

EXECUTIVE ORDER NO. 83

STRENGTHENING THE ENFORCEMENT OF THE AGRI-AGRA LAW (PD 717) AND LAUNCHING THE NDC AGRI-AGRA ERAP BONDS FOR RURAL DEVELOPMENT

WHEREAS, the Government has, as a matter of policy, given the highest priority to the development of the agricultural and agrarian sectors and in connection therewith, has called upon the private sector to share in the responsibility of promoting and improving the productivity of these sectors;

WHEREAS, a basic social policy has been laid by Presidential Decree No. 717 entitled "Providing and Agrarian Reform Credit and Financing System from Agrarian Reform Beneficiaries Through Banking Institutions" or the Agri-Agra Law, requiring the banking sector to allocate at least 25% of its loanable funds for agricultural credit in general, of which 10% of said loanable funds shall be made available to agrarian reform beneficiaries as defined therein;

WHEREAS, various related Republic Acts have expanded the modes of compliance by the banking sector with PD 717, to wit:

- Section 9, RA 7721

Extension of development loans for educational institutions, cooperatives, hospitals and other medical services; socialized or low-cost housing and local government units without national government guarantee

- Section 11 (b), RA 7835

Mandatory investment of all unused Agri-Agra allocation funds in socialized and low cost housing

- Section 8, RA 7900

Exemption of banks from compliance requirements of PD 717 when at least 5% of loanable funds are directly lent to farmer's association or cooperatives

WHEREAS, there is a need to increase and further improve compliance by the banking sector with the provisions of PD 717 through an alternative compliance mechanism to be able to increase the productivity of the agriculture and agrarian sectors.

WHEREAS, Section 4 of PD 717 allows the banking sector to invest in government securities declared eligible by the Bangko Sentral ng Pilipinas (BSP) and invest any portion of the amount set aside for agrarian reform credit not actually

loaned out as a mechanism for alternative compliance with the requirements of PD 717;

WHEREAS, Section 9 of PD 1648, the Revised Charter of the National Development Company (NDC) authorizes NDC to issue, upon recommendation of the Secretary of Finance (DOF) and approval of the President, tax exempt bonds and securities guaranteed by the government to finance its operations;

WHEREAS, there is a need to authorize the issuance of long term bonds by NDC which shall be called NDC Agri-Agra Economic Recovery through Agricultural Productivity (ERAP) Bonds to support projects for economic growth under a revitalized rural development program undertaken by NDC in cooperation with the Department of Agrarian Reform (DAR) and the private sector;

NOW THEREFORE, I, JOSEPH EJERCITO ESTRADA, President of the Republic of the Philippines, for the effective and efficient implementation of PD 717 and in order to address the government's priority program, by virtue of the powers vested in me by law, do hereby order:

Section 1. **Title.** This Executive Order shall otherwise be known as the "Launching of the NDC Agri-Agra Economic Recovery Through Agricultural Productivity (ERAP) Bonds for Rural Development."

Section 2. **Enforcement of PD 717 and Institution of Penalties.** The BSP shall intensify the enforcement of PD 717 for the banking sector to support the credit requirements of the agricultural and agrarian reform sectors and shall institute the necessary penalties for non-compliance.

Section 3. **Authorizing the Issuance of NDC Agri-Agra ERAP Bonds in support of Alternative Compliance Mechanisms and Rural Credit Mobilization.** NDC is hereby authorized to undertake the issuance of the NDC Agri-Agra ERAP Bonds in the total amount of up to Fifty Billion Pesos (P 50,000,000,000.00) which shall be guaranteed by the Republic of the Philippines.

The features of the NDC Agri-Agra ERAP Bonds shall be determined and fixed by NDC in consultation with the DOF, which features shall be competitive with existing bonds and securities in circulation in the Philippine market.

The purchase or underwriting of these bonds by the banking sector shall serve as compliance by it with the provisions of PD 717.

Section 4. **Mobilization and Utilization of the Proceeds of the NDC Agri-Agra ERAP Bonds.** The proceeds from the issuance of the NDC Agri-Agra ERAP Bonds, hereinafter referred to as the Fund, shall be jointly managed by NDC and DAR.

The Fund shall be used exclusively for the development of the agriculture and agrarian sectors and in the implementation of identified development priority projects of NDC and of the Departments of Agriculture and Agrarian Reform for these sectors, such as but not limited to, rice production joint ventures, establishments of food chains, livestock and agri-processing support services and facilities and similar undertakings.

Consistent with NDC's mandate as the corporate vehicle of the government, the NDC shall act as the DAR's corporate arm in the mobilization and utilization of the Fund,

Section 5. **Implementing Rules and Regulations.** The BSP, in close coordination with DOF, DAR and NDC, shall promulgate the implementing rules and regulations necessary to effectively implement, and improve compliance by the banking sector with, the provisions of PD 717 and this Executive Order.

The implementing rules and regulations shall also utilize alternative modes of fund utilization to improve the efficiency and effectiveness of projects in these sectors, to include guarantees, concessional financing loans, equity or quasi-equity and quasi-debt instruments in projects trust bonds or securities of qualified project enterprises and such other modes as may be determined by the NDC and DAR.

Section 6. **Taxation.** Pursuant to Section 9, PD 4971, interest income on the Agri-Agra ERAP Bonds shall be exempt from the payment of taxes.

Section 7. **Repealing Clause.** All issuances, executive or administrative orders, and/or rules and regulations or parts thereof, which are inconsistent herewith are hereby repealed or modified accordingly.

Done in the City of Manila, this 25th day of December, in the year of our Lord, nineteen hundred and ninety eight.

(SGD.) **JOSEPH EJERCITO ESTRADA**

By:

(SGD.) **RONALDO P. ZAMORA**
Executive Secretary