

Republic of the Philippines
Bangsamoro Autonomous Region in Muslim Mindanao
BANGSAMORO TRANSITION AUTHORITY
Cotabato City

SECOND PARLIAMENT
Second Regular Session

Parliament Bill No. 184

Bangsamoro Autonomous Region in Muslim Mindanao
Parliament
BILLS AND INDEX DIVISION
RECEIVED

Name: DARAZ, RAHMANS Signature: [Signature]
Date: MAY 25 2023 Time: 11:00 AM

Introduced by
**MPs AMILBAHAR S. MAWALLIL, ATTY. RASOL Y. MITMUG, JR.,
ATTY. SITTIE FAHANIE S. UY-OYOD, HASHEMI N. DILANGALEN, M.D.,
HAMID U. MALIK**
Co-authored by
**MPs ATTY. LAISA M. ALAMIA, ENGR. BAIN TAN A. AMPATUAN,
ENGR. DON MUSTAPHA A. LOONG, ATTY. SUHARTO M. AMBOLOD TO,
RASUL E. ISMAEL**

AN ACT
PROMOTING AGRICULTURAL MICROFINANCE IN THE
BANGSAMORO AUTONOMOUS REGION, PROVIDING FOR THE
ESTABLISHMENT OF A REGIONAL AGRICULTURAL
MICROFINANCE PROGRAM, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Agriculture is a vital sector in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), providing livelihood to about 70% of the region's population. However, small-scale farmers and fisherfolks who comprise the majority of the sector face various challenges that hinder their productivity and income. These challenges include limited access to credit, inadequate infrastructure, insufficient market linkages, and low productivity due to outdated farming practices and climate change. As a result, the region's agricultural sector is underdeveloped and has not realized its full potential.

To address these challenges, this bill proposes the establishment of the Regional Agricultural Microfinance Program, which aims to promote agricultural microfinance in the region. The program seeks to provide small-scale farmers and fisherfolks with access to credit, adequate infrastructure, market linkages, and other support services to boost their farm production and income. The program also aims to promote financial inclusion by reaching out to the unbanked and underserved communities in rural areas.

According to the Philippine Statistics Authority, as of 2020, only 16.5% of the households in BARMM have savings accounts, while 83.5% do not have any form of savings. This indicates the need to improve financial inclusion in the region, particularly in rural areas where most small-scale farmers and fisherfolks reside. By promoting agricultural microfinance, the program can provide financial services that are tailored to the needs of the small-scale farmers and fisherfolks and that can help them improve their productivity and income.

The program will be implemented by the Ministry of Agriculture, Fisheries, and Agrarian Reform (MAFAR) which will be responsible for the management and disbursement of the funds. The program will be financed from various sources, including the Bangsamoro government budget, grants, donations, concessional loans, and loans from commercial banks and other financial institutions. MAFAR shall ensure that the funds are utilized efficiently, effectively, and transparently in accordance with the objectives of the program.

The program will adopt various measures to ensure that the beneficiaries are reached, and the services are delivered to them effectively. These measures include the use of mobile technology and digital platforms for delivering microfinance services to rural communities, the establishment of community-based microfinance institutions, and the conduct of capacity-building programs to enhance the financial management skills of the community leaders and members.

In conclusion, the Regional Agricultural Microfinance Program aims to promote agricultural microfinance in the Bangsamoro Autonomous Region in Muslim Mindanao to address the challenges faced by small-scale farmers and fisherfolks. The program seeks to provide them with access to credit, adequate infrastructure, market linkages, and other support services to boost their farm production and income. The program also aims to promote financial inclusion by reaching out to the unbanked and underserved communities in rural areas. The successful implementation of the program will lead to the development of the region's agricultural sector, improvement of the livelihood of its people, and overall economic growth of the region.

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


AMILBAHAR S. MAWALLIL
Member of the Parliament

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Name: BAHAR, RAHMANUS Signature: (bahr)
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BE IT ENACTED by the Bangsamoro Transition Authority in Parliament assembled:

SECTION 1. Short Title. – This Act shall be known as the "*Bangsamoro Agricultural Microfinance Act of 2023.*"

SECTION 2. Declaration of Policy. – It is the policy of the Bangsamoro Autonomous Region to promote the development of agriculture and rural communities by providing farmers with access to affordable credit and other support services. This shall be done by establishing a regional agricultural microfinance program that will enhance the capacity of farmers to produce crops and livestock, improve farm productivity, develop adequate infrastructure, and promote market linkages.

