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SENATE

S. No. 619

RECEIVED BY: *ju*

Introduced by Senator Ralph G. Recto

Explanatory Note

Agriculture is the foundation of a rural economy. Aside from providing our basic necessities of food and raw materials, the sector employs one-third of the country's labor force. As such, agriculture is regarded as the nation's defense against poverty and hunger. As one of the forces that drive the economy, it contributes an annual 18% to the country's GDP despite the onslaught of typhoons, droughts, diseases and high cost of inputs such as fertilizers, antibiotics, seed treatments, pesticides, i.e. herbicides, fungicides, plant growth regulators and rodenticides.

However, growth in the sector has not been enough to improve overall agriculture labor productivity. Latest data as of October 2012 from the National Statistics Office (NSO) show a decline in employment in agriculture by 705,000, or 5.5 %, compared to that of October 2011.¹ Likewise, from January 2004 to January 2009, employment in the sector grew by only 679,268 jobs compared to the Medium-Term Philippines Development Plan target of 2 million jobs.²

Data on yield, production cost and price of various agricultural commodities show that the country lagged behind its neighbors. As a result, the comparative advantage of Philippine agriculture continued to decline resulting in our country increasingly becoming a net importer of agricultural products since 1994.

These setbacks were mainly due to: low public and private investments in the sector, higher cost of farm inputs, high postharvest losses due to inadequate equipment and infrastructure, poor postharvest handling practices, and inadequate skills and technical support, among others. Investments in agriculture fall below levels at which the sector can meet actual food requirements of our increasing population. Thus, ending poverty and inequity have remained serious challenges in the countryside.

Funding support for agriculture is necessary because it leads to greater productivity, which in turn translates to stable prices of commodities and more affordable food on the table. To illustrate: in terms of the share of agricultural land with irrigation facilities, the Philippines ranks 7th in Southeast Asia with only 14.7%, while rice exporter Vietnam's farmland is 47.8% irrigated. On undernourishment, we have 17% versus 9% only in Vietnam. In addition, our imports have outpaced exports with 10.3 % growth in imports versus 8.9% growth in exports, from 2001 to 2010.³

This bill allocates funds for farm inputs, post-harvest facilities, and infrastructure support. In order to promote agribusiness as a tool for countryside development, this bill also provides funding support to livelihood programs, capability programs/trainings, and microfinance. Since agriculture plays a major role in the generation of incomes and employment in the countryside, the sector should be given additional budgetary support.

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

Ralph G. Recto
RALPH G. RECTO

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¹ www.bles.dole.gov.ph/PUBLICATIONS/.../vol16_35.pdf (Accessed on March 21, 2013)

² code-ngo.org/.../MTPDP2004-2010_Assessment_Full_Report.pdf (Accessed on March 21, 2013)

³ FAO, *Selected Indicators of Food and Agricultural Development in the Asia-Pacific Region*



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AN ACT
MODERNIZING AGRICULTURE, PROVIDING FUNDS FROM THE ANNUAL VALUE-ADDED TAX COLLECTIONS, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

Be it enacted by the Senate and the House of Representative of the Philippines in Congress assembled:

1 **SECTION 1.** A new section, to be numbered two hundred eighty-seven, shall be added to
2 Chapter II, Title XI of the National Internal Revenue Code, as amended to read as follows:

3 "SEC. 287. **DISPOSITION OF PROCEEDS OF VALUE-ADDED TAX.** - FIVE
4 PERCENT (5%) OF THE VALUE-ADDED TAX COLLECTED UNDER TITLE IV OF
5 THIS ACT, AS AMENDED, SHALL BE ALLOCATED TO THE FOLLOWING
6 AGRICULTURE EXPENDITURES:

- 7 1.) TWENTY PERCENT (20%) FOR CONSTRUCTION, REHABILITATION AND
8 RESTORATION OF COMMUNAL IRRIGATION SYSTEMS;
- 9 2.) TEN PERCENT (10%) FOR POST-HARVEST FACILITIES INCLUDING
10 MECHANICAL AND SOLAR DRYERS AND WAREHOUSES;
- 11 3.) TEN PERCENT (10%) FOR SEED AND ORGANIC FERTILIZER SUBSIDIES;
- 12 4.) TWENTY PERCENT (20%) FOR FARM-TO-MARKET ROADS IN
13 MUNICIPALITIES WITH SIGNIFICANT AGRICULTURAL ACTIVITIES;
- 14 5.) TEN PERCENT (10%) FOR LIVESTOCK DISPERSAL PROGRAM;
- 15 6.) TEN PERCENT (10%) FOR TRAINING/CAPABILITY BUILDING PROGRAMS
16 FOR AGRICULTURAL EXTENSION WORKERS AND THEIR CLIENTELE;
- 17 7.) TEN PERCENT (10%) FOR MICROFINANCE LENDING PROGRAMS TO
18 FINANCE SMALLHOLDER AGRICULTURE;
- 19 8.) TEN PERCENT (10%) FOR THE ESTABLISHMENT AND MAINTENANCE OF
20 MARICULTURE AND AQUACULTURE PARKS.

21 THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF
22 AGRICULTURE (DA) IN CONSULTATION WITH THE LOCAL GOVERNMENT UNIT
23 CONCERNED.

24 **SEC. 2.** The succeeding Sections of the National Internal Revenue Code are hereby
25 renumbered accordingly.

1 **SEC. 3. *Implementing Rules and Regulations*** – The Department of Budget and
2 Management, Bureau of Internal Revenue and DA shall within thirty (30) days from the effectivity
3 of this Act issue the necessary rules and regulations for its effective implementation. |

4 **SEC. 4. *Repealing Clause***. - All laws, decrees, executive orders, rules and regulations, or
5 parts thereof which are inconsistent with this Act are hereby repealed, amended or modified
6 accordingly.

7 **SEC. 5. *Effectivity***. - This Act shall take effect fifteen (15) days after its publication either in
8 the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,