

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



HOUSE OF REPRESENTATIVES

2828
H. B. No. _____

Introduced by Representative 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 No. 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.

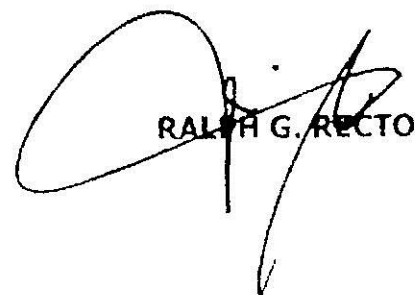
In March 2021, LBP reported P847.03 billion gross loan portfolio despite the devastating impact of COVID-19 in both the domestic and global economy during the previous year. However, much of the bank's loanable fund was offered to industries other than the agricultural sector. Of the P810.07 billion worth of loans extended to all sectors as of March 2021, about 65% was extended to public utilities, micro, small and medium enterprises (MSMEs), housing, transportation, education, communications, environment-related projects, healthcare and tourism, while another 6.70% was extended to other sectors like local government units (LGUs) and government-owned or -controlled

corporations (GOCCs). This leaves only 23.89% of the bank's regular loan portfolio to support small farmers and fisherfolk and to bolster agribusiness, aqua-business, and agriculture-related projects of private enterprises, LGUs and GOCCs.

This bill proposes to amend the LBP charter, allowing it to focus on the provision of affordable credit to the agriculture sector where most poor Filipinos belong. It further amends Republic Act No. 3844 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 truly 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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*Be it enacted by the Senate and House of Representatives of the Philippines in Congress
assembled:*

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

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

"x x x;

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

"x x x."

Sec. 2. *Validity of Existing Contracts, Agreements and Obligations.* – Nothing in this
Act, shall affect the validity or legality of any right, duty, or obligation created by or in
respect of the Bank by virtue of its loan operations as a commercial bank prior to this Act.
Any receivables pertaining to loans granted prior to this Act, which might be affected by
this Act, shall be valid and enforceable upon the terms and conditions under which the
loans were made, including the pledge of collateral against which they were issued, and

1 all loans made and security or collateral therefore held by the bank shall remain
2 enforceable according to the terms unless they may be lawfully terminated in accordance
3 with this Act, nor shall this Act supersede the operation of any law protecting or preserving
4 vested contractual rights or be construed to change the terms of any legal contract
5 between the bank and any third party or to impose any new conditions thereon, or to
6 dispense with any condition expressed or authorized in any such contract entered into and
7 taking effect prior to this Act.

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

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

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

18 *Sec. 6. Repealing Clause.* – All laws, executive orders, presidential decrees,
19 issuances, rules and regulations or parts thereof contrary to or inconsistent with the
20 provisions of this Act are hereby repealed or modified accordingly.

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

Approved.