

[BSP CIRCULAR NO. 190, February 16, 1999]

GUIDELINES REGARDING THE MANDATORY ALLOCATION OF FUNDS FOR AGRARIAN REFORM AND AGRICULTURAL CREDIT

The Monetary Board, in its Resolution No. 124 dated February 3, 1999, approved the issuance of the following guidelines regarding the mandatory allocation of funds for agrarian reform and agricultural credit as provided under P.D. No. 717 dated May 29, 1975, as well as the sanctions for failure to comply with the requirement.

SECTION 1. Required Allocation. — As mandated under P.D. No. 717, all banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their loanable funds for agricultural credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform credit.

SECTION 2. Allowable Alternative Compliance. — The following alternatives are allowed as compliance with P.D. No. 717 as provided under R.A. Nos. 7721, 7835 and 7900:

- a. *Development Loans Incentive* — Pursuant to Sections 8 and 9 of R.A. No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for Other Purposes), loans extended by banks incorporated under the laws of the Philippines, whether Philippine or foreign-owned, to finance educational institutions, cooperatives, hospitals and other medical services, socialized or low-cost housing and to local government units, without national government guarantee, shall be included for purposes of determining compliance with the provisions of P.D. No. 717, as amended.
- b. *Loans for high-value crops projects* — Pursuant to Section 8 of R.A. No. 7900, a bank participating in the High Value Crop Development Program that shall lend a minimum of five percent (5%) of its loanable funds, without alternative compliance, directly to farmers' associations or cooperatives for high-value crops projects shall be exempted from, or shall be deemed to have complied with the requirement of P.D. No 717.
- c. *Unused agri-agra funds to be utilized for socialized and low-cost housing* — As a source of non-budgetary funding to augment the Comprehensive and Integrated Shelter and Urban Development Financing Program under R.A. No. 7835, all unused agri-agra allocation funds of banks in the preceding year shall be invested in socialized and low-cost housing: Provided, That the utilized portion