

## CHAPTER VII

### AGRICULTURAL CREDIT

SEC. 21. Rural Credit Delivery System. – An efficient credit delivery system guided by a sound rural credit policy geared towards the needs of small farmers shall be established. The features of the credit delivery system for small farmers shall include, among others, a maximum rate of interest not to exceed seventy-five percent (75%) of commercial rate per annum inclusive of all service, penalty and other charges. It shall also include minimum collateral requirements, accessibility, reasonable payment terms, expeditious loan documentation and processing procedures. Services shall be expanded to include not only loans for procurement of production inputs but also for other needs and purposes of small farmers such as education and health needs.

The Department of Agriculture, through the Agricultural Credit Policy Council (ACPC) and other concerned agencies, shall give subsidies for the education and training of small farmers on credit awareness, loan acquisition, and loan repayment. It shall conduct an intensive information drive that will promote the establishment of strong and viable farmers' organizations such as cooperatives, credit unions, rotating savings, and credit associations and nongovernment organizations (NGOs) which play a major role in increasing small farmers' access to credit. Likewise, the government shall also set up a system which will provide information on the credit worthiness of potential borrowers.

In order to reduce the risks and administrative costs of lending institutions, the Government shall expand its loan guarantee coverage under the Comprehensive agricultural Loan Fund to be administered by the ACPC and crop insurance programs to cover not only rice and corn but other crops, livestock, poultry, fishery, and agro-forestry as well. The ACPC shall conduct special projects to promote the innovative financing schemes for small farmers. Payment under such insurance program shall be prompt and any delay without just cause shall entitle the beneficiary to reasonable interest rate on the amount due.

In addition, the Government shall promote the development of farmers' organizations. Toward this end, the Government, through the ACPC and other concerned agencies, shall subsidize costs of information dissemination, monitoring, training and registration. The farmers' organizations may serve as conduits of rural banks, private development banks and other banks for effective agricultural credit delivery. An amount shall be earmarked for lending exclusively to farmers' cooperatives at subsidized interest rates.

All agricultural lending programs of the Government are hereby consolidated and placed under the administration of the Land Bank of the Philippines. The funds shall be augmented by annual budgetary allocations which shall be managed as a self-sustaining fund base by the Land Bank of the Philippines in coordination with ACPC.

A portion of all loanable agricultural funds shall be utilized for direct lending to small farmers for their production, processing, postharvest and marketing requirements.

To be able to generate funds that will be used to cover for the administrative costs of the agricultural funds being handled by the Land Bank of the Philippines, all government agencies that are involved in the development of the small farmers shall be allowed the option to deposit their funds in the Land Bank of the Philippines.

SEC. 22. Cooperative Banks. – Small farmers shall have access to reasonable credit/loan package. The Government shall promote the establishment of cooperative banks and promote the growth of networks of cooperative banks.

**IMPLEMENTING RULES AND  
REGULATIONS ON THE PROVISIONS  
OF REPUBLIC ACT NO. 7607**

**(MAGNA CARTA OF  
SMALL FARMERS)**

## CHAPTER VII

### AGRICULTURAL CREDIT

The LBP shall determine the annual credit requirement of small farmers and shall correspondingly request Congress for appropriations which shall be released to LBP to form the credit funds for small farmers. LBP shall coordinate/inform DA and the Agricultural Credit Policy Council (ACPC) on requests/releases of funds for small farmers.

#### Section 21. Rural Credit Delivery System

RULE 70. An efficient credit delivery system guided by a sound rural credit policy geared towards the needs of small farmers shall be established. As a broad strategy, the DA and other line agencies shall focus on technical assistance, project development and packaging services to ensure an efficient and cost effective credit delivery.

RULE 71. The DA through the ACPC and other concerned agencies shall conduct an information drive aimed at promoting credit awareness and the establishment of strong and viable farmer organizations (such as cooperative and credit associations and NGOs) which will play a major role in increasing small farmers access to credit. The scope of information provided shall be such that its ultimate result is the improvement of the prospective borrowers' financial discipline and their eventual effective use and management of credit resources.

RULE 72. The ACPC shall devise credit assistance program and other needs of small farmers such as for education and health needs. The small farmer cooperatives which received financial assistance from LBP may give providential loans (intended for education and health needs) out of their funds generated from the business activities.

RULE 73. The DA shall expand its loan guarantee coverage under the Comprehensive Agricultural Loan Fund (CALF) to be administered by the ACPC and crop insurance programs to cover not only rice and corn but other crops, livestock, poultry, fishery and agro-forestry as well, in order to reduce the risk and administrative costs of lending institutions.

RULE 74. The ACPC shall conduct special projects to promote innovative financing schemes for small farmers.

RULE 75. The DA through the ACPC and other concerned agencies shall be responsible for training, registration, information dissemination, and monitoring of the farmer organizations, NGOs, cooperative banks and other institutions providing credit facilities to promote and accelerate their development.

RULE 76. The LBP shall administer all agricultural lending programs of the government for small farmers in coordination with the DA/ACPC. Moreover, in ensuring further credit flows especially to the small farming sector, the government through the Central Bank of the Philippines (CBP) shall see to it that the agricultural loan quota policy under Presidential Decree No. 717, Section

3, is effectively enforced and that such other lending aspects as repayment, documentation requirements, etc. are acceptable and affordable from the borrowers' viewpoint. The maximum rate of interest should not exceed seventy-five percent (75%) of the commercial rate per annum inclusive of all service, penalty and other charges.

A portion of all loanable agricultural funds shall be utilized for direct lending to small farmers for their production, processing, post harvest and marketing requirements.

## Section 22. Cooperative Banks

RULE 77. The DA in coordination with ACPC, LGUs and other government agencies shall advocate for the establishment of cooperative banks and promote the growth of their network to at least one per province and/or agricultural city. Should there be existing cooperative banks, the farmer organizations should, instead of organizing their own, support the existing cooperative structures.