SECTION 3. Definition of Terms. – For purposes of this Act, the following terms shall have the following meanings:

- (a) Agricultural Microfinance – refers to the provision of small-scale financial services to farmers and other smallholders, including loans, savings, insurance, and other support services, to help them improve their productivity and livelihoods.

(b) Agricultural Microfinance Institution – refers to any entity that provides agricultural microfinance services to farmers and other smallholders, including microfinance institutions (MFIs), rural banks, cooperatives, and other community-based organizations.

(c) Regional Agricultural Microfinance Program – refers to the program established by the Bangsamoro Autonomous Region to provide agricultural microfinance services to farmers and other smallholders in the region, with the aim of promoting rural development and poverty reduction.

SECTION 4. Objectives of the Regional Agricultural Microfinance Program. – The Regional Agricultural Microfinance Program shall aim to achieve the following objectives:

(a) To provide farmers and other smallholders with access to affordable credit and other support services that will enhance their capacity to produce crops and livestock, improve farm productivity, and develop adequate infrastructure;

(b) To promote market linkages between farmers and agribusiness firms, processors, and other buyers, by providing them with the necessary financial and technical support to meet the quality and quantity requirements of the market;

(c) To develop appropriate financial products and services that are responsive to the needs of the agricultural sector, taking into consideration the special requirements of various subsectors, such as crops, livestock, fisheries, and agroforestry;

(d) To promote financial inclusion among farmers and other smallholders, by providing them with access to savings, insurance, and other support services that will help them manage risks and build their assets; and

(e) To develop appropriate mechanisms for loan disbursement, repayment, and monitoring, ensuring that loans are utilized for their intended purposes.

SECTION 5. Scope of the Regional Agricultural Microfinance Program. – The Regional Agricultural Microfinance Program shall cover the following:

(a) Farmers and other smallholders engaged in agriculture and agribusiness in the Bangsamoro Autonomous Region;

(b) Microfinance institutions (MFIs), rural banks, cooperatives, and other community-based organizations that provide agricultural microfinance services to farmers and other smallholders in the region.

SECTION 6. Establishment of the Regional Agricultural Microfinance Program. – The Bangsamoro Government, through the Ministry of Agriculture, Fisheries, and Agrarian Reform (MAFAR), shall establish a Regional Agricultural Microfinance Program that will provide agricultural microfinance services to farmers and other smallholders in the region. The Program shall be administered by the MAFAR, which shall have the following functions:

- (a) Develop and implement the Program in accordance with the policies and guidelines set in this Act;
- (b) Identify potential beneficiaries and assess their creditworthiness;
- (c) Provide loans, savings, insurance, and other support services to farmers and other smallholders, based on their needs and capacities;
- (d) Develop appropriate financial products and services that are responsive to the needs of the agricultural sector, taking into consideration the special requirements of various subsectors, such as crops, livestock, fisheries, and agroforestry;
- (e) Develop appropriate mechanisms for loan disbursement, repayment, and monitoring, ensuring that loans are utilized for their intended purposes; and
- (f) Maintain accurate and up-to-date records of beneficiaries and their activities, and submit regular reports to the Bangsamoro Autonomous Region Government.

To ensure the effective implementation of the program, the guidelines and policies of the program shall specify the following:

1. Eligibility criteria for beneficiaries: The guidelines and policies of the program shall specify the criteria for determining the eligibility of small-scale farmers and fisherfolks to access microfinance services. The criteria shall take into consideration the financial capacity of the beneficiaries, their farming experience, and their willingness to adopt sustainable farming practices.
2. Types of microfinance services: The guidelines and policies of the program shall specify the types of microfinance services that will be offered to the beneficiaries. These may include credit, savings, insurance, and other financial services that are appropriate for small-scale farmers and fisherfolks.
3. Interest rates and repayment terms: The guidelines and policies of the program shall specify the interest rates and repayment terms of the microfinance services. The interest rates shall be reasonable and affordable, while the repayment terms shall be flexible and tailored to the cash flow of the beneficiaries.
4. Monitoring and evaluation: The guidelines and policies of the program shall specify the monitoring and evaluation mechanisms that will be used to track the performance of the program. These mechanisms shall include regular reporting, on-site visits, and impact assessments to ensure that the program is meeting its objectives.

