of financing activities identified under Section 23 of R.A. No. 8435, or
 - (b) The NFA: *Provided*, that it shall not use the proceeds of said loans for relending, or
- (ix) Purchase of eligible loans listed under Item Nos. "1(b)(ii)" to "1(b)(viii)" on a "*without recourse*" basis from other banks and FIs after 20 April 2010:

Provided, That the loans under Item Nos. "1(b)(iv)" to "1(b)(ix)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. "1(b)(i)" to "1(b)(ix)" shall not be funded by proceeds from the issuance of bonds under Item No. "1(a)(i)", in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. "1(b)(i)" and/or wholesale lending of other banks under Item No. "1(b)(ii)", in the case of BSP-accredited rural FIs.

2) 10% mandatory agrarian reform credit

- (a) Eligible securities (gross of allowance for probable losses but

net of unamortized premium or discount) that are purchased after 20 April 2010:

- (i) Investments in bonds issued by the DBP and the LBP, the proceeds of which shall be used exclusively for on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs, or
- (ii) Investments in other debt securities, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435: *Provided*, That said activities shall generally benefit ARBs and/or ARB households or ARCs.

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(b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:

- (i) Investments in SDAs of BSP-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs,
- (ii) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs,
- (iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agrarian reform credits, including loans covered by guarantees of the PCIC,
- (iv) Actual extension of loans intended 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 as defined under Section 3 of these Rules that shall generally benefit ARBs and/or ARB households or ARCs,
- (v) Actual extension of loans to borrowers, for purposes of financing activities identified under Section 23 of R.A. No. 8435, including palay housing and farming homestead: *Provided*, That said activities shall generally benefit ARBs and/or ARB households or ARCs,
- (vi) Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain

arrangements directly with ARBs and/or ARB households,

- (vii) Agricultural value chain financing that shall generally benefit ARBs and/or ARB households or ARCs, or
- (viii) Purchase of eligible loans listed under Item “2(b)(ii)” to “2(b)(vii)” on a “*without recourse*” basis from other banks and FIs after 20 April 2010:

Provided, That the loans under Item Nos. “2(b)(iv)” to “2(b)(viii)” are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. “2(b)(i)” to “2(b)(viii)” shall not be funded by proceeds from the issuance of bonds under Item No. “2(a)(i)”, in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. “2(b)(i)” and/or wholesale lending of other banks under Item No. “2(b)(ii)”, in the case of BSP-accredited FIs.

SECTION 8. *Computation of loanable funds.* xxx

SECTION 9. *Accreditation of Rural Financial Institutions (RFIs).* The BSP and DA shall issue relevant circulars and regulations to govern the accreditation of bank and non-bank RFIs, respectively.


SECTION 10. *Transmission of Accreditation List.* In line with accreditation requirements prescribed under these Rules, the DA or its duly authorized agency, shall transmit to the BSP as often as approved the list of accredited non-bank RFIs under Section 9 of these Rules.


SECTION 11. *Syndicated type of agrarian reform credit/agricultural and fisheries credit.* Banks may grant a syndicated type of loan for agrarian reform credit/agricultural and fisheries credit in general, either between or among themselves. xxx

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These amendments shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,


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Governor
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