

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS

First Regular Session

House Bill No. 477



Introduced by **Hon. Rodolfo G. Biazon**

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 population lives below the poverty line. Of these, nearly three quarters live in rural areas.

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-credit finance should be one of the functions of the Land Bank of the Philippines which 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 fisher folk. 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

If 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.



RODOLFO G. BIAZON
Representative
Lone District, Muntinlupa City

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AN ACT
TO INSTITUTIONALIZE MICRO-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:

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

“6. To grant loans to farmers’ cooperatives/associations to facilitate production, **MARKETING AND DELIVERY AND/OR DISTRIBUTION** of crops and acquisition of essential **EQUIPMENT, MACHINERY, TOOLS AND** commodities **AS WELL AS TO EXTEND UNCOLLATERALIZED LOANS OF NOT LESS THAN TWO THOUSAND PESOS (P2,000.00) AND NOT MORE THAN TWENTY THOUSAND PESOS (P20,000.00) TO PRIVATE INDIVIDUALS OR GROUPS OR AGGRUPATIONS OF PERSONS TO FINANCE MICRO-VENTURES, LIVELIHOOD PROJECTS, SMALL-SCALE CRAFTS, CAPITAL FOR RETAIL OR OTHER SMALL-SCALE BUSINESSES OR OCCUPATIONS PROVIDED THAT SUCH PRIVATE GROUPS OR AGGRUPATIONS ARE REGISTERED WITH THE DEPARTMENT OF FINANCE.**”

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

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

XXX”

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

“SEC. 81-A. - TO FINANCE THE MICRO-LENDING UNDERTAKINGS AND TO SUPPORT THE MICRO-FINANCE OPERATIONS OF THE BANK AS ENVISIONED IN THIS ACT, INCLUDING THE EMPLOYMENT, DEPLOYMENT AND TRAINING OF ADDITIONAL PERSONNEL AS WELL AS THE CREATION OF NEW OFFICERS OR BRANCHES, THERE IS HEREBY APPROPRIATED THE SUM OF FIFTY MILLION PESOS (P50,000,000.00) OUT OF THE FUNDS OF THE NATIONAL TREASURY NOT OTHERWISE APPROPRIATED, WHICH SUM SHALL FORM PART OF THE CAPITALIZATION OF THE BANK.”

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

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

“Sec. 86-A. Powers and Responsibilities of the Board. – The Board of Directors shall have, among others, the following specific powers and responsibilities:

- 1. Formulate policies, rules and regulations for the effective operation of the Bank, AS WELL AS TO CARRY OUT THE PROVISIONS OF THIS ACT;**
- 2. xxx**
- 3. Establish such branches, [and] agencies OR OFFICES as may be deemed necessary and convenient FOR THE EFFECTIVE IMPLEMENTATION OF ITS MANDATE FOR THE AGRI-LENDING AND MICRO-LENDING FINANCING;**
- 4. xxx**
- 5. xxx**
- 6. xxx**
- 7. TO PROVIDE FOR THE RECRUITMENT OF ADDITIONAL OR FIELD PERSONNEL TO CONDUCT INFORMATION AND TRAINING PROGRAMS ON MICRO-FINANCING, PROPER ENFORCEMENT OF PROGRAM POLICIES AND PROCEDURES, AND THE NECESSARY LENDING TECHNOLOGY TERMS OR MECHANISM FOR MICRO-LENDING AS PROVIDED IN THIS ACT; AND**

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

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

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

Sec. 6. *Implementing Rules.* – The Department of Finance shall, in consultation with the Land Bank of the Philippines and the Department of Trade and Industry, Department of Social Welfare and Development, Department of Science and Technology, Department of Labor and Employment, Department of Agriculture and the Department of Agrarian Reform, promulgate the necessary rules and regulations for the immediate and effective implementation of this Act within thirty (30) days from the effectivity of this Act.

Sec 7. *Repealing Clause.* – All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 8. *Separability Clause.* – The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

Sec. 9. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation whichever comes earlier.

Approved,