SECTION 7. Selection and Accreditation of Microfinance Institutions. - The selection and accreditation of microfinance institutions to participate in the Regional Agricultural Microfinance Program shall be based on the following procedures:

1. Eligibility: Microfinance institutions that wish to participate in the program shall meet the following eligibility criteria:

- a. Must be a registered entity with the Bangsamoro government, and have been in operation for at least two years;
- b. Must have a sound financial track record, with positive net worth and no history of defaulting on loans;
- c. Must have experience in providing microfinance services to small-scale farmers and fisherfolks in the Bangsamoro region; and
- d. Must have a governance structure that ensures transparency, accountability, and the protection of the rights of the beneficiaries.

2. Accreditation process: Microfinance institutions that meet the eligibility criteria shall undergo an accreditation process, which shall include the following steps:

- a. Submission of application: The microfinance institution shall submit an application to the Bangsamoro government, providing information on its operations, financial status, and experience in providing microfinance services to small-scale farmers and fisherfolks.
- b. Evaluation: The application shall be evaluated by a technical working group, which shall assess the microfinance institution's compliance with the eligibility criteria, and the quality and appropriateness of its microfinance services.
- c. Site visit: The technical working group shall conduct a site visit to the microfinance institution's office and branch locations, to verify the information provided in the application and to assess the institution's capacity to deliver microfinance services to the beneficiaries.
- d. Accreditation: Microfinance institutions that pass the evaluation and site visit shall be accredited by the Bangsamoro government, and shall be allowed to participate in the program.

3. Accreditation renewal: Accreditation shall be valid for two years, after which the microfinance institution shall undergo a renewal process to ensure continued compliance with the eligibility criteria and the quality of its microfinance services.

The selection and accreditation process shall be transparent and objective, and shall ensure that only qualified microfinance institutions are allowed to participate in the program. The Bangsamoro government shall maintain a list of accredited microfinance institutions, and shall make this list publicly available for the information of the beneficiaries.

SECTION 8. Standards for Microfinance Services. - The Regional Agricultural Microfinance Program shall uphold the following standards for microfinance services provided by accredited microfinance institutions:

Accessibility: Microfinance services shall be easily accessible to small-scale farmers and fisherfolks, especially those in remote and underserved areas. Microfinance

institutions shall establish branches or outreach centers in these areas and shall use appropriate communication channels to reach out to their clients.

Affordability: Microfinance services shall be affordable, with reasonable interest rates and fees that do not impose a heavy burden on the beneficiaries. The interest rates and fees shall be transparently disclosed to the beneficiaries, and shall comply with the Bangsamoro Microfinance Act and other applicable laws and regulations.

Responsiveness: Microfinance institutions shall respond to the needs of their clients, and shall provide appropriate and timely microfinance services that suit the clients' circumstances and preferences. Microfinance institutions shall offer a range of microfinance products and services, such as loans, savings, insurance, and financial education, to meet the diverse needs of their clients.

Sustainability: Microfinance institutions shall operate on a sustainable basis, with sound financial management practices that ensure their long-term viability and the continuity of their microfinance services. Microfinance institutions shall conduct regular risk assessments and shall implement risk management policies and procedures to mitigate risks.

Transparency and accountability: Microfinance institutions shall be transparent and accountable in their operations, and shall provide clear and accurate information to their clients on the terms and conditions of their microfinance services. Microfinance institutions shall maintain proper books of accounts and shall submit regular reports to the Bangsamoro government on their financial and operational performance.

The Bangsamoro Government, through the MAFAR, shall monitor the compliance of microfinance institutions with these standards, and shall take appropriate measures to ensure that the beneficiaries receive high-quality microfinance services that contribute to their improved livelihoods and well-being.

SECTION 9. Sources of Fund. - The Regional Agricultural Microfinance Program shall be financed from the following sources:

- a. Appropriations from the Bangsamoro government budget;
- b. Grants, donations, and concessional loans from development partners and other funding agencies;
- c. Loans from commercial banks and other financial institutions; and
- d. other sources, as may be approved by the Bangsamoro Parliament.

The MAFAR shall ensure that the funds are used efficiently, effectively, and transparently in accordance with the objectives of the program. It shall establish a system of accounting and reporting that provides timely and accurate information on the financial transactions and status of the program. It shall also undergo regular financial audits by independent auditors to ensure accountability and transparency.

It shall be responsible for the management and disbursement of the funds in accordance with the guidelines and procedures approved by the Bangsamoro Parliament. It shall also ensure that the funds are utilized for the intended purposes and in compliance with the laws and regulations on public financial management.

