

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUN 30 P3:27

SENATE

S. No 262

RECEIVED BY: 

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Introduced by Senator S. R. Osmeña III

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#### EXPLANATORY NOTE

The biggest challenge the current administration faces right now is how to ensure that society's poorest sectors reap the benefits of development. Almost half of the country's 80 million Filipinos live below the poverty line. Of these, nearly three quarters live in rural areas. The unemployment rate stood at 11.4% for 2003, the highest in the Asian region.

These figures tell us that if we are to win the battle against poverty, we must wage it in the countryside. The micro-credit programs done in Bangladesh, Brazil and a few other countries have proven its worth as a vehicle for economic empowerment for those who least expect it.

Micro-entrepreneurs thrive in the rural areas – sari-sari store operators, pedicab and tricycle drivers, candy vendors and our daily newspaper suppliers, to name a few. Despite their limited business scopes, micro-enterprises have a significant and positive effect on the economy. That's because, first, they maximize resources abundant in their community. Second, they bank on locally available human resources.

The most appropriate vehicle for countryside-led growth micro-finance remains the Land Bank of the Philippines. Land Bank of the Philippines was created under RA 3844, originally for the purpose of financing the purchase of agricultural estates offered for sale, and to resell the lands to farmer beneficiaries under a long-term amortization scheme. PD 251 subsequently gave Land Bank commercial banking powers to cross-subsidize agrarian land transfer and loans to small farmers and fisherfolk. As a government universal bank, Land Bank's vision is to be a dominant financial institution in the countryside leading the nation to economic prosperity.

This measure hopes to reinforce Land Bank's development mission by amending RA 3844 to institutionalize micro-credit financing as part of the Bank's key operations. It authorizes the Bank to grant collateral-free loans ranging from Two Thousand Pesos (P2,000.00) to Twenty Thousand Pesos (P20,000.00) to private individuals or informal groups of persons to finance self-help ventures and small-scale businesses or crafts.

To ensure the effective enforcement of this Act, Land Bank would be required to allocate 25% of its loan portfolio to micro-lending and to submit an annual report to Congress on its micro-lending operations to enable the government to monitor the success of micro-financing as a poverty-reduction scheme. To instill fiscal discipline

warranted by these amendments, the penalty imposed for violation of the provisions of this Act is increased to Fifty Thousand Pesos (P50,000.00) from the current Ten Thousand Pesos (P10,000.00).

Financial services for the poor have proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress. However, the challenge of providing financial services to them remains.

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



**SERGIO OSMEÑA III**  
Senator

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**AN ACT**  
**TO INSTITUTIONALIZE MICR-CREDIT FINANCING AMENDING FOR THIS**  
**PURPOSE REPUBLIC ACT NO. 3844, AS AMENDED, OTHERWISE KNOWN AS**  
**"THE CODE OF AGRARIAN REFORM IN THE PHILIPPINES." APPROPRIATING**  
**FUNDS THEREFOR, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Republic of the Philippines in Congress assembled:*

1 SECTION 1. Paragraph 6 of Section 75 of Republic Act No. 3844, as  
2 amended, is hereby further amended to read as follows:

3 " XXX

4 6. To grant loans for farmers' cooperatives/ associations to  
5 facilitate production, MARKETING AND DELIVERY AND/OR  
6 DISTRIBUTION of crops and acquisition of essential EQUIPMENT,  
7 MACHINERY, TOOLS AND commodities AS WELL AS TO EXTEND  
8 UNCOLLATERALIZED LOANS OF NOT LESS THAN TWO THOUSAND  
9 PESOS AND NOT MORE THAN TWENTY THOUSAND PESOS TO  
10 PRIVATE INDIVIDUALS OR GROUPS OR AGGRUPATIONS OF  
11 PERSONS TO FINANCE MICRO-VENTURES, LIVELIHOOD  
12 PROJECTS, SMALL-SCALE CRAFTS, CAPITAL FOR RETAIL OR  
13 OTHER SMALL-SCALE BUSINESSES OR OCCUPATIONS PROVIDED  
14 THAT SUCH PRIVATE GROUPS OR AGGRUPATIONS ARE  
15 REGISTERED WITH THE DEPARTMENT OF FINANCE."

