

**Comments on the S. B. Nos. 1038, 1336, 1352, 1361, 1585, 1740 and 1924 meant to “STRENGTHEN THE FINANCING SYSTEM FOR AGRICULTURE, FISHERIES, AND RURAL DEVELOPMENT IN THE PHILIPPINES”**

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We greatly support this initiative to apply a more comprehensive approach to financing agriculture, fisheries, and rural development. We believe this is a timely bill that should be acted upon quickly.

**General comments**

Agricultural finance is associated with market and production risks. Coupled with the limited institutional capacity of banks in catering to the agriculture sector and the absence of information systems that can help them assess creditworthiness of borrowers, failure to fully comply with the Agri-Agra Law (and opting to simply pay the required penalty) seems rational. The expansion of the alternative modes of compliance and the creation of a finance and capacity-building council are therefore very timely reforms given that various agencies (e.g., the DA, DAR, ACPC, LBP and DBP) already have many ongoing financing programs for farm holders and fisherfolk, with the issue of financing currently being addressed so that private banks can contribute to the rural/agricultural development through other means.

The Bangko Sentral ng Pilipinas (BSP) has already moved towards broadening the application of the Agri-Agra law to channel more funds to the agriculture sector and allow more households, agrarian reform communities, and agriculture-related businesses to benefit from greater financing. This bill will further cement the reforms taken in that direction to help strengthen the rural economy and improve the well-being of citizens in that sector.

**Specific comments**

Following are just a few, more targeted, comments.

**On the modes of compliance, consider including:**

- Financing, specifically, the development of the agro-processing industry, forming part of the manufacturing sector that processes and transforms primary and intermediate products from agriculture, forestry, and fisheries into manufactured goods. This industry has a relatively high sophistication content and can help in avoiding the high transportation, handling, and storage costs of primary agricultural products.
- Financing, specifically, digital solutions (e.g., digital platforms) to make the products of SMEs and the agricultural sector more visible to markets.

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**On the role of the Agricultural and Fisheries Finance and Capacity-Building Council (AFFCC), consider including:**

- Taking stock of all government agricultural and rural financing programs and to rationalize and harmonize the terms/conditions and eligibility requirements of programs with similar objectives. The government has several financing programs for the agriculture and fisheries sector that can have overlapping objectives.
- Assessing the effectiveness of projects/programs approved by the AFFCC through periodic evaluation (process and impact) and maintaining a database that can aid assessment.
- Overseeing the establishment of a credit information bureau specifically for agricultural and rural credit to reduce transactions' cost of both banks and borrowers.

**Other matters, not mentioned in the drafts, consider including:**

- Providing incentives to banks to encourage their stronger involvement in the agricultural financing system, which can include the
  - a. assistance from government agencies on the monitoring component of the loans,
  - b. government's technical assistance on the development of appropriate products,
  - c. government's equity investment in setting-up banks' lending center in rural areas, and
  - d. provision of improved agricultural/crop insurance by reviewing the coverage, ensuring timely release of claims, and strengthening information systems through geotagging of agricultural producers and households
- Enhancing banks' participation in the Agricultural Guarantee Pool Program (AGFP) by
  - a. increasing the banks' awareness of the guarantee program, and
  - b. reviewing/simplifying the processes (from applications to claims), and
  - c. increasing the coverage of the program (currently covers lending to commodity production only)