The Bangsamoro Parliament shall conduct regular oversight and monitoring of the program and the management of its funds to ensure that the program is implemented in accordance with its objectives and that the funds are utilized efficiently, effectively, and transparently.

SECTION 10. Access to Information. – The MAFAR shall ensure that the beneficiaries of the program have access to adequate information on the terms and conditions of the microfinance services, including the interest rates, repayment terms, collateral requirements, and other relevant information.

SECTION 11. Prohibition against Usury. – The interest rates charged on loans under the Regional Agricultural Microfinance Program shall not exceed the maximum allowable rates prescribed by the Bangko Sentral ng Pilipinas and other relevant laws and regulations. The Bangsamoro Government shall ensure that no usurious practices shall be allowed to prevail in the program.

SECTION 12. Mobile Technology and Digital Platforms. - The Regional Agricultural Microfinance Program shall adopt mobile technology and digital platforms to deliver microfinance services to rural communities. The designated agency or office shall explore the use of mobile phones, tablets, and other digital devices as tools for collecting and analyzing data, assessing creditworthiness, processing loan applications, and providing financial literacy education to the beneficiaries of the program.

The designated agency or office shall also establish partnerships with telecommunications companies, financial technology firms, and other private sector entities that can provide the necessary technical support and expertise for the implementation of digital microfinance services. The partnerships shall be guided by a clear and transparent memorandum of agreement that outlines the roles, responsibilities, and benefits of each party.

The use of mobile technology and digital platforms shall be accompanied by appropriate safeguards to protect the privacy and security of personal and financial information of the beneficiaries. The designated agency or office shall ensure that the digital microfinance services comply with the relevant laws and regulations on data protection and privacy.

SECTION 13. Community-Based Microfinance Institutions. - The Regional Agricultural Microfinance Program shall promote the establishment of community-based microfinance institutions (CBMFIs) to provide financial services to small-scale farmers and fisherfolks in remote and underserved areas. CBMFIs shall be organized and managed by the community itself, with the guidance and technical support of the designated agency or office.

The designated agency or office shall develop and implement a capacity-building program for the community leaders and members who will be involved in the establishment

and operation of CBMFIs. The program shall cover topics such as financial management, bookkeeping, credit analysis, and risk management.

The CBMFIs shall be required to register with the MAFAR and comply with the relevant laws and regulations on microfinance operations. MAFAR shall provide technical assistance to the CBMFIs to ensure their compliance and sustainability.

To address the concern about redundancy, MAFAR shall conduct a mapping exercise to identify the existing community microfinance and small cooperatives in the region. The mapping exercise shall also determine the gaps in microfinance services in remote and underserved areas. Based on the results of the mapping exercise, MAFAR shall work with the existing microfinance and small cooperatives to complement their services and fill the gaps in the underserved areas. The CBMFIs shall focus on areas where there are no existing microfinance services or where the existing services are inadequate to meet the needs of small-scale farmers and fisherfolks.

SECTION 14. Evaluation and Review. – The MAFAR shall conduct periodic evaluations and reviews of the Regional Agricultural Microfinance Program, to assess its impact, identify challenges, and recommend improvements. The results of the evaluation and review shall be reported to the Parliament and made available to the public.

SECTION 15. Implementing Rules and Regulations. - To ensure the effective implementation of the Regional Agricultural Microfinance Program, the Ministry of Agriculture, Fisheries, and Agrarian Reform shall develop and promulgate implementing rules and regulations (IRR) within 90 days from the effectivity of this Act. The IRR shall be formulated in consultation with relevant stakeholders, including small-scale farmers and fisherfolks, microfinance institutions, and government agencies involved in agriculture and rural development.

SECTION 16. Appropriations. The amount necessary to carry out the provisions of this Act shall be charged against the MAFAR's current budget and shall thereafter be included in the annual Appropriations Act.

SECTION 17. Separability Clause. If any section or part of this Act is held unconstitutional or invalid, all other sections or provisions not otherwise affected shall remain in full force and effect.

SECTION 18. Repealing Clause. All ordinances, executive orders, administrative orders, or other rules and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SECTION 19. Effectivity. This Act shall take effect fifteen (15) days after publication in a newspaper of general circulation in the region.

Approved,

Author/s:


AMILBAHAR S. MAWALLIL
Member of the Parliament

Certified correct:

PROF. RABY B. ANGKAL
Secretary-General

Attested by:

ATTY. PANGALIAN M. BALINDONG
Speaker