

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session



HOUSE BILL NO. 6039

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Introduced by **Representative JOEY SARTE SALCEDA**

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**AN ACT  
MANDATING BANKING INSTITUTIONS TO STRENGTHEN THE  
FINANCING SYSTEM FOR AGRICULTURAL, FISHERIES AND  
RURAL DEVELOPMENT IN THE PHILIPPINES,  
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The spirit of Republic Act No. 10000, or the Agri-Agra Reform Act of 2009, sought to extend credit access to farmers and fisherfolk, who are among the most financially-vulnerable and the most unbanked sectors of the population. While the intent of the law was laudable, it did not succeed in its objectives primarily due to the fact that farmers and fisherfolk, in the absence of mechanisms and the economic environment to add value to their produce, remained a low-income, high-risk credit market. Because the law required banks to lend set levels of credit to farmers and fisherfolk, it also forced banks to choose between giving out high-risk loans or become non-compliant with national policy. Both choices imply risks to the stability of the financial sector.

To address this situation, the Bangko Sentral ng Pilipinas (BSP) has advocated for reforms that will expand the market for Agri-Agra loans to include programs and projects that create value in rural communities. Such reforms will both address the concerns of banks and solve the main cause of the failure of the 2009 law – the lack of income-sustaining value chains for farmers and fisherfolk.

Furthermore, such reforms would induce broad-based, inclusive, and forward-thinking growth in rural communities by extending credit access to programs and projects that align with a more modern vision for agriculture – one that does not focus only on volume of produce, but also on value created by the agricultural sector.

This representation fully supports these reforms, which are reflected in full in this proposal.

This representation, however, also believes that financial inclusion is also critical in ensuring that farmers and fisherfolk are a more attractive credit market. After all, farmers and fisherfolk will not have access to credit if they do not have access to financial services in general.

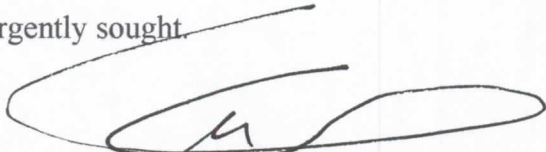
This bill therefore includes missionary financial inclusion initiatives, which could include virtual banking for farmers and fisherfolk, among programs and projects that are eligible for Agri-Agra loans.

Furthermore, this representation recognizes that this reform, like the law that it reforms, is an exercise in policy experimentation. We believe that it will not do harm, but we have yet to see with certainty that the reform will work. Thus, this bill subjects the implementation of the provisions of this proposal to congressional oversight, to ensure that policymakers are responsive to possible needs and opportunities for enhancements to this reform.

With the basic reform advocated for by the BSP as part of its financial stabilization and Road to A-Credit Rating strategy, and with the enhancements that this representation introduced to make the reform more impactful and inclusive, it is anticipated that greater rural access to credit will support the public investments being made by the government towards rural development.

This reform will also complement the Virtual Banking Act and the Financial Consumer Protection Act filed by this representation to stabilize the financial sector, promote consumer welfare, and accelerate financial inclusion.

In view of the foregoing, the approval of this bill is urgently sought.



**JOEY SARTE SALCEDA**