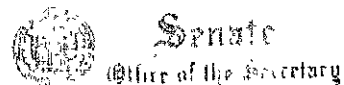


FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



'12 MAY -7 P2:25

SENATE

S. B. No. 3180

RECEIVED BY: ca

Introduced by Senator Ralph G. Recto

EXPLANATORY NOTE

The country's approach to economic development should be anchored on the strategy of *inclusive growth* which addresses the increasing concern that the benefits of progress are not shared equitably by the poor and the vulnerable sectors of society.

The pursuit of *inclusive growth* apart from allowing the marginalized members of society to share in the fruits of development, must also allow them to participate in productive endeavors in order to ensure the attainment of a rapid and sustainable growth and development.

The success of poverty reduction programs becomes more attainable under the policy of *inclusive growth* as it creates economic opportunities for the hitherto excluded poor sector of society, which in the Philippines forms part of the majority of the people. Hence, they are considered as active contributors to the development process and not just mere beneficiaries of government welfare programs.

The goal of *inclusive growth* is best achieved through the pursuit of *financial inclusion* which should provide mainstream financial institutional services to the disadvantaged and low-income people to free them from the clutches of unscrupulous money lenders. In the Philippines, it is recognized that most poor people still lack access to sustainable banking services especially credit facilities that can help improve their lives.

Hence, this bill revisits the charter of the Land Bank of the Philippines to focus on the provision of affordable credit facilities to the agriculture sector where most of the poor people of the country belong. This will promote *inclusive growth* that will allow the poor to share in the responsibility and fruits of growth and development.

The Land Bank of the Philippines (LBP) is a government financial institution that ranks among the top five commercial banks in the Philippines in terms of deposits, assets, loans and capital. It has the most visible presence in the countryside among formal credit institutions.

In the fulfillment of its social mandate, it strikes a balance between promoting countryside development while remaining financially viable.

The LBP was conceived as the financing arm of the agrarian reform program of the government with a specific mandate to fulfill this purpose. It has since been expanded into a full-service commercial bank and provides financing for farmers and fisher folk, small and medium enterprises, microenterprises, livelihood and agri-business, agricultural infrastructure, agriculture projects, environment-related projects, socialized housing, schools and hospitals, among others.

In 1963, Republic Act 3844 otherwise known as the Agricultural Land Reform Code created the LBP. The initial purpose of the LBP was limited to financing the acquisition by the Government of land for division and resale to small landholders as well as the purchase of the landholding by the agricultural lessee as provided for under the Code.

By 1973, the LBP had proved to be deficient and inadequate both in capitalization and in organizational structure to meet the implementation requirements of the government's agrarian reform program. In an effort to revitalize the Bank, Presidential Decree No. 251 was issued on 21 July 1973 which expanded the purpose and powers of LBP. The Bank's new but broadly stated mandate under P.D. 251 was to provide timely and adequate financial support in all phases involved in the execution of needed agrarian reform. Among the expanded powers given, LBP could now grant short, medium and long term loans and advances against security of real estate and/or other acceptable assets for the establishment, development or expansion of agricultural, industrial, home building or home financing projects and other productive enterprises.

The LBP under P.D. 251 now had specific power to grant loans to farmers' cooperatives/associations to facilitate production, marketing of crops and acquisition of essential commodities. It could also guarantee acceptance(s), credits, loans, transactions or obligations of any person, co-partnership, association or corporation in favor of any financing or banking institution, whether foreign or domestic, so long as the proceeds of such acceptances, credits, loans, transactions or obligations were to be utilized or earmarked for the development and/or expansion of agriculture and industry.

Additionally, P.D. 251 authorized the LBP to act as trustee in accordance with the law governing trust corporations, and to exercise the general powers mentioned in the Corporations Law and the General Banking Law, so long as those powers were not inconsistent with PD 251. In effect, the LBP could now operate as a commercial bank.

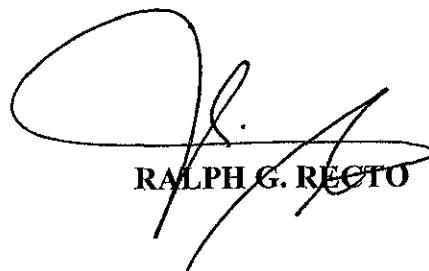
In 1982, Executive Order 816 was issued abolishing the Agricultural Credit Administration (ACA) created under RA 3844 and its functions (loans to small farmers) were transferred to LBP. The rationale for this was to adopt an integrated approach in the provision of financial assistance to farmer-beneficiaries for which a single institution was now preferred.

