

Republic of the Philippines  
HOUSE OF REPRESENTATIVE  
Quezon City

FIFTEENTH CONGRESS  
First Regular Session

House Bill No. 3731

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Introduced by Honorable Rex Gatchalian

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**Explanatory Note**

It is the policy of the present administration to streamline the functions of existing Government agencies and offices including government-owned and/or-controlled corporations to achieve operational and financial efficiency as well as derive substantial savings in terms of hardware, software and processes.

Certain Government Financial Institutions (GFIs) like the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP) were created for distinct purposes but had recently been venturing into similar activities geared to implement the Government's socio-economic programs.

The Development Bank of the Philippines (DBP), which was established on October 29, 1946 pursuant to R.A. No. 85, is the government financing institution charged with providing principally medium and long-term credit facilities for agriculture, industry, export development and the government sector.

The Land Bank of the Philippines (LBP), which was established on August 8, 1963 pursuant to R.A. No. 3844, is tasked to provide timely and adequate financial support in all phases involved in the execution of needed agrarian reform.

While the function of the LBP is limited by law to providing financial support in all the phases involved in the execution of needed agrarian reform and granting credit facilities principally to the agricultural sector particularly the farmer's cooperatives, the DBP has been charged by law with providing principally medium and long-term credit facilities for agriculture, industry, export development, the government sector and for infrastructure and development projects of the government.

The DBP is the main conduit for most if not all Official Development Assistance to the Philippines from bilateral and multilateral sources which responds to the financing needs of a very wide spectrum of development priority areas such as infrastructure and logistics, micro, small and medium

enterprises, social services, and environment and industrial lending, among others.

Said role of DBP as main conduit for Official Development Assistance has enabled the DBP for many years to be independent of Government for funding.

There is a need to rationalize the operations of government agencies and GFIs to improve the delivery of government services, to achieve economic efficiency and to support the development thrust of the government. Such rationalization may be achieved by merging government offices/agencies with overlapping functions.

Said merger will improve the balance sheet capabilities of the merged banks thus resulting in a stronger bank which will have a competitive edge over other banks not only in the domestic but in the global market as well.

Considering the broader and more varied functions given by law to DBP, the resulting broader expertise of its personnel and its invaluable role as the main conduit for Official Development Assistance to the Philippines, the DBP should be the surviving entity in the merger.

Hence, the passage of this bill is earnestly requested.



**REX Gatchalian**  
Representative  
1<sup>st</sup> District of Valenzuela

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**AN ACT AUTHORIZING THE MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) AND THE LAND BANK OF THE PHILIPPINES (LBP) WITH DBP AS THE SURVIVING ENTITY AND FOR OTHER PURPOSES**

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

**SECTION 1.** *Declaration of Policy.* There is a need to rationalize the operation of government agencies and Government Financial Institutions (GFIs) to strengthen their financial capabilities, to improve the delivery of government services, to achieve economic efficiency and to support the development thrust of the government. Towards this end, the State shall therefore:

- a. Recognize the importance of strengthening the government financial institutions to give it competitive edge over other banks not only in the domestic but in the global market as well;
- b. Encourage sustainable growth and development in capital and credit facilities in our government financial institution thereby achieving a sound, stable and efficient government banking facility for the protection of the public;
- c. Ensure that the social mandate of providing assistance to priority sectors are continuously fulfilled and investments are amply protected.

**SECTION 2.** *Merger of the Development Bank of the Philippines and the Land Bank of the Philippines.* The Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP) are hereby merged, with DBP as the surviving entity.

All assets and liabilities of LBP are hereby transferred to DBP.

In addition to the powers of DBP under its 1986 Revised Charter (E.O. No. 81 dated December 3, 1986, as amended by R.A. No. 8523 dated February 14, 1998), the DBP as surviving entity, shall also exercise the powers

of LBP under R.A. No. 3844, as amended, such as providing timely and adequate financial support in all phases involved in the execution of needed agrarian reform.

**SECTION 3. *Capital Structure.*** The existing capital structures of DBP and LBP shall be combined; provided, however, that the combined existing authorized capital stock of DBP and LBP which is in the amount of Sixty Billion Pesos (P60,000,000,000.00) shall be increased to One Hundred Billion Pesos (P100,000,000,000.00). Said increase of Forty Billion Pesos (P40,000,000,000.00) shall consist of 400,000,000 common shares with par value of P100.00 per share.

**SECTION 4. *Tax Exemption.*** The merger of DBP and LBP including all aspects of the implementation thereof shall be exempt from the payment of all national and local taxes, fees and charges, including, but not limited to, the income tax, capital gains tax, creditable withholding tax, gross receipts tax, value-added tax, local transfer tax, documentary stamp taxes and registration fees. The shares of stock to be issued out of the increase of the authorized capital stock of DBP shall be exempt from the payment of the documentary stamp taxes.

**SECTION 5. *Implementation of the Merger by Concerned Government Offices/Agencies.*** The Bangko Sentral ng Pilipinas, the Bureau of Internal Revenue and other government offices/agencies concerned are hereby directed to promptly take such actions as may be necessary to fully implement the provisions of this Act.

**SECTION 6. *Effects of the Merger on Existing Laws.*** The provisions of the Corporation Code on Mergers shall have suppletory effect on this Act.

The provisions of R.A. No. 3844, as amended, the Code of Agrarian Reforms of the Philippines, and E.O. No. 81, as amended by R.A. No. 8523, the 1986 Revised Charter of DBP, are hereby amended accordingly.

**SECTION 7. *Repealing Clause.*** All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby deemed amended accordingly.

**SECTION 8. *Effectivity Clause.*** This Act shall take effect within fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Upon the effectivity of this Act, the Board of Directors of DBP as surviving entity, shall as soon as practicable, immediately convene to take such steps as it shall consider to be necessary to implement the provisions of this Act and in the reorganization of the merged banks, applicable laws and rules relevant thereto like the Civil Service Law and its Implementing Rules shall be observed.

Approved.