16 SEC. 2. Sec. 80 of the same Act, as amended, is hereby further  
17 amended to read as follows:

1 "Sec. 80. Modes of Payment. — The Bank shall finance the  
2 acquisition of farm lots as WELL AS MICRO-PROJECTS, VENTURES  
3 AND UNDERTAKINGS PROVIDED IN PAR. 6 OF SECTION 75 OF THIS  
4 ACT under any of the following modes of settlement :

5 XXX"

6 SEC. 3. Sec. 81 of the same Act is hereby further amended, by adding  
7 two new paragraphs to be known as par. 81-A and 81-B, to read as follows:

8 "Sec. 81-A-. – TO FINANCE THE MICRO-LENDING UNDERTAKINGS  
9 AND TO SUPPORT THE MICRO-FINANCE OPERATIONS OF THE  
10 BANK AS ENVISIONED IN THIS ACT, INCLUDING THE  
11 EMPLOYMENT, DEPLOYMENT AND TRAINING OF ADDITIONAL  
12 PERSONNEL, AS WELL AS THE CREATION OF NEW OFFICERS OR  
13 BRANCHES, THERE IS HEREBY APPROPRIATED THE SUM OF  
14 FIFTY MILLION PESOS (P50,000,000.00) OUT OF THE FUNDS OF  
15 THE NATIONAL TREASURY NOT OTHERWISE APPROPRIATED,  
16 WHICH SUM SHALL FORM PART OF THE CAPITALIZATION OF THE  
17 BANK."

18 SEC. 81-B. – THE BANK SHALL ALLOCATE 25% OF ITS LOAN  
19 PORTFOLIO TO FINANCE MICRO-LOANS AUTHORIZED UNDER THIS  
20 ACT."

21 SEC. 4. Sec. 86-A of the same Act is hereby further amended to read as  
22 follows:

23 Sec. 86-A. Powers and Responsibilities of the Board. — The Board of  
24 Directors shall have, among others, the following specific powers and  
25 responsibilities:

26 "1. Formulate policies, rules and regulations for the effective operation  
27 of the Bank, AS WELL AS TO CARRY OUT THE PROVISIONS OF THIS  
28 ACT;

29 "2. XXX

1 "3. Establish such branches, [and] agencies OR OFFICES as may be  
2 deemed necessary and convenient FOR THE EFFECTIVE  
3 IMPLEMENTATION OF ITS MANDATE FOR THE AGRI-LENDING AND  
4 MICRO-LENDING FINANCING;

5 "4. XXX

6 "5. XXX

7 "6. XXX

8 "7. TO PROVIDE FOR THE RECRUITMENT OF ADDITIONAL OR  
9 FIELD PERSONNEL TO CONDUCT INFORMATION AND TRAINING  
10 PROGRAMS ON MICRO-FINANCING, PROPER ENFORCEMENT OF  
11 PROGRAM POLICIES AND PROCEDURES, AND THE NECESSARY  
12 LENDING TECHNOLOGY TERMS OR MECHANISM FOR MICRO-  
13 LENDING AS PROVIDED IN THIS ACT; AND

14 "8. TO SUBMIT TO CONGRESS AN ANNUAL REPORT OF ITS  
15 MICRO-LENDING OPERATIONS WITH EMPHASIS ON THE NUMBER  
16 OF BENEFICIARIES, REPAYMENT RATES, REACH OUT ACTIVITIES  
17 AND RELEVANT MATTERS."

18 SEC. 5. Sec. 100 of the same Act is hereby amended to read as follows:

19 "Sec. 100. Penalty for Violation of the Provisions of this Chapter. —  
20 Any director, officer, employee or agent of the Bank who violates or  
21 permits the violation of any of the provisions of this Chapter or any person  
22 aiding or abetting the violation of any of the provisions of this Chapter,  
23 shall be punished by a fine of not to exceed [ten] FIFTY thousand pesos  
24 (P50,000.00) or by imprisonment of not more than five years, or both,  
25 such fine and imprisonment at the discretion of the Court."

26 Sec. 6. — The Department of Finance shall, in consultation with the Land  
27 Bank of the Philippines and the Department of Trade and Industry, Department  
28 of Social Welfare and Development, Department of Science and Technology,  
29 Department of Labor and Employment, Department of Agriculture and the

1 Department of Agrarian Reform, promulgate the necessary rules and regulations  
2 for the immediate and effective implementation of this Act within thirty (30) days  
3 from the effectivity of this Act.

4 SEC. 7. This Act shall take effect fifteen (15) days after its publication in  
5 the Official Gazette or in at least two (2) newspapers of general circulation  
6 whichever comes earlier.

7 Approved,