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\(^1\). 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\(^2\). This leaves only 21.62% of the
bank’s gross loan portfolio to support small farmers and fisherfolk and to bolster agribusiness,

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1 Landbank of the Philippines (2019). LANDBANK regular loans up 33% to P799.2B in 2018, records highest growth in 10 years. Accessed from
aqua-business and agriculture-related projects of private enterprises, local government units (LGUs) and GOCCs.

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.

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

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

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

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

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are hereby repealed or modified accordingly.

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

Approved,