

**SENATE**

'19 JUL 15 A10 :33

S. No. 468

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Introduced by Senator Ralph G. Recto

**AN ACT**

**PRIORITIZING THE AGRICULTURAL SECTOR IN THE GRANT OF LOANS BY THE LAND BANK OF THE PHILIPPINES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 3844, AS AMENDED**

**EXPLANATORY NOTE**

The Land Bank of the Philippines (LBP) is a government financial institution that ranks among the top commercial banks in the Philippines in terms of deposits, assets, loans and capital. LBP's original mandate was limited to financing the acquisition by the Government of land for distribution and resale to small landholders as well as the purchase of landholdings by agricultural lessees as provided for under Republic Act 3844 or the Agricultural Land Reform Code. Today, LBP is one of the formal credit institutions with the highest level of visibility in the countryside. From being the financing arm of the agrarian reform program, the LBP has since expanded into a full-service commercial bank.

In 2018, LBP reported P867.3 billion gross loan portfolio with the highest year-on-year growth in a decade<sup>1</sup>. However, much of the bank's loan was offered to industries other than the agricultural sector. In the same year, of the P798.8 billion worth of loans extended to all sectors, 64.15% was extended to public utilities, micro, small and medium enterprises (MSMEs), housing, transportation, education, communications, environment projects, healthcare and tourism, while another 14.23% was tendered to other sectors like local government units, government-owned or -controlled corporations (GOCCs), and other treasury loans<sup>2</sup>. This leaves only 21.62% of the bank's gross loan portfolio to support small farmers and fisherfolk and to bolster agribusiness, aqua-business and agriculture-related projects of private enterprises, local government units (LGUs) and GOCCs.

<sup>1</sup> Landbank of the Philippines (2019). LANDBANK regular loans up 33% to P799.2B in 2018, records highest growth in 10 years. Accessed from <https://landbank.com/node/4106> on 09 July 2019.

<sup>2</sup> Landbank of the Philippines (2017). Annex 3: Landbank of the Philippines Performance Highlights 2018. Accessed from [https://www.landbank.com/sites/default/files/transparency/LANDBANK\\_PERFHIGH2018\\_10APR2019rev.pdf](https://www.landbank.com/sites/default/files/transparency/LANDBANK_PERFHIGH2018_10APR2019rev.pdf) on 09 July 2019.

This bill proposes to amend the charter of the Land Bank of the Philippines (LBP), allowing it to focus on the provision of affordable credit to the agriculture sector where most poor Filipinos belong. It amends the LBP Charter by giving priority to the agriculture sector and putting a cap to the amount of loans the bank may grant for programs and projects in sectors other than agriculture. Such move will allow the agricultural sector, particularly the small farmers and fisherfolks to share in the responsibility and fruits of growth and development.

This bill seeks to restore the original intent for the creation of the Land Bank of the Philippines, which is to assist farmers and other agricultural workers, and to contribute to the fruition of agricultural development projects.

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



**RALPH G. RECTO**

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NO 3844, AS AMENDED**

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

1 Section 1. Section 75 of Republic Act No. 3844, as amended, is hereby further  
2 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  
6 security of real estate and/or other acceptable assets for the  
7 establishment, development or expansion of agricultural, industrial, home  
8 building or home financing projects and other productive enterprises:

9 **PROVIDED, THAT THE TOTAL AMOUNT OF LOANS GRANTED FOR**  
10 **PROGRAMS AND PROJECTS IN SECTORS OTHER THAN**  
11 **AGRICULTURE SHALL NOT EXCEED TWENTY PERCENT (20%) OF**  
12 **THE BANK'S TOTAL LOAN PORTFOLIO.**

13 "x x x."

14 Sec. 2. *Validity of Existing Contracts, Agreements and Obligations.* – Nothing in this  
15 Act, shall affect the validity or legality of any right, duty, or obligation created by or in  
16 respect of the Bank by virtue of its loan operations as a commercial bank prior to this Act.  
17 Any receivables pertaining to loans granted prior to this Act, which might be affected by this  
18 Act, shall be valid and enforceable upon the terms and conditions under which the loans  
19 were made, including the pledge of collateral against which they were issued, and all loans  
20 made and security or collateral therefore held by the bank shall remain enforceable  
21 according to the terms unless they may be lawfully terminated in accordance with this Act,  
22 nor shall this Act supersede the operation of any law protecting or preserving vested

1 contractual rights or be construed to change the terms of any legal contract between the  
2 bank and any third party or to impose any new conditions thereon, or to dispense with any  
3 condition expressed or authorized in any such contract entered into and taking effect prior  
4 to this Act.

5       Sec. 3. *Transition Period.* – The Land Bank of the Philippines (LBP) shall have a  
6 period of ten (10) years from the effectivity of this Act to restructure its loan portfolio. The  
7 transition milestones shall be identified in the Implementing Rules and Regulations to be  
8 promulgated pursuant to Section 4 of this Act.

9       Sec. 4. *Implementing Rules and Regulations.* – Within ninety (90) days from  
10 effectivity of this Act, the Department of Finance (DOF) shall, in coordination with the LBP,  
11 promulgate the rules and regulations to effectively implement the provisions of this Act.

12       Sec. 5. *Separability Clause.* – If any provision of this Act is held invalid or  
13 unconstitutional, the same shall not affect the validity and effectivity of the other provisions  
14 hereof.

15       Sec. 6. *Repealing Clause.* – Pertinent provisions of all other laws, decrees,  
16 executive orders and rules and regulations contrary to or inconsistent with the  
17 provisions of this Act are hereby repealed or modified accordingly.

18       Sec. 7. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its  
19 publication in the *Official Gazette* or in two (2) newspapers of general circulations.

Approved,