This bill seeks to restore the original intent for the creation of the Land Bank of the Philippines and that is to assist mainly farmers and agricultural development projects. Hence, the bill amends the charter of the bank by giving priority to the agriculture sector and puts a cap of 20 percent to the total loan portfolio that the Bank may grant for programs and projects in sectors other than agriculture. At the moment, about 40 percent of the Bank's loan portfolio is made available for non priority sectors.

In order to serve as a deterrent to the grant of behest loan, a new provision is added such that loans to individuals or corporate borrowers amounting to 100 Million Pesos or more shall need the approval of the President who shall act on the recommendation of the Bank Board within three months otherwise, the loan shall be considered granted.

The review by a higher authority of the loans of significant amounts will prevent the grant of behest loans that are not covered by sufficient collateral and have a high probability of payment default. However, in order that the grant of legitimate loans is not unduly delayed, the Office of the President is given only three months to act on the loan application elevated for final approval.

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



RALPH G. RECTO

'12 MAY -7 P2:25

SENATE

S. B. No. 3180

RECEIVED BY: fr

Introduced by Senator Ralph G. Recto

AN ACT
AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NUMBERED THREE
THOUSAND EIGHT HUNDRED FORTY-FOUR, AS AMENDED, WHICH CREATED
THE LAND BANK OF THE PHILIPPINES, AMONG OTHER PURPOSES

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

1 **SECTION 1.** Section seventy-five of Republic Act 3844, as amended by Presidential Decree
2 Number 251, is hereby further amended to read as follows:

3 "Sec. 75. Powers in General. The bank shall have the power:

4 "X X X

5 "5. To grant short, medium and long term loans and advances against security
6 of real estate and/or other acceptable assets for the establishment,
7 development or expansion of agricultural, industrial, home building or home
8 financing projects and other productive enterprises: *PROVIDED*, THAT THE
9 TOTAL AMOUNT OF LOANS GRANTED FOR PROGRAMS AND
10 PROJECTS IN SECTORS OTHER THAN AGRICULTURE SHALL NOT
11 EXCEED TWENTY PERCENT (20%) OF THE TOTAL BANK LOAN
12 PORTFOLIO: *PROVIDED, FURTHER*, THAT LOANS TO INDIVIDUAL
13 OR CORPORATE BORROWERS AMOUNTING TO ONE HUNDRED
14 MILLION PESOS (PHP 100,000,000) OR MORE SHALL NEED THE
15 APPROVAL OF THE PRESIDENT OF THE PHILIPPINES WHO SHALL
16 ACT ON THE RECOMMENDATION OF THE BANK BOARD WITHIN
17 THREE (3) MONTHS OTHERWISE, THE LOAN SHALL BE
18 CONSIDERED GRANTED;"

1 x x x”

2 **SEC. 2. *Savings Clause.*** – Nothing in this Act, shall affect the validity or legality of any
3 right, duty, or obligation created by or in respect of the Bank by virtue of its loan operations as a
4 commercial bank prior to this Act. Any receivables pertaining to loans granted prior to this Act,
5 which might be affected by this Act, shall be valid and enforceable upon the terms and
6 conditions under which the loans were made, including the pledge of collateral against which
7 they were issued, and all loans made and security or collateral therefore held by the bank shall
8 remain enforceable according to the terms unless they may be lawfully terminated in accordance
9 with this Act, nor shall this Act supersede the operation of any law protecting or preserving
10 vested contractual rights or be construed to change the terms of any legal contract between the
11 bank and any third party or to impose any new conditions thereon, or to dispense with any
12 condition expressed or authorized in any such contract entered into and taking effect prior to this
13 Act.

14 **SEC. 3. *Separability Clause.*** – If any provision of this Act is held invalid or
15 unconstitutional, the same shall not affect the validity and effectivity of the other provisions
16 hereof.

17 **SEC. 4. *Repealing Clause.*** – Pertinent provisions of all other laws, decrees,
18 executive orders and rules and regulations contrary to or inconsistent with the provisions
19 of this Act are hereby repealed or modified accordingly.

20 **SEC. 5. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its
